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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022, together with comparative figures for the corresponding period in 2021. 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 2022 (the “**Period**”).

FINANCIAL HIGHLIGHTS

- The Group’s revenue from continuing and discontinued operations for the Period was approximately HK\$180.1 million, representing a decrease of approximately 1.9% from approximately HK\$183.5 million for the corresponding period in 2021.
- Profit before tax for the Period (included continuing and discontinued operations) was approximately HK\$28.4 million, representing a decrease of approximately HK\$139.5 million from profit before tax of approximately HK\$167.9 million for the corresponding period in 2021.
- Profit for the period attributable to shareholders of the Company for the Period was approximately HK\$22.2 million, as compared to the profit attributable to shareholders of the Company of approximately HK\$146.4 million in the corresponding period in 2021.
- The decrease in profit was mainly attributable to the one-off gain on disposal of the discontinued operation of approximately HK\$153.1 million recorded during the six months ended 30 June 2021, but there was no such gain during the Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
CONTINUING OPERATIONS			
REVENUE	5	180,061	169,316
Other income and gains, net	6	28,498	10,350
Cost of inventories sold		(3,249)	(3,994)
Employee benefit expenses		(31,967)	(30,829)
Marketing expenses		(222)	(462)
Depreciation and amortisation		(1,822)	(1,975)
Utilities, repairs and maintenance and rental expenses		(61,410)	(66,236)
Impairment of trade and lease receivables, net		(6,089)	(85)
Other operating expenses, net		(35,364)	(76,584)
Remeasurement gain upon transfer of certain properties held for sale to investment properties		13,084	80,486
Finance costs		(53,117)	(54,183)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	28,403	25,804
Income tax expense	8	(6,224)	(21,101)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		22,179	4,703
DISCONTINUED OPERATION	9		
Profit for the period from a discontinued operation		–	142,046
PROFIT FOR THE PERIOD		22,179	146,749
Attributable to:			
Shareholders of the Company		22,179	146,445
Non-controlling interests		–	304
		22,179	146,749

	(Unaudited)	(Unaudited)
	Six months ended	
	30 June 2022	30 June 2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
		10
<i>Basic (HK cent per share)</i>		
– For profit for the period	0.69	4.58
– For profit from continuing operations	0.69	0.14
<i>Diluted (HK cent per share)</i>		
– For profit for the period	0.49	3.22
– For profit from continuing operations	0.49	0.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	(Unaudited) Six months ended 30 June 2022 <i>HK\$'000</i>	(Unaudited) 30 June 2021 <i>HK\$'000</i>
PROFIT FOR THE PERIOD	22,179	146,749
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
– Debt investments at fair value through other comprehensive income:		
Changes in fair value	–	(808)
Reclassification adjustment for gain on disposal included in profit or loss	–	1,904
	–	1,096
– Exchange differences:		
Exchange differences on translation of foreign operations	(183,677)	41,280
Reclassification adjustments for foreign operations disposed of during the period	373	4,885
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(183,304)	46,165
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	(183,304)	47,261
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(161,125)	194,010
Attributable to:		
Shareholders of the Company	(161,125)	193,419
Non-controlling interests	–	591
	(161,125)	194,010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		(Unaudited) 30 June 2022 <i>HK\$'000</i>	(Audited) 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		2,503	2,376
Investment properties	11	5,293,007	5,467,503
Right-of-use assets		4,934	2,925
Computer software		913	976
Deferred tax assets		14,878	16,448
		5,316,235	5,490,228
CURRENT ASSETS			
Properties held for sale		650,349	700,950
Inventories		882	1,150
Trade and lease receivables	12	107,538	97,908
Prepayments, deposits and other receivables		96,432	97,934
Financial asset at fair value through profit or loss		11,708	–
Due from related parties		98,764	133,241
Other tax recoverables		64,336	69,474
Restricted cash		896	–
Cash and cash equivalents		315,920	304,049
		1,346,825	1,404,706
CURRENT LIABILITIES			
Trade payables	13	50,179	48,942
Receipts in advance		54,031	80,815
Other payables and accruals		105,551	106,046
Due to related parties		327,297	375,362
Bank and other borrowings		105,253	671,663
Income tax payables		19,125	19,107
Other tax payables		4,091	3,528
		665,527	1,305,463
NET CURRENT ASSETS		681,298	99,243
TOTAL ASSETS LESS CURRENT LIABILITIES		5,997,533	5,589,471

		(Unaudited) 30 June 2022 <i>HK\$'000</i>	(Audited) 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Bank and other borrowings		2,055,935	1,438,746
Liability component of perpetual convertible bonds	14	56,484	55,745
Deferred tax liabilities		208,341	230,822
Other payables		587	584
		<hr/>	<hr/>
Total non-current liabilities		2,321,347	1,725,897
		<hr/>	<hr/>
Net assets		3,676,186	3,863,574
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	15	3,152,571	3,152,571
Equity component of perpetual convertible bonds	14	1,172,244	1,172,244
Reserves		(648,629)	(461,241)
		<hr/>	<hr/>
Total equity		3,676,186	3,863,574
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 Unit 3505, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.

During the six months ended 30 June 2022 (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**”); and
- provision of property management services in Mainland China.

As at 30 June 2022, 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 ultimate holding company of the Company is Winluck Global Limited, which is incorporated in the British Virgin Islands with limited liability.

2. BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 set out in this announcement has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountant (the “**HKICPA**”) and 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 consolidated financial statements for the year ended 31 December 2021. 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 2021, except for the changes in accounting policies made thereafter in adopting the revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, as detailed in note 3 below.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 from continuing operations engages in property development and investment in the UK, the USA and Mainland China;
- (b) the property management segment from continuing operations engages in the provision of property management services for office buildings, residential properties and car parks in Mainland China; and
- (c) the operation of a leisure and lifestyle experience centre (the "**Recreational Centre**") segment from a discontinued operation engages in the operation and management of a leisure and lifestyle experience centre in Beijing, the PRC. On 31 May 2021, the Group disposed of the operation of the Recreational Centre. Further details of the disposal are included in note 9 below.

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.

	Continuing operations						Discontinued operation		Total	
	Property development and investment		Property management		Total continuing operations		Operation of the Recreational Centre			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue from continuing operations (note 5)	71,859	69,268	108,202	100,048	180,061	169,316	-	-	180,061	169,316
Segment revenue from a discontinued operation (note 9)	-	-	-	-	-	-	-	14,146	-	14,146
	<u>71,859</u>	<u>69,268</u>	<u>108,202</u>	<u>100,048</u>	<u>180,061</u>	<u>169,316</u>	<u>-</u>	<u>14,146</u>	<u>180,061</u>	<u>183,462</u>
Segment results	<u>27,839</u>	<u>22,442</u>	<u>19,577</u>	<u>10,536</u>	<u>47,416</u>	<u>32,978</u>	<u>-</u>	<u>(11,085)</u>	<u>47,416</u>	<u>21,893</u>
<i>Reconciliation:</i>										
Other unallocated income and gains					178	-	-	153,131	178	153,131
Corporate and other unallocated expenses					(19,191)	(7,174)	-	-	(19,191)	(7,174)
Profit before tax					<u>28,403</u>	<u>25,804</u>	<u>-</u>	<u>142,046</u>	<u>28,403</u>	<u>167,850</u>

	Property development and investment		Property management		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	6,274,035	6,465,465	251,161	274,687	6,525,196	6,740,152
<i>Reconciliation:</i>						
Corporate and other unallocated assets						
– Property, plant and equipment					679	59
– Right-of-use assets					2,824	631
– Prepayments, deposits and other receivables					1,351	2,006
– Due from related parties					532	532
– Cash and cash equivalents					132,478	151,554
Total assets					6,663,060	6,894,934
Segment liabilities	2,670,635	2,677,272	167,712	207,674	2,838,347	2,884,946
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						
– Other payables and accruals					1,042	2,659
– Due to related parties					1,372	1,478
– Due to shareholders included in bank and other borrowings					86,686	85,881
– Lease liabilities					2,943	651
– Liability component of perpetual convertible bonds					56,484	55,745
Total liabilities					2,986,874	3,031,360

5. REVENUE

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

	(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
Revenue from contracts with customers	108,202	100,048
Revenue from another source		
– Gross rental income from investment property operating leases	71,859	69,268
	180,061	169,316

Notes:

(a) **Disaggregated revenue information**

Six months ended 30 June 2022 (Unaudited)

Segments	Property development and investment <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services			
Rendering of property management services	–	104,026	104,026
Revenue from restaurant operation	–	4,176	4,176
<hr/>			
Total revenue from contracts with customers	–	108,202	108,202
Revenue from another source			
– Gross rental income from investment property operating leases	71,859	–	71,859
<hr/>			
Total revenue	<u>71,859</u>	<u>108,202</u>	<u>180,061</u>
Timing of revenue recognition			
Services transferred over time	–	104,026	104,026
Services transferred at a point in time	–	4,176	4,176
<hr/>			
Total revenue from contracts with customers	–	108,202	108,202
Revenue from another source			
– Gross rental income from investment property operating leases	71,859	–	71,859
<hr/>			
Total revenue	<u>71,859</u>	<u>108,202</u>	<u>180,061</u>

Geographical market

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

Six months ended 30 June 2021 (Unaudited)

Segments	Property development and investment HK\$'000	Property management HK\$'000	Total HK\$'000
Type of goods or services			
Rendering of property management services	–	94,092	94,092
Revenue from restaurant operation	–	5,956	5,956
Total revenue from contracts with customers	–	100,048	100,048
Revenue from another source			
– Gross rental income from investment property operating leases	69,268	–	69,268
Total revenue	69,268	100,048	169,316
Timing of revenue recognition			
Services transferred over time	–	94,092	94,092
Services transferred at a point in time	–	5,956	5,956
Total revenue from contracts with customers	–	100,048	100,048
Revenue from another source			
– Gross rental income from investment property operating leases	69,268	–	69,268
Total revenue	69,268	100,048	169,316

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 services

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

Restaurant operation

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

6. OTHER INCOME AND GAINS, NET

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

	(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
Other income		
Bank interest income	250	160
Interest income of loan receivables	2,081	2,400
Compensation income from a constructor	12,916	–
Penalty income	1,004	15
Income from financial guarantee fee	5,428	–
Others	3,010	3,331
	<u>24,689</u>	<u>5,906</u>
Other gains, net		
Foreign exchange gain, net	–	4,444
Gain on disposal of a subsidiary	3,809	–
	<u>3,809</u>	<u>4,444</u>
	<u>28,498</u>	<u>10,350</u>

7. PROFIT BEFORE TAX

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

	(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
Depreciation of property, plant and equipment	517	487
Depreciation of right-of-use assets	1,233	1,415
Amortisation of computer software	72	73
Foreign exchange differences, net	11,506	(4,444)
Remeasurement of financial guarantee contracts	10,315	–
	<u>10,315</u>	<u>–</u>

8. INCOME TAX EXPENSE

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

	(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
Current – Mainland China	423	492
Current – UK	1,554	487
Current – USA	976	–
Deferred	3,271	20,122
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	6,224	21,101
Total tax charge for the period from a discontinued operation	–	–
	<hr/>	<hr/>
	6,224	21,101
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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 2021: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in countries/ jurisdictions in which the Group operates, based on the prevailing legislation, interpretations and practices in respect thereof.

9. DISCONTINUED OPERATION

On 31 May 2021, the Company announced the decision of its board of directors to dispose of Rui Hua Investment Limited, a wholly-owned subsidiary of the Group. Rui Hua Investment Limited and its subsidiaries engage in the operation of the Recreational Centre. The Group decided to cease its business to reduce further loss and commitment to such business and realign its resources to focus on its core business of property development, property investment and property management. Further details are set out in the Company's announcement dated 31 May 2021. The disposal of Rui Hua Investment Limited was completed on 31 May 2021. Accordingly, the condensed consolidated statement of profit or loss and the condensed consolidated statement of cash flow have been presented consistently for the discontinued operation throughout the period to conform with the presentation for the six months ended 30 June 2021.

The results of Rui Hua Investment Limited and its subsidiaries for the period are presented below:

	(Unaudited) Six months ended 30 June 2021 <i>HK\$'000</i>
Revenue	14,146
Other income and gains, net	428
Expenses	(25,273)
Finance costs	(386)
	<hr/>
	(11,085)
Gain on disposal of the discontinued operation	153,131
	<hr/>
Profit before tax from the discontinued operation	142,046
Income tax expense	–
	<hr/>
Profit for the period from the discontinued operation	<u>142,046</u>

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 period attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the deemed conversion of all dilutive perpetual convertible bonds at the beginning of that period, 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 period, as used in the basic earnings per share calculation; (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; and (iii) the weighted average number of ordinary shares with effect of dilution of share options.

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

	(Unaudited) Six months ended 30 June 2022 HK\$'000	(Unaudited) 30 June 2021 HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation:		
From continuing operations	22,179	4,399
From the discontinued operation	–	142,046
	<u>22,179</u>	<u>146,445</u>
Interest on perpetual convertible bonds	739	631
	<u>22,918</u>	<u>147,076</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>22,918</u>	<u>147,076</u>
Attributable to:		
Continuing operations	22,918	5,030
Discontinued operation	–	142,046
	<u>22,918</u>	<u>147,076</u>
	Number of shares	
	Six months ended	
	30 June 2022	30 June 2021
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,199,373,986	3,199,373,986
Effect of diluted of perpetual convertible bonds and share options – weighted average number of ordinary shares	<u>1,460,074,000</u>	<u>1,363,741,500</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>4,659,447,986</u>	<u>4,563,115,486</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 2022	5,166,586	300,917	5,467,503
Addition	–	66,736	66,736
Transfer from properties held for sale (<i>note (c)</i>)	32,265	–	32,265
Exchange realignment	(275,611)	2,114	(273,497)
	<u>4,923,240</u>	<u>369,767</u>	<u>5,293,007</u>
Carrying amount as at 30 June 2022	<u>4,923,240</u>	<u>369,767</u>	<u>5,293,007</u>

Notes:

- (a) The Group's completed investment properties as at 30 June 2022 and 31 December 2021 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 2022 and 31 December 2021 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\$13,084,000 was recognised in profit or loss during the six months ended 30 June 2022.
- (d) At 30 June 2022, certain of the Group's investment properties were pledged to secure financial guarantee contracts, banking facilities granted to the Group and a loan from a financial institution.

12. TRADE AND LEASE RECEIVABLES

	(Unaudited) 30 June 2022 HK\$'000	(Audited) 31 December 2021 HK\$'000
Trade receivables	106,274	93,616
Lease receivables	33,574	32,203
	<hr/>	<hr/>
Total gross trade and lease receivables	139,848	125,819
Less: Impairment	(32,310)	(27,911)
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	107,538	97,908
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An ageing analysis of the trade and lease receivables, based on the due date and net of impairment, is as follows:

	(Unaudited) 30 June 2022 HK\$'000	(Audited) 31 December 2021 HK\$'000
Current	55,254	60,332
Past due:		
Less than 1 year	36,436	33,510
1 year to 2 years	15,221	3,727
2 years to 3 years	627	339
	<hr/>	<hr/>
	107,538	97,908
	<hr/> <hr/>	<hr/> <hr/>

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:

	(Unaudited) 30 June 2022 HK\$'000	(Audited) 31 December 2021 HK\$'000
Within 3 months	39,239	38,162
4 to 6 months	5,801	2,583
7 to 12 months	2,713	1,922
Over 1 year	2,426	6,275
	<hr/>	<hr/>
	50,179	48,942
	<hr/> <hr/>	<hr/> <hr/>

14. PERPETUAL CONVERTIBLE BONDS

The Company had two batches of perpetual convertible bonds outstanding as at 30 June 2022 and 31 December 2021, the summary information of which is set out as follows:

	Batch one <i>(note (a))</i>	Batch two <i>(note (b))</i>
Issuance date	17 August 2018	31 December 2021
Maturity date	No maturity date	No maturity date
Original principal amount	HK\$1,102,993,200	HK\$77,066,000
Coupon rate	1% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue	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	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 2022:

Principal amount outstanding

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2022 and 30 June 2022	<u>1,090,993</u>	<u>77,066</u>	<u>1,168,059</u>

Number of conversion rights outstanding

	Batch one <i>(note (a))</i>	Batch two <i>(note (b))</i>	Total
At 1 January 2022 and 30 June 2022	<u>1,363,741,500</u>	<u>96,332,500</u>	<u>1,460,074,000</u>

Liability component

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2022	52,476	3,269	55,745
Interest expense	<u>647</u>	<u>92</u>	<u>739</u>
At 30 June 2022	<u>53,123</u>	<u>3,361</u>	<u>56,484</u>

Equity component

	Batch one <i>HK\$'000</i> <i>(note (a))</i>	Batch two <i>HK\$'000</i> <i>(note (b))</i>	Total <i>HK\$'000</i>
At 1 January 2022 and 30 June 2022	<u>1,078,217</u>	<u>94,027</u>	<u>1,172,244</u>

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.

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.

- (b) Pursuant to a sale and purchase agreement entered into with the Vendors on 30 May 2018, the Company further issued a batch of perpetual convertible bonds to the Vendors on 31 December 2021 as consideration for the acquisition of a remaining 5% equity interest in Wise Expert. Further details of the acquisition are set out in the Company’s announcement dated 31 December 2021, and a circular dated 20 July 2018.

For accounting purposes, 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 on 31 December 2021 amounted to HK\$97,296,000.

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

- (c) 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

	(Unaudited) 30 June 2022 <i>HK\$'000</i>	(Audited) 31 December 2021 <i>HK\$'000</i>
Issued and fully paid:		
3,199,373,986 ordinary shares	<u>3,152,571</u>	<u>3,152,571</u>

16. CONTINGENT LIABILITY

In or about February 2021, a plaintiff commenced a legal claim against a subsidiary of the Company in the USA, alleging that the subsidiary has caused bodily harm to the plaintiff in relation to the construction of the US Complex. The related claim is in an aggregate amount of US\$1,000,000. The first hearing was held on 23 August 2022. A minute order was issued by the court on the same date and found in the subsidiary's favour.

17. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the operations of the Group were organised into business units based on the nature of their products and services. There were two continuing operating segments, including (i) the property management segment; and (ii) the property development and investment segment. The first segment was carried out in the People's Republic of China (the "PRC") whereas the second segment was carried out in the PRC, the United States of America (the "USA") and the United Kingdom (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 2022, AOCEAN managed 13 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 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 Period, 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 (the "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. 91% of the commercial area has been leased out during the Period, while the residential area has been leased out in full since July 2021. 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. Its construction started since September 2021.

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.

- ***Juxon House***

Juxon House is located at 100 St Paul's Churchyard, London, the UK. It is situated in a prominent location on the northwest side of St Paul's Cathedral at the corner of Ludgate Hill, with St Paul's Churchyard to the south, Ave Maria Lane to the west, and 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 let to three office tenants and four retail tenants, which contributed approximately £3.2 million rental income to the Group for the Period.

- ***Guorui Square Block B***

The Group holds all units with a gross floor area of approximately 68,685 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 Company 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.

FINANCIAL REVIEW

Financial analysis

During the Period, the Group generated revenue from continuing and discontinued operations of approximately HK\$180,061,000 (six months ended 30 June 2021: approximately HK\$183,462,000). The property management segment reported segment revenue of approximately HK\$108,202,000 (six months ended 30 June 2021: approximately HK\$100,048,000). The property development and investment segment reported segment revenue of approximately HK\$71,859,000 (six months ended 30 June 2021: approximately HK\$69,268,000), contributed by the rental income from the operating leases of certain portion of units in the US Complex, Juxon House and Guorui Square Block B. There is no revenue generated from the discontinued operation of the Recreational Centre segment during the Period (six months ended 30 June 2021: approximately HK\$14,146,000). The Group recorded a profit for the Period of approximately HK\$22,179,000 (six months ended 30 June 2021: approximately HK\$146,749,000). The decrease in profit was mainly attributable to the one-off gain on disposal of the discontinued operation of approximately HK\$153.1 million recorded during the six months ended 30 June 2021, but there was no such gain during the Period.

As at 30 June 2022, the outstanding balance of bank and other borrowings was approximately HK\$2,161,188,000 (31 December 2021: approximately HK\$2,110,409,000), of which the balance mainly consisted of (i) bank loans of approximately HK\$1,627,157,000 (31 December 2021: approximately HK\$762,399,000) secured by certain investment properties, properties held for sale and lease receivables; (ii) other loan of approximately HK\$235,261,000 (31 December 2021: approximately HK\$227,214,000) secured by the US Complex and its lease receivables; and (iii) lease liabilities balances of approximately HK\$5,080,000 (31 December 2021: approximately HK\$3,045,000).

As at 30 June 2022, the Group had available cash and bank balances of approximately HK\$315,920,000 (31 December 2021: approximately HK\$304,049,000).

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.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Human resources and remuneration policy

As at 30 June 2022, the total number of employees of the Group (excluding Directors) was 348 (30 June 2021: 377). Most of them were located in the PRC.

The total remuneration of the employees from continuing and discontinued operations of the Group for the Period was approximately HK\$31,967,000 (six months ended 30 June 2021: approximately HK\$41,562,000).

The emolument of each of the Directors and the employees of the Group is determined on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

Interim dividend

The Board resolved not to declare any interim dividend for the Period (six months ended 30 June 2021: Nil).

Pledge of assets

As at 30 June 2022, the Group had investment properties and properties held for sale amounting to approximately HK\$5,412,122,000 in total (31 December 2021: approximately HK\$5,276,985,000) to secure bank and other borrowings and financial guarantee contracts. Such bank and other borrowings comprise of loans presented in the section headed "Financial analysis" of this interim results announcement on page 24.

As at 30 June 2022, certain lease receivables of approximately HK\$33,105,000 (31 December 2021: approximately HK\$31,832,000) in total was pledged to secure bank and other borrowings granted to the Group.

As at 30 June 2022, no bank deposit (31 December 2021: Nil) has been pledged.

Capital and other development related commitment and contingent liabilities

As at 30 June 2022, the Group had contracted but not provided for commitments for construction in progress for an investment property amounting to approximately HK\$224,264,000 (31 December 2021: approximately HK\$285,550,000). The details of the information of the Group's contingent liabilities are set out in note 16 of notes to the condensed consolidated financial statements of this interim results announcement.

Major event during the Period

On 15 March 2022, Kaipeng Technology, a non-wholly owned subsidiary of the Company, entered into the guarantee agreement with BCEG Road and Bridge Construction Group Co., Ltd. (北京建工路橋集團有限公司), the borrower, pursuant to which Kaipeng Technology agreed to provide guarantee in favour of the borrower by means of pledging 129 properties owned by Kaipeng Technology (with a gross floor area of approximately 46,164.24 square meters located on Levels 1, 13 to 22, 24 to 33 and 35 to 36 of the Building No. 2 of Kingdom Guorui (國銳•金嶺), No. 1 Ronghua South Road, Beijing Economic and Technological Development Area, Beijing, the PRC) to the Beijing Branch of Shengjing Bank Co., Ltd.* (盛京銀行股份有限公司北京分行) (“**Shengjing Bank**”) to facilitate the borrower to obtain a facility of up to RMB800 million provided by Shengjing Bank. In return, Kaipeng Technology shall receive from the borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the borrower under the facility granted by Shengjing Bank.

Further details are set out in the Company's announcements dated 15 March 2022 and 28 March 2022 and the Company's circular dated 25 April 2022.

Events after the Period

The Directors are not aware of any material event of the Group that has taken place subsequent to 30 June 2022 and up to the date of this interim results announcement.

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

The Group had not made any significant investments, or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

FUTURE PROSPECT

Faced with the unprecedented challenge of the COVID-19 pandemic in the first half of 2022, the Group worked relentlessly to maintain effective operations and provide quality services, minimizing impact on tenants, customers and staffs. 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 would diversify the business profile of the Group and serve as a hedge against the future domestic businesses of the Group 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 potential for capital appreciation in the long term and re-development in the 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 development. Besides, the Group will not rule out any possibilities to divest its investment with decent return. The Directors believe that after the acquisitions in the past few years 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 the PRC, the Group will continue to focus on 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 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 Part 2 of the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Period except for the following deviation:

According to code provision C.2.1 of Part 2 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

During the Period, Mr. Wei Chunxian acted as the chairman and the chief executive officer of the Company. Given all major decisions are reserved to the Board, the Company considers that there is an adequate balance of power and authority in place between the Board and the management of the Company.

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**”) contained in 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 Period.

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing and supervising the financial reporting process, internal control and risk management procedures of the Group. The Group’s interim results for the Period have been reviewed by the Audit Committee.

As at 30 June 2022, 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

As at the date of this interim results 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 of Hong Kong Limited (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 2022

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