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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)

MAJOR TRANSACTION

ACQUISITION OF A COMMERCIAL BUILDING IN LONDON, UNITED KINGDOM

Financial adviser to the Company



THE ACQUISITION

The Board is pleased to announce that on 15 November 2017 (after the trading hours of the Stock Exchange), the Buyer, an indirect wholly-owned subsidiary of the Company the Seller and the Company, as guarantor, entered into the Purchase Agreement, pursuant to which the Buyer has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Property for a purchase price of £134,500,000 (equivalent to approximately HK\$1,385,350,000).

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. As such, no Shareholder is required to abstain from voting on the resolution(s) if a general meeting is convened to approve the Purchase Agreement and the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained the written approval of Wintime Company Limited, who is interested in 984,214,591 shares, representing approximately 68.23% of the total number of issued shares of the Company at the date of this announcement, for approving the Purchase Agreement and the Acquisition. As a result, no general meeting will be convened to consider the Purchase Agreement and the Acquisition.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details relating to the Purchase Agreement and the Acquisition, the Property valuation report, the unaudited financial information of the Property, the financial information of the Group and the pro-forma statement of assets and liabilities of the Group shall be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 6 December 2017.

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THE PURCHASE AGREEMENT

The principal terms of the Purchase Agreement are summarised below:

- Date:** 15 November 2017
- Parties:**
- (i) Standard Life Assurance Limited as the Seller
 - (ii) Talented Chief Limited, an indirect wholly-owned subsidiary of the Company, as the Buyer
 - (iii) the Company, as guarantor in favour of the Seller to guarantee the performance of all obligations of the Buyer under the Purchase Agreement
- Property:** Leasehold interest in Juxon House, 100 St Pauls Churchyard, London EC4M 8BU, the UK. The Property will be transferred with existing tenancies upon Completion.
- Purchase Price:** The Purchase Price for the Acquisition shall be £134,500,000 (equivalent to approximately HK\$1,385,350,000).
- The Buyer has paid on 15 November 2017 upon exchange of the Purchase Agreement a deposit (the “**Deposit**”) of £13,450,000 (equivalent to approximately HK\$138,535,000), being 10% of the Purchase Price. The balance of the Purchase Price will be paid in cash upon Completion.

Clawback payment: After Completion, in the event that the whole or any part of the Property was disposed of (the “**Clawback Disposal**”) by the Buyer within the period expiring on the second anniversary of the date of Completion (the “**Clawback Period**”), an amount calculated in accordance with the following formula shall become due from the Buyer to the Seller (the “**Clawback Payment**”):

$$A \times (B - (C + D + E))$$

Where:

A is 50%;

B is the gross proceeds from the Clawback Disposal (the “**Disposal Proceeds**”);

C is the Purchase Price (or if there is more than one Clawback Disposal in the Clawback Period the higher of (i) the Purchase Price and (ii) the Disposal Proceeds taken into account in the last calculation of the Clawback Payment which resulted in a Clawback Payment becoming payable);

D are the agreed external costs (such as stamp duty land tax and irrecoverable VAT) reasonably incurred by or on behalf of the Buyer on or prior to the date of completion of the Clawback Disposal;

E are the Clawback Disposal costs (such as the legal and agents’ fees and related costs) reasonably and properly incurred by the Buyer in connection with the Clawback Disposal; and

save that (a) where such calculation produces a negative amount, the Clawback Payment shall be nil and (b) the Clawback Payment shall be subject to a maximum amount of £30 million (equivalent to approximately HK\$309 million) (the “**Cap**”) and the Buyer shall not be obliged to pay any additional amount exceeding the Cap to the Seller.

For the avoidance of doubt, the Clawback Disposal does not include, among others,

(a) any grant of security or a security enforcement;

- (b) any grant of a lease for a term of less than 35 years at a market rent of any one or more units of office or retail space within the Property; or
- (c) any transfer or assignment of the whole of any part of the Property to (i) Mr. Wei Chunxian (“**Mr. Wei**”), the chairman, executive director and controlling shareholder of the Company, (ii) Mr. Wei’s associates having the meaning given under Rule 14A.12 of the Listing Rules, and/or (iii) any company over which the Company can exercise or control the exercise of 30% or more of the voting power at any general meeting of the company.

Conditions precedent: The Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) the passing by the Shareholders of necessary resolution(s) to approve the Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules (the “**Buyer Shareholder Consent**”); and
- (b) the grant of a consent from the freeholder for assignment of the Property as contemplated under the Purchase Agreement (the “**Freeholder Consent**”).

Neither the Buyer nor the Seller shall have the right to waive any of the aforesaid conditions precedent.

Completion date: Subject to satisfaction of all the conditions precedent, the Completion shall occur on:

- (a) 8 January 2018 (the “**Initial Completion Date**”); or
- (b) 22 January 2018 if a physical shareholder meeting is required to be convened for approving the Acquisition (the “**Extended Completion Date**”).

If the Acquisition is not completed by the Initial Completion Date or the Extended Completion Date (as the case may be), without prejudice to any claim of any party in respect of any antecedent breach of the terms of the Purchase Agreement, the Purchase Agreement shall be terminated and no party shall have any claim against any of the others.

Deposits:

Save for the scenarios set out below, the Deposit shall not be refundable to the Buyer:

- (i) If a physical shareholder meeting is required for approving the Acquisition, and the Seller rejects the Buyer's request for an extension of time for Completion to the Extended Completion Date and terminates the Purchase Agreement;
- (ii) If the Buyer Shareholders Consent is not satisfied on or before 15 January 2018 (other than by reason of either the Company failing to perform its regulatory compliance obligations under the Listing Rules or any action which would give rise to a breach by the Company of its warranties under the Purchase Agreement), and either the Seller or the Buyer terminates the Purchase Agreement;
- (iii) If the Freeholder Consent is not satisfied on or before 5 Business Days prior to the Initial Completion Date or 5 Business Days prior to the Extended Completion Date (as the case may be), and either the Seller or the Buyer terminates the Purchase Agreement; or
- (iv) If the Buyer Shareholders Consent and the Freeholder Consent are satisfied but the Seller fails to complete the Acquisition following the Buyer serving a notice to complete to the Seller.

The Purchase Price was arrived at after arm's length negotiations between the Buyer and the Seller with reference to and taking into account the following factors: (i) the prevailing market value of comparable commercial buildings in proximity; (ii) market dynamics in London; (iii) the physical conditions of the Property; (iv) the location and accessibility of the Property; (v) the rental income of the Property; (vi) the preliminary valuation of the Property of £136,500,000 (equivalent to approximately HK\$1,405,950,000) as appraised by the independent valuer engaged by the Company; and (vii) the impact of the referendum in respect of the exit of UK from the European Union recommended by the UK populace. The Company intends to satisfy the Purchase Price by internal resources of the Company and debt and equity financing including but not limited to placing of new shares of the Company, to the extent if and when available.

Taking into consideration of the above factors, the Directors are of the view that the Purchase Price is fair and reasonable.

INFORMATION ON THE SELLER

According to the information provided by the Seller, the Seller is a company incorporated in Scotland with limited liability and its main activities are the provision of life assurance and pension products in certain countries in Europe.

To the best of each of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ON THE PROPERTY

The Property is located at 100 St Pauls Churchyard, London, the UK. It situates in a prominent position on the northern-western side of St Pauls Cathedral, on the corner of Ludgate Hill/St Paul's Churchyard to the south and Ave Maria Lane to the west, with Paternoster Square to the east, which is a prime professional and financial district with the London Stock Exchange and some multinational organizations having offices in the near vicinity.

The Property was developed by the Seller in 2003. It 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. The Property comprises a lower ground floor, a ground floor and five upper floors, basement storage and twenty car park spaces.

The Property is fully let to four office tenants and four retail tenants. The rental income generated from the leasing of the Property for the twelve months ended 31 December 2015 and 2016 are £5,335,000 and £5,520,000 respectively (equivalent to approximately HK\$54,950,500 and HK\$56,856,000 respectively).

Based on the rental income of £5,520,000 (equivalent to approximately HK\$56,856,000) for the twelve months ended 31 December 2016 and the purchase price of £134,500,000 (equivalent to approximately HK\$1,385,350,000), the Property had a historical rental yield of approximately 4.10%.

According to a preliminary valuation conducted by BMI Appraisals Limited, the Property was valued at £136,500,000 (equivalent to approximately HK\$1,405,950,000) as at 30 September 2017.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, the Group was principally engaged in (i) the provision of property management services in the PRC; and (ii) property development and investment in the UK, the U.S. and the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group plans to continue seeking investment opportunities for properties development and investment in the U.S., while at the same time, the Group will consider investments in the PRC and UK in order to diversify the risk of the Group. The Board considers that the Acquisition could be a good investment opportunity for the Group to explore and invest in the UK property market. The Board currently intends to hold the Property for investment purpose to receive rental income and plans to engage a local professional property manager to manage the Property and the Leases. Taking into account the prime location of the Property and the existing Leases, the Company believes that the Acquisition could generate stable cashflow and income to the Company and may enjoy potential capital appreciation in the future. The Company will from time to time explore different options to enhance and maximise the value of the Property, including renewing the Leases upon expiry, rebalancing its tenant portfolio.

Based on the above, the Directors consider that the terms of the Purchase Agreement are on normal commercial terms and the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Property by the Buyer pursuant to the terms and conditions of the Purchase Agreement;
“Board”	the board of Directors;
“Business Day(s)”	any day from Monday to Friday (inclusive) which is not Christmas Day, Good Friday or a statutory Bank Holiday in UK and which is not a public holiday in Hong Kong;
“Buyer”	Talented Chief Limited, a company incorporated under the laws of BVI with limited liability and an indirect wholly-owned subsidiary of the Company;
“BVI”	the British Virgin Islands;
“Company”	GR Properties Limited (國銳地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code:108);
“Completion”	completion of the Acquisition;
“connected person(s)”	has the meaning as ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Leases”	the leases and licences subsisting in respect of the Property;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

“Property”	all that leasehold property known as Juxon House, 100 St Pauls Churchyard, London EC4M 8BU registered at the Land Registry of UK under title number NGL799862 for a term of 234 years, 3 months and 7 days commenced from 16 March 2001 and ending on 23 June 2235;
“Purchase Agreement”	the agreement dated 15 November 2017 entered into by the Buyer and the Seller in respect of the Acquisition;
“Purchase Price”	£134,500,000 (equivalent to approximately HK\$1,385,350,000), being the purchase price for the Acquisition;
“Seller”	Standard Life Assurance Limited;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UK”	the United Kingdom;
“U.S.”	the United States of America;
“£”	Pounds Sterling, the lawful currency of the United Kingdom; and
“%”	per cent.

For the purpose of this announcement, £ has been translated into HK\$ at the rate of £1 = HK\$10.3 for reference purposes only.

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

Hong Kong, 15 November 2017

As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Liu Shuhua; and the independent non-executive Directors are Mr. Tung Woon Cheung Eric, Mr. Chui Tsan Kit and Mr. Au Yeung Po Fung.