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 2017

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 2017, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000 (Restated)
REVENUE	5	**229,822**	216,392
Other income and gain, net	6	**17,490**	1,633
Cost of inventories sold		**(20,502)**	(21,598)
Employee benefit expenses		**(89,532)**	(89,018)
Marketing expenses		**(441)**	(639)
Depreciation and amortisation		**(25,244)**	(21,083)
Utilities, repairs and maintenance and rental expenses		**(114,317)**	(95,768)
Other operating expenses		**(35,895)**	(44,988)
Fair value loss of investment properties		**(20,552)**	(9,155)
Finance costs	7	**(8,462)**	(1,584)
Loss on disposal of subsidiaries		**—**	(1,587)

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
LOSS BEFORE TAX	8	**(67,633)**	(67,395)
Income tax credit	9	**2,619**	2,032
LOSS FOR THE YEAR		**(65,014)**	(65,363)
Attributable to:			
Shareholders of the Company		**(65,014)**	(62,798)
Non-controlling interests		**—**	(2,565)
		(65,014)	(65,363)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	10	**(0.045)**	(0.045)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000* (Restated)
LOSS FOR THE YEAR	**(65,014)**	(65,363)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
— Translation of foreign operations	**97,406**	(37,376)
— Reclassification adjustments upon disposal of subsidiaries included in profit or loss	**—**	15,942
	97,406	(21,434)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of a building	**22,498**	155,352
Income tax effect in respect of change in fair value of a building	**(5,625)**	(38,803)
	16,873	116,549
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	**114,279**	95,115
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,265**	29,752
Attributable to:		
Shareholders of the Company	**49,265**	32,317
Non-controlling interests	**—**	(2,565)
	49,265	29,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**828,589**	771,390
Investment properties	11	**470,948**	405,199
Intangible assets		**942**	772
Non-current deposits		**145,491**	1,545
Total non-current assets		**1,445,970**	1,178,906
CURRENT ASSETS			
Properties under development	12	**154,986**	104,716
Inventories		**5,446**	5,213
Trade receivables	13	**25,429**	20,373
Prepayments, deposits and other receivables		**14,991**	15,593
Due from related companies		**1,970**	3,380
Other tax recoverables		**3,463**	128
Pledged bank deposit		**39,636**	38,800
Cash and cash equivalents		**723,891**	290,574
Total current assets		**969,812**	478,777
CURRENT LIABILITIES			
Trade payables	14	**63,724**	33,477
Receipts in advance		**72,821**	65,121
Other payables and accruals		**143,202**	59,850
Due to a shareholder		**3,778**	1,376
Due to a director		**862**	861
Due to related companies		**76,899**	24,708
Bank borrowings	15	**201,477**	132,264
Income tax payables		**1,528**	2,037
Other tax payables		**1,212**	2,233
Total current liabilities		**565,503**	321,927
NET CURRENT ASSETS		**404,309**	156,850
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,850,279**	1,335,756

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Bank borrowing	15	**—**	5,268
Loans from a shareholder	16	**625,280**	61,458
Preference shares of a subsidiary		**16,534**	15,376
Deferred tax liabilities		**99,641**	98,898
Total non-current liabilities		**741,455**	181,000
Net assets		**1,108,824**	1,154,756
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		**1,780,663**	1,219,965
Perpetual convertible bonds		**82,084**	—
Reserves		**(753,923)**	(58,982)
		1,108,824	1,160,983
Non-controlling interests		**—**	(6,227)
Total equity		**1,108,824**	1,154,756

Notes:

1. CORPORATE AND GROUP INFORMATION

GR Properties Limited is a company incorporated in Hong Kong with limited liability and the issued 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 year ended 31 December 2017, the Company and its subsidiaries were involved in the following principal activities:

— property investment in the United Kingdom (the "UK")

— property development and investment in the United States of America (the "USA")

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

— operation and management of a leisure and lifestyle experience centre (the "Recreational Centre") in Beijing, the PRC.

At 31 December 2017, the immediate parent of the Company is Wintime Company Limited ("Wintime"), which is incorporated in the British Virgin Islands with limited liability, and, in the opinion of the directors of the Company, the ultimate parent of the Company is Winluck Global Limited, which is incorporated in the British Virgin Islands with limited liability.

2. 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 investment properties and a building 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 thousand except when otherwise indicated.

The financial information relating to the year ended 31 December 2017 and the financial information relating to the year ended 31 December 2016 included in this preliminary announcement of annual results for the year ended 31 December 2017 do not constitute the Company's statutory annual consolidated financial statements for those years. 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 2017 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 2016 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 the financial statements for the year ended 31 December 2016. 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 statements of the Company and its subsidiaries for the year ended 31 December 2017. 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. Other than subsidiaries acquired under business combinations under common control which are consolidated from the date when the combining entities first come under the control of the controlling shareholder of the Company, the results of other subsidiaries are consolidated from the date of acquisition, being 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding impact of HKAS 7 and HKAS 12, the adoption of above revised standards has had no significant financial effect on this financial information.

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

The Group has not applied other new and revised HKFRSs that have been issued but are not yet effective. The Group is in process of making an assessment of the impact of the other new and revised HKFRSs upon initial application.

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 three 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 PRC (disposed of in June 2016); (ii) property development and property investment in the USA and (iii) leasing of office units in the UK;

(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; and

(c) the operation of the Recreation Centre 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 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		Operation of the Recreational Centre		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)
Segment revenue	**10,212**	6,902	**142,121**	131,225	**77,489**	78,265	**229,822**	216,392
Segment results	**(43,174)**	(13,703)	**8,183**	5,741	**(45,224)**	(32,718)	**(80,215)**	(40,680)
Reconciliation:								
Loss on disposal of subsidiaries							**–**	(1,587)
Other unallocated income and gain							**15,689**	1,643
Corporate and other unallocated expenses							**(3,107)**	(26,771)
Loss before tax							**(67,633)**	(67,395)

	Property development and investment		Property management		Operation of the Recreational centre		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
						(Restated)		(Restated)
Other segment information:								
Impairment losses recognised in profit or loss								
— Operating segments	**—**	—	**2,520**	1,850	**—**	—	**2,520**	1,850
Depreciation and amortisation								
— Operating segments	**211**	272	**701**	782	**24,286**	19,945	**25,198**	20,999
— Amount unallocated							**46**	84
							25,244	21,083
Capital expenditure*								
— Operating segments	**58,409**	308,335	**554**	149	**1,518**	14,192	**60,481**	322,676
— Amount unallocated							**550**	72
							61,031	322,748

* 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.

5. REVENUE

Revenue represents (i) the value of property management services rendered, net of business tax, value added tax and government surcharges; (ii) gross rental income received from investment properties; (iii) and the value of services rendered and sales of goods in relation to operation of the Recreational Centre, net of business tax, value added tax and government surcharges.

An analysis of revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Rendering of property management services	**142,121**	131,225
Gross rental income	**10,212**	6,902
Rendering of services and sales of goods in relation to operation of the Recreation Centre	**77,489**	78,265
	229,822	216,392

6. OTHER INCOME AND GAIN, NET

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Bank interest income	**2,259**	951
Penalty income	**266**	162
Foreign exchange difference, net	**11,818**	—
Others	**3,147**	520
	17,490	1,633

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on loans from a shareholder	**2,211**	1,376
Interest on a bank loan	**3,937**	21
Interest on a loan from a related party	**1,202**	—
Interest on preference shares of a subsidiary	**1,112**	187
	8,462	1,584

8. LOSS BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**20,502**	21,598
Depreciation	**25,070**	20,968
Amortisation of intangible assets	**174**	115
Loss on disposal of items of property, plant and equipment	**19**	7
Minimum lease payments under operating leases in respect of land and buildings	**10,151**	6,370
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	**84,941**	84,035
Pension scheme contributions	**4,591**	4,983
	89,532	89,018
Impairment of trade receivables	**2,520**	1,850
Foreign exchange differences, net	**(11,818)**	14,497

9. INCOME TAX

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current — Mainland China	**1,770**	1,898
Current — USA	**254**	124
Deferred	**(4,643)**	(4,054)
Total tax credit for the year	**(2,619)**	(2,032)

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 (2016: 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 subsidiaries in the USA for the year, based on existing legislation, interpretations and practices in respect thereof.

10. 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, and the weighted average number of 1,448,547,818 (2016: 1,405,401,905 (restated)) during the year on the assumption that the 540,000,000 ordinary shares issued as part of the consideration for the acquisition of Wholly Express Limited, which is a business combination under common control during the year, have been in existence from the earliest date presented in these financial statements, (i.e., 1 January 2016).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the perpetual convertible bonds outstanding during the year ended 31 December 2017 had an anti-dilutive effect on the basic loss per share amounts presented for these years.

11. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount as at 1 January 2016	75,358	113,148	188,506
Additions	290,186	17,002	307,188
Net loss from a fair value adjustment	(9,155)	—	(9,155)
Disposal of subsidiaries	(73,678)	—	(73,678)
Exchange realignment	(7,706)	44	(7,662)
Carrying amount as at 31 December 2016 and 1 January 2017	275,005	130,194	405,199
Additions	—	58,096	58,096
Net gain/(loss) from fair value adjustments	(23,590)	3,038	(20,552)
Exchange realignment	27,058	1,147	28,205
Carrying amount as at 31 December 2017	278,473	192,475	470,948

Notes:

(a) The Group's completed investment property as at 31 December 2017 represents an office building (the "Boundary House") in London, the UK, which is leased to third parties under operating leases.

The Group's investment property under construction as at 31 December 2017 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 property was revalued on 31 December 2017 based on valuations performed by Gerald Eve LLP, independent professionally qualified valuers, at Pound Sterling ("£") 26,400,000 (equivalent to approximately HK$278,473,000)(2016: £28,750,000 (equivalent to approximately HK$275,005,000)). The Group's investment property under construction was revalued on 31 December 2017 based on valuations performed by JLL Valuation & Advisory Services, LLC, independent professionally qualified valuers, at US Dollars ("US$") 24,640,000 (equivalent to approximately HK$192,475,000).

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 valuers on the valuation assumptions and valuation results when the valuations are performed.

(c) At 31 December 2017, the Group's investment properties were all pledged to secure banking facilities granted to the Group.

12. PROPERTIES UNDER DEVELOPMENT

Properties under development of the Group as at 31 December 2017 represents a portion of the US Complex (as defined in note 11(a)) that would be held for sale upon completion of the construction of the US Complex. As at 31 December 2017, such properties of approximately US$19,841,000 (equivalent to approximately HK$154,986,000) (2016: approximately US$13,503,000 (equivalent to approximately HK$104,716,000)) were pledged to secure a bank loan facility granted to the Group.

13. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**34,450**	26,323
Less: Impairment	**(9,021)**	(5,950)
	25,429	20,373

Note:

Trade receivables are non-interest-bearing and arise from the provision of property management services, leasing of investment properties and operation of the Recreational Centre. Tenants of the Group's managed properties are required to pay a calendar year's property management service fees annually in advance.

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Past due:		
Less than 1 year	**20,849**	15,221
1 year to 2 years	**3,564**	4,288
2 years to 3 years	**1,016**	864
	25,429	20,373

The Group's credit terms for its property management services fees, rental and services fee receivables of operation of the Recreational Centre are negotiated with and entered into under normal commercial terms with tenants of the properties managed by the Group, tenants of investment properties and customers of the Recreational Centre. 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 2017, trade receivables of approximately HK$4,580,000 (2016: approximately HK$5,152,000), 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.

14. TRADE PAYABLES

Trade payables are non-interest-bearing and the average credit period is 60 days. An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Within 3 months	**50,010**	25,539
3 to 6 months	**5,485**	2,742
6 to 12 months	**1,293**	3,415
Over 1 year	**6,936**	1,781
	63,724	33,477

15. BANK BORROWINGS

	Effective interest rate (%)	Maturity	2017 HK$'000	2016 HK$'000 (Restated)
Current				
Bank loans – secured	2.53–2.83	Revolving or 2018	**201,477**	132,264
Non-current				
Bank loan – secured	4.75	2018	**—**	5,268
			201,477	137,532
Analysed into repayable:				
Within one year or on demand			**201,477**	132,264
In the second year			**—**	5,268
			201,477	137,532

16. LOANS FROM A SHAREHOLDER

Pursuant to shareholder's loan agreements dated 28 July 2016, 24 November 2017 and a supplemental agreement dated 24 August 2016 entered into between the Company and Wintime, the immediate parent, Wintime granted shareholder's loan facilities of HK$1,750,000,000 (or its equivalent in £) in aggregate (2016: HK$250,000,000 or its equivalent in £) to the Company, of which approximately £47,902,000 (equivalent to approximately HK$505,280,000) and HK$120,000,000, respectively, (2016: £6,425,000 (equivalent to approximately HK$61,458,000)) had been utilised as at 31 December 2017. The shareholder's loans are unsecured, bear interest at the rate of 2% per annum, and are repayable in 3 years from the date of drawdown of the shareholder's loans or such other date agreed between Wintime and the Company.

17. COMPARATIVE AMOUNTS

(a) On 31 August 2017, the Group 100% equity interest in Wholly Express Limited and its subsidiaries ("Wholly Express Group") from Winluck Global Limited, a company beneficially owned by Mr. Wei Chunxian ("Mr. Wei") and Silky Apex Limited, a company beneficially owned by Mr. Sun Zhongmin, respectively, with an aggregate consideration of approximately HK$636 million.

The Group and Wholly Express Group were under the common control of Mr. Wei before and after the completion of the transaction and hence the acquisition is a business combination under common control. To consistently apply the Group's accounting policy for common control combinations, the acquisition of Wholly Express Group has been accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the common control of the Mr. Wei.

Business combinations of entities under common control are accounted for using the principles of merger accounting in accordance with the Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA. Under the principles of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the merger reserve. Acquisition costs are expensed as incurred.

Accordingly, the consolidated statement of profit or loss and the consolidated statement of comprehensive income include the results and other comprehensive income of each of the acquired entities or businesses from the earliest date presented or since the date when the acquired entities or businesses first come under common control, where this is a shorter period.

In addition, having considered the differences in the nature of the business of Wholly Express Group from those of the Group's existing businesses, instead of using the function of expense method which was previously adopted in the preparation of the prior years' consolidated financial statements, the Group used the nature of expense method to present the analysis of expenses in the consolidated statement of profit or loss for the year ended 31 December 2017 as the directors of the Company are of the opinion that such presentation would provide more reliable and relevant information. Accordingly, comparative amounts of the consolidated statement of profit or loss in respect of the year ended 31 December 2016 have been re-presented to conform to the current year's presentation.

(b) An announcement on 5 October 2016 and a circular on 21 October 2016 were issued in relation to, among other things, a proposed reduction of the credit standing to the share capital account of the Company by the amount of HK$700,000,000, which was intended to be utilised to offset the accumulated losses of the Company of approximately HK$675,782,000 as at 30 June 2016 with the remaining balance of approximately HK$24,218,000 to be retained in the capital reduction reserve account of the Company (the "Capital Reduction").

In accordance with the Hong Kong Companies Ordinance, the Capital Reduction was subject to certain conditions including the passing of a special resolution by the shareholders of the Company in a general meeting of the Company approving the Capital Reduction and the registration of the relevant documents with the Registrar of Companies in Hong Kong ("Registration") within the prescribed timeframe in accordance with the Hong Kong Companies Ordinance.

In the preparation of the Company's consolidated financial statements for the year ended 31 December 2016, each of the share capital and the accumulated losses of the Company as at 31 December 2016 was reduced by an amount of approximately HK$675,782,000 and a capital reduction reserve of approximately HK$24,218,000 has been created for the unutilised amount of the Capital Reduction amount in the Company's consolidated financial statements for the year ended 31 December 2016, which was authorised for issue on 31 March 2017.

However, it has come to the attention of the Company during the year that the Registration was not completed within prescribed timeframe due to inadvertent omission, and as a result, the Capital Reduction has not been effected. As a result of the ineffectiveness of the Capital Reduction, the accounting entries related to the Capital Reduction should not have been made and hence, at the board meeting held on 18 August 2017, the Company's directors resolved to reverse the accounting entries and restate the amounts of share capital, accumulated losses and the capital reduction reserve in the consolidated statement of financial position and the Company's statement of financial position as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE YEAR

The Company has taken a big stride forward in year 2017. Our management is pleased to share with our supportive shareholders that we have completed two acquisitions in 2017 which further expands our asset portfolio.

Acquisition of Wholly Express Limited and its subsidiaries

On 31 August 2017, the Company completed to acquire the entire share capital of Wholly Express Limited and its subsidiaries (collectively, "Wholly Express Group"), at a consideration of HK$673,364,000, from Winluck Global Limited (a company wholly owned by Mr. Wei Chunxian) and Silky Apex Limited (a company wholly owned by Mr. Sun Zhongmin). The consideration was paid as to HK$491,400,000 by the allotment and issue of the consideration shares at the issue price of HK$0.91 per share and remaining as to HK$181,964,000 by the issue of the convertible bonds with conversion price at HK$0.91. The convertible bonds are fully converted subsequently in 2018.

Wholly Express Group is principally engaged in the operation and management of leisure and lifestyle experience centre located at Recreation Centre, a self-owned property, including but not limited to provision of catering, banquet, fitness and sport facilities services. Such services are provided in the Recreation Centre located at Ronghua South Road, Economic-Technological Development Area, Beijing, the PRC, which is self-owned by Wholly Express Group with a gross floor area of approximately 28,056.88 square meters. Wholly Express Group is able to contribute approximately HK$80 million to the Group annually.

The Recreation Centre is located in Economic Technological Development Area located in Yizhuang (亦莊) at the southeast of Beijing, the PRC, which is surrounded by an area of large construction side under development. The construction site is estimated to be approximately 118,974.90 square meters with hotel, offices, residential and retail properties. The development of the remaining area is estimated to be completed gradually from 2018 to 2022. The Directors considered that although the Wholly Express Group incurred net loss in previous years which was mainly due to the surrounding area under development, the Company expects that the operation of the Recreation Centre by the Wholly Express Group will gradually improve with the effect of increasing population and flow of people in surrounding area upon the completion of the construction site. This acquisition can enhance the Group's revenue and broaden its earnings base by penetrating into the property development industry in the PRC, and enjoy potential capital appreciation of the property in the future.

For details of acquisition of Wholly Express Group, please refer to the Company's announcements dated 9 June 2017, 7 July 2017 and 31 August 2017 and circular dated 8 August 2017.

Acquisition of Juxon House

On 15 November 2017, Talented Chief Limited, a wholly owned subsidiary of the Company, entered into a purchase agreement to acquire a property in London, UK, namely Juxon House, at a consideration of £134,500,000. Juxon House was expected to contribute rental income of approximately £5.5 million annually and had a historical rental yield of approximately 4.10%. The acquisition completed on 8 January 2018. The consideration was paid by an external bank borrowing of approximately £80,130,000 and remaining funded by shareholder loan of the Company from Wintime Company Limited.

Juxon House is located at 100 St Pauls Churchyard, London, the UK. It situates in a prominent position on the northern-western side of St Pauls Cathedral, on the corner of Ludgate Hill/St Paul's Churchyard to the south and Ave Maria Lane to the west, with Paternoster Square to the east, which is a prime professional and financial district with the London Stock Exchange and some multinational organizations having offices in the near vicinity. Juxon House is a grade A commercial building with a net lettable floor area of approximately 123,781 square feet, among which the office accommodation, the retail accommodation, and the ancillary and storage area have a net lettable floor area of 100,774 square feet, 20,083 square feet and 2,924 square feet respectively. Juxon House comprises a lower ground floor, a ground floor and five upper floors, basement storage and twenty car park spaces. As at 31 December 2017 Juxon House was fully let to four office tenants and four retail tenants.

The Company believes that the acquisition of Juxon House could generate stable cashflow 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 the property, including renewing the leases and licences subsisting upon expiry, rebalancing its tenant portfolio.

For the details of acquisition of Juxon House, please refer to the Company's announcements dated 25 November 2017 and 8 January 2018 and circular dated 29 November 2017.

Shares Subscription under General Mandate

On 26 January 2018 (after trading hours), the Company entered into the subscription agreements with the subscribers, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to allot and issue, 179,484,147 new shares in aggregate, at the subscription price of HK$1.00 per subscription share. Completion of the subscription took place on 22 February 2018. The net proceeds from the subscription after deducting relevant expenses incurred in relation to the subscription, amount to approximately HK$179.32 million which is used by the Company for repayment of shareholder loans from Wintime Company Limited and general working capital of the Group.

Upon the completion of the subscription, the financial position and shareholder base of the Group has been strengthened. For details of the subscription, please refer to the Company's announcements dated 26 January 2018 and 22 February 2018.

2. BUSINESS REVIEW

During the year ended 31 December 2017 (the "Year"), the Group's operations are organised into business units based on the nature of their operations. There are three reportable operating segments, including (i) the property management segment; (ii) the property development and investment segment; and (iii) the operation and management of a leisure and lifestyle experience centre. The first and third segments are located in 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 2017, AOCEAN Business Management manages 14 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 had been funded by way of construction loan from bank in the USA and internal resources of the Company.

The construction of Santa Monica Project started in the second half of 2016 and is expected to complete in second half of 2018. The original plan of Santa Monica Project was to lease the commercial units and sell the residential units. During the year, the management of the Company decided to lease the residential and commercial units to receive rental income upon completion.

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 7–17 Jewry Street, London EC3N 2EX, which is 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. As at 31 December 2017. Boundary House is fully occupied except with one vacant unit available for lease and is let to 10 office tenants under 13 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 is expected to 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.

Juxon House

For details of Juxon House, please refer to Section 1 "Overview of The Year" in this announcement.

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"). In 2016, 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.

2.3 Operation and management of leisure and lifestyle experience centre

For details of the Wholly Express Group which is engaged in operation and management of the Recreation Centre, please refer to Section 1 "Overview of The Year" in this announcement.

3. FINANCIAL REVIEW

	Year ended 31 December 2017 *HK$'000*	Year ended 31 December 2016 *HK$'000* (restated)
Turnover	**229,822**	216,392
Loss for the year	**(65,014)**	(65,363)

Assets and liabilities	**2017** *HK$'000*	2016 *HK$'000*
Total assets	**2,415,782**	1,657,683
Total liabilities	**1,306,958**	502,927
Net assets	**1,108,824**	1,154,756
Total debts	**826,757**	198,990
Capital liquidity ratio*	**1.28**	0.90
Gearing ratio#	**74.6%**	17.2%

* Bank balances and cash dividend by current liabilities

\# Total debts divided by total equity

3.1 Financial analysis

Due to the acquisition of Wholly Express Group during the Year, the consolidated net loss for the year ended 31 December 2016 is expected to be restated from approximately HK$36.82 million to approximately HK$65.36 million as a result of applying the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by Hong Kong Institute of Certified Public Accountants, as if the acquisition of the entire issued share capital of Wholly Express Limited, which was completed on 31 August 2017 and was accounted for as a business combination under common control, had occurred at the beginning of the earliest financial year presented (i.e., 1 January 2016), for details please refer to the circular of the Company dated 8 August 2017. On this basis, the Wholly Express Group's results were consolidated as from 1 January 2016 in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

During the Year, the Group achieved a revenue of approximately HK$229,822,000 (year ended 31 December 2016 restated: approximately HK$216,392,000). The substantial increase in revenue is mainly attributable to the completion of the acquisition of Boundary House in August 2016 which has contributed full year rental income of approximately HK$10,211,000 (year ended 31 December 2016: approximately HK$3,691,000) to the Group during the Year. The increase in revenue during the Year was also contributed from the property management segment. During the Year, the Group manages 13 major residential and commercial projects in Beijing while only 8 projects under management in 2016.

The Group recorded loss for the Year of approximately HK$65,014,000 (year ended 31 December 2016: restated loss of approximately HK$65,363,000). The loss for the Year was mainly due to:

(i) the net loss generated from the Wholly Express Group which was mainly due to surrounding area of the property held by the Wholly Express Group located at Ronghua South Road, Economic-Technological Development Area, Beijing, the People's Republic of China is still under development. As disclosed in the circular of the Company dated 8 August 2017, the aforesaid surrounding area is estimated to be completed gradually from 2018 to 2022. Based on the unaudited management accounts of the Acquired Group for the year ended 31 December 2017, the net loss generated from Acquired Group was mainly arise from the depreciation of assets of approximately HK$19.42 million; and

(ii) the recognition of fair value loss of the Group's investment property, Boundary House, located at 7–17 Jewry Street, London EC3N 2EX, the United Kingdom of approximately HK$23.59 million, which is made based on a shorter lease term under the new lease agreements entered into between the Group and its tenants indicating lease rates at lower than initially expected level and an expected decrease in rental income generated by such investment property.

During the year ended 31 December 2016, the Group arranged construction loan for Santa Monica Project and complete the drawndown of loan of approximately US$679,000 (approximately HK$5,268,000) as at 31 December 2016. As at 31 December 2017, such construction loan had a balance of approximately US$ 7,056,000 (equivalent to approximately HK$55,121,000). In addition, the Group borrowed a loan of £13,875,000 (equivalent to approximately HK$132,264,000 as at 31 December 2016 and HK$146,356,000 as at 31 December 2017) as at 31 December 2016 and 2017 with Boundary House being charged as security for the loan. During the Year, the Group has no other new borrowings.

During the year ended 31 December 2016, 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. During the Year, the Company and Wintime Company Limited, entered into another shareholder loan facility agreement, pursuant to which Wintime Company Limited agrees to provide a facility with amount up to HK$1,500,000,000 to the Company for financing the working capital requirements of the Group in connection with its property acquisition and development. This shareholder loan is also unsecured, interest bearing at 2% per annum and repayable on 36 months after drawdown.

In order to fund the acquisition of Juxon House, the Group made a new bank borrowing on 8 January 2018 with amount of approximately £80,130,000 (equivalent to approximately HK$881,430,000), with Juxon House being charged as security for the loan.

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 2017, the Group had unutilised facilities of HK$1,124,720,000 (31 December 2016: HK$188,542,000) from Wintime Company Limited. As at 31 December 2017, the Group has cash and cash equivalents of approximately HK$723,891,000 (31 December 2016 restated: HK$290,574,000) and total debts of approximately HK$826,757,000 (31 December 2016: 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 2017, the total number of employees of the Group (excluding directors) was 370 (31 December 2016: approximately 347). 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 2016: Nil)

3.6 Pledge of assets

As at 31 December 2017, the Group had investment properties with an amount of approximately HK$470,948,000 (31 December 2016: approximately HK$405,199,000) and properties held for sale with an amount of approximately HK$154,980,000 (31 December 2016: approximately HK$104,716,000) to secure bank borrowings of approximately HK$201,477,000 (31 December 2016: approximately HK$137,532,000). 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 2017, trade receivables of approximately HK$61,000 (31 December 2016: approximately HK$315,000) in total was pledged to secure a bank loan granted to the Group.

As at 31 December 2017, deposit amounting to approximately HK$39,636,000 (31 December 2016: HK$38,800,000) has been pledged to secure standby letter of credit issued to the general contractor for Santa Monica Project.

3.7 Capital and other development related commitment and contingent liabilities

As at 31 December 2017 and 2016, the Group had no material contingent liabilities. As at 31 December 2017, the Group had contracted but not provided for commitments for development costs and capital expenditure in amount of approximately HK$103,548,000 (31 December 2016: approximately HK$186,243,000) and acquisition of Juxon House in amount of approximately HK$1,358,420,000.

3.8 Property valuations

Property valuations on the Group's investment properties located in the UK and the USA and the property located in the PRC as at 31 December 2017 have been carried out by independent qualified professional valuers, Gerald Eve LLP, JLL Valuation & Advisory Services, LLC and Knight Frank Petty Limited, respectively. The property valuations were used in preparing 2017 annual results. The valuations were based on income capitalisation approach and sales comparison 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.

For major acquisitions during the Year, please refer to Section 1 "Overview of The Year" in this announcement. During the year ended 31 December 2016, 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 2018 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 Juxon 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 2017.

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 2017.

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 2017.

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 2017 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, 29 March 2018

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, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung.

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