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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 2020

The board (the “Board”) of directors (the “Director(s)”) of GR Properties Limited (the “Company”) hereby presents the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	322,026	373,327
Other income and gains, net	6	11,040	44,453
Cost of inventories sold		(6,001)	(22,538)
Employee benefit expenses		(70,561)	(96,705)
Marketing expenses		(3,320)	(1,973)
Depreciation and amortisation		(24,295)	(31,079)
Utilities, repairs and maintenance and rental expenses		(120,298)	(141,098)
Reversal of impairment/(impairment) of trade and lease receivables, net		(3,492)	2,395
Other operating expenses, net		(43,806)	(46,159)
Remeasurement gain upon transfer of certain properties held for sale to investment properties		124,882	301,460
Fair value loss of investment properties, net		(5,838)	(142,174)
Finance costs	7	(112,599)	(57,797)

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
PROFIT BEFORE TAX	8	67,738	182,112
Income tax	9	<u>(67,058)</u>	<u>(84,030)</u>
PROFIT FOR THE YEAR		<u>680</u>	<u>98,082</u>
Attributable to:			
Shareholders of the Company		552	98,599
Non-controlling interests		128	<u>(517)</u>
		<u>680</u>	<u>98,082</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	<i>10</i>		
Basic (HK cents per share)		<u>0.02</u>	<u>3.08</u>
Diluted (HK cents per share)		<u>0.02</u>	<u>2.19</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	680	98,082
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
— <i>Debt investments at fair value through other comprehensive income:</i>		
<i>Changes in fair value</i>	(967)	1,424
<i>Reclassification adjustment for gain on disposal included in profit or loss</i>	(144)	(1,761)
	(1,111)	(337)
— <i>Exchange differences on translation of foreign operations</i>	152,950	(134,768)
<i>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</i>	151,839	(135,105)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
— <i>Changes in fair value of a building in property and equipment and a leasehold land in right-of-use assets</i>	—	22,420
— <i>Income tax effect</i>	—	(5,605)
<i>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>	—	16,815
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	151,839	(118,290)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	152,519	(20,208)
Attributable to:		
Shareholders of the Company	151,028	(19,307)
Non-controlling interests	1,491	(901)
	152,519	(20,208)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,229	13,457
Investment properties	<i>11</i>	4,653,309	4,179,648
Right-of-use assets		5,505	39,580
Computer software		948	1,083
Non-current deposits		1,188	1,119
Deferred tax assets		12,196	11,975
		<hr/>	<hr/>
Total non-current assets		4,681,375	4,246,862
CURRENT ASSETS			
Properties held for sale		1,073,920	1,182,025
Inventories		2,212	2,240
Trade and lease receivables	<i>12</i>	92,827	33,574
Prepayments, deposits and other receivables		119,078	54,140
Due from related parties		69,839	49,874
Other tax recoverables		72,200	69,277
Debt investments at fair value through other comprehensive income		24,562	46,518
Pledged bank deposit		—	39,168
Cash and cash equivalents		196,147	246,877
		<hr/>	<hr/>
		1,650,785	1,723,693
Assets of a disposal group held for sale/non-current asset held for sale	<i>13</i>	369,844	335,901
		<hr/>	<hr/>
Total current assets		2,020,629	2,059,594

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	<i>14</i>	42,327	37,477
Receipts in advance		95,567	97,620
Other payables and accruals		137,799	112,153
Due to related parties		360,648	139,579
Bank and other borrowings		25,854	710,378
Income tax payables		17,192	14,671
Other tax payables		4,387	5,241
		683,774	1,117,119
Liabilities directly associated with the assets classified as held for sale	<i>13</i>	126,543	–
Total current liabilities		810,317	1,117,119
NET CURRENT ASSETS		1,210,312	942,475
TOTAL ASSETS LESS CURRENT LIABILITIES		5,891,687	5,189,337
NON-CURRENT LIABILITIES			
Bank and other borrowings		2,093,727	1,625,646
Liability component of perpetual convertible bonds		51,197	49,945
Deferred tax liabilities		157,447	76,949
Total non-current liabilities		2,302,371	1,752,540
Net assets		3,589,316	3,436,797
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		3,152,571	3,152,571
Equity component of perpetual convertible bonds		1,078,217	1,078,217
Reserves		(664,841)	(815,869)
		3,565,947	3,414,919
Non-controlling interests		23,369	21,878
Total equity		3,589,316	3,436,797

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 2020, 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 2020, 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, 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 in a disposal group held for sale or 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; (ii) a building and a leasehold land in the PRC which have been measured at revalued amounts; and (iii) a disposal group held for sale which is stated at the lower of its carrying amount and fair value less costs to sell. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 do not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2019, 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 2020 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 2019 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 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 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 2020. 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 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 *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") and the following revised HKFRSs for the first time for the current year's financial statements:

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

The nature and the impact of the Conceptual Framework and the revised HKFRSs are described below:

- (a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group early adopted the amendment on 1 January 2020. The amendment did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 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 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.

	Property development and investment		Property management		Operation of the Recreational Centre		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>99,412</u>	<u>78,817</u>	<u>197,017</u>	<u>224,225</u>	<u>25,597</u>	<u>70,285</u>	<u>322,026</u>	<u>373,327</u>
Segment results	<u>67,439</u>	<u>153,801</u>	<u>30,824</u>	<u>48,121</u>	<u>(14,801)</u>	<u>(34,596)</u>	<u>83,462</u>	<u>167,326</u>
<i>Reconciliation:</i>								
Other unallocated income and gain							<u>520</u>	<u>34,477</u>
Corporate and other unallocated expenses							<u>(16,244)</u>	<u>(19,691)</u>
Profit before tax							<u>67,738</u>	<u>182,112</u>
Other segment information:								
Impairment/(reversal of impairment) of trade and lease receivables, net	<u>522</u>	<u>—</u>	<u>2,970</u>	<u>(2,395)</u>	<u>—</u>	<u>—</u>	<u>3,492</u>	<u>(2,395)</u>
Depreciation and amortisation								
— Operating segments	<u>1,287</u>	<u>1,043</u>	<u>841</u>	<u>593</u>	<u>19,775</u>	<u>27,774</u>	<u>21,903</u>	<u>29,410</u>
— Amount unallocated							<u>2,392</u>	<u>1,669</u>
							<u>24,295</u>	<u>31,079</u>
Remeasurement gain upon transfer of certain properties held for sale to investment properties	<u>124,882</u>	<u>301,460</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>124,882</u>	<u>301,460</u>
Fair value loss of investment properties, net	<u>(5,838)</u>	<u>(142,174)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,838)</u>	<u>(142,174)</u>

Geographical information

Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mainland China	246,535	297,907
The UK	62,227	75,420
The USA	13,264	—
	<u>322,026</u>	<u>373,327</u>

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

Information about major customers

During each of the years ended 31 December 2020 and 2019, 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rendering of property management services	197,017	224,225
Rendering of services and sales of goods in relation to operations of the Recreation Centre	25,597	70,285
Gross rental income from investment property operating leases	99,412	78,817
	<u>322,026</u>	<u>373,327</u>

6. OTHER INCOME AND GAINS, NET

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,787	3,632
Interest income of loan receivables	1,451	1,585
Government subsidies	617	—
Penalty income	2,258	158
Foreign exchange gain, net	—	32,461
Fair value gain recycled from equity upon disposal of debt investments at fair value through other comprehensive income	144	1,761
Others	4,783	4,856
	<u>11,040</u>	<u>44,453</u>

7. FINANCE COSTS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	37,176	39,405
Interest on preference shares of a subsidiary	—	1,093
Interest on loan from a shareholder of the Company	1,614	1,269
Interest on loans from director-controlled entities	—	115
Imputed interest on loans from director-controlled entities	15,211	2,477
Interest on a quasi-loan equity contributed by a joint venture partner of a subsidiary	56,293	16,018
Interest on perpetual convertible bonds	1,252	1,220
Interest on lease liabilities	1,053	555
	<u>112,599</u>	<u>62,152</u>
Less: Amount capitalised in investment property under construction	—	(4,355)
	<u>112,599</u>	<u>57,797</u>

8. PROFIT BEFORE TAX

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	5,885	12,365
Depreciation of right-of-use assets	18,219	18,475
Amortisation of computer software	191	239
Loss on disposal of items of property, plant and equipment	27	9
	<u>27</u>	<u>9</u>

9. INCOME TAX

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Mainland China	8,407	11,684
Current — UK	2,578	410
Current — USA	—	493
Deferred	56,073	71,443
	<u>67,058</u>	<u>84,030</u>
Total tax expense for the year	<u>67,058</u>	<u>84,030</u>

No provision for Hong Kong has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

The PRC, UK and USA income taxes in respect of operations in Mainland China, the UK and the USA 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 2020, 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 the year either had an anti-dilutive effect or did not have a diluting effect on the earnings per share amount presented.

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 that 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 that 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.

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

Earnings

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	552	98,599
Interest on perpetual convertible bonds	<u>—</u>	<u>1,220</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>552</u>	<u>99,819</u>

Number of ordinary shares

	Number of shares	
	2020	2019
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	3,199,373,986	3,196,784,946
Effect of dilution of perpetual convertible bonds — weighted average number of ordinary shares	—	<u>1,366,330,541</u>
Weighted average number of ordinary shares during the year, used in the diluted earnings per share calculation	<u>3,199,373,986</u>	<u>4,563,115,487</u>

11. INVESTMENT PROPERTIES

	Completed <i>HK\$'000</i>	Under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount as at 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 and 1 January 2020	3,981,782	197,866	4,179,648
Additions	—	10,970	10,970
Net gain from fair value adjustments	6,699	1,440	8,139
Transfer from properties held for sale	300,934	—	300,934
Exchange realignment	154,578	(960)	153,618
Carrying amount as at 31 December 2020	<u>4,443,993</u>	<u>209,316</u>	<u>4,653,309</u>

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 was classified as a non-current asset held for sale and was 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	73,330	27,719
Past due:		
Less than 1 year	14,191	2,770
1 year to 2 years	2,831	2,342
2 years to 3 years	2,475	743
	<u>92,827</u>	<u>33,574</u>

13. ASSETS AND LIABILITIES OF A DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSET HELD FOR SALE

The Group has been negotiating with interested parties for the sale of Boundary House, an investment property of the Group in the UK since 2019. Pursuant to a sale and purchase agreement dated 8 January 2021 entered into between GR UK Holdings Limited, a direct wholly-owned subsidiary of the Company, and an independent third party, GR UK Holdings Limited agreed to dispose of entire interest of GR Properties UK Limited to the independent third party for a consideration of £30,960,000 (equivalent to approximately HK\$325,876,000). The disposal was completed on 8 January 2021. Further details are set out in the Company's announcements dated 8 January 2021 and 26 January 2021 and the Company's circular dated 26 February 2021. GR Properties UK Limited is therefore accounted for as a disposal group held for sale as at 31 December 2020.

14. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	19,434	21,330
4 to 6 months	2,591	2,519
7 to 12 months	2,272	4,896
Over 1 year	18,030	8,732
	<u>42,327</u>	<u>37,477</u>

15. CONTINGENT LIABILITY

In or about January 2020, certain plaintiffs commenced legal proceedings against subsidiaries of the Company in the USA and 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\$550,000, which was reduced to US\$200,000 as at the date of this announcement with reference to a legal advice from an independent legal advisor in the USA. The first hearing was held on 29 July 2020 and the next hearing will be held during July 2021.

Based on internal assessment of the aforesaid case and having sought legal advice from the independent legal advisor in the USA, the directors of the Company are of the opinion that the Group has a reasonable ground of defence on the merits and considered that the possibility of any outflow in settling the claim was remote as the claim was well covered by an insurance indemnity and no material adverse financial impact on the Group is therefore expected.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2020 (the “Year”), 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 31 December 2020, AOCEAN managed 24 major residential and commercial property projects, which were located in Beijing, Hebei Province and Hainan, 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 continues to provide professional services to its customers.

Property development and investment segment

During the Year, the Group carried on its property development and investment business 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 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. The commercial areas have been fully leased out for the Year. However, due to the outbreak of COVID-19, which slowed down the leasing progress of residential areas during the Year, we are actively negotiating with several potential tenants to lease out the remaining areas. Property leasing agent has been appointed for residential lease. Marketing campaign has been launched in the market. 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 at the south corner of Washington Boulevard and Motor Avenue in Culver City, Los Angeles County, California, the USA. It includes an automotive service shop totalling 7,373 square feet and surface lot. The land title allows for the development of 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 directors of the Company (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. 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 2020, Boundary House was approximately 88% occupied and was let to twelve tenants. The leases contributed approximately £0.95 million rental income to the Group for the Year.

- 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 twenty car park spaces. Juxon House was let to three office tenants and four retail tenants, which contributed approximately £5.3 million rental income to the Group for the Year.

- Guorui Square Block B

Beijing Kaipeng Technology Development Co., Ltd.* (北京凱朋科技發展有限公司) (“Kaipeng Technology”), a subsidiary of the Company, 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.

The basements, the whole of Levels 2 to 11, Unit 108 on Level 1M and Units 1201, 1202 and 1203 on Level 12M of Guorui Square Block B, were owned by Wise Expert Investment Limited (“Wise Expert”) and its subsidiaries. The Company agreed to acquire Wise Expert 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), were owned by Capable Kingdom Limited (a wholly-owned subsidiary of the Company) and its subsidiaries.

The Directors planned to sell 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 Year, 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 and reopened on August 2020. The Group will continue to monitor the development of 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

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Turnover	<u>322,026</u>	<u>373,327</u>
Profit for the year	<u>680</u>	<u>98,082</u>
	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Total assets	<u>6,702,004</u>	6,306,456
Total liabilities	<u>3,112,688</u>	<u>2,869,659</u>
Net assets	<u>3,589,316</u>	<u>3,436,797</u>
Net debts [^]	<u>2,464,208</u>	2,378,356
Capital liquidity ratio ^{**}	<u>0.24</u>	0.22
Gearing ratio [#]	<u>68.7%</u>	<u>68.6%</u>

[^] The amount represented trade payables, bank and other borrowings, other payables and accruals and amounts due to related parties, 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

Financial analysis

During the Year, the Group generated revenue of approximately HK\$322,026,000 (31 December 2019: approximately HK\$373,327,000). The property management segment reported segment revenue of approximately HK\$197,017,000 (31 December 2019: approximately HK\$224,225,000). The property development and investment segment arising reported segment revenue of approximately HK\$99,412,000 (31 December 2019: approximately HK\$78,817,000), 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\$25,597,000 (31 December 2019: approximately HK\$70,285,000).

The Group recorded a profit for the Year of approximately HK\$680,000 (31 December 2019: approximately HK\$98,082,000). The break even was primarily due to i) increase in finance costs 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; and ii) decrease in the remeasurement gain upon transfer of certain properties held for sale to investment properties as compared to that recorded in 2019 as a result of less number of additional properties transferred to investment properties for rental purposes in the PRC during the Year under negative impact of outbreak of COVID-19. As at 31 December 2020, the outstanding balance of bank and other borrowings was approximately HK\$2,119,581,000 (31 December 2019: approximately HK\$2,336,024,000), of which the balance mainly consisted of (i) a bank loan of approximately HK\$816,357,000 (31 December 2019: approximately HK\$806,374,000) secured by Juxon House and certain trade and lease receivables; (ii) other loan of approximately HK\$234,078,000 (31 December 2019: approximately HK\$213,959,000) secured by the US Complex which was newly drawdown during the Year; and (iii) lease liabilities balances of approximately HK\$5,483,000 (31 December 2019: approximately HK\$39,603,000).

As at 31 December 2020, the Group had available cash and bank balances of approximately HK\$196,147,000 (31 December 2019: approximately HK\$246,877,000).

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 2020, the total number of employees of the Group (excluding Directors) was 499 (31 December 2019: 698). Most of them were located in the PRC.

The total remuneration of the employees of the Group for the Year was approximately HK\$70,561,000 (31 December 2019: approximately HK\$96,705,000).

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 2019: Nil).

Pledge of assets

As at 31 December 2020, the Group had investment properties and properties held for sale amounting to approximately HK\$3,775,613,000 in total (31 December 2019: approximately HK\$3,783,349,000) to secure bank and other borrowings. Such bank and other borrowings comprise of loans presented in the section headed “Financial analysis” of this announcement on page 21.

As at 31 December 2020, certain trade and lease receivables of approximately HK\$16,910,000 (31 December 2019: approximately HK\$3,253,000) in total was pledged to secure bank loans granted to the Group.

As at 31 December 2020, no bank deposit (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 31 December 2020, the Group had no material contingent liabilities (31 December 2019: Nil). As at 31 December 2020, the Group had no contracted and no 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 significant investments, acquisitions and disposals during the Year.

FUTURE PROSPECT

Faced with the unprecedented challenge of the COVID-19 pandemic in 2020, the Group worked relentlessly to maintain effective operations and provide quality services, minimizing impact on tenants, customers and staff. To ensure long-term sustainable business growth and value creation, 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 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 ("Listing Rules") throughout the Year.

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

Pursuant to a sale and purchase agreement entered into between GR UK Holdings Limited, a direct wholly-owned subsidiary of the Company, and an independent third party dated 8 January 2021, GR UK Holdings Limited agreed to dispose of entire interest of GR Properties UK Limited to the independent third party for a consideration of £30,960,000 (equivalent to approximately HK\$325,876,000). The disposal was completed on 8 January 2021. Further details are set out in the Company's announcements dated 8 January 2021 and 26 January 2021 and the Company's circular dated 26 February 2021.

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 2020 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 2021

As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin, Ms. Liu Shuhua, 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*