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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)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

DISPOSAL OF RUI HUA INVESTMENT LIMITED

THE DISPOSAL

The Board is pleased to announce that, on 31 May 2021 (after trading hours), the Company and the Purchasers entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the Sale Shares, representing all the issued shares of the Target Company.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Winluck Global is a substantial shareholder of the Company since Wintime Company Limited, a wholly-owned subsidiary of Winluck Global, is the beneficial owner of 1,434,421,537 Shares (representing approximately 44.83% of all the issued Shares). Further, Winluck Global is wholly-owned by Mr. Wei and Silky Apex is wholly-owned by Mr. Sun as at the date of this announcement. Each of Mr. Wei and Mr. Sun is an executive Director and therefore each of Winluck Global and Silky Apex is a connected person of the Company under Chapter 14A of the Listing Rules.

The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the Disposal are less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

The Board is pleased to announce that, on 31 May 2021 (after trading hours), the Company and the Purchasers entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the Sale Shares, representing all the issued shares of the Target Company.

THE AGREEMENT

The principal terms of the Agreement are set forth below:

- Date: 31 May 2021
- Parties:
- (a) the Company (as vendor)
 - (b) Winluck Global (as purchaser)
 - (c) Silky Apex (as purchaser)

Equity interest to be disposed of

Pursuant to the Agreement, the Company has conditionally agreed to sell and the Purchasers have conditionally agreed to acquire the Sale Shares, representing all the issued shares of the Target Company.

Consideration

Pursuant to the Agreement, the total consideration of the Disposal is HK\$100, of which HK\$91 will be paid by Winluck Global in cash to the Company within two (2) days of the date of the Agreement and HK\$9 will be paid by Silky Apex in cash to the Company within two (2) days of the date of the Agreement.

The consideration abovementioned was determined after arm's length negotiations between the Company and the Purchasers and arrived at on normal commercial terms with reference to (i) the net liability value of the Target Group of approximately HK\$102,057,000 as at 30 April 2021; and (ii) the value of the Target Group appraised by an independent professional valuer engaged by the Group based on asset-based approach at HK\$nil as at 30 April 2021. The Directors are not optimistic about the prospects of the Target Group in the foreseeable future, and consider that the consideration of the Disposal is fair and reasonable.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied (or waived):

- (a) the Purchasers being satisfied with the results of due diligence of the assets, liabilities, operation and business of the Target Company and its subsidiaries to be conducted after the date of the Agreement by the advisers and representatives of the Purchasers;
- (b) the Company having fulfilled the requirements of announcement, obtained the required approvals and (where applicable) the Shareholders' approval;
- (c) no material adverse change nor events having arisen which may have a material adverse effect on the Target Company and its subsidiaries since the date of the Agreement; and
- (d) the Company having obtained all necessary permission and consent in connection with the Agreement and the transactions contemplated thereunder.

Completion

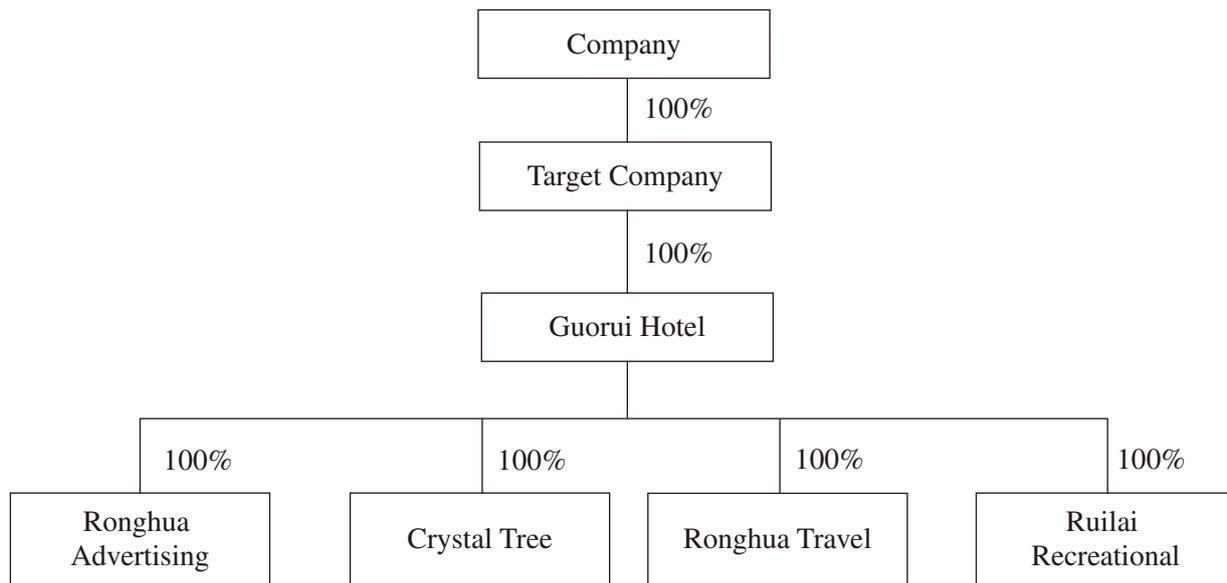
The Completion will take place on 31 May 2021 after the fulfilment of all conditions precedent abovementioned.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. The Target Company is principally engaged in property development, property management and property investment.

As at the date of this announcement, the shareholding structure of the Target Group is as follows:



Guorui Hotel is a company established in the PRC with limited liability. It is principally engaged in operation and management of a leisure and lifestyle experience centre.

Ronghua Advertising is a company established in the PRC with limited liability. It is currently inactive as at the date of this announcement.

Crystal Tree is a company established in the PRC with limited liability. It is principally engaged in provision of spa treatment service in a leisure and lifestyle experience centre.

Ronghua Travel is a company established in the PRC with limited liability. It is currently inactive as at the date of this announcement.

Ruilai Recreational is a company established in the PRC with limited liability. It is principally engaged in the operation and management of fitness centres.

Financial information of the Target Group

The table below sets forth a summary of the audited consolidated financial information of the Target Group (prepared in accordance with the International Financial Reporting Standards) for the two years ended 31 December 2019 and 2020:

	For the year ended 31 December 2019 <i>HK\$</i>	For the year ended 31 December 2020 <i>HK\$</i>
Revenue	70,284,585	25,597,372
Loss before taxation	(34,595,516)	(14,800,532)
Loss after taxation	(34,595,516)	(14,800,532)

The unaudited net liability value of the Target Group as at 30 April 2021 was approximately HK\$102,057,000. The value of the Target Group appraised by an independent professional valuer engaged by the Group based on asset-based approach was HK\$nil as at 30 April 2021.

INFORMATION OF THE GROUP AND THE PURCHASERS

The Group is principally engaged in property development and investments in the United Kingdom, the United States of America and the PRC, provision of property management services in the PRC and operation and management of a leisure and lifestyle experience centre in the PRC.

The Company is a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108). The Company is an investment holding company.

Winluck Global is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wei as at the date of this announcement. Winluck Global is principally engaged in investment holding.

Silky Apex is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Sun as at the date of this announcement. Silky Apex is principally engaged in investment holding.

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Company expects that the Group will realise an estimated gain of approximately HK\$101,957,100 on the Disposal, being the difference between (i) the total consideration of the Disposal; (ii) professional fees and other relevant expenses of the Disposal of approximately HK\$100,000; and (iii) the net liability value of the Target Group of approximately HK\$102,057,000 as at 30 April 2021 assuming the Disposal took place on 31 May 2021.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss eventually to be finalised in the consolidated financial statements of the Group depends on, among other things, the net asset value of the Target Group on the date of Completion and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

The Company intends to apply the gross proceeds of the Disposal of approximately HK\$100 to its working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Given the continuing loss making of the Target Group and taking into account the adverse impact of the outbreak of the COVID-19 pandemic on the hotel and travelling industry, the Group is not optimistic about the prospects of the Target Group going forward. As such the Directors believe that it would be in the interest of the Company and its Shareholders that the Target Group be disposed of as soon as possible in order to reduce further commitment to such business and to realign its resources to focus on its core business of property development, property investment and property management.

Based on the unaudited consolidated financial statements of the Target Group for 30 April 2021, the net liability value of the Target Group was approximately HK\$102,057,000. The Target Group has recorded net losses of HK\$34,595,516 and HK\$14,800,532 for the year ended 31 December 2019 and 2020 respectively.

As Winluck Global is wholly-owned by Mr. Wei and Silky Apex is wholly-owned by Mr. Sun as at the date of this announcement, Mr. Wei and Mr. Sun are considered to have a material interest in the Agreement and the transactions contemplated thereunder, and have therefore abstained from voting on the Board resolutions approving, inter alia, the Agreement.

In light of the foregoing, the Directors (excluding Mr. Wei and Mr. Sun who had abstained from voting at the Board resolutions approving the Agreement, but including the independent non-executive Directors) consider that the terms of the Agreement, which are determined after arm's length negotiations between the Company and the Purchasers, are fair and reasonable, and the Disposal whilst not in the ordinary and usual course of business of the Group, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Winluck Global is a substantial shareholder of the Company since Wintime Company Limited, a wholly-owned subsidiary of Winluck Global, is the beneficial owner of 1,434,421,537 Shares (representing approximately 44.83% of all the issued Shares). Further, Winluck Global is wholly-owned by Mr. Wei and Silky Apex is wholly-owned by Mr. Sun as at the date of this announcement. Each of Mr. Wei and Mr. Sun is an executive Director and therefore each of Winluck Global and Silky Apex is a connected person of the Company under Chapter 14A of the Listing Rules.

The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the Disposal are less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

On 20 August 2020, Guorui Hotel and AOCEAN Property Management entered into a Property Management Agreement, pursuant to which AOCEAN Property Management shall provide property management services to the premises of Guorui Hotel situated in Beijing, the PRC for a term of three (3) years from 1 September 2020 to 31 August 2023 at an annual fee of approximately RMB685,200.

After Completion, Guorui Hotel will become a company indirectly held by Mr. Wei as to 91% and therefore become an associate of Mr. Wei. As the Property Management Agreement will continue after Completion, it will constitute a continuing connected transaction of the Company.

Since each of the percentage ratios (other than the profits ratio) for the Property Management Agreement is less than 5% on an annual basis and the estimated annual amount is less than HK\$3 million, the transaction under the Property Management Agreement falls within the de minimis threshold under Rule 14A.76(1)(c) of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that the Property Management Agreement is renewed or its terms are varied, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 31 May 2021 entered into between the Company and the Purchasers in relation to the Disposal
“AOCEAN Property Management”	Beijing AOCEAN Property Management Company Limited* (北京澳西物業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108)
“Completion”	completion of the Disposal
“connected person”	has the meaning ascribed to it in the Listing Rules
“Crystal Tree”	Beijing Crystal Tree Commercial Management Company Limited* (北京水晶樹商務管理有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchasers pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Guorui Hotel”	Beijing Guorui Hotel Management Co., Ltd.* (北京國銳酒店管理有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

“Mr. Sun”	Mr. Sun Zhongmin, an executive Director
“Mr. Wei”	Mr. Wei Chunxian, an executive Director and the chairman of the Board
“PRC”	The People’s Republic of China
“Property Management Agreement”	the property management agreement dated 20 August 2020 entered into between Guorui Hotel and AOCEAN Property Management in respect of the provision of property management services by AOCEAN Property Management to the premises of Guorui Hotel situated in Beijing, the PRC
“Purchasers”	Winluck Global and Silky Apex
“RMB”	Renminbi, the lawful currency of the PRC
“Ronghua Advertising”	Beijing Ronghua Tiandi Advertising Company Limited* (北京榮華天地廣告有限公司), a company established in the PRC with limited liability
“Ronghua Travel”	Beijing Ronghua Tiandi International Travel Agency Company Limited* (北京榮華天地國際旅行社有限公司), a company established in the PRC with limited liability
“Ruilai Recreational”	Beijing Ruilai Recreational Fitness Company Limited (北京銳萊康體健身有限公司), a company established in the PRC with limited liability
“Sale Shares”	all the issued shares of the Target Company
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Silky Apex”	Silky Apex Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Sun as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules

“Target Company”	Rui Hua Investment Limited (銳華天地投資有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Winluck Global”	Winluck Global Limited (勝運環球有限公司), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wei as at the date of this announcement
“%”	per cent

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 31 May 2021

As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin, Ms. Huang Fei and Ms. Li Bing; and the independent non-executive Directors are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Leung Louis Ho Ming.

* *For identification purposes only*