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 2020

The board (the "**Board**") of directors (the "**Directors**") 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 2020, together with comparative figures for the six months ended 30 June 2019. 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 2020 (the "**Period**").

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period was approximately HK$161.8 million, representing a decrease of approximately 8.6% from approximately HK$177.0 million for the corresponding period in 2019.

- Profit before tax for the Period was approximately HK$6.8 million, representing an increase of approximately HK$4.3 million from profit before tax of approximately HK$2.5 million for the corresponding period in 2019.

- Loss for the period attributable to shareholders of the Company for the Period was approximately HK$6.7 million, representing an increase of approximately 126% from approximately HK$3.0 million for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended **30 June 2020** **(Unaudited)** ***HK$'000***	 30 June 2019 (Unaudited) *HK$'000*
REVENUE	5	**161,812**	177,006
Other income and gain, net	6	**4,067**	4,030
Cost of inventories sold		**(2,388)**	(7,439)
Employee benefit expenses		**(34,279)**	(45,617)
Marketing expenses		**(1,458)**	(163)
Depreciation and amortisation		**(10,715)**	(19,154)
Utilities, repairs and maintenance and rental expenses		**(63,471)**	(63,676)
Reversal of impairment/(impairment) of trade and lease receivables, net		**1,019**	(6,561)
Other operating expenses, net		**(29,694)**	(17,364)
Remeasurement gain upon transfer of certain properties held for sale to investment properties		**40,893**	—
Finance costs		**(59,001)**	(18,522)
PROFIT BEFORE TAX	7	**6,785**	2,540
Income tax	8	**(13,408)**	(5,719)
LOSS FOR THE PERIOD		**(6,623)**	(3,179)
Attributable to:			
Shareholders of the Company		**(6,697)**	(2,967)
Non-controlling interests		**74**	(212)
		(6,623)	(3,179)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted *(HK cent per share)*		**(0.21)**	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(6,623)**	(3,179)
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	**477**	258
Reclassification adjustment for gain on disposal included in profit or loss	**(148)**	—
	329	258
— Exchange differences on translation of foreign operations	**(100,299)**	(7,303)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	**(99,970)**	(7,045)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(106,593)**	(10,224)
Attributable to:		
Shareholders of the Company	**(106,194)**	(10,004)
Non-controlling interests	**(399)**	(220)
	(106,593)	(10,224)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,902**	13,457
Investment properties	10	**4,152,939**	4,179,648
Right-of-use assets		**29,920**	39,580
Computer software		**953**	1,083
Non-current deposits		**1,095**	1,119
Deferred tax assets		**11,065**	11,975
Total non-current assets		**4,208,874**	4,246,862
CURRENT ASSETS			
Properties held for sale		**1,087,042**	1,182,025
Inventories		**2,084**	2,240
Trade and lease receivables	11	**75,009**	33,574
Prepayments, deposits and other receivables		**55,289**	54,140
Due from related parties		**52,325**	49,874
Other tax recoverables		**66,983**	69,277
Debt investments at fair value through other comprehensive income		**23,996**	46,518
Pledged bank deposit		**—**	39,168
Cash and cash equivalents		**254,105**	246,877
		1,616,833	1,723,693
Non-current asset held for sale	12	**310,379**	335,901
Total current assets		**1,927,212**	2,059,594
CURRENT LIABILITIES			
Trade payables	13	**39,787**	37,477
Receipts in advance		**61,253**	97,620
Other payables and accruals		**124,464**	112,153
Due to related parties		**364,427**	139,579
Bank and other borrowings		**148,797**	710,378
Income tax payables		**8,317**	14,671
Other tax payables		**2,703**	5,241
Total current liabilities		**749,748**	1,117,119

	Notes	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
NET CURRENT ASSETS		**1,177,464**	942,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,386,338**	5,189,337
NON-CURRENT LIABILITIES			
Bank and other borrowings		**1,925,785**	1,625,646
Liability component of perpetual convertible bonds	14	**50,564**	49,945
Deferred tax liabilities		**79,785**	76,949
Total non-current liabilities		**2,056,134**	1,752,540
Net assets		**3,330,204**	3,436,797
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	15	**3,152,571**	3,152,571
Equity component of perpetual convertible bonds	14	**1,078,217**	1,078,217
Other reserves		**(922,063)**	(815,869)
		3,308,725	3,414,919
Non-controlling interests		**21,479**	21,878
Total equity		**3,330,204**	3,436,797

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 2020 (the "**Period**"), 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.

As at 30 June 2020, the immediate holding company of the Company was Wintime Company Limited, which is incorporated in the British Virgin Islands with limited liability. In the opinion of the directors of the Company (the "**Directors**"), the ultimate holding company of the Company is Winluck Global Limited, 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 2020 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 2019. 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 2019, except for the changes in accounting policies made thereafter in adopting the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), as detailed in note 3 below.

The financial information relating to the year ended 31 December 2019 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 those 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 2019 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 2019. 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

This unaudited interim condensed consolidated financial information has been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business. This is because the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern which, inter alia, takes into account the historical operating performance of the Group and the unutilised existing facilities in a total amount of HK$1,819,630,000 available to the Group provided by two shareholders of the Company as at the date of approval of this interim condensed consolidated financial information.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

These amendments have had no material effect on how the Group's results and financial position for the current or prior periods presented in this unaudited interim condensed consolidated financial information. The Group has not applied any other new standard or interpretation that has been issued but is not yet effective for the current accounting period.

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 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 Mainland China; 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 resource 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 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 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**54,362**	36,167	**97,856**	104,858	**9,594**	35,981	**161,812**	177,006
Segment results	**13,374**	10,336	**17,234**	24,867	**(12,229)**	(21,434)	**18,379**	13,769
Reconciliation:								
Other unallocated income and gain							**27**	883
Corporate and other unallocated expenses							**(11,621)**	(12,112)
Profit before tax							**6,785**	2,540

	Property development and investment		Property management		Operation of the Recreational Centre		Total	
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019 (Audited)	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019 (Audited)	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**5,814,253**	5,957,399	**223,233**	224,033	**60,727**	75,883	**6,098,213**	6,257,315
Reconciliation:								
Corporate and other unallocated assets								
— Property, plant and equipment							**164**	193
— Right-of-use assets							**3,879**	4,961
— Prepayments, deposits and other receivables							**1,772**	2,551
— Due from related parties							**68**	360
— Pledged bank deposit							**—**	39,168
— Cash and cash equivalents							**31,990**	1,908
Total assets							**6,136,086**	6,306,456
Segment liabilities	**2,330,633**	2,370,230	**112,957**	130,479	**222,218**	227,197	**2,665,808**	2,727,906
Reconciliation:								
Corporate and other unallocated liabilities								
— Other payables and accruals							**475**	2,731
— Due to shareholders							**85,151**	84,142
— Lease liabilities							**3,884**	4,935
— Liability component of perpetual convertible bonds							**50,564**	49,945
Total liabilities							**2,805,882**	2,869,659

5. REVENUE

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

	Six months ended	
	30 June 2020	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rendering of property management services	**97,856**	104,858
Rendering of services and sales of goods in relation to operations of the Recreation Centre	**9,594**	35,981
Gross rental income from investment property operating leases	**54,362**	36,167
	161,812	177,006

Notes:

(a) Disaggregated revenue information

Six months ended 30 June 2020 (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	—	97,856	—	97,856
Operations of the Recreational Centre:				
— Rendering of services	—	—	4,132	4,132
— Sale of goods	—	—	5,462	5,462
Total revenue from contracts with customers	—	97,856	9,594	107,450
Revenue from another source				
— Gross rental income from investment property operating leases	54,362	—	—	54,362
Total revenue	54,362	97,856	9,594	161,812
Timing of revenue recognition				
Goods transferred at a point in time	—	—	5,462	5,462
Services transferred over time	—	97,856	4,132	101,988
Total revenue from contracts with customers	—	97,856	9,594	107,450
Revenue from another source				
— Gross rental income from investment property operating leases	54,362	—	—	54,362
Total revenue	54,362	97,856	9,594	161,812

Geographical market

All revenue from contracts with customers were generated in Mainland China.

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 from investment property operating leases	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 from investment property operating leases	36,167	—	—	36,167
Total revenue	36,167	104,858	35,981	177,006

Geographical market

All revenue from contracts with customers were generated in Mainland China.

(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 AND GAIN, NET

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

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**967**	2,072
Interest income of loan receivables	**483**	1,337
Penalty income	**983**	31
Fair value gain recycled from equity upon disposal of debt investments at fair value through other comprehensive income	**148**	—
Others	**1,486**	590
	4,067	4,030

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of items of property, plant and equipment	**1,497**	14,865
Depreciation of right-of-use assets	**8,984**	4,179
Amortisation of computer software	**234**	110
Foreign exchange differences, net	**2,862**	4,380

8. INCOME TAX

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

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China	**758**	7,102
Current — UK	**2,427**	252
Deferred	**10,223**	(1,635)
Total tax expenses for the period	**13,408**	5,719

Note:

No provision for Hong Kong profits tax has been made for the Period as the Group did not generate any assessable profits arising in Hong Kong during the Period (six months ended 30 June 2019: 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 Period, based on the prevailing legislation, interpretations and practices in respect thereof.

9. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to shareholders of the Company and the weighted average number of 3,199,373,986 (six months ended 30 June 2019: 3,194,152,993) ordinary shares in issue during the Period.

No adjustment has been made to the amount of the basic loss per share amounts presented for each of the six months ended 30 June 2020 and 2019 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 amount of the basic loss per share presented for these periods.

10. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount as at 1 January 2020	**3,981,782**	**197,866**	**4,179,648**
Additions	**—**	**5,503**	**5,503**
Transfer from properties held for sale *(note (c))*	**105,791**	**—**	**105,791**
Exchange realignment	**(136,985)**	**(1,018)**	**(138,003)**
Carrying amount as at 30 June 2020	**3,950,588**	**202,351**	**4,152,939**

Notes:

(a) The Group's completed investment properties as at 30 June 2020 represented a commercial building located in London, the UK; a commercial and residential complex located in Santa Monica, the County of Los Angeles, State of California, the USA (the "**US Complex**"); and a commercial building located in Beijing, the PRC, which are leased to third parties under operating leases.

(b) The Group's investment property under construction as at 30 June 2020 and 31 December 2019 represented a parcel of land located in Culver City, the USA.

(c) During the Period, the use of certain units in the properties held for sale has been changed upon the inception of operating leases with external third parties. As a result, the leased portion of the properties held for sale was transferred to completed investment properties and a remeasurement gain of HK$40,893,000 was recognised in profit or loss during the six months ended 30 June 2020.

(d) As at 30 June 2020, certain of the Group's investment properties were pledged to secure bank facilities granted to the Group.

11. TRADE AND LEASE RECEIVABLES

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Trade receivables	**70,840**	40,857
Lease receivables	**13,458**	3,253
Total gross trade and lease receivables	**84,298**	44,110
Less: Impairment	**(9,289)**	(10,536)
	75,009	33,574

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

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Current	**38,902**	27,719
Past due:		
Less than 1 year	**32,128**	2,770
1 year to 2 years	**2,287**	2,342
2 years to 3 years	**1,692**	743
	75,009	33,574

12. NON-CURRENT ASSET HELD FOR SALE

In December 2019, the directors of the Company decided to sell a commercial building (an investment property) located in the UK and the Group signed the head of terms with a potential independent third party on 15 January 2020. A new head of terms was signed by the Group with another potential independent third party on 8 July 2020. Since the property is immediately available for sale, the directors expected that the disposal could be completed within one year. Accordingly, the investment property is classified as a non-current asset held for sale and is separately presented on the face of the consolidated statement of financial position as at 30 June 2020 and 31 December 2019.

At 30 June 2020 and 31 December 2019, the non-current asset held for sale was measured at fair value and was pledged as a security for a banking facility granted to the Group.

13. 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 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Within 3 months	**10,008**	21,330
3 to 6 months	**5,801**	2,519
6 to 12 months	**4,821**	4,896
Over 1 year	**19,157**	8,732
	39,787	37,477

14. PERPETUAL CONVERTIBLE BONDS

The Company had perpetual convertible bonds outstanding during the six months ended 30 June 2020, 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 six months ended 30 June 2020:

Principal amount outstanding

	Total
	HK$'000
At 1 January 2020 and 30 June 2020	1,090,993

Number of conversion rights outstanding

	Total
At 1 January 2020 and 30 June 2020	1,363,741,500

Liability component

	Total
	HK$'000
At 1 January 2020	49,945
Interest expense	619
At 30 June 2020	50,564

Equity component

	Total
	HK$'000
At 1 January 2020 and 30 June 2020	1,078,217

Notes:

(a) Pursuant to a sale and purchase agreement entered into with Winluck Global Limited and Silky Apex Limited (the "**Vendors**"), on 30 May 2018, the Company issued a total of 451,576,000 ordinary shares and a batch of perpetual convertible bonds to the Vendors on 17 August 2018 as partial consideration for the acquisition of 95% equity interest in Wise Expert Investment Limited ("**Wise Expert**"). Further details of the acquisition are set out in the Company's announcements dated 30 May 2018 and 17 August 2018, and a circular dated 20 July 2018, respectively.

For accounting purpose, the fair value of the 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.

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

During the six months 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 and equity components 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.

(b) 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's shares being less than 25% of the total issued shares of the Company.

15. SHARE CAPITAL

	30 June 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Issued and fully paid:		
3,199,373,986 ordinary shares	**3,152,571**	3,152,571

16. CONTINGENT LIABILITY

In or about January 2020, certain plaintiffs commenced legal proceedings against subsidiaries of the Company in the USA with an independent third party constructor alleging that the subsidiaries and the constructor have caused damage and nuisance in relation to the construction of the US Complex. The related punitive damages were in an aggregate amount of US$1 million. The first hearing was held on 29 July 2020 and the next hearing will be held during October and December 2020.

Based on internal assessment of the aforesaid case and having sought legal advice from an independent legal advisor in the USA, the Directors are of the opinion that the Group has a reasonable ground of defence on the merits and no material adverse financial impact on the Group is therefore expected.

17. IMPACT OF THE COVID-19

The COVID-19 pandemic has produced a negative impact on certain operations of the Group, including Operation of the Recreational Centre segment in the PRC. Management of the Group has been actively taking measures to control the operating costs and pay attention to cash flow management to readily prepare for business recovery after the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the operations of the Group 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, the 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 30 June 2020, 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 Period, 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 ("**US Complex**"). According to the title of the land, the site will be 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 units. Marketing campaign has been launched in the market accordingly. 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 feet redevelopment site located on the south corner of Washington Boulevard and Motor Avenue in Culver City, Los Angeles County, California, the USA. It currently has an automotive service shop totalling 7,373 square feet and surface lot. The land title allows 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 its ground floor would be commercial space. The Company is in the process of modifying the current entitlement to develop 139 residential units, of which 14 units would be income restricted for residents at the extremely low income level, and 1,969 square feet of ground floor would be commercial space.

  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) 2,000 gross square feet of retail space; and (iii) subterranean parking. The acquisition of the entire partnership interest was 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.

- 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 7 car park spaces. As at 30 June 2020, Boundary House is approximately 83% occupied and is currently let to ten tenants. The leases can contribute approximately £0.9 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 is situated 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 organisations 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 three office tenants and four retail tenants, which contributed approximately £5 million rental income to the Group annually, not taking into account the rent free period provided to tenants.

- Guorui Square Block B

  Beijing Kaipeng Technology Development Co., Ltd.* (北京凱朋科技發展有限公司) ("**Kaipeng Technology**") holds certain 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.

  Certain units in Guorui Square 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, were owned by Wise Expert Investment Limited ("**Wise Expert**") and its subsidiaries. The Company agreed to acquire at a consideration of HK1,541,320,000 pursuant to the sale and purchase agreement dated 30 May 2018 entered into between the Company as purchaser and Winluck Global Limited and Silky Apex Limited as vendors. As at the date of this announcement, 95% of the entire issued share capital of Wise Expert has been acquired by the Group.

  The remaining units in Guorui Square Block B, including Level 1, Unit 107 on Level 1M and Levels 13 to 36 (excluding refuge floors on Level 23 and Level 34), was wholly-owned by Capable Kingdom Limited (wholly-owned subsidiary of the Group) and its subsidiaries.

  The Directors planned to sell certain units or lease certain units of Guorui Square Block B, subject to market conditions in Yizhuang (亦莊), Beijing, the PRC. Currently, certain units were leased out to tenants under medium or long term leases.

Operation of the Recreational Centre segment

The operation of the Recreational Centre (i.e. a leisure and lifestyle experience centre in Beijing, the PRC) segment, includes, inter alia, the provision of catering, banquet, fitness and sport facilities services.

The Recreational Centre is located in the Economic Technological Development Area in Yizhuang 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 complete gradually by 2022. The operation of the Recreational Centre incurred net losses during the Period, which was mainly due to the recreational market conditions which were adversely affected by the outbreak of COVID-19. As a cost control measure, the Group had temporarily suspended the Recreational Centre from February 2020. The Group will continue to monitor the development of the COVID-19, and has been putting appropriate cost and risk management measures in place during this extraordinary difficult period while still preserving and building its capabilities for the future.

FINANCIAL REVIEW

Financial analysis

During the Period, the Group generated revenue of approximately HK$161,812,000 (six months ended 30 June 2019: approximately HK$177,006,000). The property management segment reported segment revenue of approximately HK$97,856,000 (six months ended 30 June 2019: approximately HK$104,858,000). The property development and investment segment reported segment revenue of approximately HK$54,362,000 (six months ended 30 June 2019: approximately HK$36,167,000), 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$9,594,000 (six months ended 30 June 2019: approximately HK$35,981,000). The Group recorded a loss for the Period of approximately HK$6,623,000 (six months ended 30 June 2019: loss of approximately HK$3,179,000). The increase in losses was mainly attributable to increase in finance costs of approximately HK$29,895,000 for the Period as a result of additional interest expense incurred on a quasi-loan equity contributed by a joint venture partner of a subsidiary, which was acquired in the second half year of 2019. The effect of the increase in finance costs for the Period was partly offset by a remeasurement gain of approximately HK$40,983,000 recognised upon transfer of certain properties held for sale to investment properties in the PRC during the Period. As at 30 June 2020, the outstanding balance of bank and other borrowings was HK$2,074,582,000 (31 December 2019: HK$2,336,024,000), of which the balance mainly consisted of (i) a bank loan of HK$116,661,000 (31 December 2019: HK$123,194,000) secured by Boundary House and certain trade and lease receivables; (ii) a bank loan of HK$742,899,000 (31 December 2019: HK$806,374,000) secured by Juxon House and certain trade and lease receivables; (iii) other loan of HK$236,507,000 (31 December 2019: HK$213,959,000) secured by the US Complex during the Period; and (iv) lease liabilities balances of HK$29,858,000 (31 December 2019: HK$39,603,000).

As at 30 June 2020, the Group had available cash and bank balances of approximately HK$254,105,000 (31 December 2019: approximately HK$246,877,000).

Foreign currency exposure

During the Period, 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 30 June 2020, the total number of employees of the Group (excluding Directors) was 527 (31 December 2019: 698). Most of them were located in the PRC.

The total remuneration of the employees of the Group for the Period was approximately HK$34,279,000 (six months ended 30 June 2019: approximately HK$45,617,000).

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.

Interim dividend

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

Pledge of assets

As at 30 June 2020, the Group had investment properties, properties held for sale and non-current asset held for sale amounting to approximately HK$3,820,636,000 in total (31 December 2019: approximately HK$3,783,349,000) to secure bank and other borrowings and an amount due to a related party of approximately HK$1,613,794,000 (31 December 2019: approximately HK$1,150,757,000). Such bank and other borrowings comprise of loans presented in the section headed "Financial analysis" of this announcement on page 27.

As at 30 June 2020, certain trade and lease receivables of approximately HK$13,458,000 (31 December 2019: approximately HK$3,253,000) in total was pledged to secure a bank loan granted to the Group.

As at 30 June 2020, no bank deposit has been pledged (31 December 2019: approximately HK$39,168,000 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 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil). As at 30 June 2020, the Group had no contracted but not provided for commitments for development costs and capital expenditure (31 December 2019: approximately HK$2,879,000).

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

The Group had not made any other significant investments, acquisitions and disposals during the Period.

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 enhance diversity with a reasonable return to the shareholders of the Company. 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 capital appreciation potential in the long term and prospects for 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 project 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 search 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 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 to 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

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 Period have been reviewed by the Audit Committee.

As at 30 June 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tung Woon Cheung Eric (chairman of the Audit Committee), Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.

SUFFICIENCY OF PUBLIC FLOAT

At the date of this announcement, based on the information that is publicly available to the Company and to 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 are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.grproperties.com.hk).

By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 31 August 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*