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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)

## **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF WISE EXPERT INVESTMENT LIMITED**

**Financial Adviser to the Company**



### **THE ACQUISITION**

The Board is pleased to announce that, on 30 May 2018 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of the Target Company at the consideration of HK\$1,541,320,000.

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

### **LISTING RULE IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. The Acquisition is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, each a Director and therefore each of Vendor A and Vendor B is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition and the transactions contemplated under the Agreement, including the allotment and issuance of the Consideration Shares and the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds under the Specific Mandate, are therefore connected transactions and subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole and on how to vote at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Agreement, the Acquisition and the transactions contemplated thereunder. As Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, Mr. Wei and Mr. Sun are considered to have a material interest in the Acquisition. As Wintime Company Limited is a company indirectly wholly-owned by Mr. Wei that is interested in approximately 51.03% of the total issued share capital of the Company as at the date of this announcement, Wintime Company Limited is also considered to have a material interest in the Acquisition. Mr. Sun and Wintime Company Limited will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the Acquisition and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) valuation report of the Property; and (v) a notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 21 June 2018.

**Completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

On 30 May 2018 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of the Target Company at the consideration of HK\$1,541,320,000. A summary of the key terms of the Agreement are set out below.

## **THE AGREEMENT**

**Date:** 30 May 2018

**Parties:** (1) The Company; and  
(2) The Vendors

Vendor A is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wei, who in turn is an executive Director and the chairman of the Board, and is also deemed to be the controlling Shareholder interested in approximately 51.03% of the issued Shares through his controlled corporations as at the date of this announcement. Accordingly, Vendor A is a connected person of the Company under the Listing Rules.

Vendor B is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun, who in turn is an executive Director, and is also interested in approximately 5.28% of the issued Shares as at the date of this announcement. Accordingly, Vendor B is a connected person of the Company under the Listing Rules.

### **Assets to be acquired**

Pursuant to the Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares.

Upon Completion, the Target Company will become a subsidiary of the Company and the financial information of the Target Group will be consolidated into the financial statements of the Group.

### **Consideration**

Pursuant to the Agreement, the consideration for the purchase of the Sale Shares shall be HK\$1,541,320,000.

The Consideration shall be paid to the Vendors in the following manner:

- (i) as to HK\$361,260,800, by the allotment and issuance of the Consideration Shares at the issue price of HK\$0.80 per Share, being 410,934,160 new Shares to Vendor A (or to its designated nominee(s)) and 40,641,840 new Shares to Vendor B (or to its designated nominee(s)), by the Company pursuant to the Payment Schedule; and
- (ii) as to the balance of HK\$1,180,059,200, by the issuance of the Convertible Bonds in the aggregate principal amount of HK\$1,073,853,872 to Vendor A (or to its designated nominee(s)) and HK\$106,205,328 to Vendor B (or to its designated nominee(s)), by the Company pursuant to the Payment Schedule.

### ***Payment Schedule***

Pursuant to the Agreement, the Consideration shall be payable by the Company to the Vendors by instalment as per the prescribed time mentioned in the following Payment Schedule:

No.	Payment Date	Methods of payment	Payment conditions	Amounts	% of the Sale Shares (Note)
1.	1st Completion Date	Consideration Shares at the issue price of HK\$0.80 per Share, being 410,934,160 new Shares to Vendor A (or to its designated nominee(s)) and 40,641,840 new Shares to Vendor B (or to its designated nominee(s))	Satisfaction (or waiver) of Conditions Precedent I	HK\$361,260,800	23.4%
		Convertible Bonds in the principal amount of HK\$1,003,723,812 to Vendor A (or to its designated nominee(s)) and HK\$99,269,388 to Vendor B (or to its designated nominee(s))	Satisfaction (or waiver) of Conditions Precedent I	HK\$1,102,993,200	71.6%
<b>Sub-total</b>				<b>HK\$1,464,254,000</b>	<b>95%</b>
2.	2nd Completion Date	Convertible Bonds in the principal amount of HK\$70,130,060 to Vendor A (or to its designated nominee(s)) and HK\$6,935,940 to Vendor B (or to its designated nominee(s))	Satisfaction (or waiver) of Conditions Precedent II	HK\$77,066,000	5%
<b>Total</b>				<b><u>HK\$1,541,320,000</u></b>	<b><u>100%</u></b>

*Note:* All Figures under this column are rounded to one decimal place.

### ***Basis of the Consideration***

The Consideration was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms after taking into account, without limitation, the preliminary valuation of the Property of approximately RMB1,243,000,000 (equivalent to approximately HK\$1,541,320,000) as at 31 March 2018. An independent professional valuer was engaged to conduct the valuation of the Property on completion basis as at 31 March 2018. The preliminary valuation of the Property was prepared based on the market approach on the direct comparison method.

Taking into account the above, the Directors (excluding Mr. Wei and Mr. Sun who are associates of the Vendors and had abstained from voting at the Board resolutions approving the Agreement and the transactions contemplated thereunder, and the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

There are two sets of conditions precedent whereby 95% of the Sale Shares will be transferred on the 1st Completion Date after Conditions Precedent I are satisfied (or waived, as the case may be), and the balance 5% of the Sale Shares to be transferred on the 2nd Completion Date after Conditions Precedent II are satisfied (or waived, as the case maybe).

The Agreement shall be unconditional upon the following conditions being fulfilled and satisfied on or before the Long Stop Date:

- (i) Conditions Precedent I
  - (a) the passing of the necessary resolution(s) by the Independent Shareholders of the Company at the EGM approving, inter alia, the Agreement, the Acquisition and the transactions contemplated thereunder, including the allotment and issuance of the Consideration Shares under the Specific Mandate, and the Conversion Shares upon exercise of the conversion rights attaching and the Convertible Bonds under the Specific Mandate;
  - (b) the Company having completed the Due Diligence and is satisfied with the results thereof in its view;
  - (c) the Purchaser Permission having been obtained by the Company and not having been withdrawn before the 1st Completion Date;

- (d) the Vendors Permission having been obtained by the Vendors and not having been withdrawn before the 1st Completion Date;
  - (e) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
  - (f) there has been no material adverse change in the business, operation, performance or financial status of the Target Group from the date of the Agreement up to date of the 1st Completion Date;
  - (g) Beijing Guorui having obtained the Initial Registration and such Initial Registration not having been withdrawn before the 1st Completion Date;
  - (h) the Vendors' warranties in the Agreement remaining true, accurate and not misleading in all material respect as at the 1st Completion Date, as if such warranties are repeated on the 1st Completion Date considering the circumstance at that time;
  - (i) the Company's warranties in the Agreement remaining true, accurate, and not misleading in all material respect as at the 1st Completion Date, as if such warranties are repeated on the 1st Completion Date considering the circumstance at that time;
  - (j) the Vendors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the 1st Completion Date;
  - (k) the Company having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the 1st Completion Date; and
  - (l) the consideration relating to the acquisition of the Property having been paid by Wan Gangtong to Beijing Guorui.
- (ii) Conditions Precedent II
- (a) Acquisition in respect of 95% of the Sale Shares having been completed;
  - (b) Wan Gangtong having obtained the Certificates and such Certificates not having been withdrawn before the 2nd Completion Date;
  - (c) the Purchaser Permission not having been withdrawn before the 2nd Completion Date;

- (d) the Vendors Permission not having been withdrawn before the 2nd Completion Date;
- (e) there has been no material adverse change in relation to the business, operation, performance or financial of the Target Group from the date of the Agreement up to date of the 2nd Completion Date;
- (f) the Vendors' warranties in the Agreement remaining true and accurate, and not misleading in all material respect as at the 2nd Completion Date, as if such warranties are repeated on the 2nd Completion Date considering the circumstances at that time;
- (g) the Company's warranties in the Agreement remaining true, accurate and not misleading in all material respect as at the 2nd Completion Date, as if such warranties are repeated on the 2nd Completion Date considering the circumstances at that time;
- (h) the Vendors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the 2nd Completion Date;
- (i) the Company having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the 2nd Completion Date; and
- (j) the Initial Registration not having been withdrawn before the 2nd Completion Date.

The Vendors shall use its best endeavour to procure the fulfilment of the aforesaid conditions precedent (i)(d), (i)(f), (i)(g), (i)(h), (i)(j), (ii)(b), (ii)(d), (ii)(e), (ii)(f), (ii)(h) and (ii)(j).

The Vendors shall procure all members of the Target Group to provide any required information and assistance to the Company in a timely manner in connection with the Due Diligence.

The Company may waive the condition (i)(b), (i)(f), (i)(h), (i)(j), (ii)(e), (ii)(f) and (ii)(h) above at any time by notice in writing to the Vendors. The Vendors may waive the conditions (i)(i), (i)(k), (ii)(g) and (ii)(i) above at any time by notice in writing to the Company. Save for the aforementioned conditions, all of the above conditions precedent cannot be waived.

If the conditions precedent cannot be fulfilled (or otherwise waived) by the Long Stop Date, the Company will have the right to elect to terminate the Agreement or to agree in writing with the Vendors on a later date for the conditions precedent to be fulfilled. If the Vendors and the Company cannot agree on such later date within 60 days after the Long Stop Date, the Agreement will terminate. If the conditions precedent cannot be fulfilled (or otherwise waived) by such later date that has been agreed in writing by the Company and the Vendors, the Agreement will terminate. If the Agreement is terminated under any of the aforementioned circumstances, no party to the Agreement may bring a claim against another party to the Agreement save for any prior breach(es) to the Agreement.

### **Consideration Shares**

The Consideration Shares will be issued at the Issue Price of HK\$0.80 per Consideration Share which represents:

- (i) a premium of approximately 2.56% to the closing price of HK\$0.78 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 2.44% to the average closing price of approximately HK\$0.82 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Agreement;

The Issue Price was determined after arm's length negotiations between the Company and the Vendors, with reference to (i) the prevailing market performance of the Shares at date of signing of the Agreement; (ii) the preliminary valuation of the Property of approximately RMB1,243,000,000 (equivalent to approximately HK\$1,541,320,000); and (iii) no cash element is involved in the Consideration and the settlement of the Consideration by the allotment and issuance of the Consideration Shares and the issuance of the Convertible Bonds helps to maintain the cash level and reduce the finance costs of the Group in relation to the Acquisition.

The Consideration Shares represent: (i) approximately 24.79% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 19.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

- Issuer : The Company
- Principal amount : HK\$1,180,059,200
- Maturity date : The Convertible Bonds is perpetual in term and has no maturity date
- Interest rate : The Convertible Bonds bear a coupon rate of 1% per annum and will cease to bear any coupon after the fifth (5th) anniversary of the date of issue. During the first five years following issuance of the Convertible Bonds, the coupon shall accrue on the outstanding principal amount of the Convertible Bonds and be payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the date when the relevant coupon payment fall due by giving notice to the holders of the Convertible Bonds
- Conversion Price : The initial Conversion Price is HK\$0.80 per Conversion Share subject to adjustments for adjustment provisions summarized below
- Conversion Shares : Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.80 per Conversion Share, a maximum of 1,475,074,000 new Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments), which represent (i) approximately 80.97% of the existing issued share capital of the Company; and (ii) approximately 39.35% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price

Conversion Period : The holders of the Convertible Bonds may convert such Convertible Bonds (in whole or in part) into Conversion Shares during the period commencing from the date of issue of the Convertible Bonds up to the date which falls on the 10th anniversary of the date of issue of the Convertible Bonds to the extent all or part of the Convertible Bonds remain outstanding

Upon expiry of the said conversion period, no conversion rights could be exercised and the amount outstanding under the Convertible Bonds (if any) will become an unlisted straight perpetual bond of the Company

Conversion : Provided that (i) any conversion of the Convertible Bonds does not result in the Vendors and/or the bondholder and/or the parties acting in concert with any of them and/or their respective associates being interested in 30% or more of the issued share capital of the Company (save in the case of the Vendor(s) who had already owned more than 30% of the entire issued shares of the Company as at the date of issue of the Convertible Bonds) or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the bondholder) or otherwise pursuant to other provisions of the Takeovers Code and (ii) any conversion of the Convertible Bonds does not result in the public float of the Shares being less than 25% (or such percentage as required by the Listing Rules) of the issued Shares of the Company, the bondholder shall, subject to compliance with the procedures set out in the conditions, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in their name into Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.

- Redemption : The Company may at any time by serving at least ten (10) days' prior written notice on the holder of the Convertible Bonds with the total amount proposed to be redeemed specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of such Convertible Bonds.
- Ranking : The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the relevant date of conversion including the right to all dividends or other distributions declared, paid or made on or after the relevant date of conversion other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of conversion.
- Adjustments to the Conversion Price : The Conversion Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company including but not limited to the following:
- (i) an alteration of the number of the Shares by reason of consolidation or subdivision;
  - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (iii) a capital distribution being made by the Company to the Shareholders, whether on a reduction or otherwise, to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
  - (iv) an offer of new Shares for subscription by way of rights, or grant any options or warrants to subscribe for new Shares, being made by the Company to the Shareholders (in their capacity as such) at a price which is less than 80% of the then market price of the Share;

- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80% of the then market price of the Shares, or such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80% of the then market price of the Shares;
- (vi) an issue being made by the Company wholly for cash of Shares (other than Shares issued on the exercise of conversion rights attaching to the Convertible Bonds or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) at a price per Share less than 80% of the then market price of the Shares; and
- (vii) an issue being made by the Company of Shares for the acquisition of asset at the total effective consideration per Share which is less than 80% of the then market price of the Shares.

Transferability : Subject to the prior written consent by the Company and compliance with the Listing Rules and other applicable laws and regulations, the Convertible Bonds may be transferred or assigned by the holder(s) of the Convertible Bonds in whole or in part in multiples of HK\$1,000,000 to any party.

Voting rights : The Convertible Bonds shall not carry any voting rights.

Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The initial Conversion Price of HK\$0.80 per Conversion Share represents:

- (i) a premium of approximately 2.56% to the closing price of HK\$0.78 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 2.44% to the average closing price of approximately HK\$0.82 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;

- (iii) a discount of approximately 5.88% to the average closing price of approximately HK\$0.85 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreement; and
- (iv) a premium of approximately 11.11% to the net assets value per Share attributable to the Shareholders of approximately HK\$0.72 as at 31 December 2017.

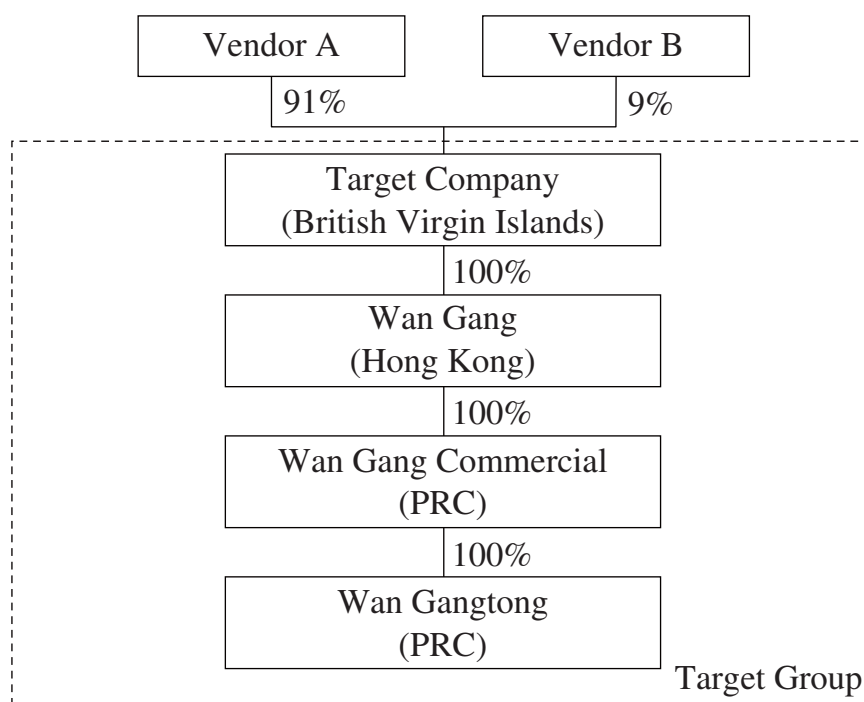
The Conversion Price was negotiated and determined between the Company and the Vendors with reference to the Issue Price of the Consideration Shares.

The maximum number of Conversion Shares (at the initial Conversion Price) represent: (i) approximately 80.97% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 39.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and assuming the conversion of the Convertible Bonds at the initial Conversion Price in full.

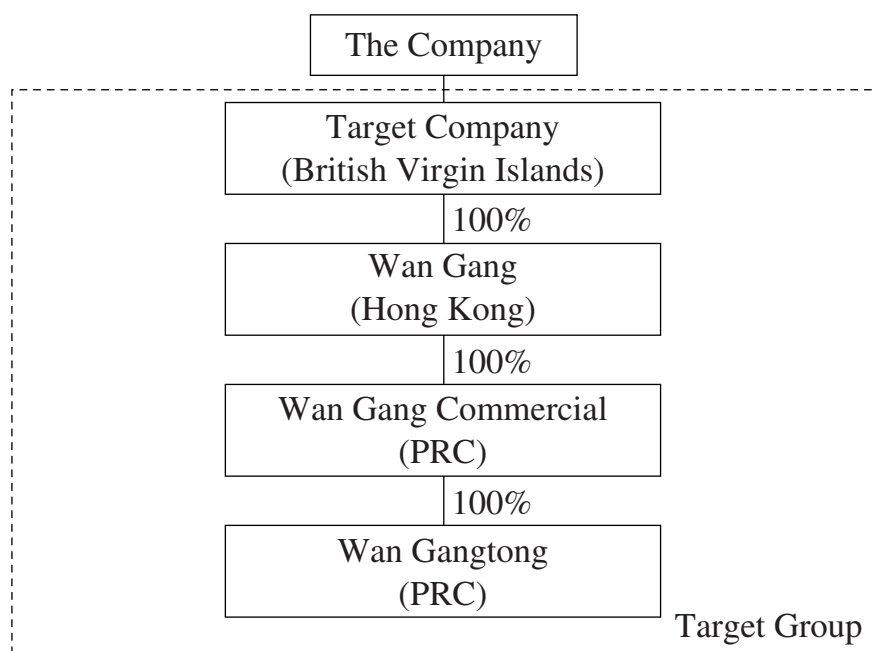
### INFORMATION ABOUT THE TARGET GROUP

The following diagram illustrates the shareholding structures of the Target Group (i) as at the date of this announcement; and (ii) immediately after the Completion:

#### Shareholding structure of the Target Group as at the date of this announcement



## Shareholding structure of the Target Group immediately after the Completion



### (i) *The Target Company*

The Target Company is a company incorporated under the laws of the British Virgin Islands on 1 July 2015. As advised by the Vendors, the principal business of the Target Company is investment holding. As at the date of this announcement, the Target Company is directly owned by Vendor A and Vendor B as to 91% and 9%, respectively.

### (ii) *Wan Gang*

Wan Gang is a company incorporated in Hong Kong with limited liability on 26 August 2015. As advised by the Vendors, the principal business of the Wan Gang is investment holding. As at the date of this announcement, Wan Gang is directly wholly-owned by the Target Company.

### (iii) *Wan Gang Commercial*

Wan Gang Commercial is a company established in the PRC with limited liability on 29 January 2016. As advised by the Vendors, the principal business of Wan Gang Commercial is investment holding. As at the date of this announcement, Wan Gang Commercial is directly wholly-owned by Wan Gang.

(iv) *Wan Gangtong*

Wan Gangtong is a company established in the PRC with limited liability on 28 January 2016. As advised by the Vendors, the principal business of Wan Gangtong is investment holding and will be the sole owner of the Property prior to Completion. As at the date of this announcement, Wan Gangtong is directly wholly-owned by Wan Gang Commercial.

(v) *The Property*

The Property is located at Ronghua South Road, Daxing District, Beijing, the PRC, with a gross floor area of approximately 21,856.46 square meters, which is a composite residential/commercial development, comprising of residential, hotel, services apartment and office. As at the date hereof, the governmental registration of the Property is in progress and Wan Gangtong has not yet obtained all the relevant certificates of title. It is one of the conditions precedent for all such certificates of title to be obtained by the Target Group prior to Completion.

As advised by the Vendors, (i) the Property forms only part of the Land at a total consideration of approximately RMB411.12 million; and (ii) apart from the construction costs incurred in respect of the development of the Property, Wan Gangtong will also bear part of the Facilities Cost. Given the aforesaid construction work of the Land has not been completed, the Facilities Cost cannot be determined and finalized yet as at the date of this announcement but based on the information available as the date of this announcement, the construction cost of the Property incurred is estimated to be approximately RMB371.55 million.

Subsequently, Wan Gangtong and Beijing Guorui entered into a conditional sale and purchase agreement in May 2017, pursuant to which Beijing Guorui conditionally agreed to sell, and Wan Gangtong conditionally agreed to acquire, the Property at a total cost of approximately RMB402,859,500. In the course of the Company's due diligence, a PRC legal adviser advised that the construction work of the Property has been completed and the Construction Work Completion and Inspection Certificates\* (建設工程竣工驗收備案) have been issued by local construction bureaus in the PRC.

In accordance with local regulations for pre-sold properties, Beijing Guorui is required to submit the documents required for the Initial Registration, including land use rights certificates and planning and construction permits, to the relevant local bureau to apply and register the ownership certificate of the Property within the relevant prescribed period after receipt of the aforementioned Construction Work Completion and Inspection Certificates\* (建設工程竣工驗收備案) for the relevant properties. Wan Gangtong may thereafter submit the aforesaid conditional sale and purchase agreement and other required information or documents, where applicable, for the bureau's review and the issuance of the individual property ownership certificates with respect to the properties purchased. The obtaining of the Initial Registration by Beijing Guorui is therefore critical to ensuring that the legal title of the Property could be transferred from Beijing Guorui to Wan Gangtong, and is therefore made a condition precedent to the Completion.

As at the date of this announcement, Beijing Guorui has made an application for the Initial Registration and Wan Gangtong will make an application to the relevant authority to transfer the title registration of the Property after the Initial Registration having been obtained by Beijing Guorui. As such, Beijing Guorui is still the registered legal owner of the Property. It is expected that the Initial Registration will be obtained by Beijing Guorui on or before 30 June 2018.

### Information on Beijing Guorui

As at the date of this announcement, Beijing Guo Rui is wholly-owned by Beijing Guorui Holdings Co. Limited\* (北京國銳控股有限公司) which in turn is indirectly owned by Mr. Wei and Mr. Sun as to 91% and 9%, respectively, and is therefore an associate of Mr. Wei under the Listing Rules. Mr. Wei, being an executive Director and the chairman of the Board, is a connected person of the Company, and hence Beijing Guorui, being an associate of Mr. Wei, is regarded as a connected person of the Company under the Listing Rules.

Pre vetting  
1<sup>st</sup> Comment  
Q1(iii)

### Financial information of the Target Group

Based on the unaudited consolidated management accounts of the Target Group for each of the two financial years ended 31 December 2016 and 2017, the consolidated turnover and consolidated net loss (before and after taxation) of the Target Group are as follows:

	For the year ended 31 December	
	2016	2017
	HK\$	HK\$
	(unaudited)	(unaudited)
Turnover	—	—
Loss before taxation	38,100	<b>40,295</b>
Loss after taxation	38,100	<b>40,295</b>

As at 31 December 2017, the unaudited consolidated net assets value of the Target Group was HK\$348,543,711.

## Specific Mandate

The Consideration Shares and the Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares, when allotted and issued, will rank pari passu in all respects with each other and with other Shares then in issue at the time of issue of the Consideration Shares and the Conversion Shares.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,821,865,324 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of the Consideration Shares and assuming no conversion of the Convertible Bonds and there are no other changes in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares; and (iii) immediately upon the allotment and issuance of the Consideration Shares and full conversion of the Convertible Bonds and assuming there are no other changes in the share capital of the Company from the date of this announcement, based on the best knowledge, information and belief of the Directors and assuming no other changes to the share capital of the Company from the date of this announcement:

Shareholders	As at the date of this announcement		Upon the allotment and issuance of the Consideration Shares ( <i>Note 5</i> )		Upon the allotment and issuance of the Consideration Shares and full conversion of the Convertible Bonds ( <i>Note 6</i> )	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Wintime Company Limited ( <i>Note 1</i> )	929,661,314	51.03	929,661,314	40.89	929,661,314	24.80
Mr. Sun ( <i>Note 2</i> )	96,110,510	5.28	96,110,510	4.23	96,110,510	2.56
Vendor A ( <i>Note 1</i> )	—	—	410,934,160	18.07	1,753,251,500	46.77
Vendor B ( <i>Note 3</i> )	—	—	40,641,840	1.79	173,398,500	4.63
Public Shareholders	796,093,500	43.69	796,093,500	35.02	796,093,500	21.24
						( <i>Note 7</i> )
<b>Total</b>	<b><u>1,821,865,324</u></b>	<b><u>100.00</u></b>	<b><u>2,273,441,324</u></b>	<b><u>100.00</u></b>	<b><u>3,748,515,324</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Each of Wintime Company Limited and Vendor A is a company indirectly wholly-owned by Mr. Wei and therefore Mr. Wei is deemed to be interested in the 929,661,314 Shares as at the date of this announcement under SFO and will be deemed to be interested in aggregate of 929,661,314 Shares immediately upon Completion and assuming no conversion of the Convertible Bonds and there are no other changes in the share capital of the Company from the date of this announcement, representing approximately 40.89% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.
2. Mr. Sun is an executive Director as at the date of this announcement.
3. Vendor B is a company indirectly wholly-owned by Mr. Sun and therefore Mr. Sun will be deemed to be interested in an aggregate of 96,110,510 Shares immediately upon Completion assuming no conversion of the Convertible Bonds and there are no other changes in the share capital of the Company from the date of this announcement, representing approximately 4.23% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.
4. Figures have been rounded to two decimal places.
5. The figures set out in this column are based on the assumptions that there is no conversion of Convertible Bonds and there are no other changes in the share capital of the Company from the date of this announcement to the date and allotment and issue of the Consideration Shares.
6. The figures in this column are based on the assumptions that there are no other changes in the share capital of the Company from the date of this announcement.
7. The above table is for illustrative purpose only and there are restrictions in the terms of the Convertible Bonds that no conversion is allowed if it would result (i) in the Vendors and/or the bondholder and/or the parties acting in concert with any of them and/or their respective associates being interested in 30% or more of the issued share capital of the Company (save in the case of the Vendor(s)) or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion rights; or (ii) in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Group is principally engaged in property development and investments in the PRC, the United States of America and the United Kingdom, and the provision of property management services in Beijing, the PRC. The Board considers the Acquisition will allow the Group to strengthen its asset base and further develop its existing property management business.

With reference to the annual results announcement of the Company for the year ended 31 December 2017, during the financial year 2017, the Group achieved business growth through its property management services as well as investment in different properties, including (i) the acquisition of Wholly Express Limited and its subsidiaries, which was completed on 31 August 2017; and (ii) the acquisition of Juxon House, being a commercial building in London, United Kingdom, which was completed on 8 January 2018. The Directors believe that the Acquisition can optimize the property portfolio of the Group and broaden its income base through the stable rental incomes generated from the Property.

In assessing the fairness and reasonableness of the Acquisition, the Board has considered the following:

**(a) The location of the Property**

The Property is located next to a commercial property of the Group located in Economic Technological Development Area located in Yizhuang (亦莊) at the southeast of Beijing, the PRC, which is surrounded by an area of large construction site under development. The Company intends to develop the Property into a large scale commercial development which is a 36-storey office building being erected on the Land. The total gross floor area of the Property will be approximately 21,856.46 square meters. The Directors believe that the Acquisition can enable the Company to integrate the operations of the two commercial properties so as to enhance the commercial operation capability of the Property as a whole and the total value, which in turn increase the value of other properties in Yizhuang.

As at the date of this announcement, Beijing Guorui has made an application for the Initial Registration and Wan Gangtong will make an application to the relevant authority to transfer the title registration of the Property after the Initial Registration having been obtained by Beijing Guorui. As such, Beijing Guorui is still the registered legal owner of the Property. It is expected that the Initial Registration will be obtained by Beijing Guorui on or before 30 June 2018.

Pre vetting  
1<sup>st</sup> Comment  
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**(b) The timing of the Acquisition**

The Board considered that the timing of the Acquisition is appropriate based on the following grounds:

- (i) given the construction work of the Property has been completed, the risk of failure to complete the relevant construction according to specification and quality standards are limited;

- (ii) no additional construction cost (except the Facilities Cost will be borne by Wan Gangtong) will be incurred after completion of the Acquisition; and
- (iii) the property units in the Property is available for lease or sale after completion of the Acquisition, which are expected to generate stable rental income and considerable sale proceeds to the Company.

**(c) Determination of settlement method of the Consideration**

The Board has considered the following factors and concluded that satisfying the Consideration by way of allotment and issuance of Consideration Shares and the issuance of Convertible Bonds is in the interests of the Company and its Shareholders as a whole:

- (i) the Group's principal business activities include, amongst other things, property development and investments, which are capital intensive activities. The Board considers that through the issuance of the Convertible Bonds, the Group will be able to maintain relatively more flexibility in applying its cash resources where needed in order to cater for its business needs;
- (ii) the issuance of Convertible Bonds will not have any immediate dilution effect until the relevant holders convert the Convertible Bonds into Shares. The dilution effect is also limited by restrictive covenants as set out in terms of the Convertible Bonds which are summarised under the section headed 'Convertible Bonds' in this announcement; and
- (iii) following issuance of the Convertible Bonds, the Company will bear a coupon rate of 1% per annum during the first five years after the date of issue. This represents significant advantage over other means of financing e.g. bank borrowings where the relevant finance cost is much higher and the availability of such borrowings, given the PRC policies on bank lending, is relatively low.

***Other alternative settlement method***

The Board has considered alternative settlement method such as issuance of other types of debt securities. However, taking into account the relatively higher finance costs as well as the impact on the gearing ratio of the Company, the Board considers that the issuance of other debt securities may (1) depending on the extent of borrowing, result in possible breach of financial covenants of the Group's existing borrowings regarding the gearing ratio; (2) have an adverse financial impact on the Group's financial position and affect its future fundraising ability; and (3) reduce the Group's liquidity due to the payment of interests and repayment of such debt securities, and will in turn hinder its business development options and therefore the potential return and interest of the Company and its Shareholders.

Notwithstanding the above, the Board has also considered other possible fund raising methods, such as placing or subscription of new Shares to raise funds.

Given the funding needs for the settlement of the Consideration is approximately HK\$1,541,320,000, raising the relevant funds through placing or subscription of new Shares will involve the need to seek shareholders' approval for a specific mandate, given the number of Shares to be allotted and issued will exceed the limit under the general mandate granted to the Directors on 26 June 2017 (assuming the placing or subscription price, as the case may be, is equal to the Conversion Price of the Convertible Bonds under the Acquisition).

As the Consideration is substantial, the Board, having taken advice from the Company's financial adviser, have the following reservations on using the fund raising methods of placing and subscription of new Shares:

- (i) due to the substantial amount of Shares required to be allotted and issued in order to settle the Consideration, the potential investor(s) will require a substantial placing discount to the trading price of the Shares, and the Directors anticipate such discount to be more than 20%; and
- (ii) the Directors, after approaching several securities firms, found it difficult to secure placing agents and subscribers in light of the sizable amount of securities involved in the placing or subscription (as the case may be).

In view of the above, when comparing the various fund raising methods described above with the issue of the Convertible Bonds, the Directors are of the view that the placement and subscription of new Shares may not be the best option in the context of the Acquisition and therefore not in the interest of the Shareholders of the Company as a whole.

After taking into account the reasons as stated above, the Board considered that settling the consideration of the Acquisition by way of allotment and issuance of Consideration Shares and the issuance of Convertible Bonds is in the interests of the Company and its Shareholders as a whole.

In consideration of the above, the Company intends to invest and acquire the Property for long term investment and rental income purpose of the Group. The Directors consider that the terms of the Acquisition are fair and reasonable in the current property market conditions, and are in the interests of the Group and the Shareholders as a whole.

## **LISTING RULE IMPLICATION**

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. The Acquisition is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, each a Director and therefore each of Vendor A and Vendor B is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition and the transactions contemplated under the Agreement, including the allotment and issue of the Consideration Shares and the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds under the Specific Mandate, are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole and on how to vote at the EGM. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

## **GENERAL**

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Agreement, the Acquisition and the transactions contemplated thereunder. As Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, Mr. Wei and Mr. Sun are considered to have a material interest in the Acquisition. As Wintime Company Limited is a company indirectly wholly-owned by Mr. Wei that is interested in approximately 51.03% of the total issued share capital of the Company as at the date of this announcement, Wintime Company Limited is also considered to have a material interest in the Acquisition. Mr. Sun and Wintime Company Limited will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the Acquisition and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) valuation report of the Property; and (v) a notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 21 June 2018.

**Completion of the Acquisition is subject to fulfillment of the conditions precedent set out in the Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“1st Completion Date”	the last calendar day of the month in which the Conditions Precedent I are fulfilled or waived (as the case may be), which must be at least three Business Days following the fulfillment or waiver (as the case maybe) of the Conditions Precedent I (or such other date as the Vendors and the Company may agree in writing)
“2nd Completion Date”	the last calendar day of the month in which the Conditions Precedent II are fulfilled or waived (as the case may be), which must be at least three Business Days following the fulfillment or waiver (as the case maybe) of the Conditions Precedent II (or such other date as the Vendors and the Company may agree in writing)
“Acquisition”	the acquisition of Sale Shares as contemplated under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 30 May 2018 entered into between the Company and the Vendors in relation to the Acquisition
“associate(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Beijing Guorui”	Beijing Guorui Real Estate Development Company Limited* (北京國銳房地產開發有限公司), a company established in the PRC with limited liability
“Board”	the board of Directors
“Business Day(s)”	any day(s) except Saturday, Sunday or other day on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Certificates”	the 142 certificates of title in respect of the Property having been obtained by Wan Gangtong
“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108)
“Completion”	Completion of the Acquisition pursuant to the terms and conditions of the Agreement

“Conditions Precedent I”	the condition(s) precedent to the completion of the sale and purchase of 95% of the Sale Shares as set out in the paragraph headed “Conditions Precedent I” under the Agreement in this announcement
“Conditions Precedent II”	the condition(s) precedent to the completion of the sale and purchase of 5% of the Sale Shares as set out in the paragraph headed “Conditions Precedent II” under the Agreement in this announcement
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration in the sum of HK\$1,541,320,000 payable by the Company to the Vendors for the Acquisition as described under the paragraphs headed “Consideration” in this announcement
“Consideration Share(s)”	the aggregate of 451,576,000 new Share(s) to be allotted and issued to the Vendors under the Specific Mandate, details of which are set out in the section headed “Consideration Shares” in this announcement
“Conversion Price”	the initial conversion price of HK\$0.80 per Conversion Share (subject to adjustments) of the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be allotted and issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the zero coupon perpetual convertible bonds in the aggregate principal amount of HK\$1,180,059,200, will be issued by the Company of which the aggregate principal amount of HK\$1,073,853,872 to Vendor A (or to its designated nominee(s)) and the aggregate principal amount of HK\$106,205,328 to Vendor B (or to its designated nominee(s)), pursuant to the Payment Schedule
“Director(s)”	the directors of the Company, including the independent non-executive directors of the Company
“Due Diligence”	the due diligence review conducted by the Company on the business, financial status, assets, liabilities and other aspects of the Target Group as set out in the Agreement

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the Agreement, the Acquisition and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds, the issue and allotment of the Consideration Shares to the Vendors and the allotment and issue of the Conversion Shares upon the exercise of conversion rights attaching to the Convertible Bonds, and other ancillary matters as may be required under the Listing Rules
“Facilities Cost”	total construction cost of the ancillary public facilities involved in the development of the Land
“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
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung, to advise the Independent Shareholders on the Acquisition
“Independent Financial Adviser”	the independent financial adviser to be appointed to provide recommendations to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than Wintime Company Limited (an associates of Mr. Wei) and Mr. Sun, together with their respective associates who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons
“Initial Registration”	the initial registration of ownership in respect of the Property
“Issue Price”	the issue price of HK\$0.80 per Consideration Share
“Land”	land parcel acquired by Beijing Guorui in June 2009 with total site area of approximately 118,974.90 square metres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021

“Mr. Sun”	Mr. Sun Zhongmin, an executive Director, who is holding 96,110,510 Shares (representing approximately 5.28% of the issued Shares as at the date of this announcement)
“Mr. Wei”	Mr. Wei Chunxian, an executive Director and the chairman of the Board, and is deemed to be interested in 929,661,314 Shares (representing approximately 51.03% of the issued Shares as at the date of this announcement)
“Payment Schedule”	the payment schedule including the dates, amounts, methods and condition of payment of the Consideration as set out in the Agreement
“Property”	the property located at Ronghua South Road, Daxing District, Beijing, the PRC* (中國北京經濟技術開發區榮華南路)
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser Permission”	all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50,000 shares in the issued share capital of the Target Company, being the entire issued share capital of the Target Company held by the Vendors
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Specific Mandate”	the issue mandate to be granted to the Directors at the EGM to allot and issue the Consideration Shares and to allot and issue the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds
“Target Company”	Wise Expert Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor A”	Winluck Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wei, holding 45,500 Sale Shares

“Vendor B”	Silky Apex Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun, holding 4,500 Sale Shares
“Vendors”	collectively, Vendor A and Vendor B
“Vendors Permission”	all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Vendors
“Wan Gang”	Wan Gang Holdings (HK) Limited (萬港控股 (香港) 有限公司), a company incorporated in Hong Kong with limited liability
“Wan Gangtong”	Beijing Wan Gangtong Technology Development Limited Company* (北京萬港通科技發展有限公司), a company established in the PRC with limited liability
“Wan Gang Commercial”	Beijing Wan Gang Commercial Management Limited Company* (北京萬港商業管理有限公司) a company established in the PRC with limited liability
“%”	per cent.

\* *English name of such entity is the transliteration of its Chinese name for reference only*

*For the purpose of this announcement, the translation of RMB into HK\$ is based on the rate of RMB1:HK\$1.24. This conversion rate is for illustrative purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.*

By Order of the Board  
**GR Properties Limited**  
**Wei Chunxian**  
*Chairman*

Hong Kong, 30 May 2018

*As at the date of this announcement, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Liu Shuhua; and the independent non-executive directors of the Company are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung.*