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If you have sold or transferred all your shares in GR Properties Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular.

29 November 2017

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“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 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
“Latest Practicable Date”	27 November, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Leases”	the leases and licences subsisting in respect of the Property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wei”	Mr. Wei Chunxian, the chairman of the Company, executive Director and controlling Shareholder
“PRC”	The People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China 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, the Seller and the Company 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder Loan Facility”	the revolving loan facility in the principal amount of up to HK\$1,500,000,000 to be granted by Wintime to the Company under the Shareholder Loan Facility Agreement, please refer to the paragraph headed “Shareholder Loan Facility” in the Letter from the Board for details
“Shareholder Loan Facility Agreement”	the loan agreement entered into between the Company and Wintime on 24 November 2017 in respect of the grant of the Shareholder Loan Facility
“Seller”	Standard Life Assurance Limited
“Shareholders”	the shareholders of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UK”	the United Kingdom
“US”	the United States of America
“Wintime”	Wintime Company Limited, a company beneficially owned by Mr. Wei Chunxian as to 100%, and a controlling Shareholder
“£”	Pounds Sterling, the lawful currency of the UK
“%”	per cent.

For the purpose of this circular, £ has been translated into HK\$ at the rate of £1 = HK\$10.3 for reference purposes only. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

LETTER FROM THE BOARD



GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

Executive Directors:

Mr. Wei Chunxian (*Chairman*)

Ms. Liu Shuhua (*Chief Executive Officer*)

Mr. Sun Zhongmin

Independent Non-executive Directors:

Mr. Tung Woon Cheung Eric

Mr. Chui Tsan Kit

Mr. Au Yeung Po Fung

Registered Office and principal

place of business in Hong Kong:

Suite 1603, 16th Floor

Wheelock House

20 Pedder Street

Central

Hong Kong

29 November 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF A COMMERCIAL BUILDING IN LONDON, UNITED KINGDOM

INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2017 in relation to the Acquisition. 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).

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the financial information of the Group; (iii) the unaudited financial information of the Property; (iv) the unaudited pro forma statement of assets and liabilities of the Group; (v) the property valuation report; and (vi) other disclosures required under the Listing Rules.

LETTER FROM THE BOARD

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%;

LETTER FROM THE BOARD

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, (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 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.

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

LETTER FROM THE BOARD

The Company intends to satisfy the purchase price as to approximately 60% by bank borrowing and approximately 40% by the Shareholder Loan Facility. As at the Latest Practicable Date, the Company has approached a few independent banks or financial institutions to negotiate for a term loan facility with the pledge of the Property in the loan amount of approximately £81,000,000 (equivalent to approximately HK\$834,300,000). The Company has obtained an in-principle agreement from one of the independent banks for such term loan facility, but no formal and legally binding agreement(s) in relation to such term loan facility with independent banks or financial institutions has been entered into as at the Latest Practicable Date. If external bank financing is not available by the date of Completion, the Company intends to draw down the Shareholder Loan Facility available under the Shareholder Loan Facility Agreement and/or other debt/equity fund raisings to fund the purchase price. Further, it is provided under the Shareholder Loan Facility Agreement that the Company may request for extending the term of the Shareholder Loan Facility upon its maturity. For further details, please refer to the paragraph headed “Shareholder Loan Facility” below in this circular.

THE SHAREHOLDER LOAN FACILITY

Set out below are the principal terms of the Shareholder Loan Facility Agreement:

Date:	24 November 2017
Parties:	(i) the Company, as borrower; and (ii) Wintime, as lender
Facility Amount:	Wintime has agreed to provide or procure the provision of a revolving loan facility up to the amount of HK\$1,500,000,000 to the Company (or its nominees) for financing the working capital requirements of the Group in connection with its property acquisition and development.
Interest rate:	2% per annum
Security:	None

LETTER FROM THE BOARD

Term and maturity: 36 months from the date of first draw down of the relevant Shareholder Loan Facility

The term of the Shareholder Loan Facility may be extended by the Company subject to the compliance of the Listing Rules provided that:

- (i) Wintime receiving a written request from the Company to extend the original maturity date not less than one month prior to such original maturity date; and
- (ii) Wintime shall have the sole discretion to impose such other terms or conditions for the extension of the term of the Shareholder Loan Facility as it thinks fit.

The Company has made verbal preliminary enquiries with independent financial institutions in Hong Kong. The interest rate that they would charge the Company for borrowings of similar size and maturity date was not lower than 2% per annum. The principal amount and interest rate of the Shareholder Loan Facility were determined after negotiations between Wintime and the Company on an arm's length basis having taken into account the prevailing market interest rates and the interest rates offered to the Company.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Shareholder Loan Facility Agreement are more favorable than those offered to the Group by independent financial institutions in Hong Kong and therefore consider that the Shareholder Loan Facility Agreement was entered into on terms better than normal commercial terms, and thus the entering into of the Shareholder Loan Facility Agreement is in the interest of the Company and the Shareholders as a whole.

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).

LETTER FROM THE BOARD

INFORMATION OF 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 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 Latest Practicable Date, 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 US 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

LETTER FROM THE BOARD

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.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Earnings

As set out in Appendix II to this circular, the rental income generated from the leasing of the Property amounted to £4,958,000, £5,335,000 and £5,520,000 for the three financial years ended 31 December 2014, 2015 and 2016, respectively and £2,763,000 and £2,804,000, for the six months ended 30 June 2016 and 2017, respectively. Currently, the aggregate monthly rent attributable to the Property is approximately £467,000 (equivalent to approximately HK\$4,810,000). As such, the Acquisition will contribute rental income to the Group. In addition to the expenses and outgoings relating to the Property after the Acquisition, the Group shall bear the transaction costs in relation to the Acquisition. Upon the Acquisition, the Property is to be held by the Group to earn rentals and hence is classified as investment property, which is initially measured at cost and subsequently measured at fair value. Changes in fair value of investment properties will be recognised in profit or loss. Further details are set out in note 2 in the “Unaudited Pro Forma Statement of Assets and Liabilities” set out in Appendix III to this circular.

Assets and liabilities

The purchase price of the Acquisition will be paid by the Buyer to the Seller in full. As set out in the “Unaudited Pro Forma Statement of Assets and Liabilities” in Appendix III to this circular, upon Completion, the total assets of the Group would be increased by approximately HK\$1,401,050,000, mainly due to the addition of the Property purchased and the total liabilities of the Group would be increased by approximately HK\$1,466,799,000 due to increase in consideration payable. Further details of the financial effect on the assets and liabilities of the Group are set out in Appendix III to this circular.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As stated in the annual report for the financial year ended 31 December 2016, the Group's operations are organised into business segments of (i) the property management segment; and (ii) the property development and investment segment. In accordance with the future development strategy of the Group, the Group would like to tap into international markets such as the UK, the US and Europe. This should give diversification and a hedge against our future domestic businesses, in order to bring good returns to the Shareholders. During the year ended 31 December 2016, the Group has expanded into the property market in the UK and acquired an office building located in London, the UK for long term investment purpose.

The Directors consider that the Acquisition allows the Group to capture the opportunity to establish its position and engage in the property market in London, UK and for the Group to invest in income generating real estate with potential of capital appreciation of properties in the long terms. The Directors believe that after the Acquisition, the Group will be able to broaden its income base through the stable rental incomes generated from the Property. This will also enhance the operation base of the Group.

LISTING RULES IMPLICATIONS

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 reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The grant of the Shareholder Loan Facility under the Shareholder Loan Facility Agreement would therefore constitute connected transaction for the Company. As the Shareholder Loan Facility provided by Wintime is for the benefit of the Company and on terms better than normal commercial terms offered to the Group by independent third party financial institutions in Hong Kong, where no security over the assets of the Company will be granted, the grant of the Shareholder Loan Facility under the Shareholder Loan Facility Agreement would be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

The Board considers that the grant of the Shareholder Loan Facility would not render Wintime to have a material interest in the Purchase Agreement and/or the Acquisition and therefore Wintime should not be required to abstain from voting on the resolution(s) approving the Acquisition, on the basis that: (i) the grant of the Shareholder Loan Facility under the Shareholder Loan Facility Agreement constitutes a fully exempted connected transaction for the reasons set out in the paragraph above; (ii) the Shareholder Loan Facility Agreement is not conditional upon Completion; and (iii) the Board considers that the term of the Shareholder Loan Facility Agreement (including the interest rate) are more favourable than those offered to the Group by independent third party financial institutions in Hong Kong, and thus the entering into of the same is in the interest of the Company and the Shareholders as a whole.

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, who is interested in 984,214,591 shares, representing approximately 68.23% of the total number of shares of the Company in issue at the Latest Practicable Date, for approving the Purchase Agreement and the Acquisition and as a result, no general meeting will be convened to consider the Purchase Agreement and the Acquisition.

RECOMMENDATION

The Directors consider that the Acquisition is on normal commercial terms and in the usual course of business of the Group, and that the terms and conditions of the Purchase Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Wei Chunxian
Chairman

I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the year ended 31 December 2014, 2015 and 2016 are disclosed in the following documents which have been published on the website of the Stock Exchange at on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.grproperties.com.hk:

- Interim report of the Company for the six months ended 30 June 2017 published on 15 September 2017 (pages 20 to 52) (hyperlinks: <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0915/LTN20170915015.pdf>);
- Annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 126 to 221) (hyperlinks: <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0425/LTN20170425481.pdf>);
- Annual report of the Company for the year ended 31 December 2015 published on 29 April 2016 (pages 71 to 188) (hyperlinks: <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN20160429509.pdf>); and
- Annual report of the Company for the year ended 31 December 2014 published on 27 May 2015 (pages 54 to 160) (hyperlinks: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0915/LTN20140915109.pdf>).

II. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2017, the Group had (1) unsecured and unguaranteed shareholder's loans with an aggregate principal amount of approximately HK\$61,482,000; (2) unguaranteed bank loans with an aggregate principal amount of approximately HK\$194,241,000, which were secured by the Group's entire completed investment properties, investment property under construction and properties under development; and (3) an unsecured and unguaranteed other loan with a principal amount of approximately HK\$12,912,000 from an independent third party.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 September 2017, the Group did not have outstanding loan, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or material contingent liabilities.

III. SUFFICIENCY OF WORKING CAPITAL

Our Directors, after due and careful enquiry, are of the opinion that, taking into consideration the Acquisition, the financial resources presently available to the Group (including internal resources and unutilised facilities from banks and a shareholder) and a mortgage loan with a limit of GBP81 million under negotiation as of the date of this Circular for the sole purpose of financing the Acquisition, the Group has sufficient working capital for present requirements and for at least the next 12 months from the date of this Circular in the absence of unforeseeable circumstance.

IV. NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that since 31 December 2016 (being the date to which the latest audited consolidated financial information of our Group were made up) and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

V. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in property development and investments in the PRC, the USA and the UK, and the provision of property management services in Beijing, the PRC.

In accordance with the future development strategy of the Group, the Group would like to tap into international markets such as the USA, UK and Europe. This should give diversification and a hedge against our future domestic businesses, in order to bring good returns to the Shareholders. During the year ended 31 December 2015, the Group has expanded into the property market in the USA and acquired a parcel of land located in Santa Monica, State of California, the USA for the purpose of property development. And during the year ended 31 December 2016, the Group has completed the acquisition of Boundary House in the UK which allows the Group to capture the opportunity to establish its position and engage in the property market in London, the UK and for the Group to invest in income generating real estate with the potential of capital appreciation of properties in the long term and re-development potential in the future. The Directors consider that the Acquisition allows the Group to strengthen its asset base and further develop its existing property investment business in the overseas and enjoy the capital appreciation of the Property.

PROFIT AND LOSS STATEMENT OF THE PROPERTY

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue generating assets (other than a business or company) with identifiable income stream or assets valuation, the Company is required to include in the circular a profit and loss statement and valuation (where available) for the three preceding financial years (the “**Relevant Period**”) on identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

For the purpose of preparing the profit and loss statement on the identifiable income stream in relation to the Property in strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, the Company should be provided with full access to the underlying books and records of the Property from the Seller covering the Relevant Period. However, except for the Tenancy Agreements (as defined below), the headlease accounts and the service charge reports provided by the Seller, the Group is unable to gain full access to the underlying books and records or other financial information of the Seller for the preparation of the financial information of the Property for the Relevant Period in compliance with the requirements of Rule 14.67(6)(b)(i) of the Listing Rules. Further, the Seller is a private company and its financial information regarding the Property is not available in the public domain.

Based on the information provided by the Seller, the Property is subject to certain leases and licence. The Company has obtained from the Seller copies of the tenancy agreements for the period from 1 January 2014 to 30 July 2025 (the “**Tenancy Agreements**”). Based on the Tenancy Agreements, the total gross rental income derived from the leasing of and licensing of the Property amounted to £4,958,000, £5,335,000 and £5,520,000 for the three financial years ended 31 December 2014, 2015 and 2016, respectively and £2,763,000 and £2,804,000, for the six months ended 30 June 2016 and 2017, respectively. Currently, the aggregate monthly rent attributable to the Property is approximately £467,000 (equivalent to approximately HK\$4,810,000).

Based on the Tenancy Agreements, water and electricity charges, management service charges, security and maintenance charges and other outgoings directly attributable to the Property (the “**Direct Expenses**”) shall be apportioned among and borne by the tenants up to a certain amount, with the excess to be borne by the owner(s) of the Property. During the Relevant Period, based on the information provided by the Seller, such Direct Expenses were substantially borne by the tenants and the amounts borne by the Seller were minimal.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

Based on limited information provided by the Seller, estimated Direct Expenses borne by the Seller and the tenants in respect of the three financial years ended 31 December 2014, 2015 and 2016 and six months ended 30 June 2016 and 2017 are set out below:

	Year ended 31 December			Six months ended	
	2014	2015	2016	30 June	2017
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The Seller	602	389	530	230	213
The tenants	1,296	1,357	1,395	695	700
	<u>1,898</u>	<u>1,746</u>	<u>1,925</u>	<u>925</u>	<u>913</u>

The estimation of the Direct Expenses is based on service charge reports for the three financial years ended 23 June 2014, 2015, 2016 and 2017, which were prepared on an accrual basis by the local professional property manager of the Property. Thus, the estimation was not prepared under accounting policies which are materially consistent with the Group. Save for the above limited information, no other expenses such as depreciation, finance costs and tax expenses were included.

In substitution of providing the profit and loss statement as required under Rule 14.67(6)(b)(i) of the Listing Rules, the Directors are of the view that the unaudited gross rental income for the Relevant Period disclosed in this Appendix would be an appropriate indicator for the Shareholders to assess the impact of the Acquisition on the Company.

As far as the Directors are aware, (i) they have no reasons to believe that the omission of a profit and loss statement in respect of the Property for the Relevant Period would render this circular materially incomplete, misleading or deceptive; and (ii) all relevant financial information used by the independent qualified professional valuer in preparing the valuation of the Property has been disclosed in this circular.

Given the circumstances, the Company has applied to the Stock Exchange for a waiver, which had been granted by the Stock Exchange, from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, such that the following alternative information be disclosed instead to Shareholders.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

UNAUDITED GROSS RENTAL INCOME INFORMATION OF THE PROPERTY

	Year ended 31 December			Six months ended	
				30 June	
	2014	2015	2016	2016	2017
	£'000	£'000	£'000	£'000	£'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross rental income generated from:					
Leasing of office spaces	4,013	4,390	4,575	2,291	2,332
Leasing of 4 shops	932	932	932	466	466
Leasing of 3 basement storage	13	13	13	6	6
	<u>4,958</u>	<u>5,335</u>	<u>5,520</u>	<u>2,763</u>	<u>2,804</u>
	<u>4,958</u>	<u>5,335</u>	<u>5,520</u>	<u>2,763</u>	<u>2,804</u>

The above unaudited gross rental income information was prepared by the Company by reference to Tenancy Agreements and on the basis and assumption as discussed in the notes below. Accordingly, the above information may not give a true and correct picture of the financial results attributable to the Property for the three financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 and 2016.

Note 1: The gross rental income included in the above information has been compiled on the straight-line basis over the lease terms, with reference to the Tenancy Agreements for the period from 1 January 2014 to 30 July 2025, which has been made available to the Company provided by the Seller.

Note 2: A summary of key terms of Tenancy Agreements for the three financial years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 are set out below:

No.	Premises	Existing tenant	Term		Rent free period	Rent
			From	To		
1	2 Basement Storage	Licensee 1	26-Oct-05	20-Nov-15	No rent free period	£5,000 p.a.
2	2 Basement Storage	Tenant 5	21-Nov-15	1-Jul-25	No rent free period	£5,000 p.a.
3	Basement, Unit 2, Part	Tenant 1	29-May-09	1-Jul-19	No rent free period	£8,177 p.a.
4	Part Ground Floor	Tenant 2	9-Jan-06	19-May-16	From 9-Jan-06 to 8-Oct-06	£142,587.50 p.a.
5	Part Ground Floor	Tenant 3	3-Oct-16	2-Oct-23	From 3-Oct-16 to 1-Apr-17 From 27-Jul-20 to 26-Dec-20	£216,775 p.a.
6	Lower Ground Floor	Tenant 4	18-Aug-10	2-Apr-14	No rent free period	£90,060 p.a.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

No.	Premises	Existing tenant	Term		Rent free period	Rent
			From	To		
7	Lower Ground Floor	Tenant 5	2-Apr-14	1-Jul-25	From 2-Apr-14 to 1-Jul-14 From 29-Sep-19 to 24-Mar-20	From 2-Apr-14 to 17-Aug-15 £90,000 p.a. From 18-Aug-15 to 1-Jul-25 £120,000 p.a.
8	Shop Unit 1	Tenant 6	25-Mar-03	24-Mar-23	From 25-Mar-03 to 2-Jul-03	£310,000 p.a.
9	Shop Unit 2	Tenant 7	14-Aug-08	13-Aug-18	No rent free period	£165,000 p.a.
10	Shop Unit 3	Tenant 8	21-Jul-04	20-Jul-24	From 21-Jul-04 to 20-Jan-05	£265,000 p.a.
11	Shop Unit 4	Tenant 9	25-Mar-03	24-Mar-23	From 25-Mar-03 to 22-Dec-03	£210,000 p.a.
12	Part First Floor (East)	Tenant 10	21-Dec-04	25-Jan-15	From 21-Dec-04 to 20-Jun-06	£303,140 p.a.
13	Part First Floor (East)	Tenant 11	26-Jan-15	30-Jul-25	From 1-Aug-15 to 28-Apr-16 From 31-Jul-20 to 31-Jan-21	From 26-Jan-15 to 29-Apr-16 £303,140 p.a. From 30-Apr-16 to 30-Jul-25 £378,925 p.a.
14	Part First Floor (West)	Tenant 10	1-Aug-05	25-Jan-15	From 1-Aug-05 to 31-Jan-07	£370,346 p.a.
15	Part First Floor (West)	Tenant 11	26-Jan-15	30-Jul-25	From 1-Aug-15 to 28-Apr-16 From 31-Jul-20 to 31-Jan-21	From 26-Jan-15 to 29-Apr-16 £370,346 p.a. From 30-Apr-16 to 30-Jul-25 £462,932 p.a.
16	Second Floor	Tenant 12	7-Jun-05	6-Jun-20	From 7-Jun-05 to 6-May-08	From 7-Jun-05 to 5-Jun-15 £986,290 p.a. From 6-Jun-15 to 6-Jun-20 £1,100,492 p.a.
17	Third Floor	Tenant 3	18-Aug-10	27-Jul-20	From 18-Aug-10 to 17-Jul-12	From 18-Aug-10 to 17-Aug-15 £1,014,232 p.a. From 18-Aug-15 to 27-Jul-20 £1,108,336 p.a.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

No.	Premises	Existing tenant	Term		Rent free period	Rent
			From	To		
18	Part Fourth Floor	Tenant 4	31-Aug-05	2-Apr-14	From 31-Aug-05 to 30-Aug-07	£406,600 p.a.
19	Part Fourth Floor	Tenant 4	29-Jul-05	2-Apr-14	From 1-Jul-10 to 31-Dec-11	£547,151 p.a.
20	Whole Fourth Floor	Tenant 5	2-Apr-14	1-Jul-25	From 2-Apr-14 to 1-Jul-14	From 3-Apr-14 to 31-Aug-15 £953,751 p.a. From 1-Sep-15 to 1-Jul-25 £1,082,500 p.a.
21	Fifth Floor	Tenant 4	2-Jul-04	2-Apr-14	From 2-Jul-04 to 1-Oct-06	£757,800 p.a.
22	Fifth Floor	Tenant 5	2-Apr-14	1-Jul-25	From 2-Apr-14 to 1-Jul-14	£795,900 p.a.

In accordance with Listing Rules 14.67(6)(b)(i), the Directors engaged Ernst & Young, the auditor of the Company, to conduct certain agreed upon procedures in respect of the rental income of the Property, in accordance with the Hong Kong Standard on Related Services 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The procedures were performed solely to assist the Directors in evaluating the arithmetic accuracy of the total gross rental income from the Property, and are summarised as follows:

1. The auditor obtained the schedule setting out the address, names of the lessor and lessee, rental period, monthly rent and gross rental income for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 from the management of the Company (the “**Gross Rental Income Summary**”) and checked the arithmetical accuracy of the total gross rental income for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017. The Gross Rental Income Summary was prepared by and the sole responsibility of the Directors.
2. From the Gross Rental Income Summary, the auditor agreed the address, names of the lessor and lessee, rental period and monthly rent (the “**Particulars**”) to the tenancy agreements provided by the Seller.

The auditor of the Company reports their findings as follows:

- a. With respect to procedure 1, the auditor found the total gross rental income for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 included in the Gross Rental Income Summary to be arithmetically accurate.

APPENDIX II UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

- b. With respect to procedure 2, from the Gross Rental Income Summary, the auditor found the Particulars to be in agreement with the relevant tenancy agreements.

Because the above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditor of the Company does not express any assurance on the total gross rental income and the Gross Rental Income Summary.

Had the auditor performed additional procedures or had the auditor performed an assurance engagement of the total gross rental income and the Gross Rental Income Summary in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to the auditor's attention that would have been reported to the Directors.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

(1) Introduction

The unaudited pro forma statement of assets and liabilities of the Group (the “**Pro Forma Statement**”) set out in section (2) below has been prepared by the Directors in accordance with paragraph 14.67 of the Listing Rules, for illustrative purposes only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 December 2016.

The Pro Forma Statement has been prepared based on the unaudited pro forma statement of assets and liabilities of the enlarged group in connection with the acquisition of 100% equity interest of Wholly Express Limited, as set out in the circular of the Company dated 8 August 2017, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes.

The Pro Forma Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Pro Forma Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed on 31 December 2016. Furthermore, the Pro Forma Statement does not purport to predict the Group’s future financial position.

The Pro Forma Statement should be read in conjunction with the financial information of the Group as set out in the circular of the Company dated 8 August 2017 and other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES**

**(2) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 31
DECEMBER 2016**

	Unaudited pro forma before the Acquisition: The Group as at 31 December 2016	Pro forma adjustments		Unaudited pro forma after the Acquisition: The Group as at 31 December 2016
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2(a))</i>	<i>HK\$'000</i> <i>(Note 2(b))</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	777,887			777,887
Investment properties	405,199	1,466,799		1,811,149
		(60,849)		
Intangible assets	642			642
Non-current deposits	1,667			1,667
	<hr/>			<hr/>
Total non-current assets	1,185,395			2,591,345
CURRENT ASSETS				
Properties under development	104,716			104,716
Inventories	5,313			5,313
Trade receivables	20,399			20,399
Prepayments, deposits and other receivables	15,064			15,064
Due from related companies	1,567			1,567
Pledged bank deposits	38,800			38,800
Cash and cash equivalents	284,906		(4,900)	280,006
	<hr/>			<hr/>
Total current assets	470,765			465,865
CURRENT LIABILITIES				
Trade payables	33,043			33,043
Receipts in advance	65,406			65,406
Other payables and accruals	71,224	1,466,799		1,538,023
Due to a shareholder	1,376			1,376
Due to related companies	68,065			68,065
Due to a director	861			861
Bank borrowings	132,264			132,264
Income tax payables	2,036			2,036
Other tax payables	2,208			2,208
	<hr/>			<hr/>
Total current liabilities	376,483			1,843,282

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES**

	Unaudited pro forma before the Acquisition: The Group as at 31 December 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>HK\$'000</i> <i>HK\$'000</i> <i>(Note 2(a))</i> <i>(Note 2(b))</i>		Unaudited pro forma after the Acquisition: The Group as at 31 December 2016 <i>HK\$'000</i>
NET CURRENT ASSETS/(LIABILITIES)	94,282			(1,377,417)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,279,677			1,213,928
NON-CURRENT LIABILITIES				
Bank borrowings	5,268			5,268
Loan from a shareholder	61,458			61,458
Preference shares	15,510			15,510
Deferred tax liabilities	99,765			99,765
Total non-current liability	182,001			182,001
NET ASSETS	1,097,676			1,031,927

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

Notes:

1. The unaudited pro forma statement of assets and liabilities of the Group before the Acquisition as at 31 December 2016 was extracted from Section A of Appendix IV to the circular of the Company dated 8 August 2017.

On 7 July 2017, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired from Winluck Global Limited (wholly owned by Mr. Wei Chunxian) and Silky Apex Limited (wholly owned by Mr. Sun Zhongmin) the entire interests in Wholly Express Limited, which engages in operation and management of leisure and lifestyle experience centre in Beijing, the PRC for a consideration of HK\$673,364,000. The transaction was completed on 31 August 2017.

Please refer to Appendix II and other sections of the circular dated 8 August 2017 for the accountants' report of Wholly Express Limited and details of the transaction.

2. (a) Being adjustment for the addition of an investment property as a result of the acquisition of the Property.

The cost represents (i) consideration for the acquisition of the Property of £134,500,000 (equivalent to approximately HK\$1,385,350,000); and (ii) the payment of stamp duty of £6,715,000 (equivalent to approximately HK\$69,159,000) and direct legal and transaction costs of £1,193,000 (equivalent to approximately HK\$12,290,000).

The Property is to be held by the Group to earn rentals and hence is classified as an investment property, which is initially measured at cost and subsequently measured at fair value. Change in fair value of the investment property will be recognised in profit or loss. The fair value of the Property as at 30 September 2017 was £136,500,000 (equivalent to HK\$1,405,950,000), which has been arrived at on the basis of a valuation carried out by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group. In preparing the Pro Forma Statement, the Directors assume the fair value of the Property as at 30 September 2017 approximates that as at 31 December 2016. Accordingly, a fair value loss adjustment amounting to £5,908,000 (equivalent to HK\$60,849,000) is recognised in profit or loss, in which the excess of cost over the fair value was attributable to the stamp duty and direct legal and transaction costs.

No deferred tax has been recognised in respect of the fair value loss adjustment as there is no tax consequence of recovery the carrying amount of an investment property entirely through sale based on relevant tax law in the UK.

- (b) Being adjustment for the effect of payment of legal and professional service costs directly attributable to the preparation of this circular, which are estimated to be HK\$4,900,000.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities as set out in Section A of Appendix III to this Circular.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 November 2017

To the Directors of GR Properties Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of GR Properties Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information (the “**Pro Forma Financial Information**”) consists of the pro forma statement of assets and liabilities as at 31 December 2016 and related notes as set out on Section A of Appendix III to the circular dated 29 November 2017 (the “**Circular**”) issued by the Company in connection with the proposed acquisition (the “**Proposed Acquisition**”) of a property known as Juxon House, 100 St. Paul’s Churchyard, London EC4 registered at the Land Registry of the United Kingdom under title number NGL799862 (referred to as the “**Property**”) by the Group. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section headed “Introduction” in Section A of Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group’s assets and liabilities as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from Section A of Appendix IV to the circular of the Company dated 8 August 2017 in connection with the acquisition of 100% equity interest of Wholly Express Limited by the Company.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**APPENDIX III UNAUDITED PRO FORMA STATEMENT OF ASSETS
AND LIABILITIES**

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2017 of the property contracted to be acquired by the Group located in the United Kingdom.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 November 2017

The Directors

GR Properties Limited

Suite 1603, 16/F, Wheelock House
20 Pedder Street, Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from GR Properties Limited (the “**Company**”) for us to value the property contracted to be acquired by the Company and / or its subsidiaries (together referred to as the “**Group**”) located in the United Kingdom. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2017 (the “**valuation date**”).

BASIS OF VALUATION

Our valuation of the property has been based on the Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

In valuing the property, we have adopted the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the

differences between the property and the comparables in terms of time, location, accessibility and other relevant factors. Where appropriate, we have also adopted Investment Approach by taking into account the current passing rents of the constituent units of the property being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

TITLE INVESTIGATION

We have caused a land search to be made at the Land Registry of UK and have been provided with a tenancy schedule. We have been advised by the Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

VALUATION CONSIDERATIONS

Inspection of the property was conducted by Ms. Maggie Li, (*BSc*) in November 2017. We have inspected the exterior and wherever possible, the interior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identifications of the property and all other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and the RICS Valuation, Global Standards 2017 published by the Royal Institution of Chartered Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in the British Pound (£).

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng

*BSc., MUD, MBA(Finance), MSc.(Eng),
PhD(Econ), FAIA, FFA, FIPA, FRSM,
CPA UK, MHKIE, MHKIS, MCI Arb, MASCE,
MIET, MIEEE, MASME, MISE
Managing Director*

Joannau W.F. Chan

*BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director*

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 15 years' experience in valuations of properties in the United Kingdom.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 9 years' experience in valuations of properties in the United Kingdom.

SUMMARY OF VALUE

Property contracted to be acquired by the Group for investment located in the United Kingdom

Property	Market Value in existing state as at 30 September 2017 £
Juxon House, 100 St Pauls Churchyard, London, EC4M 8BU, the United Kingdom	136,500,000
Total:	136,500,000

VALUATION CERTIFICATE

Property contracted to be acquired by the Group for investment located in the United Kingdom

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2017 £																						
Juxon House, 100 St Pauls Churchyard, London, EC4M 8BU, the United Kingdom	<p>The property comprises a 7-storey commercial building plus a basement space together with 20 car parking spaces. The building was completed in 2003.</p> <p>The total net floor area of the property is approximately 123,781 sq.ft. Details of which are tabulated as follows:</p> <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Area</th> <th style="text-align: right;">sq.ft.</th> </tr> </thead> <tbody> <tr> <td>5/F — office</td> <td style="text-align: right;">15,222</td> </tr> <tr> <td>4/F — office</td> <td style="text-align: right;">20,347</td> </tr> <tr> <td>3/F — office</td> <td style="text-align: right;">21,090</td> </tr> <tr> <td>2/F — office</td> <td style="text-align: right;">20,888</td> </tr> <tr> <td>1/F — office</td> <td style="text-align: right;">14,525</td> </tr> <tr> <td>G/F — office, reception and management office</td> <td style="text-align: right;">5,458</td> </tr> <tr> <td>LG/F — office</td> <td style="text-align: right;">5,321</td> </tr> <tr> <td>Basement</td> <td style="text-align: right;">847</td> </tr> <tr> <td>G/F & LG/F — retail</td> <td style="text-align: right;">20,083</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>123,781</u></td> </tr> </tbody> </table>	Area	sq.ft.	5/F — office	15,222	4/F — office	20,347	3/F — office	21,090	2/F — office	20,888	1/F — office	14,525	G/F — office, reception and management office	5,458	LG/F — office	5,321	Basement	847	G/F & LG/F — retail	20,083	Total:	<u>123,781</u>	<p>The office portion and retail portion of the property were subject to various tenancies. (Please refer to Note 3 for details).</p> <p>15 car parking spaces of the property were subject to various licenses. The remaining 5 car parking spaces of the property were vacant.</p>	136,500,000
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Total:	<u>123,781</u>																								

The property is held by way of a long leasehold interest from the freeholder, The Church Commissioners for England, expiring in June 2235. The head rent is calculated at 6.25% of the net income received from the property, subject to a minimum of £150,000 per annum.

Notes:

- (1) The property is situated at the junction of Lugate Hill and Ave Maria Lane respectively to its south and west within the City of London, and is about 20 miles from Heathrow Airport in London. Further to its southeast is across Paternoster Row is St. Paul’s Cathedral.
- (2) The registered owner of the property is Standard Life Assurance Limited (Scot. Co. Regn. No.Sc286833) registered under title number NGL799862.
- (3) The office portion and retail portion of the property are subject to the following tenancies:

No.	Premises	Term		Rent Free Period		Rent Review Date(s)	Rent per annum
		From	To	From	To		
Office Portion							
1	5th Floor	2-Apr-2014	1-Jul-2025	2-Apr-2014	1-Jul-2014	1-Jul-2019	£795,900
2	4th Floor	2-Apr-2014	1-Jul-2025	2-Apr-2014	1-Jul-2014	1-Feb-2020	£1,082,500
3	3rd Floor	18-Aug-2010	27-Jul-2020	18-Aug-2010	17-Jul-2012	18-Aug-2015	£1,108,336
4	2nd Floor	7-Jun-2005	6-Jun-2020	7-Jun-2005	6-May-2008	7-Jun-2010 & 7-Jun-2015	£1,100,492
5	Part 1st Floor (East Wing)	26-Jan-2015	30-Jul-2025	1-Aug-2015 31-Jul-2020	28-Apr-2016 31-Jan-2021	31-Jul-2020	£378,925
6	Part 1st Floor (West Wing)	26-Jan-2015	30-Jul-2025	1-Aug-2015 31-Jul-2020	28-Apr-2016 31-Jan-2021	31-Jul-2020	£462,932.5
7	Part Ground Floor	3-Oct-2016	2-Oct-2023	3-Oct-2016 27-Jul-2020	1-Apr-2017 26-Dec-2020	3-Oct-2021	£216,775
8	Lower Ground Floor	2-Apr-2014	1-Jul-2025	2-Apr-2014 29-Sep-2019	1-Jul-2014 24-Mar-2020	18-Aug-2015 & 28-Jul-2020	£120,000
9	Basement Storage	29-May-2009	1-Jul-2019	Nil	Nil	3-Jul-2014	£8,177
10	Basement Rooms BD3 & BD7	21-Nov-2015	1-Jul-2025	Nil	Nil	Nil	£5,000
Retail Portion							
11	Unit 1 on Ground Floor & Basement	25-Mar-2003	24-Mar-2023	25-Mar-2003	2-Jul-2003	25-Mar-2008, 25-Mar-2013 & 25-Mar-2018	£310,000
12	Unit 2 on Ground Floor & Basement	14-Aug-2008	13-Aug-2018	Nil	Nil	14-Aug-2013	£165,000
13	Unit 3 on Ground Floor & Basement	21-Jul-2004	20-Jul-2024	21-Jul-2004	20-Jan-2005	23-Jul-2009, 23-Jul-2014 & 23-Jul-2019	£265,000
14	Unit 4 on Ground Floor & Basement	25-Mar-2003	24-Mar-2023	25-Mar-2003	22-Dec-2003	25-Mar-2008, 25-Mar-2013 & 25-Mar-2018	£210,000

- (4) As at 30 September 2017, the office and retail areas are fully let.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, were as follows:

(a) Interests in the Shares

Name of director	Capacity	Number of Shares held	Number of underlying shares held	Approximate percentage of interest in the number of Shares in issue
Mr. Wei Chunxian ("Mr. Wei")	Interest of controlled corporation (<i>Note 1</i>)	984,214,591 (L) (<i>Note 1</i>)	181,964,000 (L) (<i>Note 2</i>)	80.85%
Mr. Sun Zhongmin ("Mr. Sun")	Beneficial owner	96,110,510 (L)	17,996,440 (L) (<i>Note 2</i>)	7.91%

(L) denotes long position

Note 1: 984,214,591 Shares were held by Wintime Company Limited, a wholly-owned subsidiary of Winluck Global Limited, which in turn, is wholly and beneficially owned by Mr. Wei. Each of Winluck Global Limited and Mr. Wei was deemed to be interested in 984,214,591 Shares held by Wintime Company Limited under the SFO. Mr. Wei is the sole director of Wintime Company Limited and Winluck Global Limited.

Note 2: Pursuant to an agreement dated 7 July 2017 entered into among the Company as purchaser, Winluck Global Limited and Silky Apex Limited as vendors and Mr. Wei and Mr. Sun as guarantors for the sale and purchase of the entire issued share capital of Wholly Express Limited (which was completed on 31 August 2017), convertible bonds in the principal amount of HK\$165,587,240 and HK\$16,376,760 were issued to Winluck Global Limited (being a company wholly and beneficially owned by Mr. Wei) and Silky Apex Limited (being a company wholly and beneficially owned by Mr. Sun), which are convertible into 181,964,000 conversion Shares and 17,996,440 conversion Shares at an initial conversion price of HK\$0.91 per conversion share respectively.

(b) Interests in associated corporations

Name of the member of the Group	Name of shareholder	Approximate percentage of equity interest
Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司)	Xinrong (Beijing) Investment Fund Management Company Limited* (鑫隆 (北京) 投資基金管理有限公司) (<i>Note</i>)	20%

Note: Xinrong (Beijing) Investment Fund Management Company Limited* (鑫隆 (北京) 投資基金管理有限公司) is a company established in the PRC and indirectly wholly-owned as to 91% by a close associate of Mr. Wei and as to 9% by Mr. Sun. Accordingly, Mr. Wei is therefore deemed to be interested in the 20% equity interest in Ruilai Recreational Fitness Company Limited.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested, directly or indirectly, and which was significant in relation to the business of the Group.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance are known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. EXPERTS AND CONSENT

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
BMI Appraisals Limited	property valuer
Ernst & Young	Certified Public Accountants

Each of BMI Appraisals Limited and Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of BMI Appraisals Limited and Ernst & Young:

- (a) was not interested, either directly or indirectly in any assets which have been acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MISCELLANEOUS

- (a) The registered office and the principal place of business of the Company is situated at Suite 1603, 16th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (b) The shares registrar of the Company is Tricor Standard Limited, with its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Ms. Lui Mei Ka, the company secretary of the Company, is a non-practising member of the Hong Kong Institute of Certified Public Accountants.

9. MATERIAL CONTRACTS

Set out below are the material contracts (not being entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by member of the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) a placing agreement dated 21 April 2016 entered into between the Company and Southwest Securities (HK) Brokerage Limited in relation to the placing of Shares raising a gross proceed of HK\$105,578,910 as set out in the announcement dated 21 April 2016;
- (b) a sale and purchase agreement dated 15 June 2016 entered into between the Company and Huge Spread Limited, pursuant to which the Company agreed to sell and Huge Spread Limited agreed to purchase the entire equity interest in Faith Stand (China) Limited and 福建佳成置業發展有限公司 (Jiacheng (Fujian) Investments Company Limited*) at the consideration of HK\$72,396,000;

- (c) an agreement dated 11 July 2016 entered into by GR Properties UK Limited and Picton (UK) Listed Real Estate Nominee (No. 1) Limited and Picton (UK) Listed Real Estate Nominee (No. 2) Limited in relation to the acquisition of the freehold property of Boundary House located at 7-17 Jewry Street, London EC3N 2EX registered at the Land Registry of UK under title number NGL447079 for a consideration of £27,780,000 (equivalent to approximately HK\$277,800,000);
- (d) a loan agreement dated 28 July 2016 and a supplemental agreement thereto dated 24 August 2016 entered into between the Company and Wintime Company Limited in relation to the grant of a revolving loan in the principal amount of up to HK\$250,000,000 to be granted by Wintime Company Limited to the Company;
- (e) a sale and purchase agreement dated 7 July 2017 entered into by the Company as purchaser, Winluck Global Limited and Silky Apex Limited as vendors and Mr. Sun Zhongmin and Mr. Wei Chunxian as guarantors for the sale and purchase of the entire issued share capital of Wholly Express Limited, a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK\$673,364,000;
- (f) the Purchase Agreement; and
- (g) the Shareholder Loan Facility Agreement.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Suite 1603, 16th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong during normal business hours on any weekday other than public holidays:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2015 and 31 December 2016;
- (c) the written consent referred to in the paragraph headed “7. Experts and Consent” in this Appendix;
- (d) the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix;
- (e) the report on the pro forma statement of assets and liabilities of the Group prepared by Ernst & Young, the text of which is set out in Appendix III to this circular;
- (f) the valuation report of the Property prepared by BMI Appraisals Limited, the text of which is set out in Appendix IV to this circular;
- (g) the circular of the Company dated 8 August 2017 in relation to the acquisition of entire issued share capital of Wholly Express Limited; and
- (h) a copy of this circular.