GR PROPERTIES LIMITED
國銳地產有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 108)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of GR Properties Limited (the "Company") hereby presents the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016, together with comparative figures for the six months ended 30 June 2015. The audit committee of the Company (the "Audit Committee") has reviewed and discussed with the management of the Company the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 (the "Period").

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period was approximately HK$61.5 million, representing an increase of approximately 418% from HK$11.9 million for the corresponding period in 2015.

- Gross profit for the Period was approximately HK$9.7 million, representing an increase of approximately 68% from approximately HK$5.8 million for the corresponding period in 2015.

- Loss before tax for the Period was approximately HK$12.3 million, representing a decrease of approximately 21% from approximately HK$15.7 million for the corresponding period in 2015.

- Loss for the period attributable to shareholders of the Company for the Period was approximately HK$13.3 million, representing a decrease of approximately 1% from HK$13.5 million for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June 2016 (Unaudited) HK$	30 June 2015 (Unaudited) HK$
REVENUE	5	**61,489,390**	11,873,571
Cost of sales		**(51,757,532)**	(6,078,745)
Gross profit		**9,731,858**	5,794,826
Gain on bargain purchase of subsidiaries		**–**	6,776,122
Loss on disposal of interests in subsidiaries	18	**(1,587,305)**	–
Other income	5	**1,527,905**	60,546
Selling and distribution expenses		**(36,474)**	(217,245)
Administrative expenses		**(18,087,603)**	(11,835,971)
Other operating expenses, net		**(3,875,652)**	(31,287)
Fair value loss on investment properties		**–**	(16,167,105)
Finance costs	6	**–**	(64,110)
LOSS BEFORE TAX	7	**(12,327,271)**	(15,684,224)
Income tax	8	**(1,015,669)**	2,232,134
LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**(13,342,940)**	(13,452,090)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		**(0.02)**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
	HK$	*HK$*
LOSS FOR THE PERIOD	**(13,342,940)**	(13,452,090)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,318,632)**	(49,747)
Reclassification adjustments for loss on disposal of interests in subsidiaries included in profit or loss	**15,942,404**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX OF NIL	**14,623,772**	(49,747)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**1,280,832**	(13,501,837)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (Unaudited) *HK$***	31 December 2015 (Audited) *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,034,573**	5,628,302
Investment properties	10	**115,389,757**	188,505,568
Intangible assets		**–**	10,598
Deposit paid for an acquisition of an office building	11	**32,315,000**	–
Prepayments and deposits		**4,342,119**	655,519
Total non-current assets		**154,081,449**	194,799,987
CURRENT ASSETS			
Properties under development	12	**92,820,005**	91,006,295
Inventories		**239,678**	157,896
Trade receivables	13	**33,801,321**	20,668,920
Prepayments, deposits and other receivables		**2,554,294**	2,954,221
Due from related companies	14	**4,324,058**	1,149,972
Cash and bank balances		**335,267,260**	243,060,265
Total current assets		**469,006,616**	358,997,569
CURRENT LIABILITIES			
Trade payables	15	**9,723,306**	10,461,349
Receipts in advance		**15,941,704**	25,893,410
Other payables and accruals	16	**35,542,377**	39,214,514
Due to related companies	14	**2,916,072**	3,394,044
Income tax payables		**396,000**	4,511,512
Other taxes payables		**28,403**	5,437,333
Total current liabilities		**64,547,862**	88,912,162
NET CURRENT ASSETS		**404,458,754**	270,085,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**558,540,203**	464,885,394
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	12,001,062
Net assets		**558,540,203**	452,884,332
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	17	**1,219,965,063**	1,115,590,024
Reserves		**(661,424,860)**	(662,705,692)
Total equity		**558,540,203**	452,884,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

GR Properties Limited (the "Company") is a limited liability company incorporated in Hong Kong and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and the principal place of business of the Company is located at Suite 1603, Wheelock House, 20 Pedder Street, Central, Hong Kong.

During the six months ended 30 June 2016, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

– property investment in the United States of America (the "USA") for earning rental income

– provision of property management services in Beijing, the People's Republic of China (the "PRC")

– property development in the USA

At 30 June 2016, the immediate holding company of the Company is Wintime Company Limited ("Wintime"), which is incorporated in the British Virgin Islands, and, in the opinion of the directors of the Company, the ultimate holding company of the Company is Winluck Global Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which became effective for the first time for the current period's financial statements, as further detailed in note 3 below.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditors have reported on those financial statements. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

3. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs, for the first time for the current period's interim condensed consolidated financial statements:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Deprecation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services, and has two reportable operating segments as follows:

(a) the property development and investment segment engages in property development for sale and property investment in the USA; and

(b) the property management segment engages in the provision of property management services for office buildings, residential properties and car parks in Beijing, the PRC.

The hotel management segment, which holds a hotel management right and was a reportable operating segment in the prior period's financial statements, is not a significant operating segment of the Group in terms of revenue, operating performance, assets and liabilities. Accordingly, the Group did not report the hotel management segment as a reportable operating segment in the current period's interim condensed consolidated financial statements. As a result, comparative amounts for the operating segment information disclosed in this note have been restated to conform to the current period's presentation.

Management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that finance costs, loss on disposal of interests in subsidiaries as well as head office and corporate income and expenses are excluded from this measurement.

Segment assets and segment liabilities exclude unallocated head office and corporate assets and liabilities as these assets and liabilities are managed on a group basis.

For the six months ended 30 June 2016

	Property development and investment		**Property management**		**Total**	
	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	**Six months ended 30 June 2016 (Unaudited)**	Six months ended 30 June 2015 (Unaudited)	**Six months ended 30 June 2016 (Unaudited)**	Six months ended 30 June 2015 (Unaudited and restated)
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue	**3,211,701**	3,406,030	**58,277,689**	8,467,541	**61,489,390**	11,873,571
Segment results	**(2,574,831)**	(16,736,708)	**99,426**	8,952,991	**(2,475,405)**	(7,783,717)
Reconciliation:						
Interest on loan from a shareholder					**–**	(64,110)
Loss on disposal of interests in subsidiaries					**(1,587,305)**	–
Other unallocated gains/(losses)					**15,114**	(531,753)
Corporate and other unallocated expenses					**(8,279,675)**	(7,304,644)
Loss before tax					**(12,327,271)**	(15,684,224)

As at 30 June 2016

	Property development and investment		Property management		Total	
	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)	**As at 30 June 2016 (Unaudited)**	As at 31 December 2015 (Audited)	**As at 30 June 2016 (Unaudited)**	As at 31 December 2015 (Audited and restated)
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**261,600,549**	285,573,416	**94,841,459**	111,773,700	**356,442,008**	397,347,116
Reconciliation:						
Corporate and other unallocated assets						
– Property, plant and equipment					**147,671**	180,622
– Deposits and other receivables					**656,175**	875,621
– Cash and bank balances					**265,842,211**	155,394,197
Total assets					**623,088,065**	553,797,556
Segment liabilities	**523,224**	19,170,299	**63,239,638**	79,160,674	**63,762,862**	98,330,973
Reconciliation:						
Corporate and other unallocated liabilities						
– Other payables and accruals					**389,000**	2,582,251
– Income tax payable					**396,000**	–
Total liabilities					**64,547,862**	100,913,224

5. REVENUE AND OTHER INCOME

Revenue represents the value of property management services rendered, net of value added tax, business tax and government surcharges; and gross rental income received and receivable from the tenants of investment properties, net of business tax and government surcharges.

An analysis of revenue and other income is as follows:

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Revenue		
Property management services	**58,277,689**	8,467,541
Gross rental income	**3,211,701**	3,406,030
	61,489,390	11,873,571
Other income		
Bank interest income	**302,349**	59,921
Penalty income from tenants	**58,243**	–
Government grants*	**653,775**	–
Others	**513,538**	625
	1,527,905	60,546

* The government grants represent government subsidies which are unconditional.

6. FINANCE COSTS

Finance costs for the six months ended 30 June 2015 were interest on a loan from a shareholder.

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Depreciation of property, plant and equipment	**691,419**	576,991
Amortisation of intangible assets[#]	**–**	357,267
Impairment of intangible assets*	**–**	477,528
Reversal of impairment of trade receivables*	**(21,574)**	(446,240)

[#] This item is included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

* These items are included in "Other operating expenses, net" in the condensed consolidated statement of profit or loss.

8. INCOME TAX

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Current – Mainland China	**893,346**	341,122
Deferred	**122,323**	(2,573,256)
Total tax expense/(credit) for the period	**1,015,669**	(2,232,134)

No provision for Hong Kong profits tax and the USA corporate income tax have been made as the Group did not generate any assessable profits arising in Hong Kong and the USA during the Period (Six months ended 30 June 2015: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on the prevailing legislation, interpretations and practices in respect thereof.

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the following data:

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Loss for the period attributable to shareholders of the Company	**(13,342,940)**	(13,452,090)
Weighted average number of ordinary shares in issue during the period	**822,007,231**	527,894,552

In respect of the diluted loss per share amounts, no adjustment has been made to the basic loss per share amounts presented for the current and prior periods, as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. INVESTMENT PROPERTIES

At 30 June 2016, the Group's investment properties represent investment properties under construction which is a portion of a commercial and residential complex (the "US Complex") currently being developed by the Group on a parcel of land located in Santa Monica, the County of Los Angeles, State of California, the USA and would be leased out for rental upon completion of the construction of the US Complex.

Investment properties under construction are measured at cost as at 30 June 2016. In the opinion of the directors, the fair value cannot be determined reliably with reference to latest available status of the construction.

The Group's investment properties as at 31 December 2015 consisted of 30 shops, 7 storerooms and 22 car parking spaces in the PRC, and are leased to third parties under operating leases. Those investment properties were disposed of during the Period (see note 18), further details of the disposal are set out in the Company's announcement dated 15 June 2016.

11. DEPOSIT PAID FOR AN ACQUISITION OF AN OFFICE BUILDING

As at 30 June 2016, an amount of Pound Sterling ("£") 2,875,000 (equivalent to HK$32,315,000) was paid for the Group's acquisition of an office building in London, the United Kingdom. The balance is classified as a non-current asset, further details of the acquisition are set out in the Company's announcement and circular dated 11 July 2016 and 1 August 2016, respectively.

12. PROPERTIES UNDER DEVELOPMENT

Properties under development of the Group as at 30 June 2016 represented a portion of the US Complex (as defined in note 10) that would be held for sale upon completion of the construction of the US Complex.

13. TRADE RECEIVABLES

	30 June 2016 (Unaudited) *HK$*	31 December 2015 (Audited) *HK$*
Trade receivables	**38,149,653**	25,138,080
Less: Impairment	**(4,348,332)**	(4,469,160)
	33,801,321	20,668,920

Notes:

(a) Trade receivables are non-interest bearing and solely arise from the provision of property management services. Tenants of the Group's managed properties are required to pay a calendar year's property management services fees annually in advance. Trade receivables represent unsettled balances of the property management services fees.

(b) An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 (Unaudited) *HK$*	31 December 2015 (Audited) *HK$*
Neither past due nor impaired	**–**	–
Past due but not impaired:		
Less than 1 year	**22,663,137**	13,927,350
1 year to 2 years	**11,138,184**	5,659,072
2 years to 3 years	**–**	1,082,498
	33,801,321	20,668,920

Included in the Group's trade receivables are amounts due from landlords, in which two directors have beneficial interests, of HK$6,837,290 as at 30 June 2016 (31 December 2015: HK$2,978,467).

14. BALANCES WITH RELATED COMPANIES

Balances with related companies mainly represent receivable/payable from/to landlords in which two directors have beneficial interests, in respect of (i) the property management services income received on behalf of the Group; (ii) the car park rental income collected from tenants on behalf of landlords; and (iii) certain cost of property management services paid by the owners on behalf of the Group.

15. TRADE PAYABLES

Trade payables are non-interest bearing and the average credit period is 30 days. An aged analysis of the Group's trade payables as at the end of current period, based on the invoice date, is as follows:

	30 June 2016 (Unaudited) ***HK$***	31 December 2015 (Audited) *HK$*
Within 3 months	**3,976,476**	5,845,702
3 to 6 months	**1,641,458**	664,092
6 to 12 months	**573,147**	2,277,110
Over 1 year	**3,532,225**	1,674,445
	9,723,306	10,461,349

16. OTHER PAYABLES AND ACCRUALS

	30 June 2016 (Unaudited) ***HK$***	31 December 2015 (Audited) *HK$*
Other payables	**29,806,404**	31,825,692
Accruals	**5,735,973**	7,388,822
	35,542,377	39,214,514

The Group's other payables and accruals as at 30 June 2016 included, inter alia, the following:

(i) an amount of HK$9,862,090 (31 December 2015: HK$9,704,962) payable to water, heating and electricity suppliers in respect of utilities fees collected on behalf of suppliers from tenants; and

(ii) an amount of HK$11,860,402 (31 December 2015: HK$11,410,188) of decoration deposits and property management services fees deposits for a commercial building received from and refundable to tenants.

17. SHARE CAPITAL

	30 June 2016 (Unaudited) *HK$*	31 December 2015 (Audited) *HK$*
Issued and fully paid:		
897,420,738 (31 December 2015: 791,841,828) ordinary shares	**1,219,965,063**	1,115,590,024

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *HK$*
At 31 December 2015 and 1 January 2016	**791,841,828**	**1,115,590,024**
Placing of new shares *(note)*	**105,578,910**	**105,578,910**
Share issue expenses	**–**	**(1,203,871)**
At 30 June 2016	**897,420,738**	**1,219,965,063**

Note: Pursuant to a placing agreement entered into with a placing agent on 21 April 2016, the Company issued a total of 105,578,910 ordinary shares at the placing price of HK$1.00 per share to independent third parties on 10 May 2016 for a total cash consideration, before expenses, of HK$105,578,910. Further details of the placing are set out in the Company's announcements dated 21 April 2016 and 10 May 2016, respectively.

18. DISPOSAL OF SUBSIDIARIES

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Net assets disposed of:		
Investment properties	**73,678,066**	–
Property, plant and equipment	**3,366,332**	–
Trade and other receivables	**1,417,114**	–
Cash and bank balances	**923,797**	–
Other payables and accruals	**(7,548,656)**	–
Receipts in advance	**(521,224)**	–
Income tax payables	**(1,187,698)**	–
Other taxes payables	**(232,917)**	–
Deferred tax liabilities	**(11,853,913)**	–
	58,040,901	–
Exchange fluctuation reserve realised	**15,942,404**	–
Loss on disposal of interests in subsidiaries	**(1,587,305)**	–
	72,396,000	–
Satisfied by cash	**72,396,000**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Cash consideration	**72,396,000**	–
Cash and bank balances disposed of	**(923,797)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**71,472,203**	–

On 15 June 2016, the Company entered into a sale and purchase agreement with Huge Spread Limited, an independent third party, to dispose of the Company's 100% equity interest in Faith Stand (China) Limited and 福建佳成置業發展有限公司 (Jincheng (Fujian) Investments Company Limited*).

The details of this transaction are set out in the Company's announcement dated 15 June 2016. The cash consideration for the transaction was determined to be HK$72,396,000 in aggregate, and the transaction was completed on 30 June 2016.

* *The English name is an unofficial translation for identification purpose only.*

19. RELATED PARTY DISCLOSURES

(a) The Group had the following material transactions during the six months ended 30 June 2016:

The Group provides property management services to landlords, in which two directors have beneficial interests. In return, the Group receives property management service fee which was charged at rates mutually agreed between the Group and landlords. During the Period, the property management services fees received by the Group from the landlords amounted to HK$3,926,379 (six months ended 30 June 2015: HK$2,222,236).

Save as disclosed above and the transactions and balances detailed in notes 6, 13 and 14 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the periods ended 30 June 2016 and 2015.

(b) Compensation of key management personnel of the Group

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Short-term employee benefits	**710,408**	330,000
Pension scheme contributions	**15,500**	16,500
Total compensation paid to key management personnel	**725,908**	346,500

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

For other non-current financial assets, the carrying amount is not significantly different from its respective fair value, no disclosure of the fair value of the financial instrument is made.

21. EVENTS AFTER THE REPORTING PERIOD

(a) Proposed acquisition of an office building

On 11 July 2016, GR Properties UK Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser entered into a purchase agreement with two vendors, pursuant to which, the vendors agreed to sell an office building in London, the United Kingdom to the Group for a consideration of £27,780,000 (equivalent to approximately HK$280,127,964). The acquisition constituted a major transaction under the Listing Rules. As at the date of approval of these financial statements, the transaction has not been completed. Further details of the acquisition are set out in the Company's announcement and circular dated 11 July 2016 and 1 August 2016, respectively.

(b) Shareholder's loan facility granted by Wintime

Pursuant to a shareholder's loan facility agreement dated 28 July 2016 and a supplemental agreement dated 24 August 2016, Wintime (the immediate holding company) granted a shareholder's loan facility of HK$250,000,000 to the Company. The shareholder's loan bears interest at the rate of 2% per annum, and is repayable in 3 years from the date of drawdown of the shareholder's loan or such other date agreed between Wintime and the Company. Further details of the shareholder's loan are set out in the Company's circular dated 1 August 2016. Shareholder's loan of £20,300,000 (equivalent to approximately HK$208,251,610) has been drawn down on 24 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Year 2016 is a challenging, yet notable year for the Company. The Board is pleased to share with our supportive shareholders that further to our expansion into the property market in the USA in 2015, the Group further extended its footprint into the property market in the United Kingdom (the "UK") this year.

Placing of new shares under general mandate

On 21 April 2016, the Company and Southwest Securities (HK) Brokerage Limited (the "Placing Agent") entered into a placing agreement, pursuant to which the Placing Agent, being an exclusive placing agent of the Company, agreed on a best-effort basis, to procure placees to subscribe for up to 105,578,910 placing shares at the placing price of HK$1.00 per placing share (the "Placing").

The Placing was completed on 10 May 2016. The gross proceeds from the Placing were HK$105,578,910, and the net proceeds from the Placing were approximately HK$104,370,000 after deduction of all related costs, fees, expenses and commission incurred in the Placing.

Upon completion of the Placing, the financial position of the Group has been strengthened. The proceeds therefrom are designated for supplementing the general working capital of the Group and providing funding for the Santa Monica Development Project, details of which are more particularly delineated in the paragraphs headed "Property development and investment segment" of the Business Review section of this announcement.

BUSINESS REVIEW

During the Period, the Group's operations are organised into business units based on the nature of their operations. There are two reportable operating segments, including (i) the property management segment; and (ii) the property development and investment segment. Operations of the first segment are located in the PRC whereas operations of the second segment are located in the USA and the PRC.

Property management segment

Subsequent to the completion of the acquisition of 北京澳西商業管理有限公司 (Beijing AOCEAN Business Management Company Limited*, or "AOCEAN Business Management") in May 2015, the Group successfully engaged in the property management segment.

As at 30 June 2016, AOCEAN Business Management manages nine major residential and commercial property projects, all of which are located in Beijing, the PRC. The services provided by AOCEAN Business Management under the management agreements thereof include, inter alia (i) provision of heat supply and maintenance services of heat exchange stations and pipeline network; (ii) provision of management services to car parks such as maintenance of various facilities and equipment in the car parks; and (iii) provision of property management services to vacant properties and general management services such as repair and maintenance of the buildings and fire safety equipment and facilities to residential and commercial property projects.

Adhering to the principle of human-oriented, and perceiving the market from the perspective of customers and market needs, AOCEAN Business Management has been improving and perfecting its management system and services and providing quality services wholeheartedly. AOCEAN Business Management will be dedicated to establishing community service networks, enhancing O2O development for the community and providing attentive services in order to improve customer satisfaction.

Property development and investment segment

During the Period, operations of the property development and investment segment were located in the USA and the PRC.

In August 2015, East Pacific Properties LLC ("East Pacific Properties"), an indirect wholly-owned subsidiary of the Company, acquired a parcel of land located in Santa Monica, the County of Los Angeles, State of California, the USA for the purpose of property development (the "Santa Monica Development Project"). The parcel of land has a total site area of approximately 40,650 square feet. According to the current entitlement of the parcel of land, the proposed development for the site is a mixed-use three stories (45 feet in height) development. The total floor area is estimated to be approximately 60,695 square feet, comprising of approximately 25,828 square feet for commercial use and approximately 34,867 square feet for residential use and 190 on-site subterranean parking spaces upon completion of the development. The Company intends to fund the development cost of the land by way of construction loan from banks in the USA and internal resources. As at the date of this announcement, the Santa Monica Development Project is at its final stage of design.

The Board is of the opinion that leveraging on the Company's profound knowledge of and experience in the real estate sector and in accordance with our future development strategy, it is a good time to seize the opportunity to explore the property market in the

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USA. The property market in the USA is one with great development potential for property development business. Santa Monica in the State of California, the USA, is a city of booming tourism. It is situated at a prime location and the purchase price of the subject land of the Santa Monica Development Project is reasonable. The Board believes that the acquisition will strengthen the Company's current core business and enhance its competitiveness and sustainability in making profits in the long run.

Previously, the Group's property investment in the PRC was conducted through its wholly-owned subsidiaries, namely Faith Stand (China) Limited ("Faith Stand China") and 福建佳成置業發展有限公司 (Jiacheng (Fujian) Investments Company Limited*, "Jiacheng Fujian") by leasing out investment properties held by Faith Stand China and Jiacheng Fujian comprising shops, storerooms and car parking spaces located in two residential property development projects in Gulou District, Fuzhou, Fujian Province in the PRC (the "Fuzhou Properties"). During the period, in view of the downturn of the property rental market in Fuzhou over the last few years where the Fuzhou Properties are located and the loss-making position of Faith Stand China and Jiacheng Fujian in prior years, the Group had disposed of the Fuzhou Properties by way of disposal of the entire equity interests of Faith Stand China and Jiacheng Fujian to an independent third party at a cash consideration of HK$72,396,000. As a result of the disposal, the Group recorded a loss on disposal of interests in subsidiaries of approximately HK$1,587,000. Details of the disposals are set out in the announcement of the Company dated 15 June 2016 and note 18 to the interim condensed consolidated financial statements.

FINANCIAL REVIEW

Financial analysis

During the Period, the Group generated a revenue of approximately HK$61,489,000 (Six months ended 30 June 2015: approximately HK$11,874,000). The property management segment reported segment revenue of approximately HK$58,278,000 (Six months ended 30 June 2015: approximately HK$8,468,000), the substantial increase in revenue is mainly attributed to the completion of acquisition of AOCEAN Business Management in May 2015, thus, the segment revenue for the two reporting periods are not comparable directly.

The Group recorded a loss for the period attributable to shareholders of approximately HK$13,343,000 (Six months ended 30 June 2015: loss of approximately HK$13,452,000). Loss for the period is mainly driven by increase in administrative expenses and increase in other operating expenses, net. For the Period, the Group recorded administrative expenses of approximately HK$18,088,000 (Six months ended 30 June 2015: approximately HK$11,836,000) and other operating expenses, net of approximately HK$3,876,000 (Six months ended 30 June 2015: approximately HK$31,000). The increase in administrative expenses is in line with the Group's strategic plan of tapping into international markets such as the USA and Europe. The increase in other operating expenses, net, is mainly attributed to an unrealized exchange loss primarily arising from the Group's bank balances being denominated in £. Loss

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attributable to shareholders for the corresponding period in 2015 was mainly attributed to the fair value loss on investment properties of approximately HK$16,167,000. which is non-recurring in nature.

As at 30 June 2016, the Group had available bank balances and cash of approximately HK$200,026,000, RMB44,626,000, US$2,229,000 and GBP6,377,000 (31 December 2015: approximately HK$155,683,000, RMB72,172,000 and US$160,000), representing a capital liquidity ratio (bank balances and cash divided by current liabilities) of 5.19 (31 December 2015: 2.73).

As at 30 June 2016, the Group's debt to assets ratio was 0.104 (31 December 2015: 0.161). The debts to assets ratio is calculated by dividing the aggregate amount of debts which included trade payables of approximately HK$9,723,000 (31 December 2015: approximately HK$10,461,000), receipts in advance of approximately HK$15,942,000 (31 December 2015: approximately HK$25,893,000), other payables and accruals of approximately HK$35,542,000 (31 December 2015: approximately HK$39,215,000), other taxes payables of approximately HK$28,000 (31 December 2015: approximately HK$5,437,000), amounts due to related companies of approximately HK$2,916,000 (31 December 2015: approximately HK$3,394,000) and income tax payables of approximately HK$396,000 (31 December 2015: approximately HK$4,512,000) over the total assets of approximately HK$623,088,000 (31 December 2015: approximately HK$553,798,000).

Foreign currency exposure

During the Period, the Group's business operations were principally in the PRC and the USA and the main operational currencies are HK$, RMB and US$. The Group's transactions were mainly denominated in RMB and US$. The majority of assets and liabilities are denominated in HK$, RMB and US$. Any significant exchange rate fluctuations of foreign currencies against HK$ may have financial impact to the Group. The Group will closely monitor the exchange rate movement trend and take corresponding measures in a timely manner to mitigate the foreign currency exchange risk and exposure.

Human resources and remuneration policy

As at 30 June 2016, the total number of employees of the Group (excluding directors) was approximately 345 (31 December 2015: approximately 320). Most of them were located in the PRC.

Remuneration offered by the Group was determined in accordance with the relevant policies in Hong Kong, the PRC and the USA and with reference to market trend, as well as individual competence and performance of the staff. Other related benefits included contributions to Mandatory Provident Fund Schemes, social insurance, medical insurance funds and other applicable contributions in accordance with the relevant laws and regulations.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: Nil).

Share capital

The Company completed the Placing during the Period. For details, please refer to the paragraphs headed "Placing of new shares under general mandate" under the Overview section.

Pledge of assets

As at 30 June 2016, the Group did not pledge any of its assets for bank credits. Also, the Group was not subject to any responsibilities in accordance with any bank credit documents.

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

Material acquisition and disposal

During the Period, the Group had disposed of the entire equity interests of Faith Stand China and Jiacheng Fujian to an independent third party. For further details of the disposal, please refer to the paragraphs headed "Property development and investment segment" under the Business Review section.

Events after the reporting period

Events after the reporting period are more particularly delineated in note 21 to the interim condensed consolidated financial statements.

Share options

No share option scheme had been adopted by the Group as at 30 June 2016.

Save as disclosed herein, there has been no material change to information disclosed in the Company's annual financial statements for the year ended 31 December 2015 which necessitates additional disclosure to be made in this section.

FUTURE PROSPECT

Looking ahead, the global economy for the rest of 2016 will be full of uncertainties, especially, in the aftermath of the UK referendum in respect of the exit of UK from the European Union by the UK populace on 23 June 2016 (the "Brexit"). In accordance with the future development strategy of the Group, the Group would like to tap into international markets such as the USA and Europe. Though Brexit would bring along considerable challenges for the UK and Europe in the forthcoming years, tapping into the international markets should enhance diversification and provide a hedge against the Group's future domestic businesses.

The directors consider that the proposed acquisition of an office building in London, the UK (details of which are more particularly delineated in note 21 to the interim condensed consolidated financial statements), allows the Group to capture the opportunity to establish its position and engage in the property market in London, the UK and for the Group to invest in income generating real estate with potential capital appreciation of properties in the long terms and re-development potential in the future. The Board has contemplated the recent devaluation and fluctuations of Pounds Sterling driven by Brexit. Currently, the Board intends to hold the property for long term investment purpose and therefore considers that Brexit would not have material impact on the proposed acquisition as a whole. The directors believe that upon completion of the proposed acquisition, the Group will be able to broaden its income base through the stable rental income generated from the property. This will also enhance the operation base and the investment properties portfolio of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE CODE

Save as disclosed below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016.

In respect of code provision A.6.7 of the CG Code, one of the independent non-executive directors was not able to attend the annual general meeting of the Company held on 14 June 2016 due to his other business commitments.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Director since the date of the Company's annual report for the year ended 31 December 2015 and up to the date of this announcement is set out below:

- Mr. Mak Kwong Yiu ("Mr. Mak"), an independent non-executive director, was appointed as an executive director, the chairman, the chief executive officer, the chairman of the nomination committee and a member of the remuneration committee of Lerado Financial Group Company Limited (formerly known as "Lerado Group (Holding) Company Limited", a company listed on the Main Board of the Stock Exchange, Stock code: 1225) with effect from 1 April 2016.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all directors of the Company, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company is responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

The Audit Committee of the Company comprises of three independent non-executive directors, namely, Mr. Tung Woon Cheung Eric ("Mr. Tung"), Mr. Mak Kwong Yiu and Mr. Chui Tsan Kit, with Mr. Tung as the Chairman.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this announcement, based on the information that is publicly available to the Company and within the knowledge of its directors, the Company maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2016.

PUBLICATION OF RESULTS ON WEBSITES

Pursuant to Appendix 16 to the Listing Rules, the results of the Company will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.grproperties.com.hk) in due course.

By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 29 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Liu Shuhua; and the independent non-executive directors of the Company are Mr. Tung Woon Cheung Eric, Mr. Mak Kwong Yiu, and Mr. Chui Tsan Kit.