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GLORY 国瑞
GUORUI PROPERTIES LIMITED
國瑞置業有限公司

*(Incorporated in the Cayman Islands with limited liability
under the name of “Glory Land Company Limited (國瑞置業有限公司)”
and carrying on business in Hong Kong as “Guorui Properties Limited”
(Stock Code: 2329)*

**DISCLOSEABLE AND CONNECTED TRANSACTIONS:
PROPOSED TERMINATION OF CAPITAL
CONTRIBUTION ARRANGEMENTS
FOR EIGHT REAL ESTATE PROJECT COMPANIES**

THE TERMINATION AGREEMENTS

References are made to the announcements of the Company dated August 31, 2017, April 27, 2018, November 23, 2018, January 28, 2019, August 27, 2019, March 31, 2020 and August 31, 2020 and the circular of the Company dated May 10, 2018 in relation to the capital contributions in the Target Companies agreed by the Group. The total consideration for the Capital Contribution Arrangements amounts to RMB1.79 billion, which has not been paid by the Company as at the date of this announcement.

On November 23, 2020, the Company entered into eight Termination Agreements with the Target Companies and their respective existing shareholders to terminate the Capital Contribution Arrangements.

Upon completion of the Termination Agreements, as the Company will cease to hold any equity interest in the Target Companies, the financial results of each of the Target Companies will cease to be consolidated into those of the Group.

LISTING RULES IMPLICATIONS

The Target Companies are associates of Mr. Zhang Zhangqiao by virtue of holding over 30% equity interests. Mr. Zhang Zhangqiao is the younger brother of Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, the Target Companies are all connected persons of the Company and the Termination Agreements and the transactions contemplated thereunder all constitute connected transactions of the Company.

The applicable highest percentage ratio with respect to the transactions under the Termination Agreements on an aggregation basis exceeds 5% but is less than 25%. Therefore, these transactions are connected transactions which are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and are discloseable transactions which are subject to the announcement requirement under Chapter 14 of the Listing Rules.

EGM AND CLOSURE OF REGISTER OF MEMBERS

The EGM will be held at 10:30 a.m. on Monday, December 14, 2020 at Office of the Chairman, 5 Floor, Zonghe Building, Wanji Industrial Park, Nanshan District, Shenzhen, PRC to consider and, if thought fit, approve the Termination Agreements and transactions contemplated thereunder.

For the purpose of determining shareholders who are entitled to attend and vote at the EGM to be held on Monday, December 14, 2020, the register of members of the Company will be closed from Wednesday, December 9, 2020 to Monday, December 14, 2020, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, December 8, 2020.

A circular containing (i) further information on the Termination Agreements and the transactions contemplated thereunder; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder; (iii) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders within 15 business days after publication of this announcement.

I. INTRODUCTION

References are made to the announcements of the Company dated August 31, 2017, April 27, 2018, November 23, 2018, January 28, 2019, August 27, 2019, March 31, 2020 and August 31, 2020 and the circular of the Company dated May 10, 2018 in relation to the capital contributions in the Target Companies agreed by the Group. The total consideration for the Capital Contribution Arrangements amounts to RMB1,792.96 million, which has not been paid by the Company as at the date of this announcement.

On November 23, 2020, the Company entered into eight Termination Agreements with the Target Companies and their respective existing shareholders to terminate the Capital Contribution Arrangements.

II. CAPITAL CONTRIBUTION ARRANGEMENTS FOR EIGHT REAL ESTATE PROJECT COMPANIES

On August 31, 2017, Garden Group signed seven agreements to subscribe for/acquire 10% equity interest in each of the seven Target Companies (other than Shijiazhuang Guosha). On April 27, 2018, the Company signed seven additional capital contribution agreements with these Target Companies and their existing shareholders, respectively, to (i) acquire 10% equity interest held by Garden Group in the seven Target Companies (other than Shijiazhuang Guosha); (ii) make further capital contributions in the seven Target Companies (other than Shijiazhuang Guosha); and (iii) cooperate in their real estate projects.

On November 23, 2018, Guoxing Wanxun signed a capital contribution agreement to subscribe for 51% equity interest in Shijiazhuang Guosha.

A summary of the Capital Contribution Arrangements is set out in the table below:

Target Company	Equity interest in the Target Company held by the Company through Guoxing Wanxun as at the date of this announcement	Consideration payable by the Company
Guangdong Hongtai Guotong	35%	RMB434 million
Guangdong Guosha	51%*	RMB58.14 million
Tianjin Tianfu Rongsheng	35%	RMB215.95 million
Sanya Jingheng	35%	RMB320.95 million
Handan Guoxia	35%	RMB118.65 million
Chongqing Guosha	51%	RMB84.66 million
Jiangmen Yinghuiwan	51%*	RMB204.51 million
Shijiazhuang Guosha	51%	RMB356.10 million
		Total: RMB1,792.96 million

* Guangdong Guosha is directly owned as to 51% by Guoxing Wanxun and 49% by Guangdong Hongtai Guotong. As the Company holds 35% equity interests in Guangdong Hongtai Guotong, the Company's total interest in Guangdong Guosha is 68% from accounting perspective as set out in the Company's previous accountant's report. Similarly, the Company's total interest in Jiangmen Yinghuiwan is 52% from accounting perspective as set out in the Company's previous accountant's report. Save as disclosed above, the Company's total interest in other Target Companies are all held through Guoxing Wanxun, an indirect wholly-owned subsidiary of the Company.

After signing of the definitive agreements under the Capital Contribution Arrangements, as approved by the shareholders of each of the Target Companies, the articles of association and the register of members of each of the Target Companies have been changed in 2018 to reflect the Company's direct equity interest, voting power and board seat in the Target Company as follows:

Target Company	Direct equity interest in the Target Company	Voting power in the Target Company	Board seat in the Target Company
Guangdong Hongtai Guotong	35%	67%	The Company via Guoxing Wanxun is entitled to appoint two out of three directors at the board of each Target Company.
Guangdong Guosha	51%	51%	
Tianjin Tianfu Rongsheng	35%	67%	
Sanya Jingheng	35%	67%	
Handan Guoxia	35%	67%	
Chongqing Guosha	51%	67%	
Jiangmen Yinghuiwan	51%	67%	
Shijiazhuang Guosha	51%	51%	

Upon completion of the amendments to the articles of association and the update of the register of members in 2018, the Company has been entitled to control each of the Target Companies as elaborated in the table above. Therefore, each of the Target Companies is recorded as a non-wholly-owned subsidiary of the Company by virtue of the Company's significant control over the Target Company in terms of voting power and board seat. The Group has participated in the Target Companies' operation and development through appointment of a majority of directors in an ordinary and normal manner as agreed in the capital contribution agreements since it entered into the Capital Contribution Arrangements.

As at the date of this announcement, apart from Guangdong Hongtai Guotong, all other seven Target Companies have completed the change of registration with the market regulation department in the PRC in relation to the Capital Contribution Arrangements. Although the change of registration with the market regulation department in relation to Guangdong Hongtai Guotong is not completed, the Company is legally entitled to control Guangdong Hongtai Guotong as elaborated in the above table.

Under the Capital Contribution Arrangements, apart from the capital contribution in Shijiazhuang Guosha, which shall be paid by the Group in cash by December 17, 2020, the capital contributions in the other seven Target Companies shall be paid by the Group in cash by December 31, 2020. As at the date of this announcement, the Group has not paid any of the considerations for the Capital Contribution Arrangements.

Due to the commercial reasons as elaborated in "VI. Reasons for and Benefits of the Termination Agreements" below, the Company proposes to terminate the Capital Contribution Arrangements. On November 23, 2020, the Company entered into eight Termination Agreements with the Target Companies and their respective existing shareholders.

III. TERMINATION AGREEMENTS

The principal terms of the Termination Agreements are substantially the same, which are summarized as below:

Date:

November 23, 2020

Parties:

Termination Agreement	Target Company	Existing shareholder on behalf of the Company	Other existing shareholder(s)	Other signing parties to the capital contribution agreements
Termination Agreement I	Guangdong Hongtai Guotong	Guoxing Wanxun	Beijing Guoxing, Chongqing Longsha	the Company and Garden Group
Termination Agreement II	Guangdong Guosha		Guangdong Hongtai Guotong	
Termination Agreement III	Tianjin Tianfu Rongsheng		Tianjin Guoxing	
Termination Agreement IV	Sanya Jingheng		Guangdong Guosha Investment	
Termination Agreement V	Handan Guoxia		Shijiazhuang Guorui	
Termination Agreement VI	Chongqing Guosha		Chongqing Longsha	
Termination Agreement VII	Jiangmen Yinghuiwan		Heshan Tengyue, Guangdong Guosha Investment	
Termination Agreement VIII	Shijiazhuang Guosha		Shijiazhuang Guorui	

Termination of Capital Contribution Arrangements:

The parties have unconditionally agreed that the Capital Contribution Arrangements shall be terminated from the respective effective date of the Termination Agreement, and all rights and obligations of each party under the Capital Contribution Arrangements shall cease to be binding.

None of the Company, Garden Group and Guoxing Wanxun is required to pay any consideration for the Capital Contribution Arrangements, and they will cease to be a shareholder of the Target Company. In addition, they assume no responsibility on the Target Company and its other existing shareholder(s) in connection with the Capital Contribution Arrangements.

The Target Company and its other existing shareholder(s) waive any right of action against the Company, Garden Group and/or Guoxing Wanxun in relation to the Capital Contribution Arrangements.

Considerations:

None of the Company, Garden Group and Guoxing Wanxun will receive any additional consideration under the Termination Agreements after offsetting the total consideration payable by the Group under the Capital Contribution Arrangements.

None of the Target Companies have declared any dividend to the Company, Garden Group and/or Guoxing Wanxun as of the date of this announcement. Each of the Company, Garden Group and Guoxing Wanxun has agreed to forfeit its dividend entitlement, and all past and future dividends of the Target Company will be enjoyed by its then shareholder(s) after the Termination Agreement takes effect.

Resignation of directors and senior management of the Target Companies nominated by the Group:

Pursuant to the capital contribution agreements, the Group through Guoxing Wanxun is entitled to nominate two out of three directors at the board of the Target Company, and the CEO and CFO of the Target Company shall be nominated by Guoxing Wanxun too.

When the Termination Agreement becomes effective, the directors, supervisors and senior management nominated by Guoxing Wanxun shall resign from the respective Target Companies.

Condition:

The Termination Agreement will take effect upon obtaining the approval from the Independent Shareholders in respect of the Termination Agreement and the transaction contemplated thereunder pursuant to the Listing Rules.

For the avoidance of doubt, each Termination Agreement is inter-conditional to each other.

IV. INFORMATION ON THE TARGET COMPANIES

Each of the Target Companies is a limited liability company established in the PRC and is principally engaged in real estate development business.

As at the date of this announcement, the Target Companies are primarily developing the following real estate projects:

(i) Elegant Mansion (藏瓏華府)

Guangdong Hongtai Guotong has been principally engaged in the real estate development of Elegant Mansion and property management since its establishment in 2012. Elegant Mansion is a developing composite development located at south of Weiye Avenue (偉業大道), Chencun Town (陳村鎮), Shunde District (順德區), Foshan. It comprises three neighbouring pieces of land, grouping an irregular-shaped land lot with a total site area of 202,610.67 sq.m. According to the development plan, Elegant Mansion will be developed into high-rise residential, apartment, retail and underground car park. Elegant Mansion comprises the unsold portion of completed portion and construction in progress with a total proposed sellable gross floor area (GFA) of 356,553.25 sq.m. and 3,493 car spaces (3,472 unsold). As at the date of this announcement, other than the completed portion of the project, the other portion is under construction.

(ii) Four Season Spring City (四季泉城)

Guangdong Guosha has been principally engaged in the real estate development of Four Season Spring City and property management since its establishment in 2017. Four Season Spring City is a developing residential community located at south of No.369 Provincial Road, Sanshan Village (三山村), Shengtang Town (聖堂鎮), Enping, Jiangmen. It comprises two neighbouring pieces of land, grouping an irregular-shaped land lot with a total site area of 225,029.64 sq.m. According to the development plan, Four Season Spring City will be developed into high-rise residential, townhouse, retail and underground car park with a sellable GFA of 206,520.00 sq.m and 1,620 car spaces. As at the date of this announcement, it is under construction.

(iii) Brown Stone Town (融泰城)

Tianjin Tianfu Rongsheng has been principally engaged in the real estate development of Brown Stone Town and property management since its establishment in 2013. Brown Stone Town is a developing residential community located at east of Xiuchuan Road (秀川路), Xiqing District (西青區), Tianjin. It comprises an irregular-shaped land lot with a total site area of 137,816.40 sq.m. According to the development plan, Brown Stone Town will be developed in three phases and comprise high-rise residential, garden house and underground car park. Brown Stone Town comprises the unsold portion of completed portion and construction in progress with a sellable GFA of 132,725.80 sq.m. and 1,616 car spaces. As at the date of this announcement, other than the completed portion of the project, the other portion is under construction.

(iv) Glory Hongtang Bay (國瑞紅塘灣)

Sanya Jingheng has been principally engaged in the real estate development of Glory Hongtang Bay and property management since its establishment in 2016. Glory Hongtang Bay is a developing residential community located at Hongtangwan Tourism Resort (紅塘灣旅遊度假區), Tianya District, Sanya. It comprises five neighbouring pieces of land, grouping an irregular-shaped land lot with a total site area of 96,736.87 sq.m. According to the development plan, Glory Hongtang Bay will be developed into mid-rise residential, apartment, townhouse and underground car park with a total proposed GFA of 106,232.79 sq.m. and 76,074.57 sq.m. of car spaces. As at the date of this announcement, it is under construction.

(v) Glory Pinnacle (國瑞瑞城)

Handan Guoxia has been principally engaged in the real estate development of Glory Pinnacle since its establishment in 2016. Glory Pinnacle is a developing large-scale residential community located at south of Lingyuan Road (陵園路) and west of Fuhe Avenue (滏河大街), Hanshan District (邯山區), Handan. It comprises four neighbouring pieces of land grouping an irregular-shaped land lot with a total site area of 161,735.80 sq.m. According to the development plan, Glory Pinnacle will comprise high-rise residential, shopping mall, retail podium, kindergarten, underground car park and other facilities with a total proposed sellable GFA of 647,828.36 sq.m. and 3,659 car spaces. As at the date of this announcement, it is under construction.

(vi) Elegant Villa (書香溪墅)

Chongqing Guosha has been principally engaged in the real estate development of Elegant Villa and property management since its establishment in 2013. Elegant Villa is a developing residential community located at south of Daxuecheng South 2nd Road (大學城南二路), Shapingba District (沙坪壩區), Chongqing. It comprises three neighbouring pieces of land, grouping an irregular-shaped land lot with a total site area of 205,947.00 sq.m. According to the development plan, Elegant Villa will be developed into high-rise residential, garden house, townhouse and underground car park. Elegant Villa comprises the unsold portion of completed portion and construction in progress with a total proposed sellable GFA of 102,492.08 sq.m. and 2,323 car spaces. As at the date of this announcement, other than the completed portion, the other portion is under construction.

(vii) Lake Manor Villa (山湖海)

Jiangmen Yinghuiwan has been principally engaged in the real estate development of Lake Manor Villa and property management since its establishment in 2009. Lake Manor Villa is a developing residential community located at Gonghe Ecological Park, Gonghe Avenue, Gonghe Town, Heshan, Jiangmen. It comprises twelve neighbouring pieces of land, grouping an irregular-shaped land lot with a total site area of 407,456.91 sq.m. According to the development plan, Lake Manor Villa will be developed into high-rise residential, townhouse and retail with a total proposed sellable GFA of 569,339.98 sq.m. and 3,191 car spaces. As at the date of this announcement, it is under construction.

(viii) Fugui City (富貴城)

Shijiazhuang Guosha has been principally engaged in the real estate development of Fugui City and property management since its establishment in 2011. Fugui City is a developing residential community located at north of Xinhua Road (新華路) and west of West 2nd Ring Road (西二環路), Qiaoxi District (橋西區), Shijiazhuang. It comprises an irregular-shaped land lot with a total site area of 128,299.60 sq.m., of which, 62,861.36 sq.m. is allocated. According to the development plan, Fugui City will comprise high-rise residential, retail podiums and underground car park with a total proposed sellable GFA of 787,371.41 sq m and 1,454 car spaces. Besides, Fugui City also includes a portion of resettlement housing (回遷房) with a total GFA of 482,050.00 sq.m. As at the date of this announcement, it is under construction.

The Company has engaged an independent professional valuer to prepare the property valuation reports pursuant to the Listing Rules. Apart from the property valuation, the Company also engaged the valuer to conduct equity valuation on the Target Companies. The aggregate value of the Target Companies held by the Group as of August 31, 2020 is RMB2,332.08 million. A circular containing details of the property valuation reports and the equity valuation reports will be published in due course.

The table below sets forth the unaudited financial information of the Target Companies:

RMB million

Target Company	Net asset as of June 30, 2020	Net profit (loss) before tax			Net profit (loss) after tax		
		for the six months ended June 30, 2020	for the year ended December 31, 2019	for the year ended December 31, 2018	for the six months ended June 30, 2020	for the year ended December 31, 2019	for the year ended December 31, 2018
Guangdong Hongtai Guotong	1,776.10	109.47	57.70	730.42	90.11	49.13	413.86
Guangdong Guosha	118.19	(5.69)	(6.58)	(1.19)	(4.27)	(4.94)	(0.89)
Tianjin Tianfu Rongsheng	788.90	204.14	(45.18)	(19.14)	121.10	(33.49)	(14.48)
Sanya Jingheng	1,052.93	(9.15)	(20.91)	(17.95)	(7.05)	(15.68)	(13.46)
Handan Guoxia	394.82	20.31	7.77	(7.30)	15.13	5.45	(5.48)
Chongqing Guosha	374.80	65.79	154.83	55.94	36.71	94.63	39.48
Jiangmen Yinghuiwan	457.34	(11.05)	(11.00)	(12.42)	(4.51)	(8.25)	(9.31)
Shijiazhuang Guosha	849.13	(16.05)	(43.95)	(1.89)	(12.13)	(33.32)	(1.47)

The table below illustrates the shareholding structure of the Target Companies as at the date of this announcement and immediately upon completion of the Termination Agreements:

Target Company	As at the date of this announcement	Upon completion of the Termination Agreement *
Guangdong Hongtai Guotong	Guoxing Wanxun: 35% Beijing Guoxing and Chongqing Longsha: 65%	Beijing Guoxing and Chongqing Longsha: 100%
Guangdong Guosha	Guoxing Wanxun: 51% Guangdong Hongtai Guotong: 49%	Guangdong Hongtai Guotong: 100%
Tianjin Tianfu Rongsheng	Guoxing Wanxun: 35% Tianjin Guoxing: 65%	Tianjin Guoxing: 100%
Sanya Jingheng	Guoxing Wanxun: 35% Guangdong Guosha Investment: 65%	Guangdong Guosha Investment: 100%
Handan Guoxia	Guoxing Wanxun: 35% Shijiazhuang Guorui: 65%	Shijiazhuang Guorui: 100%

Target Company	As at the date of this announcement	Upon completion of the Termination Agreement *
Chongqing Guosha	Guoxing Wanxun: 51% Chongqing Longsha: 49%	Chongqing Longsha: 100%
Jiangmen Yinghuiwan	Guoxing Wanxun: 51% Heshan Tengyue and Guangdong Guosha Investment: 49%	Heshan Tengyue and Guangdong Guosha Investment: 100%
Shijiazhuang Guosha	Guoxing Wanxun: 51% Shijiazhuang Guorui: 49%	Shijiazhuang Guorui: 100%

* Upon completion of the Termination Agreements, Mr. Zhang Zhangqiao will hold 100% equity interest in each of the Target Companies through his controlled entities listed in the above column or any other third party entity designated by him.

V. FINANCIAL EFFECT OF THE TERMINATION AGREEMENTS

Upon completion of the Termination Agreements, as the Company will cease to hold any equity interest in the Target Companies, the financial results of each of the Target Companies will cease to be consolidated into those of the Group.

Taking into account the difference between (i) the total consideration payable by the Group under the Capital Contribution Arrangements (i.e. RMB1,792.96 million), and (ii) the aggregate value of the net assets of the Target Companies held by the Group as of June 30, 2020 (i.e. RMB2,346.85 million), which is calculated based on the Group's equity interest in the respective Target Companies and the net assets of the Target Companies as shown in the financial information table in Section IV of this announcement, the Group anticipates that the completion of the Termination Agreements will record a loss of approximately RMB553.89 million.

Following the completion of the Termination Agreements, each of the net assets and profit of the Group will decrease due to the de-consolidation of the Target Companies.

Shareholders and potential investors should note that the above expectation is for illustrative purpose only. The actual accounting gain or loss in connection with the transactions may be different from the above.

VI. REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENTS

The Group, as an integrated property developer, is principally engaged in the property development business in cities such as Beijing, Shenzhen, Haikou, Wanning and Langfang.

After due and deliberate consideration, the Directors have decided to terminate the Capital Contribution Arrangements based on the following reasons:

(1) The proposed termination of the Capital Contribution Arrangements is in line with the Group's business development strategy.

Real estate is a highly policy-oriented industry in China. The Company has been adhering to its overall business development strategy, which is that the business operations of the Group needs to be constantly adjusted to adapt to the ever-changing market environment and industry policies.

As stated in the section headed "IV. Information on the Target Companies", the real estate projects that are being developed by the Target Companies are mainly located in the third- and fourth-tier cities. At the time of entering into the Capital Contribution Arrangements, given that the then real estate market and policies were favorable for real estate companies to develop and operate in third- and fourth-tier cities and many real estate companies focused on land acquisitions in those cities, the Company also wished to explore potential development and boost the brand awareness of "Guorui Properties" in such new cities. Thus, the Company entered into the Capital Contribution Arrangements, which is in line with the Group's then business development strategy.

However, the outbreak of the COVID-19 which began in December 2019 and intensified in the first half of 2020 poses a new downside risk to China and global economy. With the impact of the COVID-19, for real estate companies, the pressure to deleverage has been increasing, the sales volume has been recovering slowly, and cash flow has been hampered. Many market players recorded a decrease in profit or even a loss during the first half of 2020.

Meanwhile, the Ministry of Housing and Urban-Rural Development of the PRC (MOHURD) and the People's Bank of China (PBOC) held a meeting with key real estate companies in late August 2020 to discuss a long-term mechanism for regulation of the real estate market. As indicated at the meeting, MOHURD and PBOC will form capital and financing management rules for key real estate companies. Although the relevant rules are currently only applied to some key real estate companies as pilot companies, the real estate industry has been greatly affected due to the policy orientation indicated by the rules. Therefore, the Company considers that it is essential for a real estate company to maintain a healthy cash flow and sufficient funds in the coming years.

Against the backdrop elaborated above, the Company expects that the COVID-19 and the potential financing policies will bring the challenges and uncertainties on its business operation and has adapted to such challenges and uncertainties as follows:

- (i) The Company has decided to maintain sufficient funds for the time being to meet unexpected capital expenditure in the future and unpredictable financing requirements imposed by MOHURD and PBOC; and
- (ii) Similar to other industries and market competitors in real estate industry, the progress of some of the Company's projects this year has slowed down as compared to that of the previous years due to the impact of the pandemic, thus the Company prefers focusing on its existing projects so as to keep up with schedule.

Therefore, the Company's current business development strategy is to maintain a healthy cash flow, have sufficient funds and exercise caution for significant investment, so as to ensure capital flexibility for tackling with the potential challenges and opportunities it may encounter for post COVID-19 recovery and future policy changes, which is unpredictable for now.

Meanwhile, the fulfillment of the Capital Contribution Arrangements requires the Company to make payment of the total consideration thereunder (i.e. approximately RMB1.79 billion) by end of 2020, taking up a significant portion of the Company's funds this year. Furthermore, the property market in the third- and fourth-tier cities may be under more pressure and faces higher uncertainties due to the outbreak of the COVID-19 and the potential new financing policies. Therefore, the Company considers that the Capital Contribution Arrangements are not in line with the Company's current business development strategy, and it decides to terminate the Capital Contribution Arrangements pursuant to the Termination Agreements.

- (2) **The increase in the appraised value of the Target Companies and the estimated financial effect of the Termination Agreements do not indicate that the Termination Agreements are not in the interest of the Company and its Shareholders as a whole.**

As disclosed in the circular in 2018 relating to the Capital Contribution Arrangements, the appraised value of the seven Target Companies (other than Shijiazhuang Guosha) as of February 28, 2018 is RMB3,794.00 million, while that of those companies as at August 31, 2020 is RMB4,752.90 million. The difference between the above-mentioned appraised values is mainly because the valuer has taken into account the consideration payable by the Group under the Capital Contribution Arrangements for those Target Companies (i.e. RMB1,436.86 million) when preparing the appraised value as at August 31, 2020 pursuant to the applicable valuation requirements. If the contribution of the consideration payable by the Company under the Capital Contribution Arrangements were excluded from the valuation factors, the appraised value of the seven Target Companies (other than Shijiazhuang Guosha) as at August 31, 2020 would be RMB3,316.04 million (i.e. the product of the appraised value of RMB4,752.90 million minus the consideration of RMB1,436.86 million payable by the Company), representing a decrease of RMB477.96 million or approximately 12.6% as compared to that as of February 28, 2018. Such decrease in the appraised value is mainly resulted from the change in the value of inventories, which is primarily due to the facts that the area of the projects has changed according to the gradually improved construction planning, and the sales price of some projects has decreased compared with that of the

year 2018 due to market changes. Thus, the Company considers that the actual market value of the Target Companies has decreased and is likely to continue to decrease as compared with that at the time of the Capital Contribution Arrangements given the property market in the third- and fourth-tier cities may be under more pressure and faces higher uncertainties due to the outbreak of the COVID-19 and the potential new financing policies as elaborated above.

As disclosed in the section headed “V. Financial Effect of the Termination Agreements”, the Company will record a loss of RMB553.89 million upon completion of the Termination Agreements. Such financial effect is calculated under the applicable accounting treatment, which is the product of the net assets of the Target Companies held by the Group as of June 30, 2020 (i.e. RMB2,346.85 million, which have included the contribution of consideration) minus the consideration payable by the Company (i.e. RMB1.79 billion). The loss of RMB553.89 million recorded in the financial statements mainly results from (i) the cumulative net profits (after tax) attributable to the equity interest held by the Group in the Target Companies during the period commencing from the consolidation of the Target Companies into the Group in 2018 and ending on June 30, 2020, which amounts to approximately RMB256.63 million; (ii) the aggregate amount of RMB308.71 million recognized at the time of the Capital Contribution Arrangements (the “**Valuation Related Premium**”), comprising (a) the gain from bargain purchase under the Capital Contribution Arrangements (i.e. RMB187.46 million) and (b) the difference between the fair value of the 10% equity interests in the Target Companies previously held by the Group through Garden Group and the carrying amounts of such interests (i.e. RMB121.25 million), which have been disclosed in Note 44 to the consolidated financial statements of the Company’s 2018 annual report at page 396.

Although the Group would record a one-off loss of RMB553.89 million as a result of the Termination Agreements in its financial statements, from the perspective of long-term development strategy, the Group is still of the view that the Termination Agreements are fair and reasonable and in the interest of the Company and its Shareholders as a whole for the following reasons:

- (i) From the cash flow perspective, the Group has not made any capital contribution in the Target Companies under the Capital Contribution Arrangements as at the date of this announcement. Whereas, according to the Capital Contribution Arrangements, the Group shall pay the total consideration (i.e. RMB1.79 billion) in cash by end of 2020. Furthermore, it is expected that even after the Company pays for the significant consideration under the Capital Contribution Arrangements by end of 2020, the Target Companies will still require additional funds for their current development and operation. In light of the possible real estate financing policies in China imposed by MOHURD and PBOC, the shareholders of the Target Companies (in particular the Group as the controlling shareholder) may need to support such funding demands if no external source of funding is available. As elaborated above, the Company currently plans to maintain sufficient cash resources for its own business operation, rather than making further significant investments in the Target Companies. Therefore, the termination of the Capital Contribution Arrangements is beneficial for the Company to maintain a healthy cash flow.

- (ii) If the Group would pay the consideration (i.e. RMB1.79 billion) and any further capital support in the Target Companies as mentioned in the above paragraph, the Company reasonably expects that the financing costs would be high in light of (a) the fixed borrowing rates ranged from 4.75% to 13.65% per annum as at June 30, 2020 as disclosed in the Company's 2020 interim report; (b) the possible real estate financing policies in China imposed by MOHURD and PBOC. For illustration purpose only, if the borrowing rate is 9.2% per annum (the mid-point of the abovementioned range), the interests payable by the Company would be RMB164.68 million per year for financing the consideration of RMB1.79 billion, the cumulative amount of which is expected to be higher than that of the net profits (after tax) of the Target Companies attributable to the Group (i.e. RMB256.63 million during the period commencing from the consolidation of the Target Companies into the Group in 2018 and ending on June 30, 2020). For the Valuation Related Premium of RMB308.71 million, as elaborated above, the Company considers that the actual market value of the Target Companies has decreased and is likely to continue to decrease as compared with that at the time of the Capital Contribution Arrangement.
- (iii) Taking into account the current market situation and economic environment, even if the projects of the Target Companies are completed as scheduled, there is still uncertainty on whether the property could be sold on time to return gains to the Group, as property sales have slowed down and the adverse impacts posed by the outbreak of the COVID-19 on China's economy remain highly unpredictable, in particular for the third- and fourth-tier cities.
- (iv) The loss of RMB553.89 million recorded in the Group's financial statements upon completion of the Termination Agreements is solely due to the applicable accounting treatment based on the fact that the Target Companies have been consolidated into the Group since 2018 as a result of obtaining the control over the Target Companies under the Capital Contribution Arrangements while the Target Companies will cease to be consolidated into the Group upon completion of the Termination Agreements. The arrangement contemplated under the Termination Agreements is not a disposal in nature from commercial perspective. Instead, it is just a termination of the previous transaction entered into by the Group where it has not paid any consideration or additional expenses due to the change of its business development strategy. In addition, the Group has not made any other investment in the Target Companies since it entered into the Capital Contribution Arrangements. In this regard, the commercial substance is that (if compared with the situation that the Target Companies had not been consolidated into the Group's financial statements) the Group does not bear any monetary loss for the termination of the Capital Contribution Arrangements.

(3) The termination of the Capital Contribution Arrangements is a more practicable method for the Company as compared with disposal of the Target Companies to third parties.

The Company had considered the possibility of selling all the equity interest held by the Company in the Target Companies to third parties after payment of the consideration for the Capital Contribution Arrangements.

Based on the internal assessment of the Company and rounds of discussions with Mr. Zhang Zhangqiao (the other ultimate owner of the Target Companies), the parties eventually agreed to terminate the Capital Contribution Arrangements pursuant to the Termination Agreements due to the following reasons:

- (i) Mr. Zhang Zhangqiao has a right of first refusal in the Target Companies pursuant to the PRC Company Law, i.e. to acquire the equity interest in the Target Companies held by the Group based on the same terms and conditions offered by a potential buyer. He prefers operating the Target Companies as the sole ultimate beneficial owner. In light the paragraphs (ii) and (iii) below, the termination of the Capital Contribution Arrangements is more beneficial to the Group as compared with the exercise of the right of first refusal by Mr. Zhang Zhangqiao based on the same terms and conditions (including acquisition price) offered by a potential buyer;
- (ii) Most of the property developers in the market are very cautious about property acquisitions in light of the possible capital and financing management rules to be formed by MOHURD and PBOC and economic environment affected by the COVID-19, while the aggregate amount of the consideration of the Capital Contribution Arrangements (i.e. RMB1.79 billion) is significant. Thus, it is very difficult to find a suitable buyer who is interested in the Target Companies in a short period;
- (iii) Even if such buyer could be identified, the buyer would require additional time to conduct due diligence, make business assessment and negotiate with the Company on favorable commercial terms. In addition, as mentioned above, the actual market value of the Target Companies has decreased and is likely to continue to decrease as compared with that at the time of the Capital Contribution Arrangements. It is reasonably expected by the Company that the potential buyer will offer a price which is lower than the amount of the consideration of the Capital Contribution Arrangements (i.e. RMB1.79 billion) based on the current actual market value of the Target Companies.

Taking the above into account, it would not only save the Company time but also more practicable for the Group to enter into the Termination Agreements, which in turn is beneficial for the Company and its Shareholders as a whole. Thus, the Company and Mr. Zhang Zhangqiao reached a consensus on the termination of the Capital Contribution Arrangements upon arm's length negotiations.

In light of the above factors, the Directors (including the independent non-executive Directors) are of the view that although the Termination Agreements are not conducted in the Group's ordinary or usual course of business, the terms of the Termination Agreements are determined after arm's length negotiation by the parties, and the transactions contemplated thereunder are conducted on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VII. INFORMATION ON THE PARTIES

The Company is principally engaged in property development and investment business in the PRC.

Each of Garden Group and Guoxing Wanxun is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement, which is mainly engaged in real estate operation business.

Each of Beijing Guoxing, Chongqing Longsha, Tianjin Guoxing, Guangdong Guosha Investment, Shijiazhuang Guorui and Heshan Tengyue is a limited liability company established in the PRC and is principally engaged in real estate development business. The ultimate beneficial owners of all these companies are Mr. Zhang Zhangqiao (張章僑) and Ms. Zhang Hong (張泓). Mr. Zhang Zhangqiao controls these companies and is the younger brother of Chairman Zhang and father of Ms. Zhang Hong.

VIII. LISTING RULES IMPLICATION

The Target Companies are associates of Mr. Zhang Zhangqiao by virtue of holding over 30% equity interests. Mr. Zhang Zhangqiao is the younger brother of Chairman Zhang. Therefore, pursuant to Chapter 14A of the Listing Rules, the Target Companies are all connected persons of the Company, and the Termination Agreements and the transactions contemplated thereunder all constitute connected transactions of the Company.

The applicable highest percentage ratio with respect to the transactions under the Termination Agreements on an aggregation basis exceeds 5% but is less than 25%. Therefore, these transactions are connected transactions which are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and are discloseable transactions which are subject to the announcement requirement under Chapter 14 of the Listing Rules.

Chairman Zhang, Ms. Ruan Wenjuan (spouse of Chairman Zhang), Ms. Zhang Jin (daughter of Chairman Zhang) and Mr. Lin Yaoquan (brother-in-law of Chairman Zhang) have abstained from voting on the relevant resolutions on approving the Termination Agreements at the board meeting in accordance with the requirements of the Listing Rules. Save as disclosed above, no other Directors are materially interested in the Termination Agreements or are required to abstain from voting at the board meeting.

An Independent Board Committee consisting of all the independent non-executive Directors has been established to consider and advise the Independent Shareholders on the Termination Agreements and the transactions contemplated thereunder. VBG Capital has been engaged by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder.

A circular containing (i) further information on the Termination Agreements and the transactions contemplated thereunder; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder; (iii) the letter from VBG Capital to the Independent Board Committee and the Independent Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder; and (iv) a notice of the EGM is expected to be despatched to the Shareholders within 15 business days after publication of this announcement.

IX. EGM AND CLOSURE OF REGISTER OF MEMBERS

The EGM will be held at 10:30 a.m. on Monday, December 14, 2020 at Office of the Chairman, 5 Floor, Zonghe Building, Wanji Industrial Park, Nanshan District, Shenzhen, PRC to consider and, if thought fit, approve the Termination Agreements and transactions contemplated thereunder.

For the purpose of determining shareholders who are entitled to attend and vote at the EGM to be held on Monday, December 14, 2020, the register of members of the Company will be closed from Wednesday, December 9, 2020 to Monday, December 14, 2020, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, December 8, 2020.

IX. DEFINITIONS

In this announcement, the following expressions have the following meanings:

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Beijing Guoxing”	Beijing Guoxing Real Estate Limited* (北京國興地產有限公司), a limited liability company incorporated in the PRC
“Board”	the board of Directors of the Company
“Capital Contribution Arrangements”	the capital contributions in the Target Company(ies) agreed by the Group as elaborated in the announcements of the Company dated August 31, 2017, April 27, 2018, November 23, 2018, January 28, 2019, August 27, 2019, March 31, 2020 and August 31, 2020 and the circular of the Company dated May 10, 2018 (as the case may be)
“Chairman Zhang”	Mr. Zhang Zhangsun (張章筭), the controlling Shareholder, Chairman of the Board and president of the Company
“Chongqing Guosha”	Chongqing Guosha Real Estate Development Co., Ltd.* (重慶國廈房地產開發有限公司), a limited liability company incorporated in the PRC
“Chongqing Longsha”	Chongqing Longsha Real Estate Development Co., Ltd.* (重慶龍廈房地產開發有限公司), a limited liability company incorporated in the PRC
“Company”	Guorui Properties Limited (國瑞置業有限公司), an exempted company with limited liability incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” and that carries on business in Hong Kong as “Guorui Properties Limited”
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10:30 a.m. at Office of the Chairman, 5 Floor, Zonghe Building, Wanji Industrial Park, Nanshan District, Shenzhen, PRC on Monday, December 14, 2020 or any adjournment thereof (as the case may be)
“Garden Group”	Shantou Garden Group Co., Ltd.* (汕頭花園集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Group”	the Company and subsidiaries of the Company
“Guangdong Guosha”	Guangdong Guosha Real Estate Co., Ltd.* (廣東國廈地產有限公司), a limited liability company incorporated in the PRC
“Guangdong Guosha Investment”	Guangdong Guosha Investment Holding Group Co., Ltd.* (廣東國廈投資控股集團有限公司), which is formerly known as Shantou Guosha Real Estate Co., Ltd.* (汕頭市國廈地產有限公司), a limited liability company incorporated in the PRC
“Guangdong Hongtai Guotong”	Guangdong Hongtai Guotong Real Estate Co., Ltd.* (廣東宏泰國通地產有限公司), a limited liability company incorporated in the PRC
“Guoxing Wanxun”	Beijing Guoxing Wanxun Technology and Trade Consulting Co., Ltd.* (北京國興萬訊科貿諮詢有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Handan Guoxia”	Handan Guoxia Real Estate Development Co., Ltd.* (邯鄲市國夏房地產開發有限公司), a limited liability company incorporated in the PRC
“Heshan Tengyue”	Heshan Tengyue Real Estate Development Co., Ltd.* (鶴山市騰悅房地產開發有限公司), a limited liability company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Termination Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Termination Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions proposed at the EGM for approving the Termination Agreements and the transactions contemplated thereunder
“Jiangmen Yinghuiwan”	Jiangmen Yinghuiwan Real Estate Co., Ltd.* (江門映暉灣房地產有限公司), a limited liability company incorporated in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sanya Jingheng”	Sanya Jingheng Properties Co., Ltd.* (三亞景恒置業有限公司), a limited liability company incorporated in the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shijiazhuang Guorui”	Shijiazhuang Guorui Real Estate Development Co., Ltd.* (石家莊國瑞房地產開發有限公司), a limited liability company incorporated in the PRC
“Shijiazhuang Guosha”	Shijiazhuang Guosha Real Estate Development Co., Ltd.* (石家莊國廈房地產開發有限公司), a limited liability company incorporated in the PRC
“Target Companies”	Guangdong Hongtai Guotong, Guangdong Guosha, Tianjin Tianfu Rongsheng, Sanya Jingheng, Handan Guoxia, Chongqing Guosha, Jiangmen Yinghuiwan and Shijiazhuang Guosha, and a Target Company refers to any of them
“Termination Agreement I”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Guangdong Hongtai Guotong, Beijing Guoxing and Chongqing Longsha dated November 23, 2020 to terminate the Capital Contribution Arrangements for Guangdong Hongtai Guotong
“Termination Agreement II”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Guangdong Guosha and Guangdong Hongtai Guotong dated November 23, 2020 to terminate the Capital Contribution Arrangements for Guangdong Guosha
“Termination Agreement III”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Tianjin Tianfu Rongsheng and Tianjin Guoxing dated November 23, 2020 to terminate the Capital Contribution Arrangements for Tianjin Tianfu Rongsheng

“Termination Agreement IV”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Sanya Jingheng and Guangdong Guosha Investment dated November 23, 2020 to terminate the Capital Contribution Arrangements for Sanya Jingheng
“Termination Agreement V”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Handan Guoxia and Shijiazhuang Guorui dated November 23, 2020 to terminate the Capital Contribution Arrangements for Handan Guoxia
“Termination Agreement VI”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Chongqing Guosha and Chongqing Longsha dated November 23, 2020 to terminate the Capital Contribution Arrangements for Chongqing Guosha
“Termination Agreement VII”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Jiangmen Yinghuiwan, Heshan Tengyue and Guangdong Guosha Investment dated November 23, 2020 to terminate the Capital Contribution Arrangements for Jiangmen Yinghuiwan
“Termination Agreement VIII”	the agreement entered into among the Company, Garden Group, Guoxing Wanxun, Shijiazhuang Guosha and Shijiazhuang Guorui dated November 23, 2020 to terminate the Capital Contribution Arrangements for Shijiazhuang Guosha
“Termination Agreement(s)”	Termination Agreement I, Termination Agreement II, Termination Agreement III, Termination Agreement IV, Termination Agreement V, Termination Agreement VI, Termination Agreement VII and Termination Agreement VIII, and a Termination Agreement refers to any of them
“Tianjin Guoxing”	Tianjin Guoxing Real Estate Co., Ltd.* (天津國興地產有限公司), a limited liability company incorporated in the PRC
“Tianjin Tianfu Rongsheng”	Tianjin Tianfu Rongsheng Real Estate Development Co., Ltd.* (天津天富融盛房地產開發有限公司), a limited liability company incorporated in the PRC
“%”	percentage

By Order of the Board
Guorui Properties Limited
Zhang Zhangsun
Chairman

PRC, November 23, 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhang Zhangsun, Ms. Ruan Wenjuan, Ms. Zhang Jin, Mr. Lin Yaoquan, Ms. Dong Xueer and Mr. Li Bin as executive Directors and Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru as independent non-executive Directors.

* For identification purpose only