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)

Drives us Forward into the Greater Future

ANNUAL REPORT 2022

* For identification purposes only

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Tsui Matthew Mo Kan

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

AUDIT COMMITTEE

Mr. Tsui Matthew Mo Kan *(Chairman)*
Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong

REMUNERATION COMMITTEE

Mr. Hui Pui Wai Kimber *(Chairman)*
Mr. Liu Chaodong
Mr. Ma Xuemian
Mr. Tsui Matthew Mo Kan

NOMINATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. Ma Xuemian
Mr. Tsui Matthew Mo Kan

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Mr. Tsui Matthew Mo Kan

AUTHORISED REPRESENTATIVES

Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

REGISTERED OFFICE IN BERMUDA

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Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

LEGAL ADVISER ON BERMUDA LAW

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8 Connaught Place,
Hong Kong

LEGAL ADVISER ON HONG KONG LAW

Simon Ho & Co. Solicitors
Room 1502, 15th Floor,
Hong Kong Trade Centre,
161-167 Des Voeux Road Central,
Hong Kong

AUDITOR

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Kowloon, Hong Kong

PROPERTY VALUER

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No. 427-429, Hennessy Road,
Wan Chai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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Hamilton HM 11,
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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16 Harcourt Road,
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

https://www.gfghl.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Grand Field Group Holdings Limited (the "Company"), I am pleased to present to the annual report of the Company (the "Annual Report") on the activities for the year ended 31 December, 2022.

During the year of 2022, due to the breakout of Covid-19 in Mainland causing the lowering of the investment desire in the community as a whole. In 2022, a number of real properties companies have been in debt default causing damages to the confidence of the market and great loss of interest of people in purchase of real properties. Apart from that, some small/medium enterprises closed down due to the difficulties in business as a result of the Epidemic prevention and control. The vacancy rate of the rental properties of the Group has gone up. Fortunately, the development policies of the Group are comparatively conservative and the debt ratio of Group was relatively low. At this stage, the financial situation of the Group is stable and therefore, the Group has not been affected seriously. Currently, the serviced apartments office towers have been put for sale. The shopping centre and offices have been in operation. The re-action of the market is positive.

Due to the instability of the global economy, the Group is looking forward with cautious optimism to optimize the costs and lower the debt ratio in order to strengthen the cash floats and to improve the financial target in the balance sheet of the Group.

I would like to thank our directors and staff for their continuous efforts, integrity and discharge of their duties professionally and also our shareholders and customers for their continuous support.

Ma Xuemian
Chairman

Hong Kong, 30 March 2023

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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
	HK$'000	HK$'000
Investment properties and properties for sale under development	**91,715**	99,552

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.

Management Discussion and Analysis

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.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 15 to the consolidated financial statements.

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.

Profile of Directors

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 58, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. Mr. Ma is also a member of the remuneration committee of the Company (the "Remuneration Committee"), a member of the nomination committee of the Company (the "Nomination Committee") and the chairman of environmental, social and governance committee of the Company (the "ESG Committee"). Mr. Ma has joined the Group since 1999 and has been responsible for the Group's property sales and management in the PRC since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, Mr. Ma worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, Mr. Ma has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, Mr. Ma served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, Mr. Ma is the general manager of the Group's operation in Dongguan, the PRC. Mr. Ma is also a director, legal representative, general manager and chairman of several subsidiaries and associates of the Company. The letter of appointment of Mr. Ma, the Chairman and executive Director, entered into a term of three years commencing on 1 April 2022. Mr. Ma is entitled to a Director's fee of HK$60,000 per month as at the date of this Annual Report.

Profile of Directors

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 47, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. Mr. Kwok had previously worked for Deutsche Bank (New York) where Mr. Kwok was a senior systems analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). Mr. Kwok had also worked in Crushpad Winery in San Francisco. Recently, Mr. Kwok has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. Mr. Kwok was also appointed as a director and legal representative of several subsidiaries of the Company. Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the uncle of Mr. Tsang Yee, the general manager of the Company, and Ms. Tsang Tsz Nok Aleen. Each of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen holds 50% shareholding in Rhenfield Development Corp., the substantial shareholder of the Company. Mr. Kwok is also the brother of Ms. Kwok Siu Wa Alison, an executive Director. The letter of appointment of Mr. Kwok, the executive Director, entered into a term of three years commencing on 1 April 2022. Mr. Kwok is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

Profile of Directors

Ms. Chow Kwai Wa Charmaine (Former Name: Chow Kwai Wa Anne) ("Ms. Chow"), aged 57, holds a bachelor's degree in Business Administration from Shepherd University, USA. Ms. Chow was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global Holdings Limited. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Group in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow was the general manager of the sales and administration department of the Group, and is currently responsible for the operation management of the Company. Ms. Chow is also the director of several subsidiaries of the Company. The letter of appointment of Ms. Chow, the executive Director, entered into a term of three years commencing on 1 April 2022. Ms. Chow is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

Ms. Kwok Siu Wa Alison ("Ms. Kwok"), aged 48, was appointed as an executive Director on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. Ms. Kwok has more than 10 years of experience in accounting and administrative management. Ms. Kwok was the vice president (business development) and the vice president (finance) of the Group. Ms. Kwok is also a director of several subsidiaries and associates of the Company.

Ms. Kwok is the aunt of Mr. Tsang Yee, the general manager of the Company, and Ms. Tsang Tsz Nok Aleen. Each of Mr. Tsang Yee and Ms. Tsang Tsz Nok Aleen holds 50% shareholding in Rhenfield Development Corp., the substantial shareholder of the Company. Ms. Kwok is also the sister of Mr. Kwok Siu Bun, an executive Director. The letter of appointment of Ms. Kwok, the executive Director, entered into a term of three years commencing on 1 April 2022. Ms. Kwok is entitled to a Director's fee of HK$41,800 per month as at the date of this Annual Report.

Profile of Directors

Independent Non-executive Directors

Mr. Hui Pui Wai Kimber ("Mr. Hui"), aged 52, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the audit committee of the Company (the "Audit Committee") and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. Mr. Hui has over 20 years' experience in the marketing industry. Mr. Hui was the independent non-executive Director from 1999 to 2008. The letter of appointment of Mr. Hui, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2023. Mr. Hui is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

Mr. Liu Chaodong ("Mr. Liu"), aged 54, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and ESG Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, Mr. Liu graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 and the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP) from 1998 to 2019. Mr. Liu is currently the partner of Mazars CPA Limited (LLP). Mr. Liu was an independent non-executive director of Wuzhou International Holdings Limited (former stock code: 1369), the shares of which were listed on the Main Board of the Stock Exchange and were delisted on 8 December 2020, from 7 August 2018 to 7 December 2020. The letter of appointment of Mr. Liu, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2023. Mr. Liu is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

Profile of Directors

Mr. Tsui Matthew Mo Kan ("Mr. Tsui"), aged 40, was appointed as an independent non-executive Director on 23 July 2021, and is also a member of the Remuneration Committee, Nomination Committee and ESG Committee and the chairman of the Audit Committee. Mr. Tsui has been appointed as one of the joint company secretaries of Jiumaojiu International Holdings Limited (stock code: 9922), a company whose shares are listed on the Stock Exchange, since 15 January 2020. He is a member of the CPA Australia and Hong Kong Institute of Certified Public Accountants. Mr. Tsui has been a corporate consultant of Richdale Consultants Limited, a consultancy company that provides corporate advisory services to both private and listed company clients, including financial reporting matters, compliance with various rules and regulations, fund raising and corporate development planning, from October 2018. He was the company secretary and financial controller of Poly Property Management Group (Hong Kong) Limited, a company providing property management services in the PRC, from September 2017 to September 2018. He obtained a degree of bachelor of commerce from the Macquarie University in Australia in 2003. The letter of appointment of Mr. Tsui, the independent non-executive Director, has been renewed for a further term of one year commencing on 1 April 2023. Mr. Tsui is entitled to a Director's fee of HK$10,000 per month as at the date of this Annual Report.

Senior Management

Mr. Tsang Yee ("Mr. Tsang"), aged 31, was appointed as the general manager of the Company on 1 October 2018. Mr. Tsang holds a Bachelor of Chemistry from University of California, Los Angeles and a Master's degree in Real Estate from The University of Hong Kong, a member of the Royal Institution of Chartered Surveyors (MRICS). Mr. Tsang joined the Group in 2015 and is responsible for real estate development, land administration application, real estate investment, public relation and investor relation of the Group. Prior joining the Group, Mr. Tsang worked in Sun Hung Kai Properties and CBRE. In addition, Mr. Tsang founded 708090 co-working space in Shenzhen and received numerous awards from the local government, with the great contributions to Shenzhen. Mr. Tsang is rewarded as the Remarkable Young Entrepreneur of the Year in Shenzhen in 2018.

Corporate Governance Report

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.

Corporate Governance Report

BOARD OF DIRECTORS

The members of the Board for the Year were:

Executive Directors
Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

Independent Non-executive Directors
Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Tsui Matthew Mo Kan

As at the date of this Annual Report, the Board comprises a total of seven Directors, of whom four are executive Directors and three are independent non-executive Directors, and at least one of the independent non-executive Directors has appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the Year, the management provided all members of the Board with monthly updates in accordance with the code provision D.1.2 of the CG Code.

Corporate Governance Report

During the Year, 7 Board meetings and 2 general meetings were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meeting(s) entitled to attend	Attendance/ Number of Board Meeting(s) entitled to attend
Executive Directors:		
Mr. Ma Xuemian *(Chairman)*	2/2	7/7
Mr. Kwok Siu Bun	2/2	7/7
Ms. Chow Kwai Wa Charmaine	2/2	7/7
Ms. Kwok Siu Wa Alison	2/2	7/7
Independent non-executive Directors:		
Mr. Hui Pui Wai Kimber	2/2	7/7
Mr. Liu Chaodong	2/2	7/7
Mr. Tsui Matthew Mo Kan	2/2	7/7

Minutes of the meetings of Board/committee would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on the Directors' training. During the Year, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Ma Xuemian *(Chairman)*	a, b
Mr. Kwok Siu Bun	a, b
Ms. Chow Kwai Wa Charmaine	a, b
Ms. Kwok Siu Wa Alison	a, b
Independent non-executive Directors:	
Mr. Hui Pui Wai Kimber	a, b
Mr. Liu Chaodong	a, b
Mr. Tsui Matthew Mo Kan	a, b, c

Note:

(a) corporate governance

(b) regulatory

(c) finance

Corporate Governance Report

CHAIRMAN AND THE CHIEF EXECUTIVE

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

During the Year, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. 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. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan, have entered into an appointment letter with the Company for a term from 1 April 2023 to 31 March 2024.

According to the code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The Company complied the code provision C.2.7 of the CG Code that the Chairman met the independent non-executive Directors without the present of the other Directors.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 26 September 2005 with the latest written terms of reference adopted on 29 December 2022 in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee is available on the Stock Exchange's and the Company's websites.

As at 31 December 2022, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his/her associates is involved in deciding his/her own remuneration.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the Year to review the remuneration of the Directors and senior management. The attendance record of the Remuneration Committee meeting is as follows:

Members	Attendance
REMUNERATION COMMITTEE	
Mr. Hui Pui Wai Kimber *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1
Mr. Tsui Matthew Mo Kan	1/1

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group for the Year falls within the following band:

	Number of individual(s)
Nil to HK$1,000,000	1

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were updated on 1 January 2019 and are available on the Stock Exchange's and the Company's websites.

As at 31 December 2022, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tsui Matthew Mo Kan (chairman of the Audit Committee), Mr. Hui Pui Wai Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, the internal audit function, internal control and risk management systems of the Group with particular regard to their effectiveness; to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors.

During the Year, the Audit Committee had performed the following works:

1. Financial Reporting

- reviewed the audited consolidated financial statements for the year ended 31 December 2021 in conjunction with the external auditor and the unaudited financial statements for the six months ended 30 June 2022;

- reviewed the accounting principles and practices adopted by the Group with the management of the Group;

- reviewed the auditing and financial reporting matters, including the key audit matters of the consolidated financial statements for the year ended 31 December 2021 which are set out in the annual report of the Company for the year ended 31 December 2021;

2. External Auditor

- discussed auditing and financial reporting matters including the review of the audited consolidated financial statements for the Year, with external auditor of the Company. There were no disagreements from the external auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company;

- reviewed the re-appointment of external auditor of the Company and was satisfied with their work, their independence, and their objectivity, and therefore recommended the re-appointment of ZHONGHUI ANDA CPA Limited (which had indicated their willingness to continue in office) as the Group's external auditor for shareholders' approval in the 2022 annual general meeting;

3. Internal Audit

- reviewed the effectiveness of the internal audit function performed by independent professional adviser;

4. Risk Management and Internal Controls

- reviewed the Enterprise Level Risk Assessment Report prepared by independent professional adviser;

- reviewed the Internal Control Review Report prepared by independent professional adviser; and

- reviewed the effectiveness of risk management and internal control systems with the independent professional adviser.

The Audit Committee held two meetings during the Year. The attendance records of the Audit Committee meetings are as follow:

Members	Attendance
AUDIT COMMITTEE	
Mr. Tsui Matthew Mo Kan *(Chairman)*	2/2
Mr. Hui Pui Wai Kimber	2/2
Mr. Liu Chaodong	2/2

Corporate Governance Report

Each member of the Audit Committee has unrestricted access to the auditor and all senior management of the Group. During the Year, the Audit Committee had met twice with the external auditor of the Company.

The Audit Committee has reviewed and approved the annual results of the Group for the Year prior to approval by the Board.

NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Notwithstanding the above, in the High Court judgment (the "Judgment") handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

DIRECTOR'S NOMINATION POLICY

The latest version of director's nomination policy of the Company was adopted by the Board on 1 January 2022 and the Nomination Committee is responsible for execution.

Director Nomination Process

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and headhunters. The Nomination Committee may also put forward director candidates who are not nominated by Board members. In addition, the Nomination Committee will consider director candidates properly submitted by Shareholders through formal procedures set out in the Company's Procedures for Shareholders to Propose a Person for Election as a Director.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing director candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director's qualifications. While director candidates will be evaluated on the same criteria, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, and experiences of the collective Board rather than on the individual candidate.

The Board shall have the final decision on all matters relating to the recommendation of director candidates by the Nomination Committee to stand for election at any general meeting. The Board will take such recommendations under advisement and is responsible for designating the director candidates to be elected at the annual general meeting of the Company and electing directors to fill Board vacancies.

Procedure for Appointment of New Director

Director candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the director candidate, evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship.

If the process yields one or more desirable director candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each director candidate (where applicable).

For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to Shareholders in respect of the proposed election of Director at the general meeting (where applicable).

A director candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

Corporate Governance Report

Procedure for Re-appointment of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors including their attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

The Nomination Committee shall also review and determine whether the retiring Directors continue to meet the criteria as set out below.

The Nomination Committee and/or the Board shall then make recommendation to the Shareholders in respect of the proposed re-election of Directors at the general meeting.

Director Selection Criteria

The Nomination Committee considers the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director:

(a) the highest personal and professional ethics and integrity;

(b) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

(c) qualifications including professional qualifications, skills, knowledge and experience that are complementary to those of the existing Board;

(d) the ability to assist and support management and make significant contributions to the Company's success;

(e) the contribution on diversity of the Board and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(f) an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(g) meet the "independence" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules from time to time (where applicable).

Other than the foregoing, there are no stated minimum criteria for director candidate, although the Nomination Committee may also consider such other factors as it may deem to be in the best interests of the Company and the Shareholders.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange's and the Company's websites.

As at 31 December 2022, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Mr. Tsui Matthew Mo Kan.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

Board Diversity Policy

The latest version of the board diversity policy was adopted by the Board and became effective on 1 January 2022 (the "Board Diversity Policy") and the Nomination Committee is responsible for execution.

The Company recognises and believes the benefits of a diverse Board for enhancing the performance of the Board, which promote the long-term sound development of the Group. The Company believes board diversity is an important element for maintaining robust corporate governance, achieving sustainable development and realising strategic goals.

The Board believes that board diversity enhances decision-making capacity and a diverse board is more effective in dealing with organizational changes and less likely to suffer from group thinking. The appointment of Directors is one of the most important rights of Shareholders, and the Board Diversity Policy will not restrict such right. Appointments based on meritocracy and serving the Board and Shareholders remain as the primary principles.

Corporate Governance Report

The goal of the Board Diversity Policy is for the Company to have a board supported by shareholders, so that:

(a) a broad range of views arising from members with different experiences when discussing business;

(b) facilitating the making of informed and critical decisions; and

(c) sustainable development as its core value,

therefore, the interests of all our stakeholders are safeguarded in a fair and effective manner, particularly the long-term interests of our Shareholders.

In order to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic goals and sustainable development. The Board should recruit different talents to the maximum extent based on meritocracy and taking into account objective condition and the benefits of Board diversity when considering the candidates.

In designing the composition of the Board, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Independence

A balanced composition of executive, non-executive and independent non-executive Directors on the Board should be maintained to ensure a high degree of independence of the Board. The independent non-executive Directors shall be of sufficient caliber and views to carry weight.

The Board is committed to assessing the independence of Directors on an ongoing basis, taking into account all relevant factors concerned and not just limited to whether the length of service of a Director exceeds nine years.

The Company is committed to ensuring that independent non-executive Directors will be given opportunities and channels to communicate and express their independent views and inputs to the Board and its committees. The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require. These channels include periodic Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom.

Gender

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business operations and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, race, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board.

The Company is in favor of the Board with gender diversity and is committed to maintaining gender diversity in the Board. The Company strives to avoid Board members with a single gender. If the Board members are in single gender temporarily due to factors such as the resignation of Directors, the Nomination Committee will take the gender diversity as a priority when it is identifying new Directors, in order to retore the Board diversity as soon as possible. The Company requires the Board to include at least one member of other gender to join the Board, and to review annually for complying with the relevant requirements, or the requirements of the Listing Rules/any applicable laws and regulations on gender diversity.

Age

The Board comprises of Directors with a range of ages and tenure, which may maintain member diversity and minimize succession risks. In this regard, a non-executive Director (other than the Chairman) will not be offered himself/herself for re-election when he/she has reached the age of 65 at the time of the annual general meeting at which he/she would retire by rotation. This guideline apply to all non-executive Directors (including non-executive Directors and independent non-executive Directors) except the Chairman. The Board considers that a Director to possess certain skills, experience or capabilities that cannot be readily replaced, the Board may waive or relax to implement of the relevant guideline at an appropriate time, and reasons for the Board's considerations for waiver or relaxation of the applicable guidance will set out in the notice of the annual general meeting for the resolution on re-election of such Director.

Corporate Governance Report

Skills and professional experience

The Board members should possess a balance of skills appropriate for the requirements of the business of the Group, including the independent non-executive Directors possessing professional accounting and other qualifications, who can provide the Group with considerable experience in a range of activities.

Cultural and educational background

The Board should accept members with different cultural and educational backgrounds. The Company believes that people from different cultural and educational backgrounds can bring benefits such as different perspectives, local wisdom, and development potential to the Group. Due to the limited number of members of the Board, it may be difficult to require members from all different cultural and educational backgrounds. However, when selecting board members, whether they can adapt to work with employees with different cultural and educational backgrounds is one of the important considerations.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. The Company should comply with the requirements on board composition under the Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

5. There shall be at least one male and one female Board member each, subject to any more stringent requirements under the Listing Rules/any applicable laws and regulations, if any.

The Company shall assess annually its diversity profile including gender balance of the Board, senior management and their direct reports, and its progress in achieving its diversity objectives. The assessment should ensure that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Company shall implement a succession plan that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, in time, their skills will prepare them for senior management and board positions.

The Board has reviewed the Board Diversity Policy and its effectiveness for the Year. The Board has achieved the measurable objectives under the Board Diversity Policy for the Year.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee held one meeting during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the Nomination Committee meeting is as follows:

Members	Attendance
NOMINATION COMMITTEE	
Mr. Liu Chaodong *(Chairman)*	1/1
Mr. Ma Xuemian	1/1
Mr. Tsui Matthew Mo Kan	1/1

PROGRESS ON AND STATUS OF GENDER DIVERSITY

As at the date of this Annual Report, the Board comprises five male Directors and two female Directors. The Nomination Committee considered that the Board had achieved gender diversity and possessed skill and expertise and a diverse mix appropriate for the business of the Company and will review the composition and diversity of the Board annually to ensure its continued effectiveness.

Measures to develop a pipeline of potential successors to achieve gender diversity:

- The Board will identify potential successors internally, having regard to the industry expertise, leadership skills, decision making capabilities, communication skills and professional qualification of the staff.

- The Board will also consider outside sources such as head hunter and referral.

The details of workforce composition were disclosed under Environmental, Social and Governance Report in this Annual Report.

Corporate Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The corporate governance committee of the Company was established on 28 March 2012 and renamed as the ESG Committee on 17 September 2021 with the latest written terms of reference adopted on 17 September 2021 in compliance with the requirement stipulated in the CG Code.

As at 31 December 2021, the ESG Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the ESG Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan.

The principal responsibilities of the ESG Committee include overseeing the development of and making recommendations to the Board regarding environmental, social and governance (the "ESG") vision, goals and strategies of the Group; overseeing the establishment of ESG policies and codes of practice of the Company and their effective implementation, and monitoring and reviewing their ongoing relevance, effectiveness, and further development; assessing ESG risks, advising on those of strategic significance to the Company and providing anticipatory and mitigation plans; reviewing material interests of the Group's key stakeholders and reporting their point of views on material issues to the Company in order to secure correct long term strategic direction; reviewing and reporting the Group's sustainability performance relative to comparable peers/historical records or other benchmarked to the Board; reviewing and advising the Board on the environmental social and governance report of the Company regarding its performance on sustainability and compliance to the requirements as set out in the Environmental, Social and Governance Reporting Guide (Appendix 27 to the Listing Rules), approving the Environmental Social and Governance Report before submitting it to the Board for final endorsement; developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The ESG Committee held one meeting during the Year to review policies and practices of the Group relating to the CG Code. The attendance record of the ESG Committee meeting is as follows:

Members	Attendance
ESG COMMITTEE	
Mr. Ma Xuemian *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Mr. Tsui Matthew Mo Kan	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the interests of the Company and the Shareholders as a whole. However, the Group's risk management and internal control systems were formulated to manage instead of eliminating all the risk exposure of the Group, it can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Group established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

Risk Management Structure

Board of Directors

The Board plays an important role in the Group's risk management and internal control systems. The Board is responsible for establishing the ERM framework and risk management policies, which aims at assessing and evaluating the Group's business strategies and defining risk tolerance. The Board, with assistance from the Audit Committee, continuously monitors and reviews the effectiveness of the risk management and internal control systems at least once a year.

Audit Committee

The Audit Committee stands at the highest level of the risk management and internal control systems below the Board, responsible for providing suggestion and support in respect of all risk matters to the Board, including monitoring the implementation of the risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plans and results.

Corporate Governance Report

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee assists Audit Committee in discharge of its oversight responsibility over the risk management and internal control systems of the Group. It is accountable to the Audit Committee on all the matters relating to risk management and internal control. Its duties include developing risk management and internal control policies for Audit Committee's review; assisting Audit Committee to review the effectiveness of the Group's risk management and internal control systems regularly; reporting to the Audit Committee the identified risks; evaluating risks and internal control measure to mitigate the risks; reporting to the Audit Committee the significant internal control deficiencies; and providing guidance to the management in setting risk management and internal control objectives and formulating internal control policies and procedures.

Management

The management of the Group (the "Management") is responsible for identifying and continuously monitoring the strategy, operation and finance, reporting and compliance risks in daily operation, and reporting the risks and their changes to the Board and the Audit Committee. The Management also formulates various internal control measures to mitigate the risks and rectify internal control deficiencies they identified in a timely manner.

The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

(v) comply with all applicable laws and regulatory requirements.

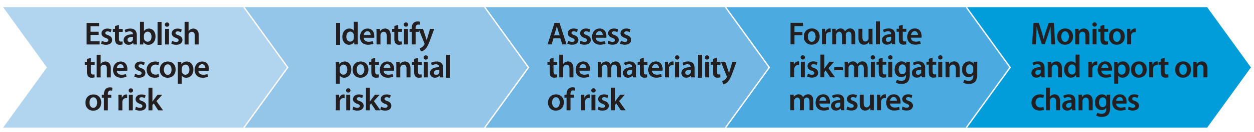
Corporate Governance Report

Third-party Professional Internal Control Advisor

To ensure the independence of internal control review, the Group has outsourced the internal audit function to an independent internal control advisor (the "Internal Control Advisor"). The scope of work includes reviewing the Group's risk management procedures and the effectiveness of the Group's internal control system. The Internal Control Advisor formulates the internal control review plan based on risk assessment and approval from the Audit Committee, and will report the review result to the Audit Committee directly.

Risk Management Process

The ERM framework defines the Group's procedures of identifying, assessing, responding and monitoring the risk and their changes. The Group regularly discuss with each operating functions in order to promote risk management to each department, such that all staff could understand and report risks timely, thus strengthening the Group's capability of risk management.



In the course of risk identification, the management liaises with each operating function to collect significant risk factors, which are material to the Group in various aspects such as strategy, operation and finance, reporting and compliance in a bottom up approach. After identifying all relevant risks for the basis of risk assessment, the management determines the materiality of risk based on its potential impact and possibility, formulates internal control measures for each material risk, and continuously monitors and reports on changes of the risk.

Main Features of the Risk Management and Internal Control Systems

Maintaining an effective internal control system (management level)

- Clear internal control policies and procedures are in place, with definite the responsibility, authority and accountability for each department and function;

- Code of conduct for employees has been established to convey to the employees the Group's requirement on integrity and ethic;

- A whistle-blowing system is available to encourage employees to report suspected events of misconduct or fraud;

- Appropriate access to the information system has been assigned to avoid leaking price-sensitive information; and

Corporate Governance Report

- Establish insider information disclosure policy, including reporting channel and responsible person of disclosure, unified response to external enquiries and obtain advice from professional financial advisors or the Stock Exchange, if necessary.

During the Year, the Board reviewed the effectiveness of its internal control policies and processes, including those for financial reporting and in compliance with the requirements of the Listing Rules. During the evaluation of the effectiveness of risk management and internal control systems, the Board considered the adequacy of resources, staff qualifications and experience, training programmes for employees and relevant budget of its accounting, internal audit and financial reporting functions.

Ongoing monitor of risks (risk management level)

Based on the ERM framework and risk management policies set up by the Board, the management liaises with each operating function to collect significant risk factors which is material to the Group in a bottom-up approach and continues to monitor the change in risks. The Group has put in place a risk register to record identified risks and evaluates the potential impact and possibility of each major risk on the Group to set up relevant internal control measures.

During the current financial year, the management has conducted evaluation on the risk management structure and processes and reported on risk assessment results to the Board and the Audit Committee. It enabled the Board and the Audit Committee to monitor the major risks of the Group effectively and understand how the management respond to and mitigate those risks.

Independent review

The Group has appointed the Internal Control Advisor to conduct an internal control review[1] for the Year, the scope has covered the period from 1 January 2022 to 31 December 2022. An internal control review report has been provided to Audit Committee.

The Management has established remediation and improvement plan for internal control weakness identified. The Internal Control Advisor has also reported the outcome of the internal control review to the Audit Committee. Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

1. The internal control review performed by the Internal Control Adviser does not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the Year, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

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 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.

For the purpose of assessing going concern, the Directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the "Cash Flow Forecast") with plans and measures to mitigate the liquidity pressure and to improve its financial position, including bank loans raised or to be raised by the Group subsequent to 31 December 2022 and accelerating the pre-sales of its major property development projects during the period of the Cash Flow Forecast. Based on the Cash Flow Forecast assuming the plans and measures can be successfully implemented as scheduled, the Directors are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Corporate Governance Report

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the Year.

EXTERNAL AUDITOR

The consolidated financial statements of the Group for the Year were audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI").

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's consolidated financial statements and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company does not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The auditor's remuneration for the provision of annual audit services was HK735,000 for the Year (2021: HK$725,000), and the auditor's remuneration for the provision of non-audit service, which was review of the interim financial information, was HK$135,000 for the Year (2021: HK$130,000).

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquiries from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principal place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;

2. By telephone at telephone number (852) 2380 1330;

3. By fax at fax number (852) 2380 1996; or

4. By email at info@gfghl.com.

Corporate Governance Report

The Company uses a number of formal communication channels to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the annual general meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

Corporate Governance Report

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

SHAREHOLDERS' COMMUNICATION POLICY

The latest version of the shareholders' communication policy was adopted by the Board and became effective on 1 January 2022 (the "Shareholders' Communication Policy").

The Company aims to promoting and facilitating the effective communication with its Shareholders and to ensure the Company provides timely, clear, reliable and material information for its Shareholder in exercising their rights in an informed manner through its Shareholders' Communication Policy.

The Board shall be responsible for maintaining an on-going dialogue with the Shareholders.

A dedicated section is available on the Company's website (http://www.irasia.com/listco/hk/grandfield/), and the corporate communication is published on the websites of the Company and the Stock Exchange.

Shareholders Meetings (general meeting, including annual general meeting)

The Board should encourage active participation of the Shareholders at general meetings. The chairman of the Board should attend the annual general meeting. The chairman of the Board should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, the chairperson should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent Shareholders' approval.

Corporate Governance Report

Corporate Communication

A. Notice

The Company shall arrange for the notice to the Shareholders to be sent in the case for annual general meeting at least 21 days before the meeting and to be sent at least 14 days in the case for all other general meetings. Any notice to be given by the Company shall be in writing. The Company shall send notices to all Shareholders whether or not their registered address is in Hong Kong. The Company shall ensure that notice of the general meetings is published on the websites of the Company and the Stock Exchange.

B. Circular

The Company shall despatch a circular to its Shareholders at the same time as (or before) the Company gives notice of the general meeting to approve the transaction referred to in the circular. The Company shall provide its Shareholders with any material information on the subject matter to be considered at a general meeting that comes to the Directors' attention after the circular is issued. The Company must provide the information either in a supplementary circular or by way of an announcement not less than 10 business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this 10 business day requirement by the chairman or, if that is not permitted by the Company's constitutional documents, by resolution to that effect.

C. Annual Report and Interim Report

The Company shall send to all Shareholders a copy of its annual report (including the annual accounts, the Group's accounts, together with the auditors' report thereon) or a summary of the financial report, not less than 21 days before the date of the annual general meeting and in any event not more than four months after the end of the financial year.

The Company shall prepare an interim report (or a summary of interim report) for the first six months of each accounting year and publish it within 3 months after the end of such six-month period. The Company may send an interim report or a summary of interim report to Shareholders.

D. Proxy form

Proxy form shall be sent to all persons entitled to vote at the meeting together with the notice of the meeting. This form shall provide an option to vote for or against all resolutions to be proposed at the meeting.

Corporate Governance Report

Shareholders' enquiries

Shareholders should direct any questions about their shareholdings to the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

The Company's Bye-Law

The Shareholders' Communication Policy shall not override the Company's Bye-Law. The Company's Bye-Law regulating the rights of Shareholders and the proceedings of the general meetings, so far as the same are applicable and not inconsistent with the provisions of these regulations shall apply.

Procedures for Election of Directors

If any person is proposed for re-election as a Director or for election as a new Director and such election or appointment shall be approved by the Shareholders at a general meeting (including but not limited to the annual general meeting), the Company is required to disclose the relevant information of such person in the notice convening such general meeting or in the accompanying circular to the Shareholders.

Review and Improvement

The Board shall review the Shareholders' Communication Policy annually (or as necessary) and its effectiveness. During the review process, the Company shall promote and improve communication with Shareholders through various additional communication channels and update the Shareholders' Communication Policy. The Company may assess the effectiveness of relevant efforts in terms of "quantity and quality of advices from shareholders".

The Board will also consider, as appropriate, one or more methods to improve communication with Shareholders in the futures, including but not limited to:

- appointing a senior investment relations officer with appropriate qualifications and access to the Board;
- conducting regular meetings with Shareholders;
- disclosing more information about the contributions or work of the independent non-executive Directors during the year in the annual report;

- disclosing quantitative indicators of interactions between independent non-executive Directors and independent Shareholders, such as the number of direct meetings with independent Shareholders;

- allowing Shareholders to communicate directly with the Company, if applicable;

- conducting an evaluation of the Board and disclosing a summary of such evaluation in the annual report and/or corporate governance report; or

- appointing an independent non-executive director as the lead or senior independent non-executive director to act as an advisor in the event of a conflict of interest or failure to act on the part of the Chairman and to act as an intermediary between other directors and Shareholders where communication through normal channels is inappropriate or inadequate.

Shareholder Privacy

The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, except as required by law.

The Board has reviewed the Shareholders' Communication Policy and its effectiveness for the Year. The Company has provided appropriate communication channel to the Shareholders in accordance with the Shareholders' Communication Policy and therefore the existing Shareholders' Communication Policy is appropriate to the Company.

INDEPENDENT VIEWS MECHANISM

The latest version of the independent views mechanism was adopted by the Board and became effective on 1 January 2022 (the "Mechanism") and the Nomination Committee is responsible for execution.

Corporate Governance Report

The Mechanism is designed to ensure the strong independence of the Board and its access to independent views and opinions.

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). In addition to complying with the requirements of the Listing Rules in respect of the composition of certain Board Committees, the Company also appoints independent non-executive Directors to other Board Committees as far as practicable to ensure independent views are available.

The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. Each of the independent non-executive Directors is also required to notify the Company as soon as possible of any change in his or her personal information that may materially affect his or her independence. The Nomination Committee is authorised to assess annually the independence of all the independent non-executive Directors in accordance with the independence criteria as set out in the Listing Rules, to ensure that they can continually exercise independent judgement.

No equity-based remuneration (such as share options or share grants) with performance-related elements has been granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

The Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient caliber and stature for their views to carry weight. The Board remains committed to assessing the independence of Directors on an ongoing basis with regard to all factors concerned and not just limited to where a Director's service exceeds nine years. The Company endeavors to ensure that independent non-executive Directors have the opportunity and channel to convey and express their independent opinions and views to the Board and relevant committees. The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require; these include periodic Board surveys and Board reviews, dedicated meeting sessions with the Chairman and interaction with management and other Board members including the Chairman outside the boardroom.

Independent non-executive Directors, same as other Directors, are entitled to seek further information and documents from the management on the matters to be discussed at Board meetings. They are also entitled to seek assistance from the company secretary of the Company and, where necessary, independent advice from professional advisors at the Company's expense.

Independent non-executive Directors (as other directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

The chairman of the Board should at least annually hold one meeting with the independent non-executive Directors without the presence of other Directors to discuss significant matters and any concerns.

For independent non-executive Directors serving more than nine years ("Long Serving INEDs"):

- Re-election of independent non-executive Directors serving for years should be approved by independent Shareholders;
- A new independent non-executive Director should be appointed if all independent non-executive Directors on Board are Long Serving INEDs;
- Disclosure on the length of tenure of the Long Serving INEDs on a named basis in the circulars to Shareholders;
- Additional disclosure on the factors considered, the process and the Board's discussion in arriving at the determination in the explanation on why such independent non-executive Director is still independent and should be re-elected; and
- Equity-based remuneration with performance related elements should not be granted to Long Serving INEDs.

The Board (or a delegated committee of the Board) shall review the implementation and effectiveness of the Mechanism annually.

The Board has reviewed the Mechanism and its effectiveness for the Year.

Corporate Governance Report

DIVIDEND POLICY

The dividend policy of the Company (the "Dividend Policy") was adopted by the Board and became effective on 1 January 2019.

The Dividend Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management with a sustainable dividend policy.

The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the Group's financial results;
- the Group's cashflow, liquidity and capital requirements;
- the Group's debt to equity ratios and the debt level;
- the retained earnings and distributable reserves of the Group;
- the Group's shareholders' interests;
- the Group's current and future business operations, conditions, cycle and strategies;
- the general market conditions;
- the Shareholders' and the investors' expectation and industry's norm;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- statutory and regulatory restrictions;
- past dividend record; and
- any other factors the Board may deem relevant.

Corporate Governance Report

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Companies Act of Bermuda and the Bye-laws. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company shall review and reassess the Dividend Policy and its effectiveness from time to time. Any revisions to the Dividend Policy shall be considered and approved by the Board.

COMPANY SECRETARY

The company secretary of the Company, Ms. Lam Yuen Ling Eva, is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa Charmaine, the executive Director.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 30 March 2023

Directors' Report

The Directors submit herewith this Annual Report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 23 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the Year.

The analysis of the principal activities and geographical locations of the operations of the Group during the Year are set out in note 23 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECT

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the Management Discussion and Analysis on page 4 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group and their changes are set out below:

Name of risk	Risk description	Internal control measures	Change
Market demand	Uncertain economic recovery prospects have led to a slowdown in demand, which may make it difficult for the Group to successfully recruit leases. Competition in the industry has intensified, and customers' budgets may also be tightened, and by selecting only properties with lower rental levels, the Group may not be able to lease properties at the price it wants.	1. Promote flexible leasing policies and aggressive and attractive tenant terms to increase the competitiveness and price-resilience of rental properties. 2. Provide short-term support to existing customers to relieve their financial pressure and strengthen long-term business partnerships. 3. Dedicated to promoting the market and looking for potential new customers.	Increasing

Name of risk	Risk description	Internal control measures	Change
Credit	If the Group fails to collect the rent according to the predetermined schedule, it may delay the collection time of the Group, which may increase the pressure on the Group's funds and increase the uncertainty of financial costs and funds.	1. Obtain deposit and advance rent payment from tenants. 2. Remind customers in advance to pay rent in time and collect accounts in time. 3. Pay attention to the relationship with customers. Through high-quality services and good customer relationships, customers are more willing to cooperate in paying management fees and service fees. 4. Reduce the exposure to credit risk through continuous credit rating of customers' financial situation.	Increasing
Liquidity	The real estate industry usually cannot liquidate assets quickly. If the market is in a downturn and the group needs funds, it may be difficult to quickly liquidate or sell assets at a reasonable price. The group may need to spend more time and possibly lower the selling price to make a sale, increasing the risk of not being able to fulfill payment obligations on time or needing to pay high interest and loans, thus increasing liquidity risk. If the group cannot obtain the required funds on reasonable terms, or fails to secure enough funds, it may affect the progress or profitability of the project.	1. Payment methods with greater flexibility being agreed with suppliers/contractors. 2. Add and diversify our sources of financing to obtain the best cost of funding. 3. Actively attract tenants to obtain positive cash flow from rental income/deposit.	No material change

Directors' Report

Name of risk	Risk description	Internal control measures	Change
Subcontracting	The Group relies on third party contractors and other subcontractors for the provision of quality services to support maintenance work and operation. Failure by contractors to proceed projects to their completion on time and on budget or other subcontractors to provide quality services may incur extra cost to the Group and also affect the customer's experience/confidence in the Group.	1. Conduct strict assessment and follow due tender procedures in selecting contractors and subcontractors. 2. Our project manager and legal staff would review the terms of a subcontracting agreement to ensure the duty and responsibility of each party therein are clearly defined and stated. 3. Evaluate and update performance by contractors and subcontractors on regular basis to ensure their service standards meet the Group's requirements.	No material change
Natural disasters	Mishandling by the Group in natural disasters (e.g. fire, electric shock, traffic accident etc.) or epidemic outbreaks may lead to substantial/numerous claims and liabilities against the Group and damage to our reputation, in addition to human casualties and direct losses on assets.	1. Put in place various contingency plans and strategies and with designated persons in charge to deal with specific risks, and conduct of regular disaster drills. 2. Periodic checks on equipment for emergency and regular inspections would be conducted so that any source of severe hazards could be identified as early as possible. 3. Maintain third party liability insurance to diversify our risk exposure and review the scope and amount insured regularly.	Decreasing

Name of risk	Risk description	Internal control measures	Change
Occupational health and Safety	Failure by the Group to put in place appropriate emergency equipment, formulate and oversee the implementation of various safety procedures that result in injuries of our employees in work may incur liability to the Group against any compensation, give adverse effect to our reputation and cause an outflow of talents.	1. Put in place various work safety procedures, strictly observe and implement precautionary measures for all duties and procedures that are hazardous in nature. Designated persons would be appointed to oversee the implementation of such measures. 2. Provide training on safety and raise the awareness of our employees (and on-site workers of contractors) on occupational safety. 3. Conduct regular inspection on safety equipment to ensure they are in good working conditions.	No material change
Relevant politics, policies and regulations on real estate	Changes of relevant politics, policies and regulations on real estate may affect market demand. In addition, in the event of noncompliance of the Group with relevant regulatory and governing requirements, such as those on environmental matters, licensing, etc., the Group may incur losses due to penalty, suspension or interruption of operation.	1. Actively monitor changes of laws and regulations associated with the business of the Group. 2. Consult legal staff or legal advisors to ensure the Group's compliance with policy, regulatory and governing requirements.	Decreasing

Directors' Report

Name of risk	Risk description	Internal control measures	Change
Business expansion	Mergers and acquisitions may be required when the Group carries out new projects or new businesses. Notwithstanding due diligence and detailed analysis will be conducted prior to such activities, there is no assurance that potential problems, contingent liabilities and pending disputes of target companies will be fully revealed.	1. Select to cooperate with a reputable company with simple and clear businesses. 2. The financial status of the project, the quality of the operation team and the actual situation on site will be carefully understood, investigated and evaluated. 3. Entrust professional third parties to conduct financial and legal due diligence.	No material change
Complaints, disputes or claims	A property developer may from time to time be involved in complaints, disputes or claims with construction contractors, owners or other persons affected by the Group. In addition, if the buyer considers that the products or services provided by the Company are not up to the agreed standards, the buyer may also take legal action against the Group. The Group may also from time to time be involved in disputes and claims relating to other parties, including subcontractors, suppliers, employees, etc.. If such complaints, disputes or claims are materialised, the Group may be required to make indemnification or compensation. The Group might also find it difficult to carry out new projects or sales due to the damage to its reputation and corporate image.	1. A service quality control procedure will be established, regular training will be provided for employees, and the management will closely monitor the service quality. 2. Customer complaint channels are in place and to closely communicate with contractors.	Increasing

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details for the environmental policies and performance of the Group during the Year are set out in the Environmental, Social and Governance Report on pages 65 to 91.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 15% (2021: approximately 7%) of the Group's turnover, before deducting sales return of properties, for the Year.

Revenue made to the Group's largest customer accounted for approximately 6% (2021: approximately 2%) of the Group's total turnover for the Year.

Purchases made from the five largest suppliers of the Group was approximately 100% (2021: approximately 57%) of the Group's total purchases and purchases from the Group's largest supplier accounted for approximately 36% (2021: approximately 31%) of the Group's total purchases for the Year.

At no time during the Year, the Directors, their close associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's total number of issued shares) had any interest in the five major suppliers and customers.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 97 to 181.

TRANSFER TO RESERVES

The loss attributable to the Shareholders of approximately HK$471,845,000 (2021: a loss of approximately HK$200,397,000) has been transferred to reserves. Other movements in reserve are set out in the consolidated financial statements on page 101.

Directors' Report

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves consisted of contributed surplus of approximately HK$140,281,000 (2021: approximately HK$140,281,000) and accumulated losses of approximately HK$173,498,000 (2021: approximately HK$168,036,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

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).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a loss of approximately HK$380,484,000 (2021: a loss of approximately HK$264,035,000). The deferred tax credit arising from the revaluation is approximately HK$95,121,000 in 2022 (2021: approximately HK$114,861,000). Details of the revaluation and movement are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 36 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "CAPITAL STRUCTURE" and "SHARE OPTION SCHEME" of this Annual Report, no equity-linked agreement was entered into by the Company during the Year.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The latest version of the remuneration policy was adopted by the Board and became effective on 1 January 2022 (the "Remuneration Policy") and the Remuneration Committee is responsible for execution.

Remuneration policy is intended to maintain an appropriate remuneration package approximated with that of the private sector in general while providing the Board and the chief executive officer with sufficient remuneration to attract, retain and motivate qualified talents, so as to safeguard the profits of the Group and the interests of shareholders.

The remuneration of the Board and the chief executive officer shall be determined by the Remuneration Committee on the basis of the remuneration principles set out in the applicable remuneration policy and subject to the approval of the Board. The remuneration principles and incentive plans adopted by the Company are intended to ensure that the Company remains competitive in the industry. Remuneration programs are designed to reflect the Company's business strategy and financial performance, to encourage contributions from individuals and team leaders for the enhancement of value of the Group, and reward them in a competitive and fair manner. Remuneration policies, practices and procedures are aimed to maintain our competitiveness and retain competent employees, talent and senior management in a competitive talent market. The Company's remuneration structure includes basic salary, welfare, and short-term and long-term incentive schemes. The remuneration principles for other personnel are set out in the Company's human resources policy. The Remuneration Policy mainly describes the principles for the remuneration of the Board, the chief executive officer and other personnel defined as key positions by the Board.

The Board approves the Remuneration Policy in according with the composition and recommendations of the Remuneration Committee. The Board shall carefully access the potential conflicts of interest of each member of the Board and/or the Remuneration Committee when developing and approving the Remuneration Policy. The Board shall take the necessary steps to ensure that no Director is involved in determining his/her own remuneration.

Directors' Report

The Board will review the Remuneration Policy annually for any necessary amendments. The review will be conducted in accordance with the consultative decisions of the annual general meeting and the comments and recommendations made on the decisions of the annual remuneration report. In addition, the Remuneration Committee or the Board may, in its sole discretion, proposes amendments to the Remuneration Policy if such amendments are required to comply with the Corporate Governance Code or the remuneration principles in force for the time being.

Directors' Remuneration

The annual general meeting, on the recommendation of the Remuneration Committee, determines the remuneration and other financial benefits of members of the Board and its committees annually. The remuneration of the Board must be always consistent with the Remuneration Policy in force for the time being. The Remuneration Committee shall ensure that its proposal is in compliance with the Company's guidelines for assessing and managing conflicts of interest and for accepting and enforcing the proposal.

Chief Executive Officer's Remuneration

The Board determines remuneration principles on the proposals of the Remuneration Committee and supervises the implementation of the compensation package of the chief executive officer. The remuneration of the chief executive officer shall be always consistent with the Remuneration Policy in force for the time being. The Board shall also decide, only so far as authorized by the general meeting, on the allocation of shares and the terms and conditions of share remuneration or share-based remuneration schemes. The Remuneration Committee shall ensure that its proposal is in compliance with the Company's guidelines for assessing and managing conflicts of interest and for accepting and enforcing the proposal.

Incentives to Grant Shares, Options, and Other Special Rights Related to Shares

The annual general meeting may decide on the use of shares of the Company for share incentive purposes and may authorize the Board to decide on the issue of shares and special rights of shares. The Board determines terms and conditions, including the criteria and initiation of the Company's long-term incentive plan and short-term incentive plan. The Board may delegate the above-mentioned decision-making authority to its committees. The Board shall, only so far as authorized by the general meeting, determine the allocation of shares and the terms and conditions of the share remuneration or share-based remuneration schemes.

The Board (or the Remuneration Committee) shall conduct an annual review of the implementation and effectiveness of the Remuneration Policy.

DIRECTORS

The Directors during the Year and up to the date of this Annual Report are:

Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa Charmaine
Ms. Kwok Siu Wa Alison

Independent non-executive Directors:

Mr. Hui Pui Wai Kimber
Mr. Liu Chaodong
Mr. Tsui Matthew Mo Kan

Pursuant to Bye-law 111(A) of the Bye-laws, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Mr. Hui Pui Wai Kimber will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this Annual Report still considers them independent.

Biographical details of the Directors are set out on pages 9 to 13 of this Annual Report.

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa Charmaine and Ms. Kwok Siu Wa Alison have entered into an appointment letter with the Company for a term of three years from 1 April 2022 to 31 March 2025. Each of the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Mr. Tsui Matthew Mo Kan, have entered into an appointment letter with the Company for a term from 1 April 2023 to 31 March 2024.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Report

SHARE OPTION SCHEME

Share options in the Company

The Company has conditionally adopted the Share Option Scheme on 21 June 2016 under which the eligible persons may be granted options to subscribe for the Company's shares. The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

Eligible persons under the Share Option Scheme include (collectively "Eligible Persons"):

(i) any director (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group (collectively "Employees");

(ii) any consultant or adviser (in the areas of legal, technical, financial or corporate managerial) of the Group or any invested entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group or any invested entity; any customer of the Group or any invested entity; or any holder of securities issued by any member of the Group or any invested entity (collectively "Business Associates"); and

(iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his or her duties; (4) the length of service or contribution of such person to the Group; and (5) such other factors as considered to be applicable by the Board).

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 21 June 2016 and remains in force until 20 June 2026. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 10 business days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% of the total number of issued shares of the Company as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the total number of issued shares of the Company as at the date of approval of the refreshment of the 10% limit.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of the issued shares of the Company from time to time and the maximum number of shares in respect of which options may be granted to each Eligible Person shall not exceed 1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant. The maximum number of shares in respect of which options may be granted to each substantial Shareholder or independent non-executive Director shall not exceed an aggregate value (based on the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of each grant) of HK$5 million and 0.1% of the total number of issued shares of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

Directors' Report

No options had been granted or agreed to be granted under the Share Option Scheme during the Year and up to the date of this Annual Report. The Company did not have any outstanding share options during the Year and up to the date of this Annual Report.

During the Year and up to the date of this Annual Report, the number of shares available for issue under the Share Option Scheme is 24,495,541 shares, representing approximately 10% of the total number of issued shares of the Company.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 21 June 2016.

Remarks:

1. Pursuant to Rule 17.03A of the Listing Rules, the participants of a scheme shall only comprise directors and employees of the issuer or any of its subsidiaries and the persons who provide services to the issuer group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the issuer group.

2. Pursuant to Rule 17.03F of the Listing Rules, the vesting period for options shall not be less than 12 months.

3. Pursuant to Rule 17.04(3) of the Listing Rules, where any grant of options or awards to an independent non-executive director or a substantial shareholder of the listed issuer, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of options or awards must be approved by shareholders of the listed issuer in general meeting in the manner set out in Rule 17.04(4). Pursuant to Rule 17.04(4) of the Listing Rules, the listed issuer must send a circular to the shareholders. The grantee, his/her associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting. The listed issuer must comply with the requirements under rules 13.40, 13.41 and 13.42.

DIRECTOR' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Capacity/Nature of interests	Number of ordinary share(s) held	Number of underlying shares held pursuant to share options	Total	Total interests as percentage of the total number of issued shares
Kwok Siu Bun	Beneficial Owner	150,000(L)	–	150,000(L)	0.06%
Chow Kwai Wa Charmaine	Beneficial Owner	195,000(L)	–	195,000(L)	0.08%
Kwok Siu Wa Alison	Beneficial Owner	300,000(L)	–	300,000(L)	0.12%

(L): Long position

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party at any time during the Year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2022, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the total number of issued shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity/ Nature of interests	Number of ordinary share(s) held	Number of underlying shares held	Total interests as percentage of the total number of issued shares
Rhenfield Development Corp. (Note 1)	Beneficial Owner	70,366,823	–	28.73%
Tsang Yee	Interest in Controlled Corporation (Note 1)	70,366,823	–	28.73%
Tsang Tsz Nok Aleen	Beneficial Owner	474,530	252,359,145 (Note 2)	103.22%
	Interest in Controlled Corporation (Note 1)	70,366,823	–	28.73%
Lui Kin Chung (Note 3)	Interest of spouse	70,841,353	252,359,145	131.94%
周偉康	Beneficial Owner	14,869,514	–	6.07%

Notes:

1. Rhenfield Development Corp. is owned as to 50% by Mr. Tsang Yee and 50% by Ms. Tsang Tsz Nok Aleen, who are deemed to be interested in 70,366,823 shares of the Company pursuant to the Part XV of the SFO.

2. Ms. Tsang Tsz Nok Aleen personally owns 252,833,675 shares, among which 252,359,145 shares are the underlying shares of the Company of the aggregate principal amount of convertible bonds of HK$95,896,475.43 issued by the Company at the conversion price of HK$0.38 per share on 31 October 2022. 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.

3. Mr. Lui Kin Chung is the spouse of Ms. Tsang Tsz Nok Aleen. Under the SFO, Mr. Lui Kin Chung is deemed to be interested in the same number of shares in which Ms. Tsang Tsz Nok Aleen is interested.

Directors' Report

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the issued Shares carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company, or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

As at 31 December 2022, none of the Directors has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this Annual Report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the Year.

Directors' Report

CONNECTED TRANSACTION

References are made to the announcement 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 the Old Convertible Bond to Ms. Tsang Tsz Nok Aleen, a substantial shareholder of the Company. 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 Ms. Tsang Tsz Nok Aleen 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 Subscription Agreement with Ms. Tsang Tsz Nok Aleen, pursuant to which the Company conditionally agreed to issue and Ms. Tsang Tsz Nok Aleen conditionally agreed to subscribe the New Convertible Bond in the principal amount of HK$95,896,475.43.

Ms. Tsang Tsz Nok Aleen is a substantial shareholder of the Company holding 70,841,353 shares, representing approximately 28.92% of the total number of issued share of the Company as at the date of this Annual Report. Accordingly, Ms. Tsang Tsz Nok Aleen is a connected person of the Company under the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company.

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 conversion shares will be allotted and issued to Ms. Tsang Tsz Nok Aleen.

All the conditions precedent to the Subscription Agreement have been fulfilled and completion took place on 31 October 2022. Accordingly, the New Convertible Bond in the principal amount of HK$95,896,475.43 was issued in accordance with the terms and conditions of the Subscription Agreement. 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.

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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 42 to the consolidated financial statements.

The related party transactions as disclosed in notes 42(a) to the consolidated financial statements constituted connected transaction under Chapter 14A of the Listing Rules and accordingly are subject to the reporting and announcement requirements but are exempt from independent Shareholders' approval requirement under the Listing Rules.

The related party transactions disclosed in notes 42(b) to 42(d) to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out in the Annual Report on page 182. This summary does not form part of the audited consolidated financial statements.

Directors' Report

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 31 to the consolidated financial statements.

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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

In the opinion of the Directors, the Group has complied with all the relevant laws and regulations in all material respects for the business operations of the Group during the Year except the deviation stated in the Corporate Governance Report on page 14.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals.

During the Year, there was no material and significant dispute between the Group and its employees, suppliers and/or customers.

AUDITOR

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer itself for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 30 March 2023

Environmental, Social and Governance Report

ABOUT GRAND FIELD GROUP

Grand Field Group Holdings Limited ("Grand Field" or the "Company") was established in Hong Kong in 1990 and has a history of over twenty years in property development. The Company and its subsidiaries (collectively, "the Group" or "We") operate through three major divisions: property development, property investment, and general trading. Our headquarters are in Hong Kong and Shenzhen, the People's Republic of China. Subsidiaries and major development projects are mainly located in Hong Kong, Shenzhen, Dongguan and Xuzhou.

ABOUT THIS REPORT

We are pleased to present our seventh Environmental, Social, and Governance ("ESG") Report (the "ESG Report"). This Report elaborates on our sustainability policies and performance during the period from 1 January 2022 to 31 December 2022 (the "Reporting Period"). Our business focuses include selling developed property projects ("Zongke Cloud Project") and leasing investment properties. The scope of this Report covers our sustainable development performance in our Hong Kong, Shenzhen, and Xuzhou offices, we use the available rentable property area (approximately 30,000 square meters) as the normalization factor for key performance indicator density.

ESG REPORTING COMPLIANCE

In preparing this report, we have followed the disclosure requirements set out in the Environmental, Social and Governance Reporting Guidelines (the "ESG Reporting Guidelines") in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMMUNICATING WITH STAKEHOLDERS

We have always been striving to build a harmonious and inclusive society and constantly seeking opportunities to grow together. As a responsible corporate citizen, we have always been open and honest, and actively communicating with stakeholders to formulate our sustainable development policy. We hope that the Report plays a constructive role in establishing the direction for our sustainable development and continuously assessing the effectiveness of our relevant efforts. To this end, we welcome opinions about the Report and the performance of our sustainable development. Please feel free to send your valuable opinions to info@gfghl.com.

GOVERNANCE STRUCTURE

We comprehensively manage environmental, social, and governance risks and continuously improve and optimize various environmental, social, and governance structures, policies, and performance through a robust governance structure.

Environmental, Social and Governance Report

Board of Directors

As the Group's highest authority, the Board of Directors is responsible for the overall strategic planning and decision-making of the company. The Board pays attention to sustainable development and ESG affairs to ensure that the Group fulfills its corporate social responsibility while complying with relevant laws and regulations. Board members have diverse professional backgrounds and rich industry experience, capable of effectively addressing various challenges and providing strong support for the Group's long-term stable development. The Board is responsible for formulating the Group's sustainable development vision, goals, and strategy, and addressing, identifying, and responding to potential ESG risks.

The Board regularly reviews the Group's progress in sustainable development and ESG aspects, ensuring that the Group fully considers environmental protection, employee welfare, and social responsibility while achieving economic benefits. In addition, the Board is also responsible for overseeing the preparation of the Group's ESG reporting and ensuring the accuracy, truthfulness, and completeness of the report's content. To effectively fulfill ESG responsibilities, the Board authorizes the Environmental, Social, and Governance Committee (the "ESG Committee") and the Environmental, Social, and Governance Working Group (the "ESG Working Group") to assist in carrying out related work. These teams will report their progress and results to the Board regularly, ensuring that the Board is always informed of the Group's latest developments in sustainable development.

ESG Committee

The duties and responsibilities of the ESG Committee include providing recommendations to the Board on matters such as the Group's sustainable development vision, goals, and strategic direction, as well as overseeing the formulation and effective implementation of the Group's ESG policies and code of conduct. The ESG Committee also assesses the Group's ESG (including climate change) risks annually and develops mitigation plans. During the preparation of the ESG Report, the ESG Committee reviews the Group's communication with major stakeholders and reports their views on various significant issues to the Board, ensuring the correct direction of long-term strategies. The ESG Committee is also responsible for reviewing and reporting the Group's key performance indicators and target achievements to the Board, reviewing and monitoring the Group's policies and practices in compliance with laws and regulations, and reviewing the Group's ESG Report, submitting it to the Board for final approval.

ESG Working Group

The ESG Working Group is composed of management personnel from various business entities and is actively involved in implementing the Group's sustainable development policies, work plans, and performance objectives management. The Working Group is also responsible for communicating with major stakeholders and reporting the results to the Environmental, Social, and Governance Committee, ensuring that we focus on issues relevant to stakeholders and the Group's business, as well as collecting information on various environmental, social, and governance key performance indicators.

APPLICATION OF REPORTING PRINCIPLES

The Group has prepared this report in accordance with the following three reporting principles.

Reporting Principles	Definitions	Applications
Materiality	The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.	Through our engagement with stakeholders and consideration of the nature and development of the Group's business, we have identified the key sustainability issues that should be reported on. These are set out in the Stakeholder Engagement and Materiality Analysis sections of this report.
Quantitative	KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	The Group has established a series of measurable environmental and social performance indicators based on our business objectives. We track progress through these indicators and ensure that policies and actions result in tangible improvements. In the "Sustainability Performance Summary" section, you will find our performance data and our key ESG goals in the section "Key Sustainability Goal".
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	When selecting key performance indicators, we ensure that data collection methods and calculation methods remain consistent. In addition, we regularly review data collection processes to improve the accuracy and reliability of the data. The data in the report covers the sustainable development performance of our Hong Kong, Shenzhen, and Xuzhou offices, so that stakeholders can gain a comprehensive understanding of our efforts in ESG aspects.

Environmental, Social and Governance Report

KEY SUSTAINABILITY GOAL

We have adjusted and updated our sustainable development goals based on the 2022 ESG risk assessment and categorized them according to our main ESG issues. Reducing carbon emissions remains our top priority, and we actively implement these goals through the efforts of various business departments and communication and collaboration with our partners. We continuously improve our performance in all aspects of ESG by introducing measures that benefit both the environment and society and by exploring various innovative technologies and solutions.

Environment

Key issues	Sustainable development goals	Annual progress
Greenhouse gas emissions	Maintain or reduce carbon emission intensity (Scope 1 and 2) compared to the 2021 baseline.	Carbon emission intensity (Scope 1 and 2) has decreased by about 7% compared to the baseline.
Climate change	Conduct climate risk assessment and develop corresponding strategies to address climate change.	We analyzed physical, chronic, and transitional risks to better plan for response preparation.
Energy efficiency	Maintain or reduce electricity intensity compared to the 2021 baseline.	Electricity intensity has decreased by about 10% compared to the baseline.
Waste management	• Maintain or reduce waste generation intensity compared to the 2021 baseline. • Implement recycling/circular economy programs.	• Waste generation intensity remains about the same as last year. • Currently preparing for recycling/circular economy programs, expected to launch next year.
Water management	Maintain or reduce water intensity compared to the 2021 baseline.	Water intensity has decreased by 65% compared to the baseline. This is due to increased office cleaning water usage in response to the COVID-19 pandemic in 2021. We will use this year's water usage as a baseline in future reports.

Social

Key issues	Sustainable development goals	Annual progress
Talent management	• Build a diverse team (considering skill sets, industry expertise and experience, backgrounds, ethnicity, age, and gender) • Comply with occupational safety and health regulations, prioritize safety training. Achieve zero fatalities and zero employee injuries • All new employees receive onboarding training	• Recruited talents from different backgrounds. • No occupational safety and health violations, zero fatalities and zero employee injuries this year. • Total training hours: 43 hours, all new employees received onboarding training.
Customers	Enhance support for customers	Provided pandemic support programs to tenants during the year, alleviating their operational pressures.

STAKEHOLDER ENGAGEMENT

The success of our ESG strategy depends on communication with our stakeholders and we, therefore, encourage our frontline staff to engage with them on an ongoing basis through our day-to-day business processes to gather a broad range of stakeholder views on all aspects of our ESG. Our key stakeholders include shareholders and investors, employees, customers, business partners (e.g. various contractors, material suppliers, etc.), government regulators and the community in the vicinity of our projects. In developing the scope of this report, we have taken into account the views of stakeholders at different levels. Their views on the sustainability aspects of the Group were identified and understood through a variety of channels as follows.

Stakeholders	Concerns	Communication Platform
Shareholders and Investors	• Business prospects • Resource utilization and strategy execution • Risk management • Corporate governance	Annual general meetings and results announcements Annual and interim reports Company websites Roadshows and investor meetings
Employees	• Compensation and benefits • Learning and promotion opportunities • Work-life balance • Occupational health	Staff meetings and daily meetings Internal communication groups Training and talent development programmes Staff competitions and team-building activities Whistle-blowing system
Customers	• Expenses and rent increases • Maintenance and customer service • Emergency support • Business environment, customer flow • Image of the Group	Customer service hotlines Customer enquiries Meetings and visits Social media and company websites
Business Partners	• Timely payments • Fair business practices • Collaboration and expansion opportunities	Audit and performance review Visits and meetings Tendering and procurement processes
Government Regulators	• Compliance with regulations • Economic growth • Environmental impact • Corporate governance	Meetings and communication Consultations
The community in the vicinity of the project site	• Community issues • Environmental impact • Social responsibility	Complaints and enquiries Meetings Public/community events

Environmental, Social and Governance Report

We hope to use the ESG Report as a platform for continuous and close communication with our stakeholders to develop a sustainable development strategy together.

MATERIALITY ASSESSMENT

Our materiality assessment process identifies a range of factors that underpin the sustainability of our business, as well as environmental, social and governance-related issues, which are relevant as follows:

No.	Related Issues	No.	Related Issues
1	Air pollution emissions	11	Staff Development
2	Greenhouse Gas Emissions	12	Prohibition of Child Labour and Forced Labour
3	Waste treatment and recycling	13	Supplier selection and evaluation process
4	Energy consumption	14	Supply Chain Environmental and Social Risk Management
5	Water consumption	15	Service Quality and Safety
6	Paper consumption	16	Customer Service and Satisfaction
7	Environmental Risk Management	17	Protecting Intellectual Property
8	Equal Opportunities	18	Customer Data Privacy and Security
9	Staff Benefits	19	Anti-corruption and anti-money laundering
10	Occupational Health and Safety	20	Community Involvement

In the assessment process, we balanced the importance attached to each issue by stakeholders and the Group and worked hard to implement the management of each relevant issue. We have integrated the key concerns of stakeholders into the "Stakeholder Engagement" section.

Environmental, Social and Governance Report

OUR ESG VISION

Sustainable Communities

A community does not happen overnight and needs to be supported by sustainable development. We are committed to building a better home for the community and understand the importance of protecting the environment. With our core value of "Sustainable Communities", we actively integrate our social and environmental responsibilities with our overall policies and business plans to continuously enhance our community-building programmes. We are committed to good corporate citizenship and work with our employees, community groups and organisations to support meaningful community initiatives.

SUSTAINABILITY PERFORMANCE SUMMARY

The Group's performance against the environmental performance indicators for the reporting period is summarised below.

	Key Performance Indicators		
Types of Emissions	**2022**	**2021**	**Unit**
Air emission			
Nitrogen oxides (NO_x)	2.12	6.89	kg
Sulphur oxides (SO_x)	0.11	0.14	kg
Particulate matter (PM)	0.16	0.51	kg
Greenhouse gas emissions			
Scope 1	20.35	25.13	tonnes of carbon dioxide equivalent
Scope 2	141.35	149.36	tonnes of carbon dioxide equivalent
Total Emissions (Scope 1 and 2)	161.70	174.49	tonnes of carbon dioxide equivalent
Intensity (per square meter)	5.36	5.78	kg of carbon dioxide equivalent
Non-hazardous waste			
Paper (disposed)	0.48	0.43	tonnes
Domestic and other waste (recycled)	0.12	0.12	tonnes
Domestic and other waste (disposed)	0.48	0.48	tonnes
Total volume	1.03	1.03	tonnes
Intensity (per square meter)	0.03	0.03	kg
Hazardous waste			
Did not produce hazardous waste			

Environmental, Social and Governance Report

	Key Performance Indicators		
Resource Types	**2022**	**2021**	**Unit**
Energy			
Purchased electricity	177,465.90	187,673.50	kWh
Non-renewable fuels	69,981.11	86,203.97	kWh
Total energy consumption	247,447.01	273,697.47	kWh
Intensity (per square metre)	8.20	9.07	kWh
Use of water			
Total water consumption	604.00	1,708.00	m^3
Intensity (per square metre)	0.02	0.06	m^3

The Group's performance against the social performance indicators for the reporting period is summarised below.

	Key Performance Indicators		
Staff Distribution	**2022**	**2021**	**Unit**
By gender			
Male	36	40	People
Female	33	37	People
By rank			
Management	16	17	People
Mid-level staff	8	16	People
General staff	45	44	People
By age			
Aged 30 or under	13	9	People
31-40 years old	21	26	People
41-50 years old	17	19	People
Age 51 or above	18	23	People
By region			
Hong Kong	9	10	People
Shenzhen	56	62	People
Xuzhou	4	5	People
Total number of employees	69	77	People

Environmental, Social and Governance Report

	Key Performance Indicators		
Staff Turnover Rate	**2022**	**2021**	**Unit**
By gender			
Male	25%	28%	Percentage
Female	27%	19%	Percentage
By age			
Aged 30 or under	31%	67%	Percentage
31-40 years old	28%	19%	Percentage
41-50 years old	29%	21%	Percentage
Age 51 or above	6%	13%	Percentage
By region			
Hong Kong	0%	0%	Percentage
Shenzhen	30%	29%	Percentage
Xuzhou	25%	0%	Percentage
Total staff turnover rate	26%	23%	Percentage

	Key Performance Indicators			
Injuries and fatalities at work	**2022**	**2021**	**2020**	**Unit**
Number of work-related fatalities	0	0	0	People
Lost days due to work injury	0	0	0	Working day

	Key Performance Indicators		
Training ratio	**2022**	**2021**	**Unit**
By gender			
Male	42%	25%	Percentage
Female	39%	68%	Percentage
By rank			
Management	56%	18%	Percentage
Mid-level staff	25%	19%	Percentage
General staff	38%	66%	Percentage
Overall training ratio	41%	45%	Percentage

Environmental, Social and Governance Report

Average training hours	Key Performance Indicators 2022	2021	Unit
By gender			
Male	0.58	0.50	Hours
Female	0.67	1.35	Hours
By rank			
Management	0.25	0.35	Hours
Mid-level staff	0.63	2.13	Hours
General staff	0.76	0.68	Hours
Average training hours	0.62	0.91	Hours

EMISSIONS

We strive to minimise the impact of our operations on the surrounding environment and community. The Group has made "building sustainable communities" one of our key objectives. We strictly comply with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution from Fixed Waste, the Law of the People's Republic of China on the Prevention and Control of Air Pollution and the 13th Five-Year Plan for the Control of Greenhouse Gas Emissions. During the reporting period, we were not aware of any incidents of non-compliance with these laws and regulations.

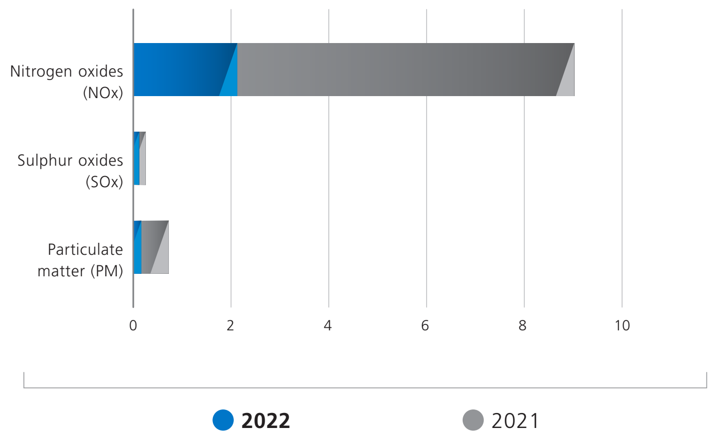
We have implemented a series of concrete measures to improve energy efficiency, such as choosing more energy-saving and environmentally friendly equipment and enhancing environmental awareness among our employees. At the same time, we actively engage in communication and cooperation with stakeholders to jointly address emission issues and seek more environmentally friendly solutions.

Air Emission

Our emissions mainly come from indirect greenhouse gas emissions generated by the use of purchased electricity and direct exhaust emissions from gasoline-powered business vehicles. To reduce emissions, we implement green office strategies, raise employee environmental awareness, use office equipment reasonably, and choose energy-efficient and environmentally friendly equipment. Based on the 2021 emission levels, we set targets and indicators, requiring business entities to gradually reduce emissions and achieve green office goals. At the same time, we establish monitoring mechanisms to regularly monitor and evaluate emission data, ensuring the achievement of our goals.

Furthermore, we actively explore innovative energy-saving and emission-reduction technologies and solutions for use in daily operations. For example, we encourage employees to use public transportation to reduce vehicle emissions; use energy-saving lighting and air conditioning in the office to reduce energy consumption; and strengthen environmental education for employees to raise awareness. We will pay attention to changes in emission data, adjust strategies and measures, and ensure continuous emission reduction. We will also participate in industry exchanges and cooperation to jointly explore environmentally friendly and energy-efficient emission reduction solutions, contributing to the establishment of a sustainable environment and society.

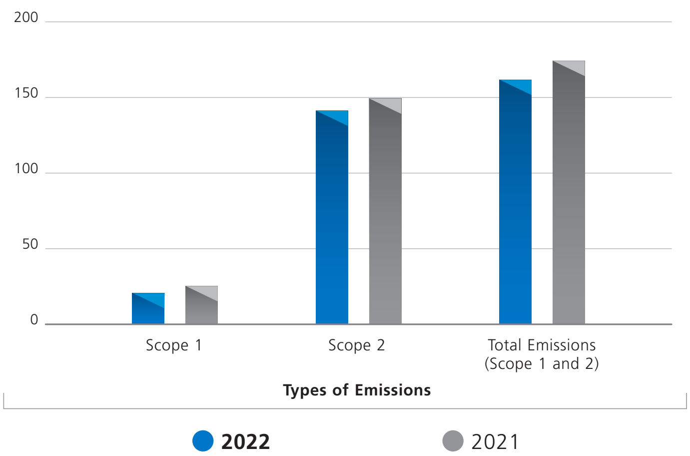
Figure 1 – Air Emissions



Environmental, Social and Governance Report

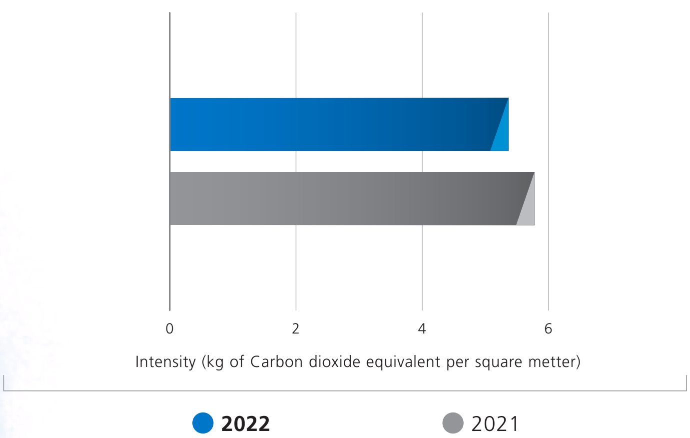
In the comparison between 2022 and 2021, the emissions of various pollutants have decreased. Specifically, nitrogen oxides (NOx) decreased from 6.89 kg to 2.12 kg, sulphur oxides (SOx) decreased from 0.14 kg to 0.11 kg, and particular matter (PM) decreased from 0.51 kg to 0.16 kg. This is mainly due to the reduced use of vehicles during the pandemic.

Figure 2 – Greenhouse Gas Emissions



In terms of greenhouse gas emissions, Scope 1 emissions decreased from 25.13 tonnes of CO_2 equivalent to 20.35 tonnes, while Scope 2 emissions decreased from 149.36 tonnes to 141.35 tonnes. Total emissions (Scope 1 and 2) decreased from 174.49 tonnes of CO_2 equivalent to 161.70 tonnes.

Figure 3 – Greenhouse Gas Emission Intensity

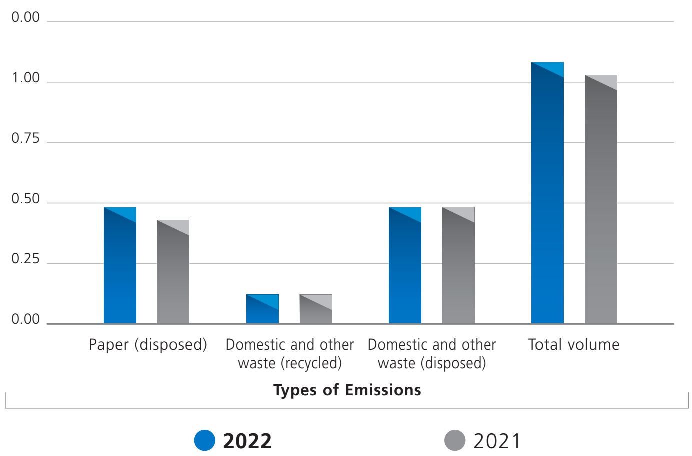


Emission intensity (calculated per square meter) has also decreased accordingly, from 5.78 kg CO_2 equivalent to 5.36 kg.

Solid Waste

Our solid waste mainly consists of paper generated in the office and general domestic waste. We also try to recycle and reuse as much as possible to minimize disposal and reduce the burden on the environment. With the goal of stabilizing emissions and reducing them year by year, we refer to the emission levels in 2021 as an indicator, requiring each business entity to gradually reduce emissions to achieve the goal of green office operations.

Figure 4 – Solid Waste



In terms of paper disposal, the emission level in 2022 was 0.48 tonnes, slightly higher than the 0.43 tonnes in 2021. Meanwhile, the recycling and disposal of domestic and other waste remained unchanged in both years, at 0.12 tonnes and 0.48 tonnes, respectively. This is because the data mainly consists of garbage generated by daily office operations, and there is a lack of direct measurement data. Thus, it mainly relies on estimates by management personnel. The company is working to improve the estimation methods for relevant data to better reflect the actual situation.

We implement the following emission reduction and waste management measures to more effectively manage the waste generated by our business and control waste generation at a reasonable level.

Types of waste	Emission Reduction/Treatment Measures
Office Waste	Arrange for waste sorting and find a suitable waste collector for recycling. Go paperless and electronic. Promote double-sided printing or photocopying. Additional office equipment and supplies must be appropriate to the actual needs or usage.
Domestic and other wastes	Those that cannot be recycled will be collected at a centralised collection point and then collected by the sanitation department and put into the urban waste disposal system.

Environmental, Social and Governance Report

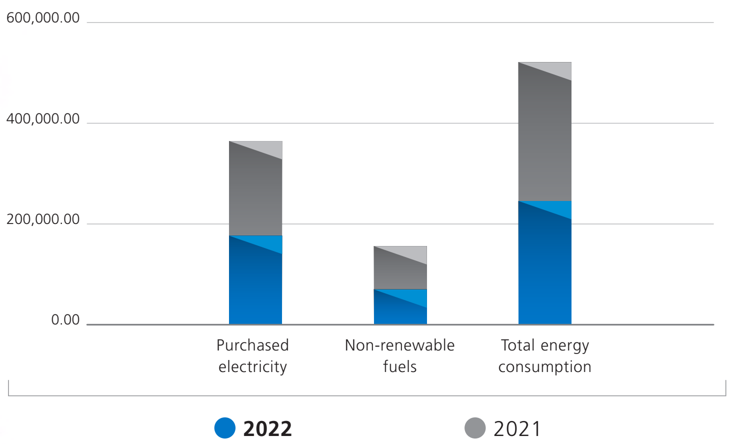
USE OF RESOURCES

Energy Saving

Our energy consumption mainly comes from purchased electricity, and the primary source of energy consumption for this year is the daily operation of each office. In order to ensure that energy is effectively utilized in all aspects during operations and to reduce indirect emissions generated by electricity consumption, we have taken a series of energy-saving measures.

To achieve stable resource consumption and annual reduction goals, we have used the 2021 emission level as the benchmark and required each business entity to gradually reduce energy consumption to achieve the goal of green office. Through these measures, we hope to achieve more efficient energy utilization in daily operations, reduce negative environmental impacts, and contribute to the establishment of a sustainable society.

Figure 5 – Energy Consumption



In the 2022 fiscal year, our office electricity consumption was 177,465.90 kWh, a decrease of about 5.4% compared to 187,673.50 kWh in 2021. In addition, the consumption of non-renewable fuels in 2022 was 69,981.11 kWh, a decrease of 18.4% compared to 86,023.97 kWh in 2021. The total energy consumption in 2022 was 247,447.01 kWh, a decrease of 9.6% from 273,697.47 kWh in 2021. In addition, the energy intensity per square meter in 2022 was 8.2 kWh, a decrease of 9.6% from 9.07 kWh in 2021.

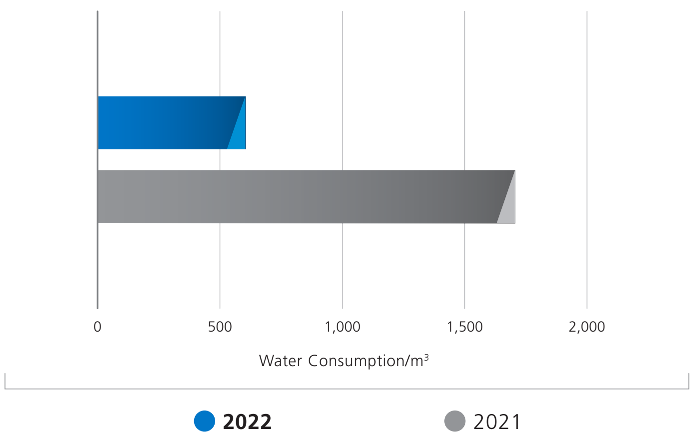
Objectives	Energy-saving measures
➢ Reminding staff of environmental awareness ➢ Improving the effectiveness of resource use	➢ Development of an office environmental policy ➢ Post the "Save Electricity" sign near the power switch ➢ Purchase of energy-saving equipment to enhance the efficiency of electricity consumption ➢ Telephone and mail as an alternative to business trips

By implementing the above energy-saving measures, we are effectively managing our energy usage and keeping our energy consumption within reasonable limits.

Water Saving

Our water consumption mainly comes from office daily use, and saving water plays an important role in our resource management work. With stable resource consumption and annual reduction as the goal, and based on the 2021 emission level as the benchmark, we require each business entity to gradually reduce emissions to achieve the goal of green office. We have developed an office water management plan to eliminate unnecessary waste.

Figure 6 – Water Consumption



Our total water usage has decreased significantly by 65%. Water intensity has decreased by 65% compared to the baseline. This is mainly because in 2021, in response to the COVID-19 pandemic, the Group increased its efforts to clean the office, leading to an increase in water usage. However, in the 2022 fiscal year, as the pandemic gradually came under control, the demand for cleaning water decreased, resulting in a corresponding decrease in water usage.

To better reflect the Group's achievements in water conservation, we will use the 2022 water usage data as the baseline for future reports to more accurately assess the effectiveness of water-saving measures.

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Objectives	Water-saving measures
Reminding staff of environmental awareness	➢ Development of an office environmental policy ➢ Posting of "Water Conservation" signs in pantries and toilets
Ensure that there are no water leaks in the equipment	➢ Regular inspection of the water supply network to ensure there are no water leaks and to reduce wastage of water resources

Through the above water-saving measures, we are effectively managing our water consumption and keeping it within reasonable limits.

ENVIRONMENTAL AND NATURAL RESOURCE IMPACTS

To realise our vision of a sustainable community, we strive to minimise environmental impacts at all stages of the project, from design and planning to construction. We have commissioned professional consultants to carry out environmental impact analyses during the construction and operational phases of our projects, covering air pollutants, effluent discharge, solid waste, noise and soil erosion. Based on the results of the assessment, we have taken a series of targeted measures to reduce the impact of our operations. Our projects continue to be environmentally friendly in their operations and we are committed to greening, replacing equipment maintenance and promoting environmental awareness.

Green Building

We have enhanced the greenery at the bus terminus within the estate to reduce the noise impact of the bus stop on the neighbourhood. Our projects have adopted different approaches to make the buildings more environmentally friendly, for example, we have designed the buildings with exhaust ducts to divert the grease and smoke from the residents' kitchens to the sky, and the buildings are designed with natural light as far as possible to reduce energy consumption, etc.

CLIMATE CHANGE RESPONSE STRATEGIES

To effectively address climate change risks, we have incorporated environmental, social and governance risks, as well as climate change risks, into our risk assessment process regarding the SEHK's Climate Disclosure Guidelines and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and the associated risk management framework is structured around four key areas which represent core elements of the Group's operations.

- Governance – the Group's governance of climate-related risks and opportunities
- Strategy – the actual and potential impact of climate-related risks and opportunities on the Group's business, strategy and financial planning (where material)
- Risk management – how the Group identifies, assesses and manages climate-related risks
- Indicators and Targets – Indicators and targets for assessing and managing climate-related risks and opportunities (where material)

Environmental, Social and Governance Report

Governance

To implement more effective sustainability governance, we have further upgraded the existing Corporate Governance Committee to an Environmental, Social and Governance Committee and established an Environmental, Social and Governance Working Group during the year, in addition to emphasising the Board's oversight role in environmental, social and governance matters. Further details can be found in the section of this report titled "Governance Framework".

Strategies

We have implemented a strategic green operations programme, including digitisation of our offices, going paperless and upgrading our internal processes to implement better environmental, social and governance practices, such as recycling, caring for the community, supporting local businesses, etc.

Risk Management

We have incorporated environmental, social and governance risks, as well as climate change risks, into our risk assessment process, taking into account the physical and transitional risks that climate change poses to businesses and the opportunities we try to seize to increase our competitiveness. The climate change risks we have identified are as follows:

Risks	
Acute physical risk	Extreme weather events such as earthquakes, floods, super typhoons or other natural disasters cause damage to buildings and facilities, resulting in damage or impairment to assets and increased maintenance costs.
Chronic physical risk	Long-term climate change, such as recurrent flooding due to changes in rainfall patterns, affects business operations and accelerates the need for equipment replacement.
Transition risk	Environmental policies and legal requirements have increased our operating costs or our environmental, social and governance efforts have been inadequate to the detriment of our reputation.
Opportunities	
Sustainable Communities	The increased demand for environmentally friendly communities has boosted our business and if we can successfully implement our environmental efforts to create sustainable communities, people will be more willing to buy or rent the properties we develop or rent out.

Targets and Objectives

We have also established a target of "steady emissions (consumption), year-on-year reduction" for the reduction of our operating carbon footprint and other emissions, requiring each business entity to progressively reduce emissions according to the current year's emissions and resource consumption as indicators to achieve our green office objectives.

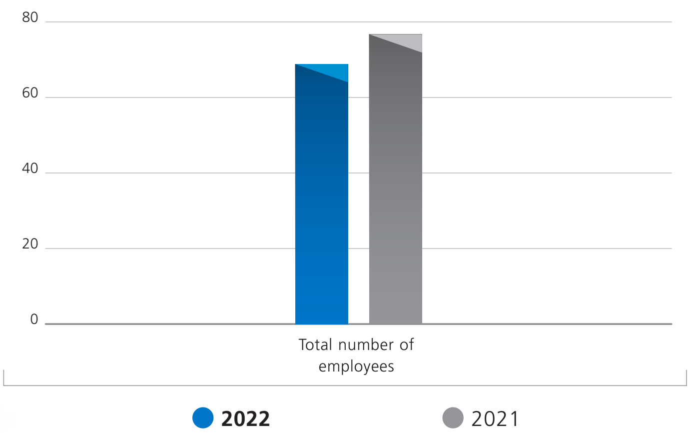
Environmental, Social and Governance Report

ATTRACTING AND TRAINING TALENT

Employment Policy

As part of the Group's long-term development strategy, we have established an ideal working environment and listened to feedback from our employees to attract enthusiastic and suitably skilled people. We have established internal employment policies and rules in accordance with the Hong Kong Employment Ordinance, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, as well as other relevant laws and regulations, and have outlined employee benefits in our employee handbook, including compensation and termination, recruitment, working hours, leave management, prevention of sexual harassment and our expectations of employee behaviour and service. To provide employees with market competitive remuneration, benefits, leave, training and promotion opportunities to enable them to achieve their full potential. Comply with and comply with the Employment Ordinance, Chapter 57, the Employment Compensation Ordinance, Chapter 282, and the Minimum Wage Ordinance, Chapter 608, and comply with the PRC Labour Law and the PRC Labour Contract Law (collectively, the "PRC Labour Law") in the PRC.

Figure 7 – Total Number of Employees



As of December 31, 2022, we had 69 employees[1], with an overall turnover rate of 26% for the year. The main reason for the higher turnover rate is the relatively lean staffing of our group.

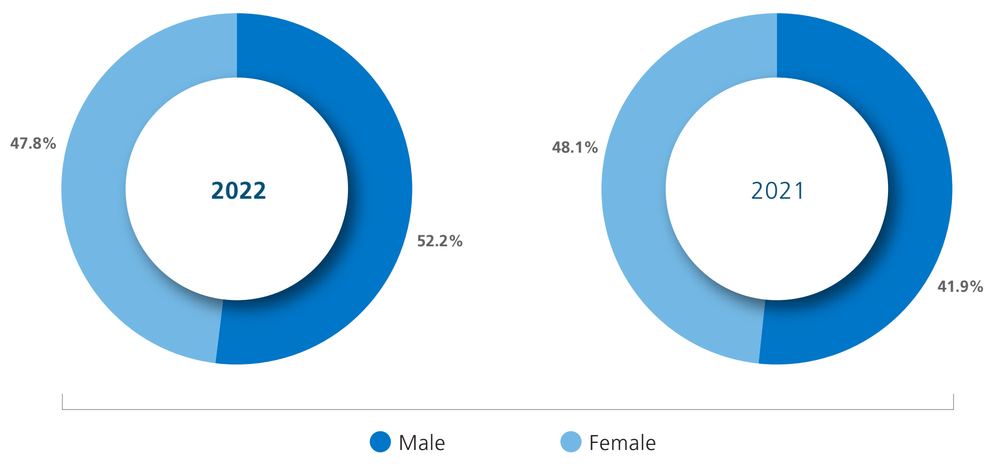
1 The figure only represents number of employee of selected entities included in the scope of the ESG report.

Environmental, Social and Governance Report

Employee turnover rate	2022	2021	Change
By gender			
Male	25%	28%	–3%
Female	27%	19%	8%
By age			
Aged 30 or under	31%	67%	–36%
31-40 years old	38%	19%	19%
41-50 years old	29%	21%	8%
Age 51 or above	6%	13%	–7%
By region			
Hong Kong	0%	0%	0%
Shenzhen	30%	29%	1%
Xuzhou	25%	0%	25%

Employee distribution by gender:

Figure 8 – Employee distribution by gender

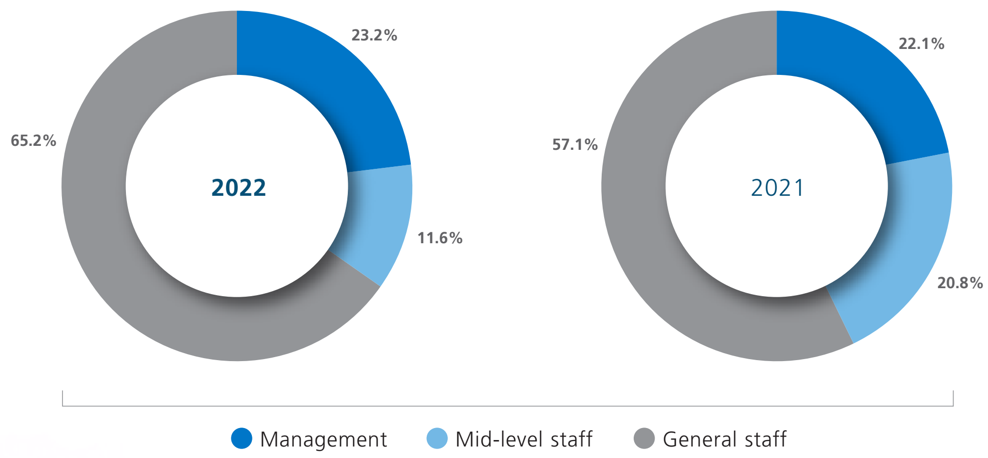


In 2022, the gender composition of our employees remained relatively balanced. Data shows that the proportion of male employees increased slightly from 51.9% to 52.2%, while the proportion of female employees decreased slightly from 48.1% to 47.8%. These changes indicate that the company maintained a balance in gender composition during these two years, which helps create a diverse working environment and ensures equal development opportunities for all.

Environmental, Social and Governance Report

Employee distribution by rank:

Figure 9 – Employee distribution by rank

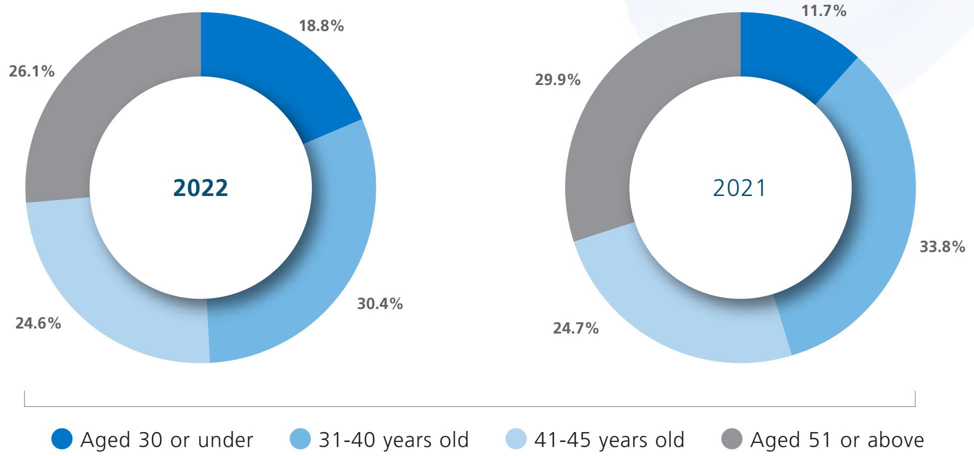


The number of management staff decreased slightly in 2022, from 17 to 16 people. The number of middle-level employees dropped from 16 to 8 people. At the same time, the number of grassroots employees increased slightly, from 44 to 45 people.

Environmental, Social and Governance Report

Employee distribution by age:

Figure 10 – Employee distribution by age

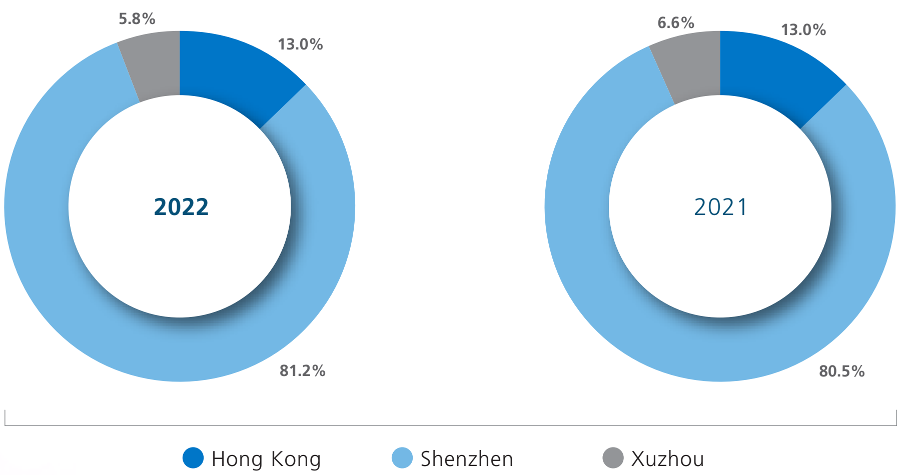


In 2022, the age structure of the company's employees also changed. The number of employees aged 30 or below increased from 9 to 13 people, indicating a rise in the proportion of young employees. The number of employees aged 31 to 40 decreased from 26 to 21 people, while the number of employees aged 41 to 50 dropped from 19 to 17 people. In addition, the number of employees aged 51 or above decreased from 23 to 18 people.

Environmental, Social and Governance Report

Employee distribution by region:

Figure 11 – Employee distribution by region



The regional distribution of the company's employees also changed. The number of employees in Hong Kong decreased slightly from 10 to 9 people, the number of employees in Shenzhen decreased from 62 to 56 people, and the number of employees in Xuzhou decreased from 5 to 4 people. These changes indicate that the overall number of employees in various regions showed a downward trend, but the proportions between the regions remained relatively stable. The company will continue to monitor changes in employee distribution to ensure the smooth operation and development of the business in each region.

Labour Standards

We strictly comply with the relevant labour laws and regulations and prohibit the employment of child labour and forced labour in our business operations. Apart from setting out clear requirements in our internal personnel management policy to protect the legal rights of our employees, we also ensure that our contractors comply with the relevant requirements. In order to achieve compliance, we obtain identification documents to verify the age of our employees before signing labour contracts with them and arrange on-site supervision by engineers at construction sites to ensure that no child labour or forced labour is employed in the contractors' work. During the reporting period, there were no cases of child labour or forced labour in the Group.

Environmental, Social and Governance Report

Equal Opportunities

We are committed to promoting equal opportunities and anti-discrimination in employment practices and comply with the Sex Discrimination Ordinance (Cap 480), the Disability Discrimination Ordinance (Cap 487), the Family Status Discrimination Ordinance (Cap 527) and the Race Discrimination Ordinance (Cap 602). In the recruitment process, we emphasise the principles of fairness, equality and meritocracy, without regard to race, colour, sex or other factors unrelated to workability. We also explicitly prohibit any form of discrimination or exclusion on the grounds of gender, race, religion, party affiliation, sexual orientation, rank, nationality and age in order to provide an equal working environment for our employees.

Health and Safety

Occupational health and safety is a top priority for us. We also require our contractors (e.g. sales teams) to manage the safety of their personnel properly and to be supervised by our resident staff or engineers who are responsible for identifying safety issues and ensuring that measures are taken to address and prevent safety problems in the workplace. As a responsible property developer, we will ensure that all contractors of maintenance works comply with the standards and regulations on construction safety and civilized work, explicitly requiring contractors to provide safety equipment for their staff and to check that the relevant equipment is carried by the workers at all times. To minimise casualties in the event of accidents, we will designate a site safety officer, provide safety training to new recruits and regularly enhance workers' awareness of emergency response and related procedures. Safety signage will also be erected to remind staff of the importance of safe working practices and to raise their safety awareness.

During the reporting period, there were no cases of non-compliance with the Occupational Safety and Health Ordinance, Cap. 509 in our Hong Kong operations, nor were there any cases of non-compliance with the China Work Safety Law, the China Occupational Disease Prevention and Control Law and the China Construction Law in Mainland China.

During the current and the last two reporting periods, the Group had no work-related fatalities and no workdays lost due to work-related injuries during the reporting period.

Training, development and promotion opportunities

We value the personal development of our staff and provide them with adequate in-house and on-the-job training. At the same time, we also encourage our employees to actively participate in training programmes organised by external organisations so that they can continue to improve and contribute to the sustainable development of the Group's business. In addition, we attach great importance to the safety training of our construction teams. We monitor and ensure that our maintenance contractors provide adequate safety equipment and safety training to the construction workers on-site, and conduct frequent inspections to ensure that all safety measures are implemented.

We have put in place a clear mechanism for rewarding and punishing our staff by assessing their performance annually and adjusting their salaries or promotions according to their performance after a review of their remuneration to show our recognition of their efforts. In addition to the continuous improvement of our performance appraisal and remuneration system, we also emphasise mutual support among staff and hold regular gatherings and group activities to enhance their sense of belonging to the company.

Environmental, Social and Governance Report

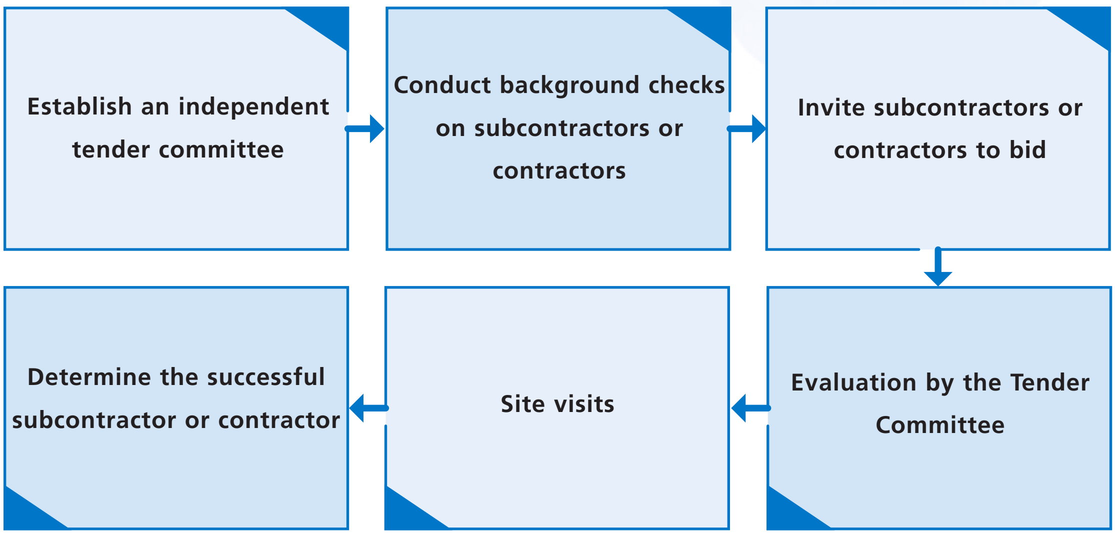
Due to the impact of the pandemic, the proportion and duration of our training this year have been significantly reduced compared to normal circumstances. We have formulated response strategies to improve future training, including strengthening internal training and remote training. The training proportion and average training duration during the reporting period are as follows:

	Key Performance Indicators		
Training ratio	**2022**	**2021**	**Unit**
By gender			
Male	42%	25%	Percentage
Female	39%	68%	Percentage
By Rank			
Management	56%	18%	Percentage
Mid-level staff	25%	19%	Percentage
General staff	38%	66%	Percentage
Overall training ratio	41%	45%	Percentage

	Key Performance Indicators		
Average training hours	**2022**	**2021**	**Unit**
By gender			
Male	0.58	0.50	Hours
Female	0.67	1.35	Hours
By Rank			
Management	0.25	0.35	Hours
Mid-level staff	0.63	2.13	Hours
General staff	0.76	0.68	Hours
Average training hours	0.62	0.91	Hours

SUPPLY CHAIN MANAGEMENT

Effective management of the supply chain helps us to ensure the quality and progress of our outsourcing and maintenance work, which in turn creates value for the business. We have therefore put in place a stringent tendering system.



Outsourced contractors and maintenance contractors are not only important to our business but also play an important role in enhancing our sustainability performance. Therefore, we make our principles and expectations clear to our business partners and put in place effective mechanisms to ensure that our outsourcers and maintenance contractors share our vision of sustainable operations. We specify in our contracts with contractors that they should comply with labour-related laws and regulations, provide appropriate instructions and regular training to ensure that only qualified, trained and experienced staff are allowed to work on-site. We will also assign engineers to oversee the implementation of site safety, emission reduction measures and energy conservation to ensure that our sustainability performance meets expectations. Our suppliers are required to comply with our requirements on environmental protection, health and safety, ethical conduct and compliance with laws and regulations as set out in the Supplier Code of Conduct.

As the Group does not yet have statistics on the number of suppliers by region and the number of supplier reviews conducted during the year, we are unable to disclose such information. We will enhance the statistics as soon as possible and plan to upgrade such disclosures in the coming year.

Environmental, Social and Governance Report

PRODUCT RESPONSIBILITY

Data Protection and Privacy

We take our customers' privacy rights seriously and are committed to protecting them. We provide customers with a Personal Information Collection Statement before collecting personal information to ensure that they understand the purposes for which the information is collected and that access to the information held is restricted to business needs or authorized by management and is not available to general employees.

Marketing Materials

We comply with the relevant laws and regulations of the PRC Urban Real Estate Management Law regarding the property sales process. We obtain an official sales permit from the real estate management department and display it on the sales site. The property sales process and marketing materials must be reviewed by various departments, including finance, project management, sales and marketing, and are required to reflect the actual project plan and nearby facilities, without exaggerated and misleading marketing materials to avoid the possibility of misrepresentation. During the reporting period, there was no record of our property sales process and marketing materials being in breach of the relevant laws and regulations in Mainland China.

Subcontractors/Quality of maintenance work

In addition to the rigorous selection of qualified subcontractors or contractors, we actively supervise the subcontractors or contractors to ensure the quality of their services/works during the course of the work/projects. Our in-house staff/engineers carry out daily inspections and review and improve safety and quality aspects on a weekly basis. Furthermore, it is clearly stated in the contract that the subcontractor or contractor shall work in accordance with the relevant standards, specifications and design drawings as well as the instructions of the supervising engineer and shall be subject to inspection and checking by the supervising engineer at all times. We will also monitor and ensure that there are adequate handover arrangements between different construction teams (e.g. subcontractors). We will regularly monitor the progress and completion of the various stages of the works to ensure that the construction team has the knowledge and skills to complete the work in accordance with the specifications, materials and workmanship as set out in the works contract and drawings, and to comply with the relevant establishment regulations.

Environmental, Social and Governance Report

ANTI-CORRUPTION

We have zero-tolerance for corruption, bribery, extortion, fraud and money laundering. The Group's Employee Handbook clearly states that employees must not demand, contract, deliver or accept any form of gift, hospitality, kickback, bribe or other improper advantages for themselves or a third party in the performance of their duties. To ensure that staff are aware of these requirements, we will explain and provide guidelines to staff on how to identify improper conduct. We have also put in place a "Monitoring and Reporting System" which allows employees to report to their supervisors, by telephone, letter, email or in person, any violations of laws and regulations and the Group's relevant rules and regulations, as well as any disciplinary offences in the course of the Company's management.

In addition to the Group's culture of integrity, our robust corporate governance framework plays an important role in driving the Group's sustainable development, details of which can be found in our Corporate Governance Report.

As a result of the outbreak, the Group conducted an anti-corruption training session by circulation during the reporting period.

COMMUNITY INVESTMENT

As we work to build the community, we are also very concerned about the needs of the community in the vicinity of the project and support the local community groups to continue to serve the needy, especially the elderly and children. We also hope that this will promote the habit of exercise and improve the health of our staff and the community as a whole. We will also encourage our staff to participate in various charity sports activities to benefit more different groups.

We support community sports activities and sponsor employees to participate in charity soccer matches. However, there was no quantifiable amount or time of community investment this year.

Independent Auditor's Report

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED
鈞濠集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 181, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

(I) Investment properties

Refer to note 18 to the consolidated financial statements

The Group measured its investment properties at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investment properties of approximately HK$1,765,736,000 as at 31 December 2022 and the fair value loss of approximately HK$380,484,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by the Company;
- Obtaining the external valuation reports and meeting with the external valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;

Independent Auditor's Report

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investment properties is supported by the available evidence.

(II) Properties for sale under development and properties for sale

Refer to notes 25 and 26 to the consolidated financial statements

The Group tested the amounts of properties for sale under development and properties for sale for impairment. These impairment tests are significant to our audit because the balances of properties for sale under development and properties for sale of approximately HK$544,319,000 and HK$204,464,000, respectively, as at 31 December 2022 and the impairment loss of approximately HK$104,322,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgements and are based on estimates.

Our audit procedures included, among others:

– Evaluating the Group's impairment assessments;

– Assessing the marketability of the properties for sale under development and properties for sale;

– Assessing the net realisable values of the properties for sale under development and properties for sale;

– Checking subsequent sales and usage of the properties for sale under development and properties for sale;

– Assessing the competence, independence and integrity of the external valuer engaged by the Company;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment tests for properties for sale under development and properties for sale are supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353
Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	8	**139,285**	543,280
Cost of revenue		**(120,286)**	(307,638)
Gross profit		**18,999**	235,642
Interest revenue		**1,337**	1,476
Other income, gains and losses	9	**(571,970)**	(482,378)
Selling and distribution costs		**(22,875)**	(53,753)
Administrative expenses		**(61,648)**	(62,060)
Loss from operations		**(636,157)**	(361,073)
Finance costs	10	**(50,982)**	(50,801)
Share of loss of an associate		**(592)**	(110)
Fair value gain/(loss) on convertible bonds through profit or loss	35	**3,792**	(4,397)
Loss before tax		**(683,939)**	(416,381)
Income tax credit	11	**90,225**	38,434
Loss for the year	12	**(593,714)**	(377,947)
Attributable to:			
Owners of the Company		**(392,648)**	(224,271)
Non-controlling interests		**(201,066)**	(153,676)
		(593,714)	(377,947)
Loss per share	14		
Basic (HK cents per share)		**(160.3)**	(91.6)
Diluted (HK cents per share)		**(160.3)**	(91.6)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Loss for the year	12	**(593,714)**	(377,947)
Other comprehensive (loss)/income			
Item that will not be reclassified to profit or loss:			
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk		**309**	273
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(146,961)**	50,104
Total comprehensive loss for the year		**(740,366)**	(327,570)
Attributable to:			
Owners of the Company		**(471,845)**	(200,397)
Non-controlling interests		**(268,521)**	(127,173)
		(740,366)	(327,570)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	17	**194,619**	224,394
Investment properties	18	**1,765,736**	2,394,190
Intangible asset	19	**10,834**	12,600
Goodwill	20	**–**	36,773
Right-of-use assets	21	**7,709**	8,995
Investment in an associate	22	**1,295**	2,031
		1,980,193	2,678,983
Current assets			
Trade receivables	24	**3,843**	6,529
Properties for sale under development	25	**544,319**	723,833
Properties for sale	26	**204,464**	238,031
Other receivables, deposits and prepayments	27	**61,582**	50,260
Amount due from a director	28	**688**	205
Amount due from an associate	22	**564**	612
Tax recoverable		**188**	93
Cash and cash equivalents	29	**25,418**	51,582
		841,066	1,071,145
Current liabilities			
Trade and other payables	30	**412,323**	417,410
Interest-bearing borrowings	31	**210,321**	222,265
Lease liabilities	32	**189**	542
Amounts due to directors	33	**13**	362
Convertible bonds	35	**–**	101,408
Tax payable		**122,439**	145,908
		745,285	887,895

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Net current assets		**95,781**	183,250
Total assets less current liabilities		**2,075,974**	2,862,233
Non-current liabilities			
Deferred tax liabilities	34	**287,780**	412,934
Convertible bonds	35	**90,884**	–
Interest-bearing borrowings	31	**438,154**	453,065
Lease liabilities	32	**–**	189
		816,818	866,188
NET ASSETS		**1,259,156**	1,996,045
Capital and reserves			
Share capital	36	**2,449**	2,449
Reserves		**566,694**	1,038,539
Equity attributable to owners of the Company		**569,143**	1,040,988
Non-controlling interests		**690,013**	955,057
TOTAL EQUITY		**1,259,156**	1,996,045

Approved by:

Chow Kwai Wa, Charmaine
Director

Kwok Siu Wa, Alison
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	244,955	435,694	(2,215)	(181)	80,092	484,791	1,243,136	1,080,479	2,323,615
Loss for the year	–	–	–	–	–	(224,271)	(224,271)	(153,676)	(377,947)
Other comprehensive income for the year	–	–	–	273	23,601	–	23,874	26,503	50,377
Total comprehensive income/(loss) for the year	–	–	–	273	23,601	(224,271)	(200,397)	(127,173)	(327,570)
Capital reduction	(242,506)	–	–	–	–	242,506	–	–	–
Transfer to retained profits	–	–	–	181	–	(181)	–	–	–
Purchase of non-controlling interests	–	–	–	–	–	(1,751)	(1,751)	1,751	–
At 31 December 2021	2,449	435,694	(2,215)	273	103,693	501,094	1,040,988	955,057	1,996,045
At 1 January 2022	**2,449**	**435,694**	**(2,215)**	**273**	**103,693**	**501,094**	**1,040,988**	**955,057**	**1,996,045**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(392,648)**	**(392,648)**	**(201,066)**	**(593,714)**
Other comprehensive income for the year	**–**	**–**	**–**	**309**	**(79,506)**	**–**	**(79,197)**	**(67,455)**	**(146,652)**
Total comprehensive loss for the year	**–**	**–**	**–**	**309**	**(79,506)**	**(392,648)**	**(471,845)**	**(268,521)**	**(740,366)**
Transfer to retained profits	**–**	**–**	**–**	**(273)**	**–**	**273**	**–**	**–**	**–**
Capital contributions from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,477**	**3,477**
At 31 December 2022	**2,449**	**435,694**	**(2,215)**	**309**	**24,187**	**108,719**	**569,143**	**690,013**	**1,259,156**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Loss before tax	**(683,939)**	(416,381)
Adjustments for:		
Amortisation of intangible assets	**796**	827
Depreciation – right-of-use assets	**696**	726
Depreciation – property, plant and equipment	**13,435**	6,826
Fair value loss on investment properties	**380,484**	264,035
Impairment loss of properties for sale under development	**104,322**	195,410
Impairment loss of goodwill	**36,773**	–
Impairment loss of other receivables	**–**	22,903
Provision for the compensation of a litigation	**49,182**	–
Interest income	**(1,337)**	(1,476)
Finance costs	**50,982**	50,801
Loss on disposal of investment properties	**9,966**	–
Fair value (gain)/loss on convertible bonds through profit or loss	**(3,792)**	4,397
Loss on settlement of convertible bonds	**850**	798
Share of loss of an associate	**592**	110
Operating cash flows before working capital changes	**(40,990)**	128,976
Change in completed properties held for sale and properties for sale under development	**36,871**	193,419
Change in trade receivables	**2,686**	(4,540)
Change in other receivables, deposits and prepayments	**(6,661)**	98
Change in amount due from a director	**(483)**	451
Change in trade and other payables	**(52,892)**	(66,459)
Change in amounts due to directors	**(349)**	(1)
Cash (used in)/generated from operations	**(61,818)**	251,944
Interest received	**1,337**	1,476
Income tax paid	**(11,624)**	(113,245)
Net cash flows (used in)/generated from operating activities	**(72,105)**	140,175

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022	2021
	HK$'000	HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,016)**	(543)
Proceeds from disposal of investment properties	**62,224**	–
Additional costs on investment properties	**–**	(72,175)
Additional costs on right-of-use assets	**(58)**	(2,128)
Investment in an associate	**–**	(2,110)
Advance to an associate	**–**	(603)
Net cash flows generated from/(used in) investing activities	**61,150**	(77,559)
Cash flows from financing activities		
Interests paid	**(42,150)**	(46,068)
New interest-bearing borrowings raised	**601,659**	544,855
Repayment of interest-bearing borrowings	**(575,004)**	(571,315)
Repayment of lease interests and liabilities	**(576)**	(597)
Capital contributions from non-controlling shareholders	**3,477**	–
Net cash flows used in financing activities	**(12,594)**	(73,125)
Net decrease in cash and cash equivalents	**(23,549)**	(10,509)
Effect of foreign exchange rate changes	**(2,615)**	1,484
Cash and cash equivalents at beginning of year	**51,582**	60,607
Cash and cash equivalents at end of year	**25,418**	51,582
Analysis of cash and cash equivalents		
Bank and cash balances	**25,418**	51,582

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. GOING CONCERN BASIS

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. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

For the purpose of assessing going concern, the directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the reporting period (the "Cash Flow Forecast") with plans and measures to mitigate the liquidity pressure and to improve its financial position, including bank loans raised or to be raised by the Group subsequent to 31 December 2022 and accelerating the pre-sales of its major property development projects during the period of the Cash Flow Forecast. Based on the Cash Flow Forecast assuming the plans and measures can be successfully implemented as scheduled, the directors are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. GOING CONCERN BASIS *(Continued)*

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and convertible bonds which are carried at their fair values. The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rate is as follows:

Land and buildings	2.5% or over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Leasehold improvement	20% – 33.3%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2%
Land and buildings	10%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor – Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Car park contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Properties for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments. At the date of issue, the fair value of the convertible bonds is determined using an option pricing model and is measured at fair value with gains and losses recognised in profit or loss.

The amount of change in the fair value of the financial liability that was attributable to changes in the credit risk of that liability is recognised in other comprehensive income.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other revenue

(a) Rental income from operating leases

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations (Continued)

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investment properties, properties for sale and properties for sale under development, deferred tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non–occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statement.

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

(b) Consolidation of Shenzhen Zongke Real Estate Co., Limited ("Shenzhen Zongke")

The Group have 50% shareholding of Shenzhen Zongke, in accordance with the Memorandum and Association of Shenzhen Zongke, the Group shall appoint two of three of the board of directors of Shenzhen Zongke. Therefore, the Directors determined that the Group have the control effectively by controlling the majority of the board of Shenzhen Zongke and holds 50% of the shareholding of Shenzhen Zongke.

(c) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the plans and measures to be undertaken by the Group to mitigate the liquidity pressure and improve its financial position. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2022 at their fair value of approximately HK$1,765,736,000 (2021: HK$2,394,190,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Determination of net realisable value of properties for sale under development and completed properties for sale

The Company assesses the carrying amounts of properties for sale under development and completed properties for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties for sale under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

(c) LAT

The Group is subject to LAT in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these LAT based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amounts due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The carrying amounts of bank balances, trade receivables, loan and other receivables, amount due from an associate and amount due from a director included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

A quantitative disclosures in respect of the Group's exposure to credit risk arising trade receivables are set out in notes 24 to the consolidated financial statements.

The Group is subject to the credit risk from the recoverability of loan and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(b) Liquidity risk

In the management of liquidity risk, the Directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2022

	On demand or less than 1 year HK$'000	1-2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	322,827	–	322,827	322,827
Interest-bearing borrowings	244,171	541,663	785,834	648,475
Convertible bonds	5,711	98,773	104,484	90,884
Amounts due to directors	13	–	13	13
	572,722	640,436	1,213,158	1,062,199

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

At 31 December 2021

	On demand or less than 1 year HK$'000	1-2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
Trade and other payables	368,405	–	368,405	368,405
Interest-bearing borrowings	246,905	493,197	740,102	675,330
Convertible bonds	104,731	–	104,731	101,408
Amounts due to directors	362	–	362	362
	720,403	493,197	1,213,600	1,145,505

(c) Interest rate risk

The Group's interest-bearing bank deposits, interest-bearing borrowings and convertible bonds bear interest at fixed interest rate and therefore are subject to fair value interest rate risks. The interest rate and repayment terms of the interest-bearing borrowings and convertible bonds outstanding at the year end are disclosed in note 31 and note 35 to the consolidated financial statements respectively.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's profit for the year to a reasonable change in the interest rate is assessed to be immaterial.

(d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2022	2021
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost		
(including cash and cash equivalents)		
– Trade receivables	**3,843**	6,529
– Financial assets included in		
other receivables and deposits	**48,880**	47,368
– Amount due from a director	**688**	205
– Amount due from an associate	**564**	612
– Cash and cash equivalents	**25,418**	51,582
	79,393	106,296
Financial liabilities:		
Financial liabilities measured at amortised cost		
– Financial liabilities included in trade and		
other payables	**322,827**	368,405
– Interest-bearing borrowings	**648,475**	675,330
– Amounts due to directors	**13**	362
Financial liabilities at fair value through profit or loss		
– Convertible bonds	**90,884**	101,408
	1,062,199	1,145,505

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

As at 31 December 2022

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2022 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties (completed – the PRC)	–	1,765,736	–	1,765,736
Liabilities				
Financial liabilities at fair value through profit or loss				
– Convertible bonds	–	90,884	–	90,884

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy: *(Continued)*

As at 31 December 2021

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2021 HK$'000
Recurring fair value measurements:				
Assets				
Investment properties (completed – the PRC)	–	2,394,190	–	2,394,190
Liabilities				
Financial liabilities at fair value through profit or loss				
– Convertible bonds	–	101,408	–	101,408

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties under development HK$'000
At 1 January 2021	3,235,889
Additions	81,417
Transfer to completed investment properties	(2,446,686)
Transfer to properties for sale under development	(907,355)
Exchange differences	36,735
At 31 December 2021	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021:

One of the Group's executive director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The executive director reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the executive director and the board of directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2022 HK$'000	Fair value 2021 HK$'000
Assets				
Completed investment properties (the PRC)	Market comparable approach	Price per square metre	**1,765,736**	2,394,190
Liabilities				
Convertible bonds	Binomial model	Share price; discount rate; volatility; and conversion price	**90,884**	101,408

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. REVENUE

	2022 HK$'000	2021 HK$'000
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
Revenue from contracts with customers	**120,628**	532,699
Rental income	**18,657**	10,581
Total revenue	**139,285**	543,280
Timing of revenue recognition		
– At a point in time	**115,170**	528,622
– Over time	**5,458**	4,077
Revenue from contracts with customers	**120,628**	532,699

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8. REVENUE *(Continued)*

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.

9. OTHER INCOME, GAINS AND LOSSES

	2022 **HK$'000**	2021 HK$'000
Fair value loss on investment properties	**(380,484)**	(264,035)
Provision for a litigation (note 40(ii))	**(49,182)**	–
Impairment loss of properties for sale under development	**(104,322)**	(195,410)
Impairment loss of goodwill	**(36,773)**	–
Impairment loss of other receivables	**–**	(22,903)
Loss on settlement of convertible bonds	**(850)**	(798)
Sundry (losses)/income	**(263)**	768
Net foreign exchange loss	**(96)**	–
	(571,970)	(482,378)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
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	**41,367**	40,415
Finance costs expensed	**50,982**	50,801

11. INCOME TAX CREDIT

	2022 HK$'000	2021 HK$'000
Current tax		
– Enterprise Income Tax in the PRC	**211**	22,401
– LAT in the PRC	**4,884**	54,259
Deferred tax	**(95,320)**	(115,094)
	(90,225)	(38,434)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

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	**(683,939)**	(416,381)
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	**4,884**	54,259
Income tax credit	**(90,225)**	(38,434)

12. LOSS FOR THE YEAR

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

	2022	2021
	HK$'000	HK$'000
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

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For the year ended 31 December 2022

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

	2022			
	Fees HK$'000	Basic salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors				
Mr. Ma Xuemian (Chairman)	720	–	–	720
Ms. Chow Kwai Wa, Charmaine	502	–	18	520
Ms. Kwok Siu Wa, Alison	502	–	18	520
Mr. Kwok Siu Bun	502	–	18	520
Independent non-executive directors				
Mr. Hui Pui Wai Kimber	120	–	–	120
Mr. Liu Chaodong	120	–	–	120
Mr. Tsui Matthew Mo Kan (Note (a))	120	–	–	120
	2,586	–	54	2,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

	2021			
	Fees HK$'000	Basic salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors				
Mr. Ma Xuemian (Chairman)	720	60	–	780
Ms. Chow Kwai Wa, Charmaine	502	42	18	562
Ms. Kwok Siu Wa, Alison	502	42	18	562
Mr. Kwok Siu Bun	502	42	18	562
Independent non-executive directors				
Mr. Hui Pui Wai Kimber	120	–	–	120
Mr. Liu Chaodong	120	–	–	120
Mr. Wong Sze Lok (Note (b))	67	–	–	67
Mr. Tsui Matthew Mo Kan (Note (a))	53	–	–	53
	2,586	186	54	2,826

Notes

(a) Appointed on 23 July 2021

(b) Resigned on 23 July 2021

There was no chief executive appointed in the Group for the years ended 31 December 2022 and 2021.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included three (2021: three) directors whose emoluments are included in the disclosures in note 13(a) to the consolidated financial statements above.

The emoluments of the two (2021: two) individuals other than director of the Company was as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and allowances	**1,260**	1,365
Retirement scheme contributions	**36**	36
	1,296	1,401

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following band:

	2022 **Number of** **individuals**	2021 Number of individuals
Nil – HK$1,000,000	**2**	2

None of the directors and these highest paid employees waived any emoluments or received any inducement to join or compensation for loss of office during the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

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14. 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.

15. 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 HK$'000	Property investment HK$'000	Hotel operation HK$'000	General trading HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2022						
Revenue						
External sales	**108,941**	**24,115**	**2,353**	**3,501**	**375**	**139,285**
Segment result	**(162,734)**	**(364,315)**	**850**	**(76)**	**110**	**(526,165)**
Year ended 31 December 2021						
Revenue						
External sales	505,845	14,658	–	22,646	131	543,280
Segment result	(22,714)	(254,377)	(155)	32	(118)	(277,332)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. SEGMENT REPORTING *(Continued)*

(a) Segment revenue and results *(Continued)*

	2022 HK$'000	2021 HK$'000
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	(593,714)	(377,947)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

15. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	General trading HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2022						
Segment assets	**751,826**	**1,765,736**	**94,012**	**37**	**87**	**2,611,698**
Unallocated assets						**209,561**
						2,821,259
Segment liabilities	**(191,218)**	**(287,780)**	**–**	**–**	**–**	**(478,998)**
Unallocated liabilities						**(1,083,105)**
						(1,562,103)
As at 31 December 2021						
Segment assets	970,369	2,394,190	108,665	3,236	–	3,476,460
Unallocated assets						273,668
						3,750,128
Segment liabilities	(170,192)	(412,934)	–	–	–	(583,126)
Unallocated liabilities						(1,170,957)
						(1,754,083)

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).

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For the year ended 31 December 2022

15. SEGMENT REPORTING *(Continued)*

(c) Other segment information

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	General trading HK$'000	Others HK$'000	Total HK$'000
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)**
Impairment loss of goodwill	**(36,773)**	**–**	**–**	**–**	**–**	**(36,773)**
Capital expenditure	**930**	**69**	**–**	**–**	**17**	**1,016**
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	271	81,417	45	7	65	81,805

(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).

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2022 (2021: Nil).

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17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2021	20,582	3,014	207	5,962	29,765
Additions	91	445	–	7	543
Transfer from investment properties	172,041	–	–	–	172,041
Transfer from properties for sale	31,031	–	–	–	31,031
Disposals	–	–	–	(10)	(10)
Exchange differences	3,729	31	–	133	3,893
At 31 December 2021 and 1 January 2022	**227,474**	**3,490**	**207**	**6,092**	**237,263**
Additions	**–**	**127**	**–**	**889**	**1,016**
Exchange differences	**(17,572)**	**(1,332)**	**–**	**(505)**	**(19,409)**
At 31 December 2022	**209,902**	**2,285**	**207**	**6,476**	**218,870**
Accumulated depreciation and impairment:					
At 1 January 2021	1,603	2,585	180	1,506	5,874
Charge for the year	5,462	172	25	1,167	6,826
Disposals	–	–	–	(10)	(10)
Exchange differences	80	36	–	63	179
At 31 December 2021 and 1 January 2022	**7,145**	**2,793**	**205**	**2,726**	**12,869**
Charge for the year	**11,980**	**219**	**2**	**1,234**	**13,435**
Exchange differences	**(561)**	**(1,282)**	**–**	**(210)**	**(2,053)**
At 31 December 2022	**18,564**	**1,730**	**207**	**3,750**	**24,251**
Carrying amount:					
At 31 December 2022	**191,338**	**555**	**–**	**2,726**	**194,619**
At 31 December 2021	220,329	697	2	3,366	224,394

At 31 December 2022, certain buildings with the carrying amount of approximately HK$80,514,000 (2021: HK$108,665,000) were pledged to secure for the interest-bearing borrowings (note 31).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18. INVESTMENT PROPERTIES

	Under development HK$'000	Completed HK$'000	Total HK$'000
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
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)**
At 31 December 2022	**–**	**1,765,736**	**1,765,736**

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 31).

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSET

	Car park contract HK$'000
Cost	
At 1 January 2021	16,353
Exchange differences	447
At 31 December 2021 and 1 January 2022	**16,800**
Exchange differences	**(1,323)**
At 31 December 2022	**15,477**
Accumulated amortisation	
At 1 January 2021	3,271
Amortisation for the year	827
Exchange differences	102
At 31 December 2021 and 1 January 2022	**4,200**
Amortisation for the year	**796**
Exchange differences	**(353)**
At 31 December 2022	**4,643**
Carrying amount	
At 31 December 2022	**10,834**
At 31 December 2021	12,600

The intangible asset represents a car park contract acquired in a business combination.

Car park contract is stated at cost less impairment losses and are amortised on the straight-line basis over its estimated useful life of 20 years.

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20. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit ("CGU") of the Group's property development operation. The carrying amount of goodwill as at 31 December 2022 allocated to this unit is as follows:

	Property development
	HK$'000
Cost	
As at 1 January 2021, 31 December 2021 and 31 December 2022	36,773
Accumulated impairment losses	
As at 1 January 2021, 31 December 2021 and 1 January 2022	–
Impairment loss recognised in the current year	36,773
As at 31 December 2022	36,773
Carrying amount	
As at 31 December 2022	–
As at 31 December 2021	36,773

The bases of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

Property development

The recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next year.

The rate used to discount the forecast cash flows from the Group's property development operation is 20%.

In view of the recent downturn in the property market price in the location where the Group operates its property development business, the management lowered the financial budgets in the cash flow forecasts. As a result, the carrying amount exceeded the recoverable amount from value-in-use calculation, an impairment loss of approximately HK$36,773,000 was recognised in "Other income, gains and losses" during the year ended 31 December 2022.

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21. RIGHT-OF-USE ASSETS

	2022 HK$'000	2021 HK$'000
At 31 December:		
Right-of-use assets		
– Land use rights	7,529	8,276
– Land and buildings	180	719
	7,709	8,995
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	192	576
– Between 1 and 2 years	–	192
	192	768
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land use rights	157	162
– Land and buildings	539	564
	696	726
Lease interests	34	42
Expenses related to short-term leases	333	580
Total cash outflow for leases	576	597
Additions to right-of-use assets	58	3,206

22. INVESTMENT IN AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Unlisted investments:		
Share of net assets	**1,295**	2,031
Amount due from an associate (Note)	**564**	612

Note: The advance is unsecured, interest-free and repayable on demand.

The following table shows information of the associate that are material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

Name		**深圳市濠鑫影視有限公司**
Principal place of business/country of incorporation		**the PRC**
Principal activity		**Cinema operation**
% of ownership interests/voting rights held by the Group	**35%/35%**	35%/35%

	2022 HK$'000	2021 HK$'000
At 31 December 2022:		
Non-current assets	**4,022**	2,673
Current assets	**740**	3,863
Current liabilities	**(1,062)**	(733)
Net assets	**3,700**	5,803
Group's share of net assets and carrying amount of interests	**1,295**	2,031
Year ended 31 December 2022/Period from 17 June 2021 (date of incorporation) to 31 December 2021:		
Revenue	**995**	–
Loss	**(1,693)**	(315)
Other comprehensive income	**–**	–
Total comprehensive loss	**(1,693)**	(315)

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23. SUBSIDIARIES

Details of the Group's subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activities
Directly held by the Company:					
Grand Field Group Holdings (BVI) Limited	The British Virgin Islands/ Hong Kong	US$1	**100%**	100%	Investment holding
Grand Field Group Investments (BVI) Limited	The British Virgin Islands/ Hong Kong	US$1	**100%**	100%	Investment holding
Surplus Full Development Limited	The British Virgin Islands/ Hong Kong	US$1	**100%**	100%	Investment holding
Indirectly held through subsidiaries:					
Grand Field Group Limited	Hong Kong/Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	**100%**	100%	Investment holding
鈞濠房地產開發(深圳)有限公司 (Note (i))	The PRC/The PRC	HK$18,143,491	**100%**	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/The PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	**100%**	100%	Property development and property investment

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23. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activities
Shing Fat Hong Limited	Hong Kong/The PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	**100%**	100%	Property development and property investment
Shenzhen Zongke (Note (ii))	The PRC/The PRC	RMB353,873,094	**50%**	50%	Property development and property investment
G & H International Supply Chain (Shenzhen) Limited (Note (i))	The PRC/The PRC	RMB6,000,000	**100%**	100%	Food trading
G & H International Holding Limited	Hong Kong/Hong Kong	HK$2,000,000	**100%**	100%	Investment holding
幸福假日酒店管理(深圳)有限公司(Note (i))	The PRC/The PRC	HK$5,000,000	**100%**	100%	Investment holding
Intra Asia Limited	The British Virgin Islands/ Hong Kong	US$1	**100%**	100%	Investment holding
Golden State (HK) Limited	Hong Kong/Hong Kong	HK$10,000	**100%**	100%	Investment holding
徐州國金房地產開發有限公司 (Note (i))	The PRC/The PRC	HK$70,000,000	**100%**	100%	Property development and property investment
深圳市合生壹聯貿易有限公司 (Note (i))	The PRC/The PRC	RMB20,000,000	**100%**	100%	Financial arrangement

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal activities
徐州市鈞濠假日酒店有限公司 (Note (i))	The PRC/The PRC	RMB5,000,000	**100%**	100%	Dormant
深圳市鈞濠商業管理有限公司 (Note (ii))	The PRC/The PRC	RMB3,000,000	**50%**	50%	Property investment
H & F Trading Corporation Limited	Hong Kong/Hong Kong	HK$100,000	**100%**	100%	Trading
鈞濠科技（深圳）有限公司 (formerly known as 深圳市必爆科技管理有限公司) (Note (ii))	The PRC/The PRC	RMB1,000,000	**27.5%**	40%	Provision of service
大爆影視（深圳）有限公司 (Note (ii))	The PRC/The PRC	RMB1,000,000	**72.5%**	72.5%	Investment holding
鈞濠建設（深圳）有限公司 (Note (ii))	The PRC/The PRC	RMB1,000,000	**50.0%**	–	Tourism

Notes:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC

(ii) The subsidiary is a sino-foreign equity joint venture incorporated in the PRC

The following table shows information of a subsidiary that has non-controlling interests ("NCI") and is considered material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name of subsidiary	**Shenzhen Zongke**	
	2022	2021
Principal place of business/country of incorporation	**The PRC/The PRC**	The PRC/The PRC
% of ownership interests/voting rights held by NCI	**50%/50%**	50%/50%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. SUBSIDIARIES *(Continued)*

	HK$'000	HK$'000
At 31 December:		
Non-current assets	**1,766,462**	2,277,187
Current assets	**865,091**	1,016,567
Current liabilities	**(1,098,299)**	(1,136,214)
Non-current liabilities	**(267,246)**	(357,677)
Net assets	**1,266,008**	1,799,863
Accumulated NCI	**688,927**	955,276
Year ended 31 December:		
Revenue	**110,064**	506,683
Loss	**(400,338)**	(306,918)
Total comprehensive loss	**(534,950)**	(254,019)
Loss allocated to NCI	**(200,169)**	(153,459)
Net cash (used in)/generated from operating activities	**(125,519)**	580,722
Net cash generated from/(used in) in investing activities	**62,224**	(72,534)
Net cash generated from/(used in) in financing activities	**10,991**	(545,661)
Net decrease in cash and cash equivalents	**52,304**	(37,473)

As at 31 December 2022, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi amounted to HK$24,013,000 (2021: HK$49,054,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

24. TRADE RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables	**3,843**	6,529

Trade receivables are mainly arisen from sales of properties and general trading. Proceeds in respect of properties sold is to be received in accordance with the terms of the related sales and purchase agreements. For general trading, the credit terms generally range from 1 to 30 days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables is as follows:

	2022	2021
	HK$'000	HK$'000
0 to 90 days	**1,821**	3,511
91 to 180 days	**37**	1,033
Over 365 days	**1,985**	1,985
	3,843	6,529

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit losses also incorporate forward looking information.

24. TRADE RECEIVABLES *(Continued)*

	0-90 days	91-180 days	Over 365 days	Total
At 31 December 2022				
Weighted average expected loss rate	**0%**	**0%**	**0%**	
Receivable amount (HK$'000)	**1,821**	**37**	**1,985**	**3,843**
Loss allowance (HK$'000)	**–**	**–**	**–**	**–**
At 31 December 2021				
Weighted average expected loss rate	0%	0%	0%	
Receivable amount (HK$'000)	3,511	1,033	1,985	6,529
Loss allowance (HK$'000)	–	–	–	–

Receivables that were past due but not impaired relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

25. PROPERTIES FOR SALE UNDER DEVELOPMENT

	2022	2021
	HK$'000	HK$'000
Properties development project	**544,319**	723,833

The properties for sale under development are located in the PRC.

At 31 December 2022, certain properties for sale under development with the carrying amount of approximately HK$293,647,000 (2021: approximately HK$590,061,000) were pledged to secure for the interest-bearing borrowings (note 31).

Due to downturn of property market in the PRC, impairment loss of approximately HK$104,322,000 was recognised and presented in other gains and losses in the consolidated statement of profit or loss. The impairment basis is set out in note 5 of the consolidated financial statements under key sources of estimate uncertainty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. PROPERTIES FOR SALE

All of the properties for sale are situated in the PRC, are carried at lower of cost and net realisable value.

At 31 December 2022, certain properties for sale with the carrying amount of approximately HK$50,697,000 (2021: HK$97,453,000) were pledged to secure for the interest-bearing borrowings (note 31).

At 31 December 2022, certain properties for sale with the carrying amounts of approximately HK$29,268,000 (2021: HK$31,905,000) which are not expected to be realised within the next twelve months.

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	HK$'000
Consideration receivable from disposal of an associate (Note (i))	**11,281**	12,245
Other receivables	**26,946**	15,167
Loan receivables (Note (ii))	**6,971**	9,966
Amount due from a shareholder (Note (iii))	**3,399**	9,787
Deposit	**283**	203
Prepayments	**10,106**	2,892
Others (Note (iv))	**2,596**	–
	61,582	50,260

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes

(i) References are made to the Company's announcements dated 2 December 2020, 4 December 2020 and 11 December 2020. On 10 December 2020, the Group disposed of all the 34% equity interest in Zhejiang Beishen Cultural And Travel Development Company Limited ("Zhejiang Beishen"). The consideration receivable is secured by 34% equity interest of the associate and corporate guarantee provided by the purchaser. During the year, the Group has instituted legal action in the PRC against Zhejiang Beishen and other six companies as guarantors for recovery of the amount of RMB30,000,000. The directors upon receipt of legal opinion from the Group's PRC legal advisers opine that the claim for the amount will likely be upheld by the court. However, since Zhejiang Beishen is under liquidation proceedings in the PRC and the other defendants therein are facing difficult financial conditions, in the opinion of the directors, an impairment loss of approximately HK$22,903,000 was made during the year ended 31 December 2021 based on the best estimate of the directors.

(ii) The loan granted to a third party is denominated in RMB, carries interest rate of 13% (2021: 13%) per annum and was due on 13 December 2022 (2021: 13 June 2022). As at the date of the report, loan principal of RMB3,000,000 had been repaid and the Company is in the course of renewing the loan agreement with the third party.

(iii) The amount due from a shareholder is unsecured, interest-free and has no fixed repayment terms.

(iv) Reference is made to the Company's announcement dated 24 March 2023, G & H International Supply Chain (Shenzhen) Limited (the "Subsidiary"), a wholly-owned subsidiary of the Company, entered into a hog trade cooperation agreement in December 2022 with a company (the "Partner Company") which is wholly owned by a business partner independent to the Group (the "Business Partner"), pursuant to which the Partner Company and its team will collaborate with the Subsidiary for the running the hog trading business.

However, after the commencement of such business, the Subsidiary started to experience difficulty in collecting receivables from the customers procured by the Partner Company and was not able to obtain from the Partner Company the required information or underlying documentation to support the hog transactions. Upon enquiry made by the Subsidiary with the parties involved in the transactions, the management of the Subsidiary also started to suspect that the Partner Company and/or the Business Partner might have had falsified the hog transaction documents to induce the Subsidiary to make payments while illegally retaining or remitting to third parties the hog purchase price received from the Subsidiary or the hog buyers for their own benefit.

To protect the Subsidiary's legitimate interest in its trading business, the Subsidiary collated the relevant evidence and reported the suspected criminal acts of the Business Partner and the Partner Company to Buji Police Station of Longgang Branch of Shenzhen Municipal Public Security Bureau (深圳市公安局龍崗分局布吉派出所). Following a preliminary investigation, Longgang Branch Police Station (the "Police") issued a notification of case filing (立案告知書) on 29 November 2022 which informed the Subsidiary that they had commenced investigations on the alleged case of fraud by the Partner Company and/or the Business Partner. The Company's PRC legal adviser has also been instructed to advise the Subsidiary in relation to the Incident.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Notes *(Continued)*

(iv) *(Continued)*

As at the date of the consolidated financial statements, according to the Police, the Business Partner and the legal representative of the Partner Company had already been arrested for their suspected fraud and misappropriation of funds of the Subsidiary and were pending trial. The Police also detained two independent third parties for further investigation, who were suspected to have collaborated with the Business Partner or Partner Company to defraud the Subsidiary with a series of fictitious transactions.

After seeking advice from professional parties, notwithstanding that the court trial of the suspects for their suspected criminal acts mentioned above is still pending, the directors of the Company believe that the hog transactions procured by the Business Partner and/or the Partner Company for the year ended 31 December 2022 were not genuine transactions and lacking commercial substance. Accordingly, the Group had made a reversal of the revenue of approximately HK$102,377,000 and the corresponding cost of revenue of approximately HK$101,335,000, previously derived from the hog transactions and recognised on an accrued basis for the year ended 31 December 2022.

At 31 December 2022, other receivables amounted to approximately HK$2,596,000 were the accumulated net amounts paid to the third parties for the aforesaid hog transactions. As advised by the Company's PRC legal adviser, the Company is considering to commence a civil claim against the Business Partner and/or its related parties for the recovery of the above receivables and other losses in parallel with the criminal proceedings to be conducted against him or them.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

The Group

Name	2022	2021	Maximum amount outstanding during the year
	HK$'000	HK$'000	HK$'000
Mr. Ma Xuemian (Chairman)	688	205	688

At 31 December 2022 and 2021, the amount due from a director is unsecured, interest-free and repayable on demand.

29. CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	HK$'000
Cash and cash equivalents	25,418	51,582

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Included in bank balances of the Group is approximately HK$24,013,000 (2021: HK$49,054,000) of bank balances denominated in RMB placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	HK$'000
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 (note 40(ii))	**47,801**	–
Other payables	**55,448**	45,673
	412,323	417,410

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

	2022	2021
	HK$'000	HK$'000
Over 360 days past due	**1,199**	1,063

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30. TRADE AND OTHER PAYABLES *(Continued)*

Disclosures of contract liabilities are set out as follows:

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000	As at 1 January 2021 HK$'000
Contract liabilities	**68,809**	24,316	96,244
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2022	**–**	24,316	
– 2023	**68,809**	–	
	68,809	24,316	

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**18,668**	93,447
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	**110,117**	436,742

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

31. INTEREST-BEARING BORROWINGS

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

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.

31. INTEREST-BEARING BORROWINGS *(Continued)*

Notes *(Continued)*

(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 notes 17, 18, 25 and 26;

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**192**	576	**189**	542
In the second to fifth years, inclusive	**–**	192	**–**	189
	192	768	**189**	731
Less: future finance charges	**(3)**	(37)	**N/A**	N/A
Present value of lease obligation	**189**	731	**189**	731
Less: amount due for settlement within 12 months (shown under current liabilities)			**(189)**	(542)
Amount due for settlement after 12 months			**–**	189

At 31 December 2022, the average effective borrowing rate was 7%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. AMOUNTS DUE TO DIRECTORS

At 31 December 2022 and 2021, the amounts due to directors are unsecured, interest-free and repayable on demand.

34. DEFERRED TAX

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Intangible asset	Properties under development	Revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	–	3,271	25	503,724	507,020
Credit to profit or loss for the year	–	(207)	(26)	(114,861)	(115,094)
Exchange differences	–	86	1	20,921	21,008
At 31 December 2021 and 1 January 2022	**–**	**3,150**	**–**	**409,784**	**412,934**
Credit to profit or loss for the year	**–**	**(199)**	**–**	**(95,121)**	**(95,320)**
Exchange differences	**–**	**(242)**	**–**	**(29,592)**	**(29,834)**
At 31 December 2022	**–**	**2,709**	**–**	**285,071**	**287,780**

At the end of the reporting period, the Group has unused tax losses of approximately HK$253,592,000 (2021: HK$115,669,000) available for offset against future profits. The unrecognised tax losses will expire during 2023 to 2027 (2020: 2022 to 2026).

Notes to the Consolidated Financial Statements

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35. CONVERTIBLE BONDS

References are made to the Company's circular dated 14 December 2020, and the Company's announcements dated 21 January 2021 and 21 February 2021. On 21 February 2021, the Company issued convertible bonds with principal amount of HK$99,757,011 (the "Convertible Bond") to settle the outstanding loan balance of HK$112,320,000 after netting off the deemed settlement amount of HK$12,562,989, owing by the Group to Ms. Tsang Tsz Nok Aleen. The Convertible Bond are denominated in HK$, carry interest rate of 5% per annum and were matured on 22 August 2022. The conversion price of the Convertible Bond is HK$0.8 per ordinary share of the Company and approximately 124,696,000 new ordinary shares of the Company would be issued upon full conversion of the Convertible Bond.

References are made to the Company's announcement dated 12 August 2022. On 12 August 2022, the Company had entered into a standstill agreement with Ms. Tsang Tsz Nok Aleen to extend the time of repayment of all amounts outstanding under the Convertible Bond to the earlier of the date of the completion of the subscription of a new convertible bond and the expiry date of the standstill agreement on 30 November 2022, with interest rate unchanged. On the same date, the Company and Ms. Tsang Tsz Nok Aleen entered into an offset agreement pursuant to which the parties agreed that the outstanding principal amount of the Convertible Bond shall be offset by the receivable amount of approximately HK$7,272,000 due by Ms. Tsang Tsz Nok Aleen to the Group ("Offset Amount").

References are made to the Company's circular dated 10 October 2022 and the Company's announcements dated 26 October 2022 and 31 October 2022. On 31 October 2022, a new convertible bond ("New Convertible Bond") with a principal amount of approximately HK$95,896,000 was issued by the Company to settle the outstanding amounts of the Convertible Bond and the relevant accrued interests and the standstill interests after netting off the Offset Amount. The New Convertible Bond is denominated in HK$, carries an interest rate of 6% per annum and will be matured in 18 months from the date of issue. The conversion price of the New Convertible Bond is HK$0.38 per New Share of the Company and approximately 252,359,000 New Shares will be issued upon full conversion of the New Convertible Bond.

The New Convertible Bond are measured as financial liabilities at fair value through profit or loss and are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial liabilities are recognised in profit or loss.

Notes to the Consolidated Financial Statements

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35. CONVERTIBLE BONDS *(Continued)*

The movements of the Convertible Bond are as follows:

	HK$'000
At inception date	99,757
Settlement of interest payables	(2,473)
Fair value loss on Convertible Bonds through profit or loss	4,397
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	(273)
Fair value of Convertible Bond as at 31 December 2021	**101,408**
Settlement of Convertible Bond	**(99,757)**
Settlement of interest payables	**(2,501)**
Loss on settlement of Convertible Bond	**850**
Fair value as at 22 August 2022 (maturity date)	**–**

The movements of the New Convertible Bond are as follows:

	HK$'000
At inception date	**95,896**
Settlement of interest payables	**(911)**
Fair value gain on the New Convertible Bond through profit or loss	**(3,792)**
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	**(309)**
Fair value as at 31 December 2022	**90,884**

The amount of change in the fair value of the financial liability that was attributable to changes in the credit risk of that liability is recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

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36. SHARE CAPITAL

	2022 **HK$'000**	2021 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
244,955,413 ordinary shares of HK$0.01 each	**2,449**	2,449

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.

Notes to the Consolidated Financial Statements

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

The following table shows the Group changes in liabilities arising from financing activities during the year:

	Convertible bonds HK$'000	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	113,211	679,182	208	792,601
Changes in cash flows	–	(72,528)	(597)	(73,125)
Non-cash changes				
– settlement of Convertible Bond	(112,320)	–	–	(112,320)
– settlement of interest payables	(4,162)	–	–	(4,162)
– loss on settlement of convertible bonds	798	–	–	798
– additions	99,757	–	1,078	100,835
– exchange differences	–	17,917	–	17,917
– interest charged	–	50,759	42	50,801
– fair value loss on convertible bonds through profit or loss	4,397	–	–	4,397
– fair value gain on convertible bonds through other comprehensive income	(273)	–	–	(273)
At 31 December 2021 and 1 January 2022	**101,408**	**675,330**	**731**	**777,469**
Changes in cash flows	**–**	**(15,495)**	**(576)**	**(16,071)**
Non-cash changes				
– settlement of Convertible Bond	**(99,757)**	**–**	**–**	**(99,757)**
– settlement of interest payables	**(3,412)**	**–**	**–**	**(3,412)**
– loss on settlement of convertible bonds	**850**	**–**	**–**	**850**
– additions	**95,896**	**–**	**–**	**95,896**
– exchange differences	**–**	**(62,308)**	**–**	**(62,308)**
– interest charged	**–**	**50,948**	**34**	**50,982**
– fair value gain on convertible bonds through profit or loss	**(3,792)**	**–**	**–**	**(3,792)**
– fair value gain on convertible bonds through other comprehensive income	**(309)**	**–**	**–**	**(309)**
At 31 December 2022	**90,884**	**648,475**	**189**	**739,548**

Notes to the Consolidated Financial Statements

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38. FINANCIAL INFORMATION OF THE COMPANY

Statement of financial position

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Investments in subsidiaries		**159,056**	159,056
Current assets			
Other receivables, deposits and prepayments		**854**	686
Amounts due from subsidiaries	(1)	**426,879**	444,363
Cash and cash equivalents		**683**	376
		428,416	445,425
Current liabilities			
Other payables		**4,219**	9,306
Convertible bonds		**–**	101,408
Amounts due to directors	(1)	**–**	347
Amounts due to subsidiaries	(1)	**87,134**	82,759
		91,353	193,820
Net current assets		**337,063**	251,605
Total assets less current liabilities		**496,119**	410,661
Non current liabilities			
Convertible bonds		**90,884**	–
NET ASSETS		**405,235**	410,661
Capital and reserves			
Share capital		**2,449**	2,449
Reserves		**402,786**	408,212
TOTAL EQUITY		**405,235**	410,661

38. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Statement of financial position *(Continued)*

Note:

(1) The amounts due are unsecured, interest-free and repayable on demand.

Movement of reserves of the Company

	Share premium HK$'000	**Capital reserve** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2021	435,694	(181)	140,281	(391,199)	184,595
Total comprehensive loss for the year	–	273	–	(19,162)	(18,889)
Capital reduction	–	–	–	242,506	242,506
Transfer to accumulated losses	–	181	–	(181)	–
At 31 December 2021 and 1 January 2022	**435,694**	**273**	**140,281**	**(168,036)**	**408,212**
Total comprehensive loss for the year	**–**	**309**	**–**	**(5,735)**	**(5,426)**
Transfer to accumulated losses	**–**	**(273)**	**–**	**273**	**–**
At 31 December 2022	**435,694**	**309**	**140,281**	**(173,498)**	**402,786**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(iv) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

39. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2022 and 2021 was as follows:

	2022 **HK$'000**	2021 HK$'000
Total liabilities	**1,562,103**	1,754,083
Less: Cash and cash equivalents	**(25,418)**	(51,582)
Net debt	**1,536,685**	1,702,501
Total equity and adjusted capital	**569,143**	1,040,988
Gearing ratio	**270%**	164%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. LITIGATIONS AND CONTINGENT LIABILITIES

Save as disclosed below, as at the date of this report, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

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 RMB15,480,000 and accrued interest thereon out of which approximately RMB15,080,000 from 13 March 1996 and RMB400,000 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 RMB42,037,000 (equivalent to approximately HK$49,182,000), which was calculated basing on the principal amount of approximately RMB15,480,000 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

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 RMB30 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 RMB30,426,958.91 and Ningbo Heshen 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 (RMB29,981,200 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

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.

41. COMMITMENTS

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

	2022	2021
	HK$'000	HK$'000
Contracted but not provided for investment properties and properties for sale under development	**91,715**	99,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. COMMITMENTS *(Continued)*

(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	2021
	HK$'000	HK$'000
Within one year	**24,787**	18,538
In the second to fifth years inclusive	**61,896**	52,648
Over fifth years	**22,938**	31,935
	109,621	103,121

The Group leases its investment properties (note 18) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year.

(a) Reference is made to the Company's announcement dated 15 December 2020, as at 31 December 2020, a balance of deposit of RMB100,000 (equivalent to approximately HK$121,000) for sale of a residential unit received from the sister of Mr. Tsang Yee and Ms. Tsang Tsz Nok (both are substantial shareholders of the Company) is included in the contract liabilities (note 30) as at 31 December 2021.

(b) During the year ended 31 December 2022, salaries and allowance of HK$678,000 (2021: HK$715,000) and HK$618,000 (2021: HK$650,000) were paid to two substantial shareholders, Mr. Tsang Yee and Ms. Tsang Tsz Nok, respectively.

(c) The remuneration of the Group's key management personnel is disclosed in note 13 to the consolidated financial statements.

(d) During the year ended 31 December 2022, the interest and standstill interest payables of the Convertible Bond of approximately HK$3,412,000 were offset against the amount due from a shareholder who is the subscriber of the Convertible Bond and New Convertible Bond.

43. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group does not have material subsequent events after the year ended 31 December 2022 and up to the date of this annual report.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	For the years ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**139,285**	543,280	1,141,245	3,542	68,019
(Loss)/profit before tax	**(683,939)**	(416,381)	272,933	(218,095)	476,642
Income tax credit/(expense)	**90,225**	38,434	(181,452)	50,271	(123,920)
(Loss)/profit for the year	**(593,714)**	(377,947)	91,481	(167,824)	352,722

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,821,259**	3,750,128	4,281,938	4,582,216	4,161,138
Total liabilities	**(1,562,103)**	(1,754,083)	(1,958,323)	(2,492,616)	(1,883,261)
Net assets	**1,259,156**	1,996,045	2,323,615	2,089,600	2,277,877

Major Developing Properties

A) SHENZHEN CITY ZONGKE MIX PARK PROJECT

Location	Site Area/ Floor Area	Interest of the Group	Current use	Status of the Project	Estimated completion date
Shenzhen City Longgong District Buji Street Xi Huan Road Zongke Mix Park Project	Site area： 23,629.03 Sq. Metres Capacity area： 98,000 Sq. Metres Total Building area： 180,944.79 Sq. Metres	50%	Commercial use, Category 2 residential use	The Project has been completed and inspected. The Commercial part and part of the offices are being put in offer. Most of the residential units has been sold out and the serviced apartments thereof have been put for sale in the beginning of 2021. The Offices have been put for sale in the beginning of 2022.	Completed

Major Completed Property for Investment

Location	Building Area	The interest of the Group	Status of the Project(s)	Rental Terms
Residential, Offices, Shops and Car Parking Spaces of Jin Gong Bay Plaza Project, Gu Liu District, Xuzhou City, Jiangsu Province, PRC	Total Building Area： 11,478.96 Sq. Metres (Sold Residential Units not included)	100%	The Property can be rented or sold subject to adjustment due to the reaction of the Market	Residential：70 years； Non-Residential： 40 years
All Shops and Car Parking Spaces of Yi Le Gardens, Yung Ling Street, Zhangmutou Town, Donggong City, PRC.	Total building area of the Property： 6,680.82 Sq. Metres	100%	This Property is in operation and can be rented	70 years
All Shops and Car Parking Spaces of Hua Do Gardens, Yung Lung Street, Zhangmutou Town, Donggong City, PRC.	Total building area of the Property： 6,970.55 sq. Metres	100%	This Property is in operation and can be rented	70 years