GR PROPERTIES LIMITED
國銳地產有限公司

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of GR Properties Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	**2016** HK$	2015 HK$
REVENUE	4	**140,178,350**	76,809,367
Cost of sales		**(111,470,498)**	(53,761,876)
Gross profit		**28,707,852**	23,047,491
Gain on bargain purchase of subsidiaries		**—**	6,776,122
Gain/(loss) on disposal of subsidiaries	15	**(1,587,305)**	217,708
Other income and gain	4	**1,490,803**	1,102,224
Selling expenses		**(762,336)**	(1,454,679)
Administrative expenses		**(35,561,565)**	(29,130,382)
Other operating expenses, net		**(16,411,147)**	(993,284)
Fair value loss of investment properties		**(9,154,894)**	(15,988,119)
Finance costs	5	**(1,396,439)**	(1,991,112)

	Notes	**2016**	2015
		HK$	*HK$*
LOSS BEFORE TAX	6	**(34,675,031)**	(18,414,031)
Income tax	7	**(2,144,138)**	261,671
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**(36,819,169)**	(18,152,360)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic and diluted		**(0.043)**	(0.031)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	**2016** *HK$*	2015 *HK$*
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
— Translation of foreign operations		**(2,292,587)**	(5,453,420)
— Reclassification adjustments upon disposal of subsidiaries included in profit or loss	15	**15,942,404**	(469,071)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		**13,649,817**	(5,922,491)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**(23,169,352)**	(24,074,851)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$	2015 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**1,729,349**	5,628,302
Investment properties	9	**405,199,030**	188,505,568
Intangible assets		**541,427**	10,598
Non-current deposits		**428,754**	655,519
Total non-current assets		**407,898,560**	194,799,987
CURRENT ASSETS			
Properties under development	10	**104,716,441**	91,006,295
Inventories		**282,393**	157,896
Trade receivables	11	**20,316,142**	20,668,920
Prepayments, deposits and other receivables		**9,919,833**	2,954,221
Due from related companies		**1,567,345**	1,149,972
Pledged bank deposit		**38,800,000**	—
Cash and cash equivalents		**247,494,649**	243,060,265
Total current assets		**423,096,803**	358,997,569
CURRENT LIABILITIES			
Trade payables	12	**23,447,100**	10,461,349
Receipts in advance		**30,887,865**	25,893,410
Other payables and accruals		**32,543,933**	39,214,514
Due to a shareholder		**1,375,925**	—
Due to related companies		**5,601,350**	3,394,044
Bank borrowings	13	**132,264,315**	—
Income tax payables		**2,036,355**	4,511,512
Other taxes payables		**2,022,476**	5,437,333
Total current liabilities		**230,179,319**	88,912,162
NET CURRENT ASSETS		**192,917,484**	270,085,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**600,816,044**	464,885,394

	Notes	**2016**	2015
		HK$	*HK$*
NON-CURRENT LIABILITIES			
Bank borrowings	13	**5,267,688**	—
Loan from a shareholder	14	**61,458,337**	—
Deferred tax liabilities		**—**	12,001,062
Total non-current liabilities		**66,726,025**	12,001,062
Net assets		**534,090,019**	452,884,332
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**519,965,063**	1,115,590,024
Reserves		**14,124,956**	(662,705,692)
Total equity		**534,090,019**	452,884,332

Notes:

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It has been prepared under the historical cost convention, except for completed investment properties which have been measured at fair value. This financial information is presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest dollar except when otherwise indicated.

The unaudited financial information relating to the year ended 31 December 2016 and the financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results for the year ended 31 December 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2015, is derived from those financial statements, as reclassified where appropriate. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2016 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. 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 Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Basis of consolidation

This consolidated financial information includes the financial information of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information:

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*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation 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

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial information, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial information.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. 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 (i) leasing of shops, storerooms and car parking spaces in Fujian Province, the People's Republic of China ("PRC") (disposed of in June 2016); (ii) property development for sale and property investment in the United States of America (the "USA") and (iii) leasing of office units in the United Kingdom (the "UK"); 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.

Management 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 profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that certain interest on loans from a shareholder, gain on bargain purchase of subsidiaries, gain or loss on disposal of 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.

	Property development and investment		**Property management**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue	**6,902,409**	6,723,334	**133,275,941**	70,086,033	**140,178,350**	76,809,367
Segment results	**(13,702,893)**	(18,328,745)	**5,740,505**	7,059,998	**(7,962,388)**	(11,268,747)
Reconciliation:						
Interest on loans from a shareholder					**—**	(1,991,112)
Gain on bargain purchase of subsidiaries					**—**	6,776,122
Gain/(loss) on disposal of subsidiaries					**(1,587,305)**	217,708
Other unallocated income and gain					**309,854**	1,102,224
Corporate and other unallocated expenses					**(25,435,192)**	(13,250,226)
Loss before tax					**(34,675,031)**	(18,414,031)

	Property development and investment		Property management		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**630,409,063**	285,573,416	**121,625,537**	111,773,700	**752,034,600**	397,347,116
Reconciliation:						
Corporate and other unallocated assets						
— Property, plant and equipment					**168,296**	180,622
— Deposits and other receivables					**1,068,305**	875,621
— Pledged bank deposit					**38,800,000**	—
— Cash and cash equivalents					**38,924,162**	155,394,197
Total assets					**830,995,363**	553,797,556
Segment liabilities	**207,402,585**	19,170,299	**87,264,459**	79,160,674	**294,667,044**	98,330,973
Reconciliation:						
Corporate and other unallocated liabilities						
— Other payables and accruals					**1,842,300**	2,582,251
— Income tax payable					**396,000**	—
Total liabilities					**296,905,344**	100,913,224

	Property development and investment		Property management		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Other segment information:						
Impairment losses recognised in profit or loss						
— Operating segments	**—**	—	**1,850,028**	—	**1,850,028**	—
— Amount unallocated					**—**	470,744
					1,850,028	470,744
Depreciation and amortisation						
— Operating segments	**272,006**	598,967	**715,263**	482,367	**987,269**	1,081,334
— Amount unallocated					**84,028**	240,037
					1,071,297	1,321,371
Capital expenditure*						
— Operating segments	**308,334,961**	115,801,259	**149,350**	265,367	**308,484,311**	116,066,626
— Amount unallocated					**71,704**	2,483
					308,556,015	116,069,109

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

Geographical Information

Geographical information of revenue from external customers is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information of revenue from external customers would provide no additional useful information to the users of the financial statements.

4. REVENUE, OTHER INCOME AND GAIN

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 tenants of investment properties, net of value added tax, business tax and government surcharges.

An analysis of revenue, other income and gain is as follows:

	2016	2015
	HK$	*HK$*
Revenue		
Rendering of property management services	**133,275,941**	70,086,033
Gross rental income	**6,902,409**	6,723,334
	140,178,350	76,809,367
Other income and gain		
Bank interest income	**1,047,477**	313,626
Penalty income from tenants	**161,693**	558,518
Gain on disposal of intangible assets	**—**	67,040
Others	**281,633**	163,040
	1,490,803	1,102,224

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$	*HK$*
Interest on loans from a shareholder	**1,375,925**	1,991,112
Interest on a bank loan	**20,514**	—
	1,396,439	1,991,112

6. LOSS BEFORE TAX

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

	Note	**2016** *HK$*	2015 *HK$*
Cost of property management services rendered		**110,746,905**	52,789,869
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**723,593**	972,007
Depreciation		**1,071,297**	1,321,371
Less: Amount included in cost of property management services rendered		**(715,263)**	(287,115)
		356,034	1,034,256
Amortisation of intangible assets*		**70,904**	425,416
Loss on disposal of items of property, plant and equipment		**13,725**	61,442
Minimum lease payments under operating leases in respect of land and buildings		**2,648,177**	2,010,677
Employee benefit expense (including directors' remuneration):			
Salaries, allowances and benefits in kind		**36,619,898**	22,295,132
Pension scheme contributions		**11,005,933**	5,075,478
		47,625,831	27,370,610
Impairment of intangible assets*		**—**	470,744
Impairment of trade receivables	11(b)	**1,850,028**	403,867
Foreign exchange differences, net		**14,504,187**	85,072

* The amortisation and impairment of intangible assets are included in "Administrative expenses" and "Other operating expenses, net" on the face of the consolidated statement of profit or loss, respectively.

7. INCOME TAX

An analysis of the Group's income tax is as follows:

	2016	2015
	HK$	*HK$*
Current — Mainland China	**1,897,548**	2,254,652
Current — USA	**124,267**	28,446
Deferred	**122,323**	(2,544,769)
Total tax expense/(credit) for the year	**2,144,138**	(261,671)

No provision for Hong Kong and the UK profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong and the UK during the year (2015: Nil).

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

The USA corporate income tax provision represented withholding tax provision calculated at the applicable tax rate on the interest income on intra-group advances to a subsidiary in the USA for the year, based on existing legislation, interpretations and practices in respect thereof.

8. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of HK$36,819,169 (2015: HK$18,152,360) and the weighted average number of 860,106,548 (2015: 577,302,906 after taking into account the impact of a right issue by the Company completed on 24 November 2015) ordinary shares in issue during the year.

In respect of the diluted loss per share amount, no adjustment has been made to the basic loss per share amount presented as the Group had no potentially dilutive shares in issue during each of the years ended 31 December 2016 and 2015.

9. INVESTMENT PROPERTIES

	Completed *HK$*	Under construction *HK$*	Total *HK$*
Carrying amount as at 1 January 2015	95,069,001	—	95,069,001
Additions	—	113,165,496	113,165,496
Net loss from fair value adjustments	(15,988,119)	—	(15,988,119)
Exchange realignment	(3,723,292)	(17,518)	(3,740,810)
Carrying amount as at 31 December 2015 and 1 January 2016	75,357,590	113,147,978	188,505,568
Additions	290,186,142	17,001,719	307,187,861
Disposal of subsidiaries *(note 15)*	(73,678,066)	—	(73,678,066)
Net loss from a fair value adjustment	(9,154,894)	—	(9,154,894)
Exchange realignment	(7,705,522)	44,083	(7,661,439)
Carrying amount as at 31 December 2016	275,005,250	130,193,780	405,199,030

Notes:

(a) The Group's completed investment properties as at 31 December 2016 represent an office building in London, the UK which is leased to third parties under operating leases.

The Group's investment property under construction as at 31 December 2016 represents 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 that would be leased out for rental income upon completion of the construction of the US Complex.

(b) The Group's completed investment properties were revalued on 31 December 2016 based on valuations performed by Gerald Eve LLP, independent professionally qualified valuers, at Pound Sterling ("£") 28,750,000 (equivalent to approximately HK$275,005,250). Each year, the Group's senior management decides which external valuer to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

Investment properties under construction are measured at cost as at 31 December 2016. In the opinion of the directors, the fair value cannot be determined reliably with reference to latest available status of the construction.

(c) At 31 December 2016, the Group's investment properties were all pledged to secure banking facilities granted to the Group (note 13(a)).

10. PROPERTIES UNDER DEVELOPMENT

Properties under development of the Group as at 31 December 2016 represented a portion of the US Complex (as defined in note 9(a)) that would be held for sale upon completion of the construction of the US Complex.

At 31 December 2016, the Group's properties under development were pledged to secure a banking facility granted to the Group (note 13(b)).

11. TRADE RECEIVABLES

	2016	2015
	HK$	*HK$*
Trade receivables	**26,265,656**	25,138,080
Less: Impairment *(note b)*	**(5,949,514)**	(4,469,160)
	20,316,142	20,668,920

Notes:

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

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

	2016	2015
	HK$	*HK$*
Past due:		
Less than 1 year	**15,164,691**	13,927,350
1 year to 2 years	**4,287,886**	5,659,072
2 years to 3 years	**863,565**	1,082,498
	20,316,142	20,668,920

The Group's credit terms for its property management services and rental receivables are negotiated with and entered into under normal commercial terms with tenants of the properties managed by the Group and tenants of investment properties. Since there are a large number of tenants, impairment assessment of trade receivables of the Group is based on a collective assessment of individual tenants with similar characteristics and credit history, which indicates that trade receivables that are less than one year past due are not considered impaired. At 31 December 2016, trade receivables of HK$5,151,451 (2015: HK$6,741,570), net of provision for impairment, were past due over one year but not impaired according to a collective assessment policy adopted by the management. The Group does not hold any collateral or other credit enhancements over these balances.

(b) The movements in the Group's provision for impairment of trade receivables during the year are as follows:

	2016 HK$	2015 HK$
At beginning of year	**4,469,160**	—
Acquisition of subsidiaries	**—**	4,276,505
Impairment during the year recognised in profit or loss, net *(note 6)*	**1,850,028**	403,867
Exchange realignment	**(369,674)**	(211,212)
At end of year	**5,949,514**	4,469,160

The above provision for impairment of trade receivables represented provision for impaired trade receivables assessed collectively with an aggregate gross carrying amount of HK$11,075,902 as at 31 December 2016 (2015: HK$10,774,678).

The collectively impaired trade receivables relate to customers that were in default in settlement of trade receivables for a long period of time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

(c) Included in the Group's trade receivables are amounts due from companies controlled by two directors of the Company of HK$734,636 (2015: HK$2,978,467) in total, which are repayable on credit terms similar to those offered to the tenants in the ordinary course of business.

(d) At 31 December 2016, trade receivables of HK$314,711 (2015: Nil) in total were pledged to secure a bank loan facility granted to the Group (note 13(a)).

12. 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 the reporting period, based on the invoice date, is as follows:

	2016 HK$	2015 HK$
Within 3 months	**18,242,520**	5,845,702
3 to 6 months	**1,201,169**	664,092
6 to 12 months	**3,252,316**	2,277,110
Over 1 year	**751,095**	1,674,445
	23,447,100	10,461,349

13. BANK BORROWINGS

	Effective interest rate (%)	Maturity	2016 HK$	2015 HK$
Current				
Bank loan – secured *(note (a))*	2.76%	2017	132,264,315	—
Non-current				
Bank loan – secured *(note (b))*	4.75%	2018	5,267,688	—
			137,532,003	—
Analysed into repayable:				
Within one year or on demand			**132,264,315**	—
In the second year			**5,267,688**	—
			137,532,003	—

Notes:

(a) At 31 December 2016, the Group had a bank loan facility of US$20 million or its equivalent in other currencies, of which £13,875,000 had been utilised as at that date, for financing the purchase of an office building in London, the UK (completed investment properties). The bank loan facility is secured by the Group's completed investment properties (note 9(c)) and trade receivables of HK$314,711 (2015: Nil) (note 11(d)). The bank loan facility contains a repayable on demand clause.

(b) At 31 December 2016, the Group had another bank loan facility of US$18 million, of which US$679,281 had been utilised as at that date, for financing the construction cost of the US Complex. The bank loan facility is guaranteed by the Company and secured by the pledge of the Group's investment property under construction and properties under development with carrying amounts as at 31 December 2016 of HK$130,193,780 and HK$104,716,441, respectively.

(c) The bank borrowings were denominated in the following currencies:

	2016 *HK$*	2015 *HK$*
£	**132,264,315**	—
US$	**5,267,688**	—
	137,532,003	—

14. LOAN FROM A SHAREHOLDER

Pursuant to a shareholder's loan agreement dated 28 July 2016 and a supplemental agreement dated 24 August 2016 entered into between the Company and Wintime Company Limited ("Wintime"), the immediate holding company, Wintime granted a shareholder's loan facility of HK$250,000,000 (or its equivalent in £) to the Company, of which £6,425,000 (equivalent to HK$61,458,337) had been utilised as at 31 December 2016. The shareholder's loan bears interest at the rate of 2% per annum, and is repayable in 3 years from the date of drawndown of the shareholder's loan or such other date agreed between Wintime and the Company.

15. DISPOSAL OF SUBSIDIARIES

	Note	**2016** ***HK$*** ***(note (a))***	2015 *HK$* *(note (b))*
Net assets disposed of:			
Property, plant and equipment		**3,366,332**	113,129
Investment properties	9	**73,678,066**	—
Intangible assets		**—**	4,662,220
Other receivables		**1,417,114**	13,868
Cash and cash equivalents		**923,797**	96,626
Other payables and accruals		**(6,005,177)**	—
Receipts in advance		**(521,224)**	—
Income tax payables		**(1,187,698)**	—
Other tax payables		**(1,776,396)**	—
Deferred tax liabilities		**(11,853,913)**	—
		58,040,901	4,885,843
Non-controlling interests derecognised		**—**	—
Exchange fluctuation reserve realised		**15,942,404**	(469,071)
Gain/(loss) on disposal of subsidiaries		**(1,587,305)**	217,708
		72,396,000	4,634,480
Satisfied by cash		**72,396,000**	4,634,480

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

	2016	2015
	HK$	*HK$*
	(note (a))	*(note (b))*
Cash consideration	**72,396,000**	4,634,480
Cash and cash equivalents disposed of	**(923,797)**	(96,626)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**71,472,203**	4,537,854

Notes:

(a) 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 each of Faith Stand (China) Limited and 福建佳成置業發展有限公司 (Jincheng (Fujian) Investments Company Limited*) for a total cash consideration of HK$72,396,000. The transaction was completed on 30 June 2016.

Further details of this transaction are set out in the Company's announcement dated 15 June 2016.

(b) The disposal transaction in the prior year represented the disposal of the Group's 100% equity interest in Vast Glory Investment Limited on 26 October 2015 for a total cash consideration of HK$4,634,480. Further details of the disposal transaction in the prior year are set out in 2015 Annual Report.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE YEAR

Year 2016 is a remarkable year for the Company. Our management is pleased to share with our supportive shareholders that further to our expansion into the property market in the United States of America (the "USA") in 2015. In 2016, we have further extended our footprint into the property market in the United Kingdom (the "UK").

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 Project, details of which are more particularly delineated in the paragraphs headed "Santa Monica Project" of section 2.2 of "Business Review" in this announcement.

	Year ended 31 December 2016	Year ended 31 December 2015
	HK$	*HK$*
Turnover	**140,178,350**	76,809,367
Loss for the year attributable to shareholders of the Company	**(36,819,169)**	(18,152,360)

Assets and liabilities	**2016**	2015
	HK$	*HK$*
Total assets	**830,995,363**	553,797,556
Total liabilities	**296,905,344**	(100,913,224)
Net assets	**534,090,019**	452,884,332
Total debts	**198,990,340**	N/A
Capital liquidity ratio*	**1.08**	2.73
Gearing ratio#	**37.3%**	N/A

* Bank balances and cash dividend by current liabilities

\# Total debts divided by total equities

2. BUSINESS REVIEW

During the year ended 31 December 2016 (the "Year"), 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. The first segment is located in the People's Republic of China (the "PRC"), the second segment is located in the USA, UK and the PRC.

2.1 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 31 December 2016, AOCEAN Business Management manages eight 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 seeing from the perspective of customers and market needs, AOCEAN Business Management has been improving and perfecting its management system and service products so as to embed management into services and provide quality services wholeheartedly. AOCEAN Business Management will be dedicated to establishing community service network, enhancing Online to Online ("O2O") development for the community and providing attentive services in order to improve customer satisfaction.

2.2 Property development and investment segment

During the Year, the property development and investment segment is located in the USA, UK and the PRC.

Santa Monica Project

In August 2015, the Group acquired a parcel of land located in Santa Monica, the County of Los Angeles, State of California, the USA. The parcel of land has a total site area of approximately 40,615 square feet. According to the current entitlement of the parcel of land, the proposed development potential for the site is a mixed-use three stories development. The total gross floor area is estimated to be approximately 39,395 square feet for residential use, approximately 30,083 square feet for commercial use and approximately 75,000 square feet for parking. Total rentable/salable floor area is estimated to be approximately 38,000 square feet for residential use and approximately 25,000 square feet for commercial use and 190 on-site subterranean parking spaces upon completion of the development. The development cost of the land will be funded by way of construction loan from bank in the USA and internal resources of the Company.

The construction of Santa Monica Project has started during the second half of 2016 and is expected to complete in 2018 for sale or for lease.

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 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 purchase price 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.

Please refer to the announcements of the Company dated 9 March 2015, 1 April 2015 and 20 August 2015 and the circular of the Company dated 14 May 2015 for details of acquisition of the parcel of land located in Santa Monica.

Boundary House

In August 2016, the Group acquired an office building, Boundary House, in London, UK. Boundary House is located at the crossover between the increasingly vibrant Aldgate district popular with technology media telecommunications occupiers and the established city of London financial and insurance heartland. Boundary House is also close to numerous mainline and underground stations with convenient access of rail transportation, including the new Crossrail, which is a high speed train expected to be delivered and in service in 2018 connecting the East-West of London. Boundary House is an office building with a net internal floor area of approximately 45,062 square feet, which comprises a ground floor and seven upper floors, basement storage and seven car park spaces. Boundary House is fully occupied and is currently let to 12 office tenants under 14 subsisting leases with term expiring between September 2018 and May 2023 ("Leases"). The car parking spaces, roof and basement are also let to five licensees under six licences with term either expiring before 2021 or on a term until determined by either party. The Leases can contribute approximately £1,300,000 rental income to the Group annually, disregarding the rent free period provided to tenants.

The Board considers that the acquisition of Boundary House could be a good investment opportunity for the Group to explore and invest in the UK property market. The Group currently intends to hold the property for investment purpose to receive rental income and engaged a local professional property manager to manage the property and the Leases. Taking into account the prime location of the property and the existing Leases, the Board believes that Boundary House could generate stable cash flow and income to the Company and may enjoy potential capital appreciation in the future. The Company will from time to time explore different options to enhance and maximise the value of Boundary House, including renewing the Leases upon expiry, rebalancing its tenant portfolio and property re-development.

Please refer to the announcements of the Company dated 11 July 2016 and 30 August 2016 and circular of the Company dated 1 August 2016 for details of acquisition of Boundary House.

Fuzhou properties

Previously, the Group's property investment in the PRC was conducted through 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 "Properties"). During the Year, in view of the downturn of the property rental market in Fuzhou over the last few years where the Properties are located; and the loss-making position of Faith Stand China and Jiacheng Fujian in prior years, the Group had disposed of the Properties by way of disposal of the entire equity shares of Faith Stand China and Jiacheng Fujian to an independent third party. Details of the disposals are set out in the announcement dated 15 June 2016.

3. FINANCIAL REVIEW

3.1 Financial analysis

During the Year, the Group achieved a revenue of approximately HK$140,178,000 (year ended 31 December 2015: approximately HK$76,809,000). The substantial increase in revenue is mainly attributable to the completion of acquisition of AOCEAN Business Management in May 2015. The property management segment reported segment revenue of approximately HK$133,276,000 (year ended 31 December 2015: approximately HK$70,086,000). In addition, the acquisition of Boundary House was completed in August 2016 which has contributed rental income of approximately HK$3,691,000 to the Group during the Year.

The Group recorded loss for the Year of approximately HK$36,819,000 (year ended 31 December 2015: loss of approximately HK$18,152,000). The increase in loss was mainly due to:

(i) the recognition of fair value loss of investment property, Boundary House, of approximately HK$9,155,000 during the Year. Boundary House was acquired by the Group in August 2016 with total cost of £29,687,000, comprising consideration of £27,780,000 and direct transaction cost of £1,907,000. and The fair value of Boundary House as at 31 December 2016 was estimated to be £28,750,000. The fair value loss recognised of £937,000 (equivalent to approximately HK$9,155,000), in which the excess of cost over the fair value, was solely due to the capitalised acquisition cost of stamp duty and direct legal and transaction costs incurred.

(ii) the exchange loss of approximately HK$14,504,000 recognised during the Year. Such exchange loss was mainly caused by the significant depreciation of £ after the exit of UK from the European Union ("Brexit") on 23 June 2016. The Board currently intends to hold Boundary House for long term investment purpose and therefore considers that Brexit and short term fluctuation of £ would not have material impact to the Group as a whole in long run.

During the Year, the Group has arranged construction loan for Santa Monica Project and complete the drawndown of loan of approximately HK$5,268,000 as at 31 December 2016. In addition, the Group has borrowed a loan of £13,875,000 (equivalent to approximately HK$132,264,000) as at 31 December 2016 with Boundary House being charged as security for the loan. As at 31 December 2015, the Group has no borrowings.

During the Year, the Company and Wintime Company Limited, an immediate holding company of the Company, entered into a shareholder loan facility agreement, pursuant to which Wintime Company Limited agrees to provide a facility with amount up to HK$250,000,000 to the Company. This shareholder's loan is unsecured, interest bearing at 2% per annum and repayable on 36 months after drawdown.

3.2 Cash flow management and liquidity risk

Management of the Group's cash flows is the responsibility of the Group's treasury function at the corporate level. Our objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings, debts and equity securities, where appropriate. We are comfortable with our present financial and liquidity position, and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times.

The directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the total debts by total equity. The review is conducted at least semi-annually and before each major financing or investment decision is made. The Group objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings including bank and other borrowings, shareholder's loan and other bond instruments, if any. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

At 31 December 2016, the Group had unutilised facilities of HK$188,542,000 from Wintime. As at 31 December 2016, the Group has cash and cash equivalents of approximately HK$247,495,000 and total debts of approximately HK$198,990,000, which is considered as a healthy level of liquidity.

3.3 Foreign currency exposure

During the Year, the Group's business operations were principally in the PRC, UK and the USA and the main operational currencies are HK$, RMB, £ and United States dollars ("US$"). 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 does not have a foreign currency hedging policy at present. However, the Group will closely monitor the exchange rate movement trend and take corresponding measures in a timely manner to reduce foreign currency exchange risk and exposure.

3.4 Human resources and remuneration policy

As at 31 December 2016, the total number of employees of the Group (excluding directors) was 347 (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 and medical insurance funds.

3.5 Final dividend

The Board resolved not to declare any final dividend for the Year (year ended 31 December 2015: Nil)

3.6 Pledge of assets

As at 31 December 2016, the Group had investment properties with an amount of HK$405,199,030 and properties held for sale with an amount of HK$104,716,441 to secure bank borrowings of HK$137,532,003. Such bank borrowings comprise of the construction loan for Santa Monica Project and the loan with Boundary House being charged as security.

As at 31 December 2016, trade receivables of HK$314,711 (2015: Nil) in total was pledged to secure a bank loan granted to the Group.

As at 31 December 2016, deposits amounting to HK$38,800,000 have been pledged to secure standby letter of credit issued to the general contractor for Santa Monica Project.

As at 31 December 2015, the Group did not pledge any of its assets.

3.7 Capital and other development related commitment and contingent liabilities

As at 31 December 2016 and 2015, the Group had no material contingent liabilities. As at 31 December 2016, the Group had contracted but not provided for commitments for development costs and capital expenditure in amount of approximately HK$186,243,000 (2015: HK$3,211,000).

3.8 Property valuations

Property valuations on the Group's investment properties located in the UK as at 31 December 2016 have been carried out by independent qualified professional valuers, Gerald Eve LLP. The property valuations were used in preparing 2016 annual results. The valuations were based on income capitalisation approach.

3.9 Significant investments and Material acquisitions and disposals of subsidiaries, associates and joint ventures

For significant investments held, their performance during the year and their future prospects, please refer to Section 2 "Business Review" in this announcement. Save as disclosed, the Group had no significant investments during the year.

During the Year, the Group had disposed of the entire equity interests, of Faith Stand China and Jiacheng Fujian, please refer to the paragraph headed "Fuzhou properties" of Section 2.2 of "Business Review" in this announcement. Save as disclosed, there were no other acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

4. FUTURE PROSPECT

Looking ahead, the global economy for 2017 will be full of uncertainties, especially, in the aftermath of the UK referendum for 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. This should give diversification and a hedge against our future domestic businesses, in order to bring good returns to the shareholders. The directors of the Company consider that the acquisition of Boundary House in the UK 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 the potential of capital appreciation of properties in the long term and re-development potential in the future. The directors of the Company believe that after the said acquisition, the Group will be able to broaden its income base through the stable rental incomes generated from the property. This will also enhance the operation base of the Group and optimise the investment properties portfolio of the Group.

5. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company's listed securities during the year ended 31 December 2016.

6. CORPORATE GOVERNANCE CODE

The Board of the Company is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016.

The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

7. 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 as contained in the Listing Rules. Having made specific enquiry to all directors of the Company, the Company is not aware of any non-compliance with the Model Code regarding the trading of the Company's securities for the year ended 31 December 2016.

8. AUDIT COMMITTEE

The audit committee has reviewed the annual results and has no dissenting view on the accounting policies adopted by the Group and on the Group's internal controls and risk management, accounting and financial reporting functions.

9. SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 31 March 2017

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. Guan Zheng Michael and Mr. Chui Tsan Kit.

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