# 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 2019

The board (the "Board") of directors (the "Director(s)") 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 2019, which have been reviewed by the audit committee of the Company, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2019*

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **373,327** | 361,282 |
| Other income and gains, net | 6 | **44,453** | 10,249 |
| Cost of inventories sold | | **(22,538)** | (26,913) |
| Employee benefit expenses | | **(96,705)** | (96,740) |
| Marketing expenses | | **(1,973)** | (963) |
| Depreciation and amortisation | | **(31,079)** | (28,437) |
| Utilities, repairs and maintenance and rental expenses | | **(141,098)** | (131,894) |
| Other operating expenses | | **(43,764)** | (55,599) |
| Remeasurement gain upon transfer of a property under development to an investment property under construction | | **—** | 23,997 |
| Remeasurement gain upon transfer of certain properties held for sale to investment properties | | **301,460** | — |
| Fair value loss of investment properties, net | | **(142,174)** | (201) |
| Finance costs | 7 | **(57,797)** | (46,853) |

| | Notes | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|---|
| **PROFIT BEFORE TAX** | 8 | **182,112** | 7,928 |
| Income tax | 9 | **(84,030)** | 1,502 |
| **PROFIT FOR THE YEAR** | | **98,082** | 9,430 |
| Attributable to: | | | |
| Shareholders of the Company | | **98,599** | 9,579 |
| Non-controlling interests | | **(517)** | (149) |
| | | **98,082** | 9,430 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | 10 | | |
| Basic (HK cents per share) | | **3.08** | 0.41 |
| Diluted (HK cents per share) | | **2.19** | 0.41 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **PROFIT FOR THE YEAR** | **98,082** | 9,430 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| *Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:* | | |
| *— Debt investments at fair value through other comprehensive income:* | | |
| *Changes in fair value* | **1,424** | 352 |
| *Reclassification adjustments for gain on disposal included in profit or loss* | **(1,761)** | — |
| | **(337)** | 352 |
| *— Exchange differences on translation of foreign operations* | **(134,768)** | (72,585) |
| | **(135,105)** | (72,233) |
| *Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:* | | |
| *— Changes in fair value of a building in property and equipment and a leasehold land in right-of-use assets* | **22,420** | 24,310 |
| *— Income tax effect* | **(5,605)** | (6,078) |
| | **16,815** | 18,232 |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX** | **(118,290)** | (54,001) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(20,208)** | (44,571) |
| Attributable to: | | |
| Shareholders of the Company | **(19,307)** | (44,361) |
| Non-controlling interests | **(901)** | (210) |
| | **(20,208)** | (44,571) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2019*

| | *Notes* | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **13,457** | 785,360 |
| Investment properties | 11 | **4,179,648** | 2,175,670 |
| Right-of-use assets | | **39,580** | — |
| Computer software | | **1,083** | 893 |
| Non-current deposits | | **1,119** | 1,525,745 |
| Deferred tax assets | | **11,975** | 12,579 |
| Total non-current assets | | **4,246,862** | 4,500,247 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | | **1,182,025** | — |
| Inventories | | **2,240** | 1,497 |
| Trade and lease receivables | 12 | **33,574** | 24,629 |
| Prepayments, deposits and other receivables | | **54,140** | 80,712 |
| Due from related parties | | **49,874** | 13,357 |
| Other tax recoverables | | **69,277** | 2,131 |
| Debt investments at fair value through other comprehensive income | | **46,518** | 23,113 |
| Pledged bank deposit | | **39,168** | 39,230 |
| Cash and cash equivalents | | **246,877** | 345,163 |
| | | **1,723,693** | 529,832 |
| Non-current asset held for sale | | **335,901** | — |
| Total current assets | | **2,059,594** | 529,832 |

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | 13 | **37,477** | 65,929 |
| Receipts in advance | | **97,620** | 84,028 |
| Other payables and accruals | | **112,153** | 113,167 |
| Due to related parties | | **139,579** | 99,136 |
| Bank and other borrowings | | **710,378** | 247,010 |
| Preference shares of a subsidiary | | **—** | 15,671 |
| Income tax payables | | **14,671** | 12,362 |
| Other tax payables | | **5,241** | 7,449 |
| Total current liabilities | | **1,117,119** | 644,752 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **942,475** | (114,920) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **5,189,337** | 4,385,327 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings | | **1,625,646** | 776,084 |
| Liability component of perpetual convertible bonds | | **49,945** | 48,929 |
| Deferred tax liabilities | | **76,949** | 105,799 |
| Total non-current liabilities | | **1,752,540** | 930,812 |
| Net assets | | **3,436,797** | 3,454,515 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | | **3,152,571** | 3,146,571 |
| Equity component of perpetual convertible bonds | | **1,078,217** | 1,084,013 |
| Reserves | | **(815,869)** | (798,848) |
| | | **3,414,919** | 3,431,736 |
| Non-controlling interests | | **21,878** | 22,779 |
| Total equity | | **3,436,797** | 3,454,515 |

*Notes:*

## 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 year ended 31 December 2019, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

— property development and investment in the United Kingdom (the "UK"), the United States of America (the "USA") and the mainland ("Mainland China") of the People's Republic of China (the "PRC")

— provision of property management services in Mainland China

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

At 31 December 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. BASIS OF PREPARATION

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 consolidated 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 (including a property classified as a non-current asset held for sale) and debt investments at fair value through other comprehensive income which have been measured at fair value; and (ii) a building and a leasehold land in the PRC which have been measured at revalued amounts. The consolidated 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 2019 and the financial information relating to the year ended 31 December 2018 included in this preliminary announcement of annual results for the year ended 31 December 2019 do not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2018, 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 2019 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 2018 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 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 Companies Ordinance.*

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. 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. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 3 | *Definition of a Business* |
| 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 to HKFRSs 2015–2017 Cycle* | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Except for the amendments to HKFRS 9, amendments to HKAS 19, amendments to HKAS 28 and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for annual periods beginning on or after 1 January 2020 but were early adopted prospectively by the Group for the preparation of the current year's financial statements. The Group has elected to apply the fair value concentration test on the acquisition of Capable Kingdom Limited during the year and concluded that the acquisition is not a business combination but an acquisition of assets and liabilities.

(b) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

***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.

***As a lessor***

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

***As a lessee — Leases previously classified as operating leases***

*Nature of the effect of adoption of HKFRS 16*

The Group has lease arrangements as a lessee for various office premises, staff quarters, a fitness centre and a motor vehicle. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on the straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

*Impact on transition*

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

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 leases recognised in the consolidated statement of financial position immediately before 1 January 2019. This includes upfront payments for a leasehold land in the PRC of HK$405,946,000 as at 1 January 2019 that were reclassified from property, plant and equipment. All these assets were assessed for any impairment based on HKAS 36 *Impairment of Assets* on that date. The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position.

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 as at 1 January 2019. They continue to be measured at fair value applying HKAS 40 *Investment Property*.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities as at 1 January 2019
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application

***Financial impacts on 1 January 2019***

The impact arising from the adoption of HKFRS 16 on 1 January 2019 was as follows:

| | *HK$'000* |
|---|---|
| **Assets** | |
| Decrease in property, plant and equipment | (405,946) |
| Increase in right-of-use assets | 419,767 |
| Increase in total assets | 13,821 |
| **Liabilities** | |
| Increase in bank and other borrowings | 13,821 |
| Increase in total liabilities | 13,821 |

A reconciliation of the operating lease commitments as at 31 December 2018 to the lease liabilities as at 1 January 2019 is as follows:

| | *HK$'000* |
|---|---|
| **Operating lease commitments as at 31 December 2018** | **15,102** |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 | (454) |
| | 14,648 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 3% |
| **Lease liabilities as at 1 January 2019** | **13,821** |

(c) 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 *Income Taxes* (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. The interpretation did not have any significant impact on the financial position or performance of the Group.

## 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 property development and investment in the UK, the USA and Mainland China;

(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 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 as these assets and liabilities are managed on a group basis.

| | Property development and investment | | Property management | | Operation of the Recreational Centre | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue** | **78,817** | 75,067 | **224,225** | 196,057 | **70,285** | 90,158 | **373,327** | 361,282 |
| **Segment results** | **153,801** | 53,490 | **48,121** | 36,851 | **(34,596)** | (42,550) | **167,326** | 47,791 |
| *Reconciliation:* | | | | | | | | |
| Other unallocated income and gain | | | | | | | **34,477** | 1,828 |
| Corporate and other unallocated expenses | | | | | | | **(19,691)** | (41,691) |
| Profit before tax | | | | | | | **182,112** | 7,928 |
| **Other segment information:** | | | | | | | | |
| Impairment/(reversal of impairment) of trade and lease receivables, net | | | | | | | | |
| — Operating segments | **—** | 126 | **(2,395)** | 2,082 | **—** | — | **(2,395)** | 2,208 |
| Depreciation and amortisation | | | | | | | | |
| — Operating segments | **1,043** | 63 | **593** | 533 | **27,774** | 27,558 | **29,410** | 28,154 |
| — Amount unallocated | | | | | | | **1,669** | 283 |
| | | | | | | | **31,079** | 28,437 |
| Capital expenditure* | | | | | | | | |
| — Operating segments | **1,771,415** | 1,551,635 | **1,703** | 795 | **30,354** | 2,258 | **1,803,472** | 1,554,688 |
| — Amount unallocated | | | | | | | **6,509** | 91 |
| | | | | | | | **1,809,981** | 1,554,779 |

* Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets and computer software, including assets from the acquisition of subsidiaries.

**Geographical information**

*Revenue from external customers*

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Mainland China | **297,907** | 286,214 |
| The UK | **75,420** | 75,068 |
| | **373,327** | 361,282 |

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

**Information about major customers**

During the years ended 31 December 2019 and 2018, there was no single external customer which contributed 10% or more of the Group's total revenue for each of these years.

## 5. REVENUE

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Rendering of property management services | **224,225** | 196,057 |
| Rendering of services and sales of goods in relation to operations of the Recreation Centre | **70,285** | 90,158 |
| Gross rental income from investment property operating leases | **78,817** | 75,067 |
| | **373,327** | 361,282 |

## 6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **3,632** | 3,520 |
| Interest income of loan receivables | **1,585** | 1,035 |
| Penalty income | **158** | 364 |
| Foreign exchange gain, net | **32,461** | 2,411 |
| Fair value gain recycled from equity upon disposal of debt investments at fair value through other comprehensive income | **1,761** | — |
| Others | **4,856** | 2,919 |
| | **44,453** | 10,249 |

## 7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **35,050** | 30,721 |
| Interest on preference shares of a subsidiary | **1,093** | 1,143 |
| Interest on loan from a shareholder of the Company | **1,269** | 6,615 |
| Interest on loans from director-controlled entities | **2,592** | — |
| Interest on a quasi-loan equity contributed by a limited partner of a subsidiary | **16,018** | — |
| Interest on perpetual convertible bonds | **1,220** | 8,374 |
| Interest on lease liabilities | **555** | — |
| | **57,797** | 46,853 |

## 8. PROFIT BEFORE TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **22,538** | 26,913 |
| Depreciation | **30,840** | 28,342 |
| Amortisation of computer software | **239** | 95 |
| Loss on disposal of items of property, plant and equipment | **9** | 83 |
| Impairment/(reversal of impairment) of trade and lease receivables, net | **(2,395)** | 2,208 |

## 9. INCOME TAX

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current — Mainland China | **11,684** | 9,855 |
| Current — UK | **410** | 3,584 |
| Current — USA | **493** | 287 |
| Deferred expense/(credit) | **71,443** | (15,228) |
| Total tax expense/(credit) for the year | **84,030** | (1,502) |

No provision for Hong Kong has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: 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 interest income of intercompany advances to subsidiaries in the USA for the year, based on existing legislation, interpretations and practices in respect thereof.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic 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 in issue during the year.

In respect of the year ended 31 December 2019, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the deemed conversion of all dilutive perpetual convertible bonds at the beginning of the year, and the weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average 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 conversion of all dilutive perpetual convertible bonds into ordinary shares of the Company. The share options outstanding during the year ended 31 December 2019 did not have a diluting effect on the earnings per share amount presented.

In respect of the year ended 31 December 2018, no adjustment has been made to the basic earnings per share amount presented in respect of a dilution as the impact of the perpetual convertible bonds and share options outstanding during that year either had an anti-dilutive effect or did not have a diluting effect on the earnings per share amount presented.

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

**Earnings**

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation | **98,599** | 9,579 |
| Interest on perpetual convertible bonds | **1,220** | — |
| Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation | **99,819** | 9,579 |

**Number of ordinary shares**

| | Number of shares | |
|---|---|---|
| | **2019** | 2018 |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation | **3,196,784,946** | 2,363,185,511 |
| Effect of dilution of perpetual convertible bonds — weighted average number of ordinary shares | **1,366,330,541** | — |
| Weighted average number of ordinary shares during the year, used in the diluted earnings per share calculation | **4,563,115,487** | 2,363,185,511 |

## 11. INVESTMENT PROPERTIES

| | Completed | Under construction | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Carrying amount as at 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 and 1 January 2019 | **1,656,442** | **519,228** | **2,175,670** |
| Additions | **1,524,354** | **245,931** | **1,770,285** |
| Interest capitalised | **—** | **4,355** | **4,355** |
| Net loss from fair value adjustments | **(140,730)** | **(1,444)** | **(142,174)** |
| Transfer from properties held for sale | **782,287** | **—** | **782,287** |
| Transfer upon completion of construction | **569,064** | **(569,064)** | **—** |
| Transfer to a non-current asset held for sale *(note)* | **(335,901)** | **—** | **(335,901)** |
| Exchange realignment | **(73,734)** | **(1,140)** | **(74,874)** |
| Carrying amount as at 31 December 2019 | **3,981,782** | **197,866** | **4,179,648** |

*Note:* In October 2019, the directors of the Company decided to sell a commercial building (an investment property) located in the UK, namely Boundary House, to an independent third party and the Group signed the head of terms with the potential purchaser on 9 December 2019. In the opinion of the directors, the property is immediately available for sale and the disposal is expected to be completed within one year. Accordingly, the investment property is classified as a non-current asset held for sale and is separately presented in the consolidated statement of financial position as at 31 December 2019.

## 12. TRADE AND LEASE RECEIVABLES

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current | **27,719** | 12,095 |
| Past due: | | |
| Less than 1 year | **2,770** | 8,738 |
| 1 year to 2 years | **2,342** | 1,916 |
| 2 years to 3 years | **743** | 1,880 |
| | **33,574** | 24,629 |

## 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:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 3 months | **21,330** | 47,393 |
| 3 to 6 months | **2,519** | 3,031 |
| 6 to 12 months | **4,896** | 6,377 |
| Over 1 year | **8,732** | 9,128 |
| | **37,477** | 65,929 |

## 14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

As further explained in note 3(b) above, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF THE YEAR

Year 2019 is definitely a challenging but remarkable year for the Group. The Board is pleased to share with the shareholders of the Company (the "Shareholders") that acquisitions and developments in the property markets from previous years in the UK the USA and the PRC continue to generate stable income for the Group. Following the completion of (i) the acquisition of a parcel of land in Culver City, the USA (the "Culver City Project"), and (ii) the acquisition of the entire equity interest of Capable Kingdom Limited in consideration of the disposal of the entire equity interest of Wholly Express Limited, the landbank and property portfolio of the Group have been further expanded.

### The Culver City Project

On 14 September 2018, the Group entered into an agreement to acquire the entire partnership interest in Washington Motor LP, which indirectly owns a parcel of land in Culver City of Los Angeles in the USA.

The Group intends to develop this land into: (i) multi-family residential apartment units, including affordable housing units, with such residential units representing 132,589 gross square feet; (ii) 3,600 gross square feet of retail space; and (iii) subterranean parking. The acquisition of the entire partnership interest completed on 26 March 2019 and the final consideration (as adjusted) was US$24,000,000.

The Directors consider the Culver City Project to be an attractive investment opportunity to diversify the Group's property development operations in the USA, as this land is located within walking distance to the heart of Culver City, Los Angeles, which is the hub of a number of motion pictures and other production studios and is within well established transportation network. Culver City Project is expected to further cement the Group's foothold in the western USA and enhance the Group's overall geographical diversification of business.

Please refer to the Company's announcements dated 14 September 2018, 9 November 2018, 1 February 2019 and 27 March 2019 for further details on the Culver City Project.

**Acquisition of the entire equity interest of Capable Kingdom Limited ("CKL") in consideration of the disposal of the entire equity interest of Wholly Express Limited ("WEL")**

On 16 July 2019, the Company as the purchaser, Winluck Global (a company wholly-owned by Mr. Wei Chunxian, an executive Director) and Silky Apex Limited, (a company wholly-owned by Mr. Sun Zhongmin, an executive Director) together as the vendors (collectively, the "Vendors") entered into a sale and purchase 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 CKL in exchange for the entire issued share capital of WEL.

The transaction completed on 31 October 2019 and accordingly, (a) the Group held 100% equity interest in each of CKL, Capable Point International Limited and Beijing Kaipeng Business Management Co., Ltd.* (北京凱朋商業管理有限公司), approximately 51.02% interest in Beijing Kaipeng Technology Development Co., Ltd.* (北京凱朋科技發展有限公司) ("Kaipeng Technology") and approximately 33.3% in Jiaxing Longsheng Investment Partnership (Limited Partnership)* (嘉興隆灝投資合夥企業(有限合夥)); and (b) the Group ceased to hold any interest in WEL and its subsidiaries.

The properties held by Kaipeng Technology ("CK Property") are certain portion of units, with a gross floor area of approximately 46,164 square meters, in Building No.2 of Kingdom Guorui, No.1 Ronghua South Road, Daxing District, Beijing, the PRC ("Guorui Square Block B"), which are for office use. The remaining portion of Guorui Square Block B ("WGT Property"), is owned by Beijing Wan Gangtong Technology Development Limited Company* (北京萬港通科技發展有限公司), an indirectly wholly-owned subsidiary of Wise Expert Investment Limited ("Wise Expert"), of which the equity interest was acquired by the Group pursuant to the sale and purchase agreement dated 30 May 2018 entered into between the Company as purchaser and Winluck Global and Silky Apex Limited as vendors (the "WE agreement"). Further details of the acquisition of equity interest in Wise Expert were set out in the circular dated 30 May 2018 and announcement dated 17 August 2018.

The properties held by Beijing Shengyu Technology Development Co., Ltd.* (北京勝域科技發展有限公司) ("WE Property"), a wholly–owned subsidiary of WEL, are located at Building No. 3 of Kingdom Guorui, No.1 Ronghua South Road, Daxing District, Beijing, the PRC with a gross floor area of approximately 28,056 square meters, which are for commercial use.

The Directors considered that the acquisition of entire equity interest of CKL and disposal of the entire interest of WEL, in substance, is an asset exchange transaction. After the completion date (i.e. 31 October 2019), the WE Property was disposed of in exchange for the CK Property.

The Directors believe that the acquisition allowed the Company to integrate the CK Property and WGT Property, so as to enhance the flexibility in developing the CK Property, and hence potentially increase the overall value of Guorui Square Block B. The Directors consider the disposal represents an opportunity for the Group to realise its investment in WEL and its subsidiaries. In substance, the Group is able to reallocate more resources to other projects with greater potential returns, such as investing in CK Property.

The acquisition and disposal were completed on 31 October 2019. Please refer to the Company's announcements dated 16 July 2019, 1 August 2019, 16 August 2019, 30 August 2019 and 31 October 2019 and the Company's circular dated 30 September 2019 for further details on the above transaction.

## BUSINESS REVIEW

For the year ended 31 December 2019 (the "Year"), the Group's operations were organised into business units based on the nature of their products and services. There were three reportable operating segments, including (i) the property management segment; (ii) the property development and investment segment; and (iii) the operation of the Recreational Centre segment. The first and third segments were carried out in the PRC whereas the second segment was carried out in the PRC, USA and the UK.

### Property management segment

Beijing AOCEAN Property Management Company Limited* (北京澳西物業管理有限公司), ("AOCEAN"), a wholly-owned subsidiary of the Company, provides property management services for office buildings, residential properties and car parks. As at 31 December 2019, AOCEAN managed 23 major residential and commercial property projects, which were located in Beijing and Hebei Province, the PRC. The services provided by AOCEAN under the management agreements thereof include, inter alia (i) provision of heating 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 being human-oriented, and perceiving the market from the perspective of customers and market needs, AOCEAN has been improving and perfecting its management system and providing professional services.

**Property development and investment segment**

During the Year, operations of the property development and investment segment were carried out in the USA, the UK and the PRC.

- 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 there are 190 on-site subterranean parking spaces. For the commercial area, lease agreement with a famous supermarket chain has been entered into, representing approximately 70% of total commercial rentable area. We are actively negotiating with several potential tenants to lease out the remaining areas. Property leasing agent has been appointed for the residential lease. Marketing campaign has been launched in the market accordingly. Certificate of Occupancy has been received in November of 2019, allowing occupancy in the building. The plan for the Santa Monica project is to lease out all the commercial units and the residential units.

- Culver City Project

  Culver City Project is a 36,319 square foot redevelopment site located on the south corner of Washington Boulevard and Motor Avenue in Culver City, Los Angeles County, California, USA. It is currently improved with an automotive service shop totaling 7,373 square feet and surface lot. During the Year, the property is fully leased to Culver City Toyota on a month-to-month basis.

  The land is fully entitled for the development of 108 residential units, of which 11 units would be income restricted for residents at the extremely low income level, and 3,600 square feet of ground floor commercial space. For details on future development of the land, please refer to the section headed “Overview of the Year” on page 22 in this announcement.

- Boundary House

  Boundary House is located at the crossover between the increasingly vibrant Aldgate district in London, the UK which is popular with technology, media and telecommunications occupiers and the established city of London financial and insurance hub. Boundary House is also close to numerous main train lines 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 2020 connecting the East and 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 2019, Boundary House is approximately 88% occupied and is currently let to 12 tenants. The leases can contribute approximately £1.2 million rental income to the Group annually, not taking into account the rent free period provided to tenants. The Group intends to sell the property if suitable buyers were found.

- Juxon House

  Juxon House is located at 100 St Pauls Churchyard, London, the UK. It situates in a prominent location on the northwest side of St Pauls Cathedral, at 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 £6.3 million rental income to the Group annually, not taking into account the rent free period provided to tenants.

- Guorui Square Block B

  Guorui Suqare Block B, located at Ronghua South Road, Daxing District, Beijing, the PRC, is a multi-purpose building comprising residential units, hotel, serviced apartments and offices.

  Certain units in Guorui Suqare Block B, including the basements, the whole of Levels 2 to 11, Unit 108 on Level 1M and Units 1201, 1202 and 1203 on Level 12M, namely WGT Property, were owned by Wise Expert and its subsidiaries ("Wise Expert Group"). Wise Expert was acquired by the Company at a consideration of HK1,541,320,000 pursuant to the WE Agreement. During the Year, the land and building certificates (in strata title) of WGT Property granted by the relevant land bureau were all obtained and hence the Group obtained the ownership of WGT Property.

  The remaining units in Guorui Suqare Block B, including Level 1, Unit 107 on Level 1M and Levels 13 to 36 (excluding refuge floors on Level 23 and Level 34) namely CK Property, was wholly-owned by CKL and its subsidiaries ("CKL Group"). CKL was acquired by means of disposing the entire equity interest of WEL and became a wholly-owned subsidiary of the Company in October 2019.

  The Directors planned to sell certain units or lease certain units of Guorui Square Block B, subject to the property market condition in Yizhuang. Currently, certain units were leased out to tenants under medium or long lease term and at the same time, property leasing agents in the PRC were engaged to explore sale opportunities.

**Operation of the Recreational Centre segment**

The operation of the Recreational Centre segment, including but not limited to provision of catering, banquet, fitness and sport facilities services, was conducted by Wholly Express Limited and its subsidiaries (collectively referred to the "Wholly Express Group") before the Group's reorganisation. Following the completion of the Group's reorganisation at 20 June 2019, the Recreational Centre has been operated by Rui Hua Investment Limited and its subsidiaries instead. The Recreational Centre is operated in WE Property located at Ronghua South Road, Daxing District, Beijing, the PRC. WE Property was previously held by the Group and disposed of in exchange for the CK Property during the Year, and is currently leased back under an operating lease from the Wholly Express Group, which is a related company.

WE Property is located in the Economic Technological Development Area 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 expected to be gradually completed by 2022. Although the operation of the Recreational Centre incurred net loss during the Year, which was mainly due to the surrounding area still being under development, the Directors expect that the operation of the Recreational Centre 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

| | Year ended 31 December 2019 *HK$'000* | Year ended 31 December 2018 *HK$'000* |
|---|---|---|
| Turnover | **373,327** | 361,282 |
| **Profit for the year** | **98,082** | 9,430 |

| **Assets and liabilities** | **As at 31 December 2019** ***HK$'000*** | As at 1 January 2019 *HK$'000* | As at 31 December 2018 *HK$'000* |
|---|---|---|---|
| Total assets | **6,306,456** | 5,043,900 | 5,030,079 |
| Total liabilities | **2,869,659** | 1,589,385 | 1,575,564 |
| Net assets | **3,436,797** | 3,454,515 | 3,454,515 |
| Net debts^ | **2,378,356** | 985,655 | 971,834 |
| Capital liquidity ratio** | **0.22** | 0.54 | 0.54 |
| Gearing ratio# | **68.6%** | 28.3% | 28.0% |

^ The amount represented total liabilities, exclusive of income and other tax payables and receipts in advance, less cash and cash equivalents

** The ratio represented cash and cash equivalents divided by current liabilities

# The ratio represented net debts divided by total equity

@ The balances as at 1 January 2019 were restated under initial adoption of HKFRS 16 using the modified retrospective approach

### Financial analysis

During the Year, the Group generated revenue of approximately HK$373,327,000 (31 December 2018: approximately HK$361,282,000). The property management segment reported segment revenue of approximately HK$224,225,000 (31 December 2018: approximately HK$196,057,000). The property development and investment segment arising reported segment revenue of approximately HK$78,817,000 (31 December 2018: approximately HK$75,067,000), which was contributed from the rental income from the operating leases of certain portion of units in Juxon House, Boundary House, and Guorui Square Block B. The operation of the Recreational Centre segment reported segment revenue of approximately HK$70,285,000 (31 December 2018: approximately HK$90,158,000).

The Group recorded a profit for the Year of approximately HK$98,082,000 (31 December 2018: approximately HK$9,430,000). The increase in profit was primarily due to a remeasurement gain of approximately HK$301,460,000 upon transfer of a portion of certain properties held for sale to investment properties and offset by a net fair value loss of investment properties of approximately HK$142,174,000. As at 31 December 2019, the outstanding balance of bank and other borrowings was HK$2,336,024,000 (31 December 2018: HK$1,023,094,000), of which the balance mainly consisted of (i) a bank loan of HK$123,194,000 (31 December 2018: HK$125,564,000) secured by Boundary House and certain trade and lease receivables; (ii) a bank loan of HK$806,374,000 (31 December 2018: HK$784,090,000) secured by Juxon House and certain trade and lease receivables; (iii) other loan of HK$213,959,000 (31 December 2018: Nil) secured by the US Complex which was newly drawdown during the Year; and (iv) lease liabilities balances of HK$39,603,000 (31 December 2018: Nil).

During the Year, the Company and Wintime, the substantial Shareholder, entered into a shareholder loan facility agreement. Pursuant to the shareholder loan facility agreement, Wintime agrees to grant a facility of HK$1,700,000,000 to the Company for financing its working capital requirements in connection with its property acquisition and development. This shareholder loan facility is unsecured, interest bearing at 2% per annum and repayable 36 months after drawdown, and such facility was extended in July 2019 for 24 months.

Also, during the Year, the Company and Gang Rui International Investment (HK) Limited ("Gang Rui"), a shareholder deemed to be interested in 25.37% of the entire issued share capital of the Company, entered into another shareholder loan facility agreement. Pursuant to the shareholder loan facility agreement, Gang Rui granted a facility of HK$200,000,000 (or its equivalent in US$) to the Company, of which US$10,370,000 (equivalent to HK$82,656,000) had been utilised as at 31 December 2019.

As at 31 December 2019, the Group had available cash and bank balances of approximately HK$246,877,000 (31 December 2018: approximately HK$345,163,000).

**Foreign currency exposure**

During the Year, the Group's business operations were principally located in the PRC, the UK and the USA and the main operational currencies are Hong Kong dollars ("HK$"), Renminbi ("RMB"), Pound sterling ("£") and United States dollars ("US$"). 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.

**Human resources and remuneration policy**

As at 31 December 2019, the total number of employees of the Group (excluding Directors) was 698 (31 December 2018: 724). Most of them were located in the PRC.

The total remuneration of the employees of the Group for the Year was approximately HK$96,705,000 (31 December 2018: approximately HK$96,740,000).

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.

**Final dividend**

The Board resolved not to declare any final dividend for the Year (31 December 2018: Nil).

**Pledge of assets**

As at 31 December 2019, the Group had investment properties and properties held for sale amounting to approximately HK$3,783,349,000 in total (31 December 2018: approximately HK$2,175,670,000) to secure bank and other borrowings and an amount due to a related party of approximately HK$1,150,757,000 (31 December 2018: approximately HK$1,023,094,000). Such bank and other borrowings comprise of loans presented in the section headed "Financial analysis" of this announcement on pages 29.

As at 31 December 2019, certain trade and lease receivables of approximately HK$3,253,000 (31 December 2018: approximately HK$3,321,000) in total was pledged to secure a bank loan granted to the Group.

As at 31 December 2019, bank deposit amounting to approximately HK$39,168,000 (31 December 2018: approximately HK$39,230,000) has been pledged to secure standby letter of credit issued to the general contractor for Santa Monica project.

**Capital and other development related commitment and contingent liabilities**

As at 31 December 2019 and 2018, the Group had no material contingent liabilities. As at 31 December 2019, the Group had contracted but not provided for commitments for development costs and capital expenditure amounting to approximately HK$2,879,000 (31 December 2018: approximately HK$212,952,000, of which it included the capital expenditure of acquiring partnership interest in a parcel of land amounting to approximately HK$184,040,000 which was paid during the Year).

**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 Year and their future prospects, please refer to the sections headed "Overview of the Year" and "Business Review" on pages 22 to 28 in this announcement. Save as disclosed, the Group had not made any other significant investments, acquisitions and disposals during the Year.

## FUTURE PROSPECT

Looking ahead, the Group will continue to engage prominently in property development and investment, and 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 focus on in searching for suitable investment opportunities which may strategically fit into its diversification strategy and generate a steady source of income.

## 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.

## CORPORATE GOVERNANCE CODE

The Board 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the Year except for the following deviations:

***Code Provision E.1.2***

According to the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Mr. Wei Chunxian (the chairman of the Board and the nomination committee of the Company) could not attend the annual general meeting of the Company held on 28 June 2019 (the "**2019 AGM**") due to other business engagement but he had appointed Ms. Liu Shuhua, the executive Director, and other members of the nomination committee of the Company as his representatives to chair the 2019 AGM and answer questions from the Shareholders, respectively. In the future, the Company will try its best to encourage all the Directors to attend the general meetings of the Company.

***Code Provision F.1.2***

According to the code provision F.1.2 of the CG Code, the board should approve the selection, appointment or dismissal of the company secretary. A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.

On 31 August 2019, the Board approved the resignation of Mr. Lam Chee Sum Eddie and the appointment of Ms. Ng Ka Sim Casina as the company secretary of the Company by written resolutions instead of holding physical board meeting. As some Directors were not in Hong Kong and were in various countries, the time difference among the Directors made it difficult to hold a physical board meeting for approving the change of company secretary. The Directors were fully informed of the reason of the change of company secretary and the biography and supporting documents of the proposed candidates have been reviewed by the Directors before the approval.

## COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## AUDIT COMMITTEE

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

## SUFFICIENCY OF PUBLIC FLOAT

As 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 Year.

## EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the outbreak of novel coronavirus (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe and temporary suspension of the operation of the Group's Recreational Centre. These events may have had adverse impacts on certain operations of the Group in Mainland China, the UK and the USA. Owing to the inherent nature and unpredictability of future development of the COVID-19 virus epidemic, including epidemic preventive measures imposed by countries in which the Group has operations and the duration of the epidemic, the degree of the adverse impacts of the epidemic and its resulting financial impact on the Group cannot be reasonably estimated at this stage.

## 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 2019 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.

## PUBLICATION OF RESULTS ON WEBSITES

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

By order of the Board
**GR Properties Limited**
**Wei Chunxian**
*Chairman*

Hong Kong, 31 March 2020

*As at the date of this announcement, the executive Directors 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 are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.*

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