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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 2022

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 2022, which have been reviewed by the audit committee of the Company, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CONTINUING OPERATIONS			
REVENUE	5	352,276	331,335
Other income and gains, net	6	48,458	22,738
Cost of inventories sold		(6,019)	(13,377)
Employee benefit expenses		(63,491)	(65,296)
Marketing expenses		(283)	(842)
Depreciation and amortisation		(3,207)	(3,959)
Utilities, repairs and maintenance and rental expenses		(116,437)	(132,551)
Impairment of trade and lease receivables, net		(8,122)	(12,486)
Other operating costs		(32,109)	(95,023)
Other expenses, net		(24,116)	(4,189)
Remeasurement gain upon transfer of certain properties held for sale to investment properties		51,175	265,416
Fair value loss of investment properties, net	13	(395,952)	(50,551)
Finance costs	7	(136,450)	(108,085)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	8	(334,277)	133,130

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	8	(334,277)	133,130
Income tax credit/(expense)	9	<u>14,151</u>	<u>(56,883)</u>
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(320,126)	76,247
DISCONTINUED OPERATION	10		
Profit for the year from a discontinued operation		<u>–</u>	<u>132,180</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(320,126)</u>	<u>208,427</u>
Attributable to:			
Shareholders of the Company		(320,126)	207,625
Non-controlling interests		<u>–</u>	<u>802</u>
		<u>(320,126)</u>	<u>208,427</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic (<i>HK cent per share</i>)			
– For profit/(loss) for the year		<u>(10.01)</u>	<u>6.49</u>
– For profit/(loss) from continuing operations		<u>(10.01)</u>	<u>2.36</u>
Diluted (<i>HK cent per share</i>)			
– For profit/(loss) for the year		<u>(10.01)</u>	<u>4.58</u>
– For profit/(loss) from continuing operations		<u>(10.01)</u>	<u>1.68</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	(320,126)	208,427
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 loss on disposal included in profit or loss	–	1,904
	–	1,096
Exchange differences:		
Exchange differences on translation of foreign operations	(295,192)	64,989
Reclassification adjustments for foreign operations disposed of during the year	373	3,015
	(294,819)	68,004
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(294,819)	69,100
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(614,945)	277,527
Attributable to:		
Shareholders of the Company	(614,945)	275,959
Non-controlling interests	–	1,568
	(614,945)	277,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2022*

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,091	2,376
Investment properties	<i>13</i>	4,935,257	5,467,503
Right-of-use assets		4,094	2,925
Computer software		679	976
Deferred tax assets		13,786	16,448
		<hr/>	<hr/>
Total non-current assets		4,955,907	5,490,228
CURRENT ASSETS			
Properties held for sale		550,111	700,950
Inventories		860	1,150
Trade and lease receivables	<i>14</i>	133,098	97,908
Prepayments, deposits and other receivables		184,332	231,175
Financial asset at fair value through profit or loss		11,496	–
Other tax recoverables		50,748	69,474
Restricted cash		4,324	–
Cash and cash equivalents		349,182	304,049
		<hr/>	<hr/>
Total current assets		1,284,151	1,404,706
CURRENT LIABILITIES			
Trade payables	<i>15</i>	88,759	48,942
Receipts in advance		72,807	80,815
Other payables and accruals		247,152	481,408
Bank and other borrowings		108,446	671,663
Income tax payables		28,975	19,107
Other tax payables		8,287	3,528
		<hr/>	<hr/>
Total current liabilities		554,426	1,305,463
NET CURRENT ASSETS			
		729,725	99,243
TOTAL ASSETS LESS CURRENT LIABILITIES			
		5,685,632	5,589,471

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank and other borrowings	2,220,064	1,438,746
Liability component of perpetual convertible bonds	57,245	55,745
Deferred tax liabilities	159,694	230,822
Other payables	–	584
	<hr/>	<hr/>
Total non-current liabilities	2,437,003	1,725,897
	<hr/>	<hr/>
Net assets	3,248,629	3,863,574
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	3,152,571	3,152,571
Equity component of perpetual convertible bonds	1,172,244	1,172,244
Reserves	(1,076,186)	(461,241)
	<hr/>	<hr/>
Total equity	3,248,629	3,863,574
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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 Unit 3505, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.

During the year ended 31 December 2022, 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 31 December 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 Widewealth Company Limited, 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 investment properties, debt investments at fair value through other comprehensive income and financial asset at fair value through profit or loss which have been measured at fair value. 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 2022 and 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 do not constitute the Company’s statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2021, 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 2022 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 2021 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 2021. 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 the 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 has directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3
Amendments to HKAS 16

Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative
Examples accompanying HKFRS 16, and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
 - HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services and has three reportable operating segments as follows:

- (a) the property development and investment segment 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 and other 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 10 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.

	Continuing operations						Discontinued operation		Total	
	Property development and investment		Property management		Total continuing operations		Operation of the Recreational Centre			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	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)	133,668	126,184	218,608	205,151	352,276	331,335	-	-	352,276	331,335
Segment revenue from a discontinued operation (note 10)	-	-	-	-	-	-	-	14,146	-	14,146
	<u>133,668</u>	<u>126,184</u>	<u>218,608</u>	<u>205,151</u>	<u>352,276</u>	<u>331,335</u>	<u>-</u>	<u>14,146</u>	<u>352,276</u>	<u>345,481</u>
Segment results	<u>(346,820)</u>	<u>130,060</u>	<u>42,671</u>	<u>10,292</u>	<u>(304,149)</u>	<u>140,352</u>	<u>-</u>	<u>(10,881)</u>	<u>(304,149)</u>	<u>129,471</u>
<i>Reconciliation:</i>										
Other unallocated income and gains					279	1,400	-	143,061	279	144,461
Corporate and other unallocated expenses					(30,407)	(8,622)	-	-	(30,407)	(8,622)
Profit/(loss) before tax					<u>(334,277)</u>	<u>133,130</u>	<u>-</u>	<u>132,180</u>	<u>(334,277)</u>	<u>265,310</u>

	Continuing operations						Discontinued operation		Total	
	Property development and investment		Property management		Total continuing operations		Operation of the Recreational Centre		2022	2021
	2022	2021	2022	2021	2022	2021	2022	2021		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Other segment information:										
Depreciation and amortisation										
– Operating segments	716	1,015	782	711	1,498	1,726	-	3,179	1,498	4,905
– Amount unallocated									1,709	2,233
									<u>3,207</u>	<u>7,138</u>
Remeasurement gain upon transfer of certain properties held for sale to investment properties	51,175	265,416	-	-	51,175	265,416	-	-	51,175	265,416
Fair value loss of investment properties, net	(395,952)	(50,551)	-	-	(395,592)	(50,551)	-	-	(395,592)	(50,551)
Impairment of trade and lease receivables, net	133	3,963	7,989	8,523	8,122	12,486	-	-	8,122	12,486

Geographical information

(a) Revenue from external customers

	2022	2021
	HK\$'000	HK\$'000
Mainland China	274,821	249,535
The UK	52,716	60,869
The USA	24,739	20,931
	<u>352,276</u>	<u>331,335</u>

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

Information about major customers

During each of the years ended 31 December 2022 and 2021, there was no single external customer which contributed 10% or more of the Group's total revenue from continuing operations for each of these years.

5. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers	218,608	205,151
Revenue from another source		
– Gross rental income from investment property operating leases	133,668	126,184
	352,276	331,335

6. OTHER INCOME AND GAINS, NET

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

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Other income</u>			
Bank interest income		428	221
Interest income from loan receivables		4,072	4,838
Compensation from a contractor	<i>(a)</i>	12,921	–
Government grants	<i>(b)</i>	5,411	4,224
Financial guarantee income		11,112	1,740
Interest income from a principal-protected investment deposit asset at fair value through profit or loss		242	–
Others		10,463	9,639
		44,649	20,662
<u>Other gains, net</u>			
Foreign exchange gain, net		–	2,076
Gain on disposal of a subsidiary		3,809	–
		3,809	2,076
		48,458	22,738

Notes:

- (a) The amount represented compensation received from a contractor upon termination of a construction contract for an investment property under construction in Culver City, the USA.
- (b) The amount mainly represented government subsidies, value-added tax refund and other tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on loans from bank and financial institutions	66,205	29,767
Interest on loan from a shareholder of the Company	1,624	1,612
Interest on loans from director-controlled entities	727	378
Imputed interest on a loan from a director-controlled entity	1,061	1,055
Interest on a quasi-loan equity contributed by a joint venture partner of a subsidiary	13,423	54,133
Interest on loans from independent third parties	52,002	19,797
Interest on perpetual convertible bonds	1,500	1,279
Interest on lease liabilities	293	64
	<hr/>	<hr/>
Total finance costs	136,835	108,085
Less: Amount capitalised in investment property under construction	(385)	–
	<hr/>	<hr/>
	136,450	108,085
	<hr/> <hr/>	<hr/> <hr/>

8. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment	937	1,002
Depreciation of right-of-use assets	1,944	2,809
Amortisation of computer software	326	148
Loss on disposal of items of property, plant and equipment	–	13
Write-off of property, plant and equipment	3	–
Remeasurement of financial guarantee contracts	8,624	4,248
Foreign exchange differences, net	13,559	(2,076)
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX EXPENSE/(CREDIT)

An analysis of the Group's income tax charge/(credit) is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Mainland China	12,413	5,335
Current – UK	7,160	3,560
Current – USA	–	583
Deferred	(33,724)	47,405
	<u> </u>	<u> </u>
Total tax charge/(credit) for the year	<u><u>(14,151)</u></u>	<u><u>56,883</u></u>

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

10. 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 Company. Rui Hua Investment Limited and its subsidiaries engage in operation of the Recreational Centre. The Group decided to cease such 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.

The results of Rui Hua Investment Limited and its subsidiaries for the year ended 31 December 2021 are presented below:

	2021 <i>HK\$'000</i>
Revenue	14,146
Other income and gains, net	428
Expenses	(25,069)
Finance costs	(386)
	<u> </u>
Gain on disposal of the discontinued operation	(10,881)
	<u>143,061</u>
Profit before tax from the discontinued operation	132,180
Income tax expense	–
	<u> </u>
Profit for the year from the discontinued operation	<u><u>132,180</u></u>

11. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) 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 2022, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the perpetual convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

In respect of the year ended 31 December 2021, 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; (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 calculations of the basic and diluted earnings/(loss) per share amounts are based on the following data:

Earnings/(loss)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	(320,126)	75,445
From discontinued operation	–	132,180
	<u>(320,126)</u>	<u>207,625</u>
Interest on perpetual convertible bonds	–	1,279
	<u>(320,126)</u>	<u>208,904</u>
Profit/(loss) for the year attributable to shareholders of the Company, used in the diluted earnings/(loss) per share calculation	<u>(320,126)</u>	<u>208,904</u>
Attributable to:		
Continuing operations	(320,126)	76,724
Discontinued operation	–	132,180
	<u>(320,126)</u>	<u>208,904</u>
	Number of ordinary shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculation	3,199,373,986	3,199,373,986
Effect of dilution of perpetual convertible bonds and share options – weighted average number of ordinary shares	–	1,364,142,386
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings/(loss) per share calculation	<u>3,199,373,986</u>	<u>4,563,516,372</u>

13. INVESTMENT PROPERTIES

	Completed <i>HK\$'000</i>	Under construction <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount as at 1 January 2021	4,443,993	209,316	4,653,309
Additions	22,440	79,328	101,768
Net gain/(loss) from fair value adjustments	(61,381)	10,830	(50,551)
Transfer from properties held for sale	672,737	–	672,737
Exchange realignment	88,797	1,443	90,240
	<hr/>	<hr/>	<hr/>
Carrying amount as at 31 December 2021 and 1 January 2022	5,166,586	300,917	5,467,503
Additions	–	123,428	123,428
Net loss from fair value adjustments	(388,425)	(7,527)	(395,952)
Transfer from properties held for sale	145,015	–	145,015
Exchange realignment	(404,383)	(354)	(404,737)
	<hr/>	<hr/>	<hr/>
Carrying amount as at 31 December 2022	<u>4,518,793</u>	<u>416,464</u>	<u>4,935,257</u>

14. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	76,907	60,332
Past due:		
Less than 1 year	47,000	33,510
1 year to 2 years	8,538	3,727
2 years to 3 years	653	339
	<hr/>	<hr/>
	133,098	97,908
	<hr/> <hr/>	<hr/> <hr/>

15. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	66,476	38,162
4 to 6 months	8,788	2,583
7 to 12 months	8,858	1,922
Over 1 year	4,637	6,275
	<hr/> 88,759 <hr/>	<hr/> 48,942 <hr/>

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 a commercial and residential complex located in Santa Monica, the County of Los Angeles, state of California, the USA. The related claim was 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. As notified by the insurer to the subsidiary in September 2022, the claim has been dismissed by the court.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2022 (the “Year”), 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 31 December 2022, AOCEAN managed 13 major residential and commercial property projects, which were located in 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 (the “US Complex”). According to the land title, 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 91% leased out for the Year. Residential areas have 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. 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, with St Paul's Churchyard at its south, Ave Maria Lane at its 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 twenty car park spaces. Juxon House was let to three office tenants and four retail tenants, which contributed approximately £52.7 million rental income to the Group for the Year.

- ***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 (國銳 • 金嶺), 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

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Turnover of continuing operations	<u>352,276</u>	<u>331,335</u>
(Loss)/profit for the year	<u>(320,126)</u>	<u>208,427</u>
	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Total assets	<u>6,240,058</u>	6,894,934
Total liabilities	<u>2,991,429</u>	<u>3,031,360</u>
Net assets	<u>3,248,629</u>	<u>3,863,574</u>
Net debts [^]	<u>2,315,239</u>	2,337,294
Capital liquidity ratio ^{**}	<u>0.63</u>	0.23
Gearing ratio [#]	<u>71.3%</u>	<u>60.5%</u>

[^] The amount represented trade payables, bank and other borrowings, and other payables and accruals, 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 from continuing operations of approximately HK\$352,276,000 (31 December 2021: approximately HK\$331,335,000). The property management segment reported segment revenue of approximately HK\$218,608,000 (31 December 2021: approximately HK\$205,151,000). The property development and investment segment reported segment revenue of approximately HK\$133,668,000 (31 December 2021: approximately HK\$126,184,000), 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 Year (31 December 2021: approximately HK\$14,146,000). The Group recorded a loss for the Year of approximately HK\$320,126,000 (31 December 2021: profit of approximately HK\$208,427,000). The decrease in profit is mainly attributable to the following non-cash items, (i) the one-off gain on disposal of discontinued operation of approximately HK\$143,000,000 during the year ended 31 December 2021 while there is no such gain for the Year; (ii) decrease in the remeasurement gain upon transfer of certain properties held for sale to investment properties as compared to that recorded in 2021 as less properties (originally held for sale) in the PRC were being leased out during the Year; and (iii) increase in fair value loss on investment properties. As at 31 December 2022, the outstanding balance of bank and other borrowings was approximately HK\$2,328,510,000 (31 December 2021: approximately HK\$2,110,409,000), of which the balance mainly consisted of (i) two bank loans of approximately HK\$1,573,973,000 (31 December 2021: a bank loan of approximately HK\$762,399,000) secured by Juxon House, certain portion of Guorui Square Block B and certain lease receivables; (ii) other loans of approximately HK\$750,214,000 (other loan of 31 December 2021: approximately HK\$1,344,965,000) secured by the US Complex and certain lease receivables; and (iii) lease liabilities balances of approximately HK\$4,323,000 (31 December 2021: approximately HK\$3,045,000).

As at 31 December 2022, the Group had available cash and bank balances of approximately HK\$349,182,000 (31 December 2021: approximately HK\$304,049,000).

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 its 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 2022, the total number of employees of the Group (excluding Directors) was 189 (31 December 2021: 213). Most of them were located in the PRC.

The total remuneration of the employees of the Group from continuing operations for the Year was approximately HK\$63,491,000 (31 December 2021: approximately HK\$65,296,000).

The emolument of each of the Directors and the employees of the Group was 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.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained an appropriate liquidity position throughout the Year. 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.

Final dividend

The Board resolved not to declare any final dividend for the Year (31 December 2021: Nil).

Pledge of assets

As at 31 December 2022, the Group had investment properties and properties held for sale amounting to approximately HK\$5,485,368,000 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 announcement.

As at 31 December 2022, certain trade and lease receivables of approximately HK\$42,134,000 (31 December 2021: approximately HK\$31,832,000) in total were pledged to secure bank and other loans granted to the Group.

To secure a bank loan granted to the Group, a bank deposit amounting to approximately HK\$4,324,000 (31 December 2021: Nil) has been classified as restricted cash and a principal-protected deposit amounting to approximately HK\$11,496,000 (31 December 2021: Nil) has been maintained.

Capital and other development related commitment and contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: Nil). As at 31 December 2022, the Group had contracted but not provided for commitments for construction in progress for an investment property amounting to approximately HK\$169,279,000 (31 December 2021: approximately HK\$285,550,000).

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 Year.

Major events during the Year

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 Guorui Square Block B) 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.

On 7 October 2022, Beijing Wangangtong Technology Development Co., Ltd.* (北京萬港通科技發展有限公司) (“Beijing Wangangtong”), a 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 Beijing Wangangtong shall provide guarantee in favour of the borrower by means of (i) pledging 142 properties owned by Beijing Wangangtong with a gross floor area of approximately 22,521.09 square meters located on lower ground 3rd floor to 12th floor of Guorui Square Block B (the “Property”) to the Beijing Branch of Xiamen International Bank Co., Ltd.* (廈門國際銀行股份有限公司北京分行) (“Xiamen International Bank”); (ii) pledging its rental income and other receivables arising from the Property to Xiamen International Bank; and (iii) providing joint liability guarantee for the repayment of the facility, in order to facilitate the borrower to obtain a facility of up to RMB300 million provided by Xiamen International Bank. In return, Beijing Wangangtong 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 Xiamen International Bank.

Further details are set out in the Company’s announcement dated 7 October 2022.

FUTURE PROSPECT

Faced with the unprecedented challenge of the covid-19 pandemic in 2022, 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. Investments in the overseas markets should bring diversification and a hedge against the future domestic businesses of the Group with a reasonable return to the Shareholders. The Group would be cautious in considering investments in the international markets such as the USA and Europe in accordance with the future development strategy of the Group. Other than capturing investment opportunities to establish its foothold and engage in the property market in Los Angeles and London for income generating real estates with capital appreciation potential in the long term and possibly re-development in future, the Group's focus will also be on the execution of its 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 possibility 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 various 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 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 Listing Rules throughout the Year except for the following deviation:

According to code provision C.2.1 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 Year, 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”) 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 to 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

The Group does not have any material subsequent event after the Year and up to the date of this announcement.

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 2022 as set out in this 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 auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company’s auditors on the preliminary announcement.

PUBLICATION OF RESULTS ON WEBSITES

A copy of this announcement is posted on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.grproperties.com.hk).

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 31 March 2023

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.

** for identification purposes only*