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 2018

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 2018, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	5	**361,282**	229,822
Other income and gain, net	6	**10,249**	17,490
Cost of inventories sold		**(26,913)**	(20,502)
Employee benefit expenses		**(96,740)**	(89,532)
Marketing expenses		**(963)**	(441)
Depreciation and amortisation		**(28,437)**	(25,244)
Utilities, repairs and maintenance and rental expenses		**(131,894)**	(114,317)
Other operating expenses		**(55,599)**	(35,895)
Remeasurement gain upon transfer of a property under development to an investment property under construction		**23,997**	—
Fair value loss of investment properties, net		**(201)**	(20,552)
Finance costs	7	**(46,853)**	(8,462)

	Notes	**2018** HK$'000	2017 HK$'000
PROFIT/(LOSS) BEFORE TAX	8	**7,928**	(67,633)
Income tax credit	9	**1,502**	2,619
PROFIT/(LOSS) FOR THE YEAR		**9,430**	(65,014)
Attributable to:			
Shareholders of the Company		**9,579**	(65,014)
Non-controlling interests		**(149)**	—
		9,430	(65,014)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic	10	**0.0041**	(0.045)
Diluted	10	**0.0033**	(0.045)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**9,430**	(65,014)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
— Change in fair value of a debt investment at fair value through other comprehensive income	**352**	—
— Exchange differences on translation of foreign operations	**(72,585)**	97,406
	(72,233)	97,406
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
— Change in fair value of a building	**24,310**	22,498
— Income tax effect in respect of the change in fair value of a building	**(6,078)**	(5,625)
	18,232	16,873
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**(54,001)**	114,279
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(44,571)**	49,265
Attributable to:		
Shareholders of the Company	**(44,361)**	49,265
Non-controlling interests	**(210)**	—
	(44,571)	49,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**785,360**	828,589
Investment properties	11	**2,175,670**	470,948
Intangible assets		**893**	942
Non-current deposits		**1,525,745**	145,491
Deferred tax assets		**12,579**	—
Total non-current assets		**4,500,247**	1,445,970
CURRENT ASSETS			
Properties under development		**—**	154,986
Inventories		**1,497**	5,446
Trade receivables	12	**24,629**	25,429
Prepayments, deposits and other receivables		**80,712**	14,991
Due from related companies		**13,357**	1,970
Other tax recoverables		**2,131**	3,463
Debt investment at fair value through other comprehensive income		**23,113**	—
Pledged bank deposit		**39,230**	39,636
Cash and cash equivalents		**345,163**	723,891
Total current assets		**529,832**	969,812
CURRENT LIABILITIES			
Trade payables	13	**65,929**	63,724
Receipts in advance		**84,028**	72,821
Other payables and accruals		**113,167**	143,202
Due to a shareholder		**1,437**	3,778
Due to a director		**2,557**	862
Due to related companies		**95,142**	76,899
Bank borrowings		**247,010**	201,477
Preference shares of a subsidiary		**15,671**	—
Income tax payables		**12,362**	1,528
Other tax payables		**7,449**	1,212
Total current liabilities		**644,752**	565,503
NET CURRENT ASSETS/(LIABILITIES)		**(114,920)**	404,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,385,327**	1,850,279

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**776,084**	—
Loans from a shareholder	**—**	625,280
Liability component of perpetual convertible bonds	**48,929**	—
Preference shares of a subsidiary	**—**	16,534
Deferred tax liabilities	**105,799**	99,641
Total non-current liabilities	**930,812**	741,455
Net assets	**3,454,515**	1,108,824
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	**3,146,571**	1,780,663
Equity component of perpetual convertible bonds	**1,084,013**	82,084
Reserves	**(798,848)**	(753,923)
	3,431,736	1,108,824
Non-controlling interests	**22,779**	—
Total equity	**3,454,515**	1,108,824

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 2018, 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 and Hebei Province, the People's Republic of China (the "PRC")

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

At 31 December 2018, the immediate holding company of the Company was Wintime Company Limited ("Wintime"), which was incorporated in the British Virgin Islands with limited liability, and, in the opinion of the directors of the Company, the ultimate holding company of the Company is Winluck Global Limited, which was incorporated in the British Virgin Islands with limited liability.

2. BASIS OF PREPARATION

These financial statements have 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) investment properties and a debt investment at fair value through other comprehensive income, which have been measured at fair value; and (ii) a building, which has been measured at a revalued amount. These financial statements are 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 2018 and the financial information relating to the year ended 31 December 2017 included in this preliminary announcement of annual results for the year ended 31 December 2018 do not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2017, is derived from those financial statements. 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 2018 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 2017 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 2017. 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. 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 statements of the subsidiaries are 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.

3. 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 statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9 ***Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

All financial assets and liabilities of the Group as at 31 December 2017 were classified as loans and receivables, and financial liabilities stated at amortised cost, respectively. Upon the adoption of HKFRS 9, the Group's financial assets as at 31 December 2017 are reclassified as financial assets at amortised cost from 1 January 2018 and the Group's financial liabilities as at 31 December 2017 continued to be classified as financial liabilities stated at amortised cost from 1 January 2018. There was no change in the measurement of the Group's financial assets and liabilities of the Group as at 31 December 2017 upon adoption of HKFRS 9.

Impairment

The following table reconciles aggregate opening impairment allowances in respect of trade receivables under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Remeasurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	9,021	2,443	11,464

Impact on accumulated losses

The impact of transition to HKFRS 9 on accumulated losses is as follows:

	Accumulated losses
	HK$'000
Balance as at 31 December 2017 under HKAS 39	(989,842)
Recognition of expected credit losses for trade receivables under HKFRS 9	(2,443)
Balance as at 1 January 2018 under HKFRS 9	(992,285)

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) property development and property investment in the USA and (ii) leasing of office and residential 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 and Hebei Province, the PRC; and

(c) the operation of the Recreation Center engages in the operation and management of a leisure and lifestyle experience center 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 profit/loss before tax except that 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 Center		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**75,067**	10,212	**196,057**	142,121	**90,158**	77,489	**361,282**	229,822
Segment results	**53,490**	(43,174)	**36,851**	8,183	**(42,550)**	(45,224)	**47,791**	(80,215)
Reconciliation:								
Other unallocated income and gain							**1,828**	15,689
Corporate and other unallocated expenses							**(41,691)**	(3,107)
Profit/(loss) before tax							**7,928**	(67,633)
Other segment information:								
Impairment of trade receivables recognised in profit or loss								
— Operating segments	**126**	—	**2,082**	2,520	**—**	—	**2,208**	2,520
Depreciation and amortisation								
— Operating segments	**63**	211	**533**	701	**27,558**	24,286	**28,154**	25,198
— Amount unallocated							**283**	46
							28,437	25,244
Capital expenditure*								
— Operating segments	**1,551,635**	58,409	**795**	554	**2,258**	1,518	**1,554,688**	60,481
— Amount unallocated							**91**	550
							1,554,779	61,031

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

Geographical Information

Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**286,214**	219,610
UK	**75,068**	10,212
	361,282	229,822

The revenue information above is based on the locations of the customers.

5. REVENUE

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Rendering of property management services	**196,057**	142,121
Rendering of services and sales of goods in relation to operations of the Recreation Center	**90,158**	77,489
Gross rental income	**75,067**	10,212
	361,282	229,822

6. OTHER INCOME AND GAIN, NET

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

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**3,520**	2,259
Interest income of loans receivable	**1,035**	—
Penalty income	**364**	266
Foreign exchange difference, net	**2,411**	11,818
Others	**2,919**	3,147
	10,249	17,490

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans	**30,721**	3,937
Interest on loans from a shareholder	**6,615**	2,211
Interest on a loan from a related party	**—**	1,202
Interest on perpetual convertible bonds	**8,374**	—
Interest on preference shares of a subsidiary	**1,143**	1,112
	46,853	8,462

8. PROFIT/(LOSS) BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**26,913**	20,502
Depreciation	**28,342**	25,070
Amortisation of intangible assets	**95**	174
Loss on disposal of items of property, plant and equipment	**83**	19
Impairment of trade receivables, net	**2,208**	2,520

9. INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Current — Mainland China	**9,855**	1,770
Current — USA	**287**	254
Current — UK	**3,584**	—
Deferred	**(15,228)**	(4,643)
Total tax credit for the year	**(1,502)**	(2,619)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

The PRC and UK income taxes in respect of operations in Mainland China and the UK are 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. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings (2017: loss) per share amount for the year ended 31 December 2018 is based on the profit for the year attributable to shareholders of the Company of HK$9,579,000 (2017: a loss of HK$65,014,000), and the weighted average number of 2,363,185,511 (2017: 1,448,547,818) during the year.

In respect of the year ended 31 December 2018, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive perpetual convertible bonds into ordinary shares.

In respect of the diluted loss per share amount for the year ended 31 December 2017, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as the impact of the perpetual convertible bonds outstanding during the prior year had an anti-dilutive effect on the basic loss per share amount presented.

The calculations of basic and diluted earnings/(loss) per share amounts are based on the following data:

Earnings/(loss)

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculation	**9,579**	(65,014)

Number of ordinary shares

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculation	**2,363,185,511**	1,448,547,818
Effect of dilution of perpetual convertible bonds – weighted average number of ordinary shares	**511,216,011**	—
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings/(loss) per share calculation	**2,874,401,522**	1,448,547,818

11. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount as at 1 January 2017	275,005	130,194	405,199
Additions	—	58,096	58,096
Net gain/(loss) from a fair value adjustment	(23,590)	3,038	(20,552)
Exchange realignment	27,058	1,147	28,205
Carrying amount as at 31 December 2017 and 1 January 2018	278,473	192,475	470,948
Additions	1,488,258	63,345	1,551,603
Net gain/(loss) from fair value adjustments	(29,530)	29,329	(201)
Transfer from properties under development	—	233,822	233,822
Exchange realignment	(80,759)	257	(80,502)
Carrying amount as at 31 December 2018	1,656,442	519,228	2,175,670

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables, based on due date and net of impairment, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Past due:		
Less than 1 year	**20,833**	20,849
1 year to 2 years	**1,916**	3,564
2 years to 3 years	**1,880**	1,016
	24,629	25,429

13. TRADE PAYABLES

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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**47,393**	50,010
3 to 6 months	**3,031**	5,485
6 to 12 months	**6,377**	1,293
Over 1 year	**9,128**	6,936
	65,929	63,724

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE YEAR

The Company has taken a big stride forward in year 2018. Our management is pleased to share with our supportive shareholders that we have made two strategic moves in 2018 which further expands our asset portfolio and equity base.

Open Offer

On 24 May 2018, the Company proposed to raise approximately HK$728.05 million by way of open offer (the "Open Offer"), whereby 910,932,662 shares of the Company ("Shares") shall be allotted and issued on the basis of one (1) offer Share for every (2) existing Shares held by the Shareholders on the record date. The Open Offer will only be available to the qualifying Shareholders. The Open Offer is fully underwritten by Gang Rui International Investment (HK) Limited, a company ultimately controlled by Mr. Wei Chunxian ("Mr. Wei"), Chairman of the Board and director of the Company ("Director(s)") pursuant to the underwriting agreement.

Given the proceeds from Open Offer will be used to repay the outstanding liabilities and to finance the working capital of the Group, the Open Offer shall potentially increase the total assets of the Group by approximately HK$176.13 million and decrease the total liabilities of the Group by HK$551.92 million. As such, the gearing ratio of the Group, as expressed as the ratio of total debts to total equities, would potentially decrease after completion of the Open offer.

Hence, the Directors are of the view that the decrease of the gearing ratio could (1) strengthen the negotiation power of the Company to renew or obtain banking facilities and (2) improve the financial position of the Group, which in turn will benefit the Company and the Shareholders as a whole. The Open offer was completed on 24 July 2018.

For the details of the Open Offer, please refer to the Company's announcement dated 24 May 2018 and circular dated 29 June 2018.

Acquisition of the entire issued share capital of Wise Expert Investment Limited, which indirectly held a property, comprising offices and basement of Guorui Square Block B in Beijing, the PRC

On 30 May 2018 (after trading hours), the Company, Winluck Global Limited, ("Vendor A"), being a company wholly-owned by Mr. Wei, and Silky Apex Limited, ("Vendor B"), being a company wholly-owned by Mr. Sun Zhongmin, a Director (collectively defined as the "Vendors") entered into a sale and purchase agreement (the "Agreement"), pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Wise Expert Investment Limited at the consideration of HK$1,541,320,000.

The Consideration shall be paid to the Vendors in the following manner:

(i) as to HK$361,260,800, by the allotment and issuance of consideration Shares at the issue price of HK$0.80 per Share, being 410,934,160 new Shares to Vendor A (or to its designated nominee(s)) and 40,641,840 new Shares to Vendor B (or to its designated nominee(s)), by the Company pursuant to the payment schedule as set out in the Agreement; and

(ii) (ii) as to the balance of HK$1,180,059,200, by the issuance of convertible bonds in the aggregate principal amount of HK$1,073,853,872 to Vendor A (or to its designated nominee(s)) and HK$106,205,328 to Vendor B (or to its designated nominee(s)), by the Company pursuant to the payment schedule as set out in the Agreement.

Wise Expert Investment Limited and its subsidiaries are the sole owner of the property (the "Property"), located at Ronghua South Road, Daxing District, Beijing, the PRC, with a gross floor area of approximately 21,856.46 square meters, which is a composite residential/commercial development, comprising of residential, hotel, services apartment and office. Guorui Square Block B (the "Building") is a 36-storey office building over a 3-storey basement for storage and plant room purposes. The Property comprises the whole of the basements, the whole of Levels 2 to 11, Unit 108 on Level 1M and Units 1201, 1202 and 1203 on Level 12M of the Building.

The Board considers the acquisition will allow the Group to strengthen its asset base and further develop its existing property management business. The Directors believe that the acquisition can optimise the property portfolio of the Group and broaden its income base through the stable rental incomes generated from the Property.

The transaction was first completed on 17 August 2018 upon fulfillment of the first set of conditions precedent under the Agreement.

For the details of this acquisition, please refer to the Company's announcement dated 30 May 2018 and circular dated 20 July 2018.

2. BUSINESS REVIEW

During the year ended 31 December 2018 (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

北京澳西物業管理有限公司(Beijing AOCEAN Property Management Company Limited*, or "AOCEAN Property Management"), a wholly-owned subsidiary of the Company, was engaged in the property management segment. As at 31 December 2018, AOCEAN Property Management managed 21 major residential and commercial property projects, which 15 projects were located in Beijing, the PRC and 6 newly added projects during the second half of 2018 were located in Hebei, the PRC. The services provided by AOCEAN Property 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 buildings and fire safety equipment and was facilities for residential and commercial property projects.

Adhering to the principle of human-oriented, and seeing from the perspective of customers and market needs, AOCEAN Property 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 Property 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. Total rentable/saleable floor area is 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.

For the commercial area, lease agreement with a famous supermarket has been entered into, representing approximately 60% of total commercial rentable area. We are actively negotiating with several potential tenants to lease up the remaining areas. Property leasing agent has been appointed for the residential lease. Marketing campaign will launch to market in the first half of 2019 tentatively.

The infrastructure work of Santa Monica Project has been completed and interior work is conducted underway. This project is expected to complete in first half of 2019. The delay can be attributable to the shortage of labour in the construction industry in Los Angeles. The plan of Santa Monica Project was to lease the commercial units and the residential units.

Culver City Project

On 14 September 2018, the Group and the Sellers entered into the Agreement in relation to the acquisition of the entire partnership interests, which indirectly owns a parcel of land in Culver City of Los Angeles in the United States.

Upon completion and subject to the relevant governmental approval(s), the Group intends to develop this land into: (i) one hundred and eight (108) multi-family residential apartment units, including eleven (11) rent-restricted affordable housing units, with such residential units containing 132,589 gross square feet; (ii) 3,600 gross square feet of retail space; and (iii) two levels of subterranean parking consisting of 184 parking spaces. The consideration for the acquisition of the entire partnership interests finally adjusted to US$24,000,000.

The completion took place on 26 March 2019.

The Directors consider the acquisition to be an attractive investment opportunity to broaden the Group's property development operations in the United States, as this land is located within walking distances to the heart of Culver City, Los Angeles, which is the hub of a number of motion pictures and other production studios and is close to transportation network. The Project is expected to mark the Group's further entrenchment in the western United States and enhance the Group's overall geographical diversification of business.

For the details of this acquisition, please refer to the Company's announcements dated 14 September 2018, 9 November 2018, 1 February 2019 and 27 March 2019.

Boundary House

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 second half of 2019 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 2018, Boundary House is 89% occupied and is currently let to 12 office tenants. The leases can contribute approximately £1.1 million rental income to the Group annually, disregarding the rent free period provided to tenants.

The Group will study the feasibility of the redevelopment plan of Boundary House, assuming taking place in 2021. If the redevelopment is to proceed, it is believed that the gross floor area shall be increased subject to government approval.

Juxon House

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 20 car park spaces. As at 31 December 2018, Juxon House was fully let to four office tenants and four retail tenants, which contributed approximately £6.1 million rental income to the Group annually, disregarding the rent free period provided to tenants.

Portion of offices and basement of Guorui Square Block B in Beijing, the PRC

For the transaction detail, please refer to "Overview of the year" under Management Discussion and Analysis.

As at 31 December 2018, this property is currently under renovation. It is estimated this property will be handed over to the Group in the first half of 2019 accordingly. Pre-leasing activities shall commence afterwards.

2.3 Operation and management of leisure and lifestyle experience centre

Operation and management of leisure and lifestyle experience centre

Wholly Express Limited and its subsidiaries ("Wholly Express Group") are principally engaged in the operation and management of leisure and lifestyle experience centre, including but not limited to provision of catering, banquet, fitness and sport facilities services. Such services are provided in a property located at Ronghua South Road, Economic-Technological Development Area, Beijing, the PRC, which is self-owned by Wholly Express Group.

The property 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 site under development. The construction site includes hotel, offices, residential and retail properties. The development of the remaining area is estimated to be completed gradually until 2022. During the period under review, the turnover increased dramatically from HK$77,489,000 to HK$90,158,000 in 2017 and 2018 respectively. Although the Wholly Express Group incurred net loss in the period under review which was mainly due to the surrounding area still being under development, the Company expects that the operation of leisure and lifestyle experience 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.

3. FINANCIAL REVIEW

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000
Turnover	**361,282**	229,822
Profit/(Loss) for the year	**9,430**	(65,014)

Assets and liabilities	**2018** *HK$'000*	2017 *HK$'000*
Total assets	**5,030,079**	2,415,782
Total liabilities	**1,575,564**	1,306,958
Net assets	**3,454,515**	1,108,824
Total debts	**1,023,094**	826,757
Capital liquidity ratio*	**0.54**	1.28
Gearing ratio#	**29.6%**	74.6%

* Bank balances and cash divided by current liabilities

\# Total debts divided by total equity

3.1 Financial analysis

During the Year, the Group achieved a revenue of approximately HK$361,282,000 (year ended 31 December 2017: approximately HK$229,822,000). The substantial increase in revenue is mainly attributable to the completion of the acquisition of Juxon House in January 2018 which has contributed almost full year rental income of approximately HK$63,945,000 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 21 major residential and commercial projects in Beijing and Hebei while only 13 projects under management in 2017.

The Group recorded profit for the Year of approximately HK$9,430,000 (year ended 31 December 2017: loss of approximately HK$65,014,000). The profit for the Year was mainly due to:

(i) The net profit generated from Juxon House, located at 100 St Pauls Churchyard, London, the UK. Juxon House was acquired at £134,500,000 in November 2017 and completed in January 2018, which contributed rental income of HK$63,945,000 from the lease of Juxon House. During the Year, its net profit before fair value loss was approximately HK$23,086,000, which was offset by the fair value loss of HK$33,716,000 in Juxon House. After taking into account of 5% stamp duty and other transaction costs, the carrying value of Juxon House became approximately £142,200,000. Pursuant to the independent valuer's appraisal report, its fair value was £139,000,000. As such, fair value loss was made accordingly.

(ii) The recognition of the aggregate of fair value gain and fair value gain upon transfer of a property under development to investment property under construction of HK$53,326,000 on Santa Monica Project located at Los Angeles of USA. Following the construction status of a property development project approaching completion, fair value gain will be recognized accordingly.

(iii) The segment result of HK$36,851,000 contributed by property management segment.

During the year ended 31 December 2018, the construction loan for Santa Monica Project had a balance of approximately US$14,485,000 (equivalent to approximately HK$113,440,000) (year ended 31 December 2017: HK$55,121,000). In addition, the Group had two loans in aggregate of £91,051,000 (equivalent to approximately HK$909,654,000) (year ended 31 December 2017: HK$146,356,000) with Boundary House and Juxon 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 ended 31 December 2017, 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.

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 2018, the Group had unutilised facilities of approximately HK$1,500,000,000 (31 December 2017: approximately HK$1,124,720,000) from Wintime Company Limited. As at 31 December 2018, the Group has cash and cash equivalents of approximately HK$345,163,000 (31 December 2017: approximately HK$723,891,000) and total debts of approximately HK$1,023,094,000 (31 December 2017: approximately HK$826,757,000), 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 2018, the total number of employees of the Group (excluding Directors) was 724 (31 December 2017: 370). 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 2017: Nil)

3.6 Pledge of assets

As at 31 December 2018, the Group had investment properties with an amount of approximately HK$2,175,670,000 (31 December 2017: approximately HK$470,948,000) and properties held for sale with an amount of approximately HK$Nil (31 December 2017: approximately HK$154,980,000) to secure bank borrowings of approximately HK$1,023,094,000 (31 December 2017: approximately HK$201,477,000). Such bank borrowings comprise of the construction loan for Santa Monica Project and the loan with Boundary House and Juxon House being charged as security.

As at 31 December 2018, trade receivables of approximately HK$3,321,000 (31 December 2017: approximately HK$61,000) in total was pledged to secure a bank loan granted to the Group.

As at 31 December 2018, deposit amounting to approximately HK$39,230,000 (31 December 2017: HK$39,636,000) 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 2018 and 2017, the Group had no material contingent liabilities. As at 31 December 2018, the Group had contracted but not provided for commitments for development costs and capital expenditure in amount of approximately HK$26,033,000 (31 December 2017: approximately HK$103,548,000) and acquisition of partnership interest in a parcel of land in Los Angeles in amount of approximately HK$184,040,000 (31 December 2017 approximately HK$1,358,420,000 in relating to the acquisition of Juxon House),

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 2018 have been carried out by independent qualified professional valuers, Jones Lang LaSalle Limited, Knight Frank LLP, Cushman & Wakefield Western, Inc and Knight Frank Petty Limited, respectively. The property valuations were used in preparing 2018 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 acquisitions during the Year, please refer to Section 1 "Overview of The Year" 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

It is generally believed that the international outlook will remain positive as economic fundamentals remain in good shape and it is expected that there will be a mild growth in the global economy. However, the ongoing trade war between the United States and the PRC, the UK Brexit status, the anticipated increase in interest rate are expected to be the main risks inherent to the global economy in 2019.

Looking ahead, the Group will continue to engage prominently in property development and investment, and the relevant asset management services. However, the Group would be more cautious in considering investments in the international markets such as the USA and Europe in accordance with the future development strategy of the Group. This should give diversification and a hedge against the future domestic businesses of the Group with a reasonable return to the Shareholders. Other than capturing investment opportunities to establish the position and engage in the property market in Los Angeles and London for income generating real estates with potential of capital appreciation in the long term and re-development in future, the Group's focus will also be on the execution of existing projects, including but not limited to enhancement of operating performance as well as facilitation of projects developments. Besides, the Group will not rule out any possibilities to divest its investment with decent return. The Directors believe that after those potential acquisitions and execution of existing projects, the Group will be able to broaden its income base through the stable rental incomes generated from the properties.

Apart from the Group's core businesses in property development and investments in the PRC, the USA and the UK, and the provision of property management services in Beijing, the Group will continue to place its efforts in searching for suitable investment opportunities which may strategically fit into its diversification moves and generate a steady source of income.

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 2018.

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 2018.

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 2018.

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 2018 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 2019

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*