GR PROPERTIES LIMITED
國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of GR Properties Limited (the "**Company**") hereby presents the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019, together with comparative figures for the six months ended 30 June 2018. The audit committee of the Company (the "**Audit Committee**") has reviewed and discussed with the management of the Company the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 (the "**Period**").

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period was approximately HK$177.0 million, representing an increase of approximately 2.1% from HK$173.3 million for the corresponding period in 2018.

- Profit before tax for the Period was approximately HK$2.5 million, representing an increase of approximately HK$13.8 million from loss before tax of approximately HK$11.2 million for the corresponding period in 2018.

- Loss for the period attributable to shareholders of the Company for the Period was approximately HK$3.2 million, representing a decrease of approximately 72.3% from approximately HK$11.5 million for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 June 2019	30 June 2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**177,006**	173,269
Other income	6	**4,030**	1,271
Cost of inventories sold		**(7,439)**	(11,770)
Employee benefit expenses		**(45,617)**	(47,288)
Marketing expenses		**(163)**	(277)
Depreciation and amortisation		**(19,154)**	(12,786)
Utilities, repairs and maintenance and rental expenses		**(63,676)**	(62,012)
Other operating expenses, net		**(23,925)**	(31,179)
Finance costs		**(18,522)**	(20,446)
PROFIT/(LOSS) BEFORE TAX	7	**2,540**	(11,218)
Income tax	8	**(5,719)**	(276)
LOSS FOR THE PERIOD		**(3,179)**	(11,494)
Attributable to:			
Shareholders of the Company		**(2,967)**	(11,494)
Non-controlling interests		**(212)**	—
		(3,179)	(11,494)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted *(HK cents)*		**(0.09)**	(0.65)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(3,179)**	(11,494)
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	**258**	—
— Exchange differences on translation of foreign operations	**(7,303)**	(7,709)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	**(7,045)**	(7,709)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(10,224)**	(19,203)
Attributable to:		
Shareholders of the Company	**(10,004)**	(19,203)
Non-controlling interests	**(220)**	—
	(10,224)	(19,203)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**351,177**	785,360
Right-of-use assets		**420,688**	—
Investment properties	10	**2,379,497**	2,175,670
Intangible assets		**813**	893
Non-current deposits		**1,525,491**	1,525,745
Deferred tax assets		**12,486**	12,579
Total non-current assets		**4,690,152**	4,500,247
CURRENT ASSETS			
Inventories		**1,530**	1,497
Trade receivables	11	**30,543**	24,629
Prepayments, deposits and other receivables		**49,786**	80,712
Due from related companies		**15,092**	13,357
Other tax recoverables		**28,633**	2,131
Debt investment at fair value through other comprehensive income		**23,358**	23,113
Pledged bank deposit		**39,188**	39,230
Cash and cash equivalents		**197,069**	345,163
Total current assets		**385,199**	529,832
CURRENT LIABILITIES			
Trade payables	12	**48,071**	65,929
Receipts in advance		**62,132**	84,028
Other payables and accruals		**84,447**	113,167
Due to a shareholder		**1,427**	1,437
Due to a director		**2,447**	2,557
Due to related companies		**116,200**	95,142
Bank and other borrowings		**270,509**	247,010
Preferences shares of a subsidiary		**15,663**	15,671
Income tax payables		**10,086**	12,362
Other taxes payables		**6,625**	7,449
Total current liabilities		**617,607**	644,752

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NET CURRENT LIABILITIES		**(232,408)**	(114,920)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,457,744**	4,385,327
NON-CURRENT LIABILITIES			
Loan from a shareholder		**81,837**	—
Bank and other borrowings		**776,349**	776,084
Liability component of perpetual convertible bonds	13	**49,327**	48,929
Deferred tax liabilities		**105,736**	105,799
Total non-current liabilities		**1,013,249**	930,812
Net assets		**3,444,495**	3,454,515
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	14	**3,152,571**	3,146,571
Equity component of perpetual convertible bonds	13	**1,078,217**	1,084,013
Reserves		**(808,852)**	(798,848)
		3,421,936	3,431,736
Non-controlling interests		**22,559**	22,779
Total equity		**3,444,495**	3,454,515

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended 30 June 2019 (the "**Period**"), the Company and its subsidiaries (collectively referred to as the "**Group**") 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 the mainland ("**Mainland China**") of 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 30 June 2019, the immediate holding company 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 holding company of the Company is Winluck Global Limited ("**Winluck Global**"), which is incorporated in the British Virgin Islands with limited liability.

2.1 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 set out in this announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). It does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018. The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which became effective for the first time for the current period's financial information, as further detailed in note 3 below.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements of the Company for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements of the Company for the year ended 31 December 2018. 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 Hong Kong Companies Ordinance.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's audit committee.

2.2 BASIS OF PRESENTATION

Notwithstanding that the Group had net current liabilities of approximately HK$232,408,000 as at 30 June 2019, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern, after taking into account the historical operating performance of the Group and the unutilised existing facility available to the Group provided by Wintime of HK$1.5 billion at the date of approval of this interim condensed consolidated financial information.

In addition, the Group has an existing plan to realise certain investment properties, and will consider additional equity and/or debt financing when necessary to provide additional working capital to the Group.

Accordingly, this unaudited interim condensed consolidated financial information has been prepared on the going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption, if any, as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises, staff quarters and a fitness centre. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on the straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position. This includes the upfront payments for leasehold land in the PRC of HK$405,946,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

— Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

— Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK$'000 (Unaudited)
Assets	
Decrease in property, plant and equipment	(405,946)
Increase in right-of-use assets	419,127
Increase in total assets	13,181
Liabilities	
Increase in bank and other borrowings	13,181
Increase in total liabilities	13,181

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on the straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "bank and other borrowings"), and the movements during the period are as follows:

	Right-of-use assets			
	Leasehold land	**Buildings**	**Total**	**Lease Liabilities**
	HK'000	*HK'000*	*HK'000*	*HK'000*
At 1 January 2019	405,946	13,181	419,127	13,182
Additions	—	6,494	6,494	6,494
Depreciation charge	(982)	(3,197)	(4,179)	—
Interest expense	—	—	—	161
Payments	—	—	—	(3,451)
Exchange realignment	15	(769)	(754)	36
At 30 June 2019	404,979	15,709	420,688	16,422

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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 during the Period 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 commercial buildings 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 Recreational Centre segment engages in the operation and management of a leisure and lifestyle experience 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 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 Centre		Total	
	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**36,167**	38,157	**104,858**	82,914	**35,981**	52,198	**177,006**	173,269
Segment results	**10,336**	10,313	**24,867**	6,262	**(21,434)**	(12,004)	**13,769**	4,571
Reconciliation:								
Other unallocated income and gain							**883**	675
Corporate and other unallocated expenses							**(12,112)**	(16,464)
Profit/(loss) before tax							**2,540**	(11,218)

	Property development and investment		Property management		Operation of the Recreational Centre		Total	
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,479,732**	2,286,483	**176,739**	204,263	**817,227**	811,088	**3,473,698**	3,301,834
Reconciliation:								
Corporate and other unallocated assets								
— Property, plant and equipment							**497**	314
— Right-of-use assets							**5,761**	—
— Prepayments, deposits and other receivables							**1,526,216**	1,527,251
— Due from related companies							**360**	360
— Pledged bank deposit							**39,188**	39,230
— Cash and cash equivalents							**29,631**	161,090
Total assets							**5,075,351**	5,030,079
Segment liabilities	**1,091,725**	1,107,210	**96,276**	141,576	**303,130**	273,627	**1,491,131**	1,522,413
Reconciliation:								
Corporate and other unallocated liabilities								
— Other payables and accruals							**1,161**	2,785
— Due to a shareholder							**83,264**	1,437
— Liability component of perpetual convertible bonds							**49,327**	48,929
— Lease liabilities							**5,973**	—
Total liabilities							**1,630,856**	1,575,564

5. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended	
	30 June 2019	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Property management service income	**104,858**	82,914
Operations of the Recreational Centre:		
— Service income	**16,362**	26,477
— Sales of goods	**19,619**	25,721
Gross rental income	**36,167**	38,157
Total revenue	**177,006**	173,269

Notes:

(a) Disaggregated revenue information

Six months ended 30 June 2019 (Unaudited)

Segments	Property development and investment *HK$'000*	Property management *HK$'000*	Operation of the Recreational Centre *HK$'000*	Total *HK$'000*
Type of goods or services				
Rendering of property management services	—	104,858	—	104,858
Operations of the Recreational Centre:				
— Rendering of services	—	—	16,362	16,362
— Sale of goods	—	—	19,619	19,619
Total revenue from contracts with customers	—	104,858	35,981	140,839
Revenue from another source — Gross rental income	36,167	—	—	36,167
Total revenue	36,167	104,858	35,981	177,006
Geographical market				
Total revenue from contracts with customers — Mainland China	—	104,858	35,981	140,839
Revenue from another source — Gross rental income	36,167	—	—	36,167
Total revenue	36,167	104,858	35,981	177,006
Timing of revenue recognition				
Goods transferred at a point in time	—	—	19,619	19,619
Services transferred over time	—	104,858	16,362	121,220
Total revenue from contracts with customers	—	104,858	35,981	140,839
Revenue from another source — Gross rental income	36,167	—	—	36,167
Total revenue	36,167	104,858	35,981	177,006

Six months ended 30 June 2018 (Unaudited)

Segments	**Property development and investment** *HK$'000*	**Property management** *HK$'000*	**Operation of the Recreational Centre** *HK$'000*	**Total** *HK$'000*
Type of goods or services				
Rendering of property management services	—	82,914	—	82,914
Operations of the Recreational Centre:	—	—	26,477	26,477
— Rendering of services				
— Sale of goods	—	—	25,721	25,721
Total revenue from contracts with customers	—	82,914	52,198	135,112
Revenue from another source — Gross rental income	38,157	—	—	38,157
Total revenue	38,157	82,914	52,198	173,269
Geographical market				
Total revenue from contracts with customers — Mainland China	—	82,914	52,198	135,112
Revenue from another source — Gross rental income	38,157	—	—	38,157
Total revenue	38,157	82,914	52,198	173,269
Timing of revenue recognition				
Goods transferred at a point in time	—	—	25,721	25,721
Services transferred over time	—	82,914	26,477	109,391
Total revenue from contracts with customers	—	82,914	52,198	135,112
Revenue from another source — Gross rental income	38,157	—	—	38,157
Total revenue	38,157	82,914	52,198	173,269

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Provision of property management service and services in relation to operation of the Recreational Centre

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

Sale of goods in relation to operation of the Recreational Centre

Revenue from the sale of goods in relation to operation of the Recreational Centre is recognised at the point in time when the goods are delivered to the customers, and payment is made upon delivery.

6. OTHER INCOME

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

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,072**	1,179
Interest income of loan receivables	**1,337**	—
Penalty income	**31**	54
Others	**590**	38
	4,030	1,271

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**14,865**	12,709
Depreciation of right-of-use assets	**4,179**	—
Amortisation of intangible assets	**110**	77
Impairment of trade receivables, net	**6,561**	4,998
Foreign exchange differences, net	**4,380**	8,141
Equity-settled share option expenses of a director	**—**	1,730

8. INCOME TAX

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

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China	**7,102**	2,740
Current — USA	**—**	134
Current — UK	**252**	—
Deferred	**(1,635)**	(2,598)
Total tax expenses for the period	**5,719**	276

Notes:

(a) No provision for Hong Kong profits tax have been made as the Group did not generate any assessable profits arising in Hong Kong during the Period (Six months ended 30 June 2018: Nil).

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

No provision for the USA corporate income tax provision have been made as the Group did not generate any assessable profits arising in the USA during the Period. The USA corporate income tax provision for the six months ended 30 June 2018 represented withholding tax provision calculated at the applicable tax rate on interest income of intra-group advance to subsidiaries in the USA for the Period, based on the prevailing legislation, interpretations and practices in respect thereof.

The UK income tax in respect of operations in the UK are calculated at the applicable tax rate on the estimated assessable profits for the Period, based on the prevailing legislation, interpretations and practices in respect thereof (six months ended 30 June 2018: Nil).

(b) UK tax reform enacted on 17 February 2019 and effective from 5 April 2019 extended the scope of UK's taxation of gains accruing to non-UK residents to include gains on disposals of interests in non-residential UK properties. Properties will be rebased to market value at 5 April 2019 and any gain arising from sales of property between 6 April 2019 and 31 March 2020 would be subject to corporation tax rate at 19% and from 6 April 2020 onwards would be subject to a corporation tax rate of 17%. Accordingly, deferred tax would be recognised on fair value gain from revaluation of investment properties in the UK after 5 April 2019 at a tax rate of 17%. Fair value of the Group's investment properties in the UK did not change materially between 5 April 2019 and 30 June 2019 and therefore no deferred tax regarding this was recognised for the period ended 30 June 2019.

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount for the six months ended 30 June 2019 is based on the loss for the period of HK$2,967,000 (six months ended 30 June 2018: HK$11,494,000) attributable to shareholders of the Company, and the weighted average number of 3,194,152,993 (six months ended 30 June 2018: 1,761,336,209) ordinary shares of the Company in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the perpetual convertible bonds and the outstanding share options of the Company had either an anti-dilutive effect or no diluting effect on the basic loss per share amounts presented for these periods.

10. INVESTMENT PROPERTIES

	Completed *HK$'000*	Under construction *HK$'000*	Total *HK$'000*
Carrying amount as at 1 January 2019	**1,656,442**	**519,228**	**2,175,670**
Additions	**—**	**218,204**	**218,204**
Exchange realignment	**(12,287)**	**(2,090)**	**(14,377)**
Carrying amount as at 30 June 2019	**1,644,155**	**735,342**	**2,379,497**

Notes:

(a) The Group's completed investment properties as at 30 June 2019 represented an office building and a commercial building in London, the UK, which are currently leased to third parties.

The Group's investment properties under construction as at 30 June 2019 represented (i) 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, which would be leased out for rental income upon completion of the construction of the US Complex; and (ii) a parcel of land located in Culver City, the USA, which was acquired on 27 March 2019 at a cash consideration of US$24,000,000.

(b) At 30 June 2019, certain of the Group's investment properties were pledged to secure bank facilities granted to the Group.

11. TRADE RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables	**50,302**	37,717
Less: Impairment	**(19,759)**	(13,088)
	30,543	24,629

Notes:

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

The Group's credit terms of its trade receivables are negotiated 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. The Group does not hold any collateral or other credit enhancements over these balances.

At 30 June 2019, certain trade receivables of HK$952,000 (31 December 2018: HK$580,000) and HK$3,094,000 (31 December 2018: HK$2,741,000) in total were pledged to secure bank loan facilities granted to the Group.

(b) An ageing analysis of the trade receivables, based on invoice date and net of impairment, is as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Less than 1 year	**24,767**	20,833
1 year to 2 years	**4,670**	1,916
2 years to 3 years	**1,106**	1,880
	30,543	24,629

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the average of historical incurred credit loss experience on each ageing group of trade receivables. Generally, trade receivables are written off if they are not considered recoverable by the Group and are not subject to enforcement activity.

12. 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:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 3 months	**24,761**	47,393
3 to 6 months	**7,858**	3,031
6 to 12 months	**9,374**	6,377
Over 1 year	**6,078**	9,128
	48,071	65,929

13. PERPETUAL CONVERTIBLE BONDS

The Company had perpetual convertible bonds outstanding during the period ended 30 June 2019, the summary information of which is set out as follows:

Issuance date	17 August 2018
Maturity date	No maturity date
Original principal amount	HK$1,102,993,200
Coupon rate	1% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue
Conversion price per ordinary share of the Company (HK$)	0.80

These perpetual convertible bonds were bifurcated into a liability component and an equity component for accounting purposes. The following tables summarise the movements in the principal amounts, the number of conversion rights outstanding, the liability and equity components of the Company's perpetual convertible bonds during the period ended 30 June 2019:

Number of conversion rights outstanding

	Total
At 1 January 2019	1,371,241,500
Conversion into ordinary shares *(note (b))*	(7,500,000)
At 30 June 2019	1,363,741,500

Principal amount outstanding

	Total
	HK$'000
At 1 January 2019	1,096,993
Conversion into ordinary shares *(note (b))*	(6,000)
At 30 June 2019	1,090,993

Liability component

	Total
	HK$'000
At 1 January 2019	48,929
Interest expense	602
Transfer to share capital upon conversion into ordinary shares *(note (b))*	(204)
At 30 June 2019	49,327

Equity component

	Total
	HK$'000
At 1 January 2019	1,084,013
Transfer to share capital upon conversion into ordinary shares *(note (b))*	(5,796)
At 30 June 2019	1,078,217

Notes:

(a) These perpetual convertible bonds were issued to the Vendors pursuant to the sale and purchase agreement dated 30 May 2018 for the acquisition of Wise Expert Investment Limited ("**Wise Expert**").

For accounting purpose, the fair value of these perpetual convertible bonds issued as consideration for the acquisition of Wise Expert as at the date of completion of the acquisition amounted to HK$1,130,568,000.

The conversion of the perpetual convertible bonds is subject to, amongst others, the condition that any conversion will not result in the public float of the Company' shares being less than 25% of the issued shares of the Company.

Further details of the terms of these perpetual convertible bonds are set out in the Company's circular dated 20 July 2018.

(b) During the period ended 30 June 2019, certain of these perpetual convertible bonds with an aggregate principal amount of HK$6,000,000 were converted by the bondholder into 7,500,000 ordinary shares of the Company at the conversion price of HK$0.80 per share. The carrying amounts of the liability component and equity component of these perpetual convertible bonds at the date of conversion, which amounted to HK$204,000 and HK$5,796,000, respectively, were transferred to the share capital account of the Company.

14. SHARE CAPITAL

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Issued and fully paid:		
3,199,373,986 (31 December 2018: 3,191,873,986) ordinary shares	**3,152,571**	3,146,571

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

	Number of shares in issue	**Share capital** (Unaudited) ***HK$'000***
At 1 January 2019	**3,191,873,986**	**3,146,571**
Issue of shares upon conversion of perpetual convertible bonds (note 13(b))	**7,500,000**	**6,000**
At 30 June 2019	**3,199,373,986**	**3,152,571**

15. CONTINGENT LIABILITY

In or about April 2019, a plaintiff commenced legal proceedings against a subsidiary of the Company in the USA alleging that the subsidiary has breached a construction contract in relation to the US Complex for unpaid balance due on the contract and for extra compensation from the subsidiary for delay in the completion of the construction of the US Complex. The first hearing was held on 19 August 2019 and the mediation session has been agreed to be held on 23 October 2019.

Based on existing legal documents after having performed management's internal critical assessment of the aforesaid case and seeking advice from an independent legal advisor in the USA, the directors of the Company are of the opinion that the Group has a reasonable ground of defence on the merits, therefore, no material adverse financial impact on the Group is expected.

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Company entered into a sale and purchase agreement with Winluck Global Limited and Silky Apex Limited (collectively defined as the "Vendors") on 16 July 2019, pursuant to which the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase the entire interest of Capable Kingdom Limited (the "Capable Kingdom") in exchange of the entire interest of Wholly Express Limited, a wholly-owned subsidiary of the Company. Capable Kingdom owns a subsidiary which holds part of a commercial building located in Beijing, the PRC.

The acquisition and disposal constituted a major and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules, further details of which are set out in the Company's announcements dated 16 July 2019 and 1 August 2019. As at the date of this interim results announcement, the transaction has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Year 2019 is definitely a challenging but remarkable year for GR Properties Limited (the "**Company**", together with its subsidiaries, the "**Group**"). The board of directors (the "**Board**") of the Company is pleased to share with the supportive shareholders of the Company (the "**Shareholders**") that acquisitions and developments in the property markets from previous years in the United Kingdom (the "**UK**"), the United States of America (the "**USA**") and the People's Republic of China (the "**PRC**") continue to generate stable income to the Group. Following the completion of the acquisition of land in the United States (Culver City Project), and the announcement of the acquisition of the entire share capital of Capable Kingdom Limited and disposal of the entire share capital of wholly Express Limited, this will further expand the landbank and property portfolio of the Group in future.

Acquisition of land in the United States (Culver City Project)

On 14 September 2018, the Group entered into an agreement to acquire of the entire partnership interests, which indirectly owns a parcel of land in Culver City of Los Angeles in the United States.

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.

Completion of the acquisition 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. This 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.

Acquisition of the entire share capital of Capable Kingdom Limited and disposal of the entire share capital of Wholly Express Limited.

On 16 July 2019, the Company, Winluck Global Limited, ("**Vendor A**"), being a company wholly-owned by Mr. Wei, a Director 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 Capable Kingdom Limited in exchange for the entire share capital of Wholly Express Limited.

Upon Completion, (a) the Group will hold 100% interest in each of Capable Kingdom Limited, Capable Point International Limited and Beijing Kaipeng Business Management Co., Ltd., approximately 51.02% interest in Beijing Kaipeng Technology Development Co., Ltd. and approximately 33.3% in Jiaxing Longsheng Investment Partnership; and (b) the Group will cease to hold any interest in Wholly Express Limited and its subsidiaries.

The properties ("**CK Property**") held by Beijing Kaipeng Technology Development Co., Ltd. was located at No.2 of Building 1 on Ronghua South Road, Daxing District, Beijing, the PRC with a gross floor area of approximately 46,164 square meters, which is for office use. The CK Property are also the remaining portion of properties, which is indirectly held by Wise Expert Investment Limited acquired by the Company as stated in the Company's circular dated 20 July 2018.

The Properties ("**WE Property**") held by Beijing Shengyu Technology Development Co., Ltd., the wholly–owned subsidiary of Wholly Express Limited was located at No.3 of Building 1 on Ronghua South Road, Daxing District, Beijing, the PRC with a gross floor area of approximately 28,056 square meters, which is for commercial use.

The Directors believe that the acquisition will allow the Company to integrate the CK Property and another adjoining property in the same building acquired by the Group in 2018 (the "**2018 Property**") so as to enhance the flexibility in developing the CK Property, and hence potentially increase the overall value of CK Property and the 2018 Property. The Directors consider the disposal represents an opportunity for the Group to realise its investment in Wholly Express Limited and its subsidiaries and in substance, WE Property, so as to enable the Group to reallocate more resources to other projects with greater potential, such as the CK Property.

Completion of the Acquisition and Disposal is subject to fulfillment of the conditions precedent set out in the Agreement. For the details of the transactions, please refer to the Company's announcements dated 16 July 2019 and 1 August 2019 respectively.

BUSINESS REVIEW

During the six months ended 30 June 2019 (the "**Period**"), the Group's operations were organised into business units based on the nature of their operations. There were 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 segment is located in the PRC whereas the second segment is located in the USA and the UK.

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 30 June 2019, AOCEAN Property Management managed 23 major residential and commercial property projects, which were located in Beijing, and 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 facilities for residential and commercial property projects.

Adhering to the principle of human-oriented, and perceiving the market from the perspective of customers and market needs, AOCEAN Property Management has been improving and perfecting its management system and services and providing candid quality services.

Property development and investment segment

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

- Santa Monica project

  The Santa Monica project, located in Santa Monica, the County of Los Angeles, State of California, the USA, has a total site area of approximately 40,615 square feet. According to the current entitlement of the parcel of land, the development for the site is a mixed-use three stories development. Total rentable/saleable floor area is approximately 25,000 square feet for commercial use and 38,000 square feet for residential use and 190 on-site subterranean parking spaces. For the commercial area, lease agreement with a famous supermarket chain 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 has launched to market accordingly. Temporary certificate of Occupancy ("**TCO**") has been approved in August of 2019, allowing occupancy in the building. The plan of Santa Monica Project was to lease the commercial units and the residential units.

- 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 put in service in 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. Boundary House is 85% occupied and is currently let to 11 office tenants. The leases can contribute approximately £1.0 million rental income to the Group annually, not taking into account the rent free period provided to tenants.

- 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. Juxon House was fully let to four office tenants and four retail tenants, which contributed approximately £6.2 million rental income to the Group annually, not taking into account the rent free period provided to tenants.

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

  On 30 May 2018, the Company, Winluck Global Limited, ("**Vendor A**"), being a company wholly-owned by Mr. Wei Chunxian, a Director, 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.

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

  As at 30 June 2019, application for land use rights (in strata title) are being processed to be made to the relevant land bureau. Once obtained, these properties will be handed over to the Group, which is expected to take place in the second half of 2019.

  In light of market conditions, the Board will explore various opportunities for the development directions of this property.

Operation and management of leisure and lifestyle experience centre

The operation and management of leisure and lifestyle experience centre, including but not limited to provision of catering, banquet, fitness and sport facilities services ("**Businesses**") were operated by Wholly Express Limited and its subsidiaries at the beginning of the Period. Following a reorganization within the Group completed on 20 June 2019, the Businesses were operated by Rui Hua Investment Limited and its subsidiaries instead. Such services are provided in a property located at Ronghua South Road, Daxing District, Beijing, the PRC, which is 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 side under development. The construction site includes hotel, offices, residential and retail properties. The development of the remaining area is estimated to be completed gradually from 2018 to 2022. Although the operation of the Businesses 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 the Businesses will gradually improve with the increasing population following completion of development of other areas of the site, and pedestrian flow in surrounding area.

FINANCIAL REVIEW

Financial analysis

During the Period, the Group generated revenue of approximately HK$177,006,000 (Six months ended 30 June 2018: approximately HK$173,269,000). The property management segment reported segment revenue of approximately HK$104,858,000 (Six months ended 30 June 2018: approximately HK$82,914,000). The property development and investment segment reported segment revenue of approximately HK$36,167,000 (Six months ended 30 June 2018: approximately HK$38,157,000), which was contributed from the rental income from the lease of Juxon House and Boundary House. The operation and management of leisure and lifestyle experience centre segment reported segment revenue of approximately HK35,981,000 (Six month ended 30 June 2018: HK$52,198,000). The Group recorded a loss for the Period of approximately HK$3,179,000 (Six months ended 30 June 2018: loss of approximately HK11,494,000). The decrease in loss was primarily due to: (i) the contribution from the property management segment profit of HK$24,867,000; and (ii) the decrease of corporate and other unallocated expense of HK$12,112,000 and as partially offset by (i) the loss of Wholly Express Group, engaging in the operation and management of leisure and lifestyle experience centre; and (ii) the increase in the income tax. As at 30 June 2019, the Group had a construction loan for the Santa Monica Project of approximately HK$126,279,000. In addition, as at 30 June 2019, the Group has obtained loans of approximately HK$904,157,000 with Boundary House and Juxon House being charged as security for the loans and lease liabilities of approximately HK$16,422,000.

As at 31 December 2018, the Group had secured bank borrowings of HK$1,023,094,000. Such bank borrowings comprised the construction loan for Santa Monica Project and the loans with Boundary House being charged as security.

As at 30 June 2019, 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$1,700,000,000 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 36 months after drawdown, and such facility was extended in July 2019 for 24 months.

As at 30 June 2019, the Group had available cash and bank balances of approximately HK$197,069,000 (31 December 2018: approximately HK$345,163,000), representing a capital liquidity ratio (cash and bank balances divided by current liabilities) of 0.32 (31 December 2018: 0.54). As at 30 June 2019, the gearing ratio of the Company (total debts divided by total equity) was 0.30 (31 December 2018: 0.30).

Foreign currency exposure

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

Human resources and remuneration policy

As at 30 June 2019, the total number of employees of the Group (excluding directors) was approximately 538 (31 December 2018: approximately 724). 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 trends, as well as individual competence and performance of the staff. Other related benefits included contributions to Mandatory Provident Fund Schemes, social insurance, medical insurance funds and other applicable contributions in accordance with the relevant laws and regulations.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

Pledge of assets

As at 30 June 2019, the Group had investment properties with an amount of approximately HK$2,379,497,000 (31 December 2018: approximately HK$2,175,670,000) to secure bank borrowings of approximately HK$1,046,858,000 (31 December 2018: approximately HK$1,023,094,000). Such bank borrowings comprise the construction loan for Santa Monica Project and the loan with Boundary House and Juxon House being charged as security. As at 30 June 2019, trade receivables of approximately HK$4,046,000 (31 December 2018: approximately HK$3,321,000) in total were pledged to secure a bank loan granted to the Group. As at 30 June 2019, deposits amounting to HK$39,188,000 have been pledged to secure standby letter of credit issued in favour of the general contractor for the Santa Monica Project (31 December 2018: HK$39,230,000).

Capital and other development related commitment and contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group had no other material contingent liabilities save as disclosed in Note 15 to the interim condensed consolidated financial information of the Group set out above. As at 30 June 2019, the Group had contracted but not provided for commitments for development costs and capital expenditure in the amount of approximately HK$29,924,000 (31 December 2018: approximately HK$26,033,000).

Significant investments and material acquisitions and disposals of subsidiaries, associates and joint ventures

For material acquisition of subsidiaries and significant investments held, their performance during the Period and their future prospects, please refer to sections headed "Overview" and "Business Review" on pages 29 to 34 in this interim announcement. Save as disclosed, the Group had not made any other significant investments, acquisitions and disposals during the Period.

Events after the reporting period

Events after the reporting period are more particularly delineated in note 16 to the interim condensed consolidated financial information and under "Overview" section in this announcement.

PROSPECTS

Looking ahead, the economy in China will continue to be affected by significant uncertainties subject to whether China and the United States can reach an agreement with their ongoing trade negotiations, which has been evidenced by the recent depreciation of the RMB and the slower economic growth for China. In view of these uncertainties, the management envisages that our operations in China will inevitably be subjected to the downside risk associated by the slowdown of the Chinese economy in the short term.

However, it is anticipated the real estate market in China will remain relatively stable as the primary goal of the relevant regulatory policies is to achieve stability. In terms of financing, the Group will be affected in certain extent with tightening financing channels in mainland China. Facing the ever-changing and complicated economic environment, the Group will remain cautious and prudent in terms of implementing its financial strategies and managing its business operations.

The Group will continue to engage prominently in property development and investment, and related 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 facilitating further projects developments. Besides, the Group will not rule out any possibilities to divest its investment with decent return so as to create value for Shareholders in the longer term. The Group has been also actively evaluating the feasibility of the formation of property investment funds with a focus on the US and/or UK properties. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Listing Rules throughout the Period.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and supervising the financial reporting process, internal control and risk management procedures of the Group. The Group's interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

During the Period, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Tung Woon Cheung Eric ("**Mr. Tung**"), Mr. Au Yeung Po Fung and Ms. To Tsz Wan Vivien. As at the date of this announcement, the Audit Committee of the Company comprises of three independent non-executive Directors, namely, Mr. Tung, Mr. Au Yeung Po Fung and Ms. To Tsz Wan Vivien, with Mr. Tung as the Chairman.

SUFFICIENCY OF PUBLIC FLOAT

At the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float as required under the Listing Rules throughout the Period.

PUBLICATION OF RESULTS ON WEBSITES

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

By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin, Ms. Liu Shuhua, Mr. Guo Jingsheng, Ms. Huang Fei and Ms. Li Bing; 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.

* *For identification purpose only*