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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 PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF GUARANTEE

On 4 August 2021 (after trading hours), Beijing Wangangtong, a wholly-owned subsidiary of the Company, entered into the Guarantee Agreement with the Borrower pursuant to which Beijing Wangangtong agreed to provide guarantee in favour of the Borrower by means of (a) pledging Property A to Ping An Bank to facilitate the Borrower to obtain a facility of up to RMB300 million provided by Ping An Bank; and (b) pledging Property B to Dalian Bank to facilitate the Borrower to obtain a facility of up to RMB216 million provided by Dalian Bank. In return, Beijing Wangangtong shall receive from the Borrower a guarantee fee of 2% per annum of the amount of actual drawdown by the Borrower under the Ping An Facility and the Dalian Facility.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Guarantee are more than 5% but less than 25%, it constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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Principal terms of the Guarantee Agreement

- Date: 4 August 2021
- Parties: (1) Beijing Wangangtong, a wholly-owned subsidiary of the Company; and
(2) the Borrower
- Subject matter: Pursuant to the terms of the Guarantee Agreement, Beijing Wangangtong has agreed to provide guarantee in favour of the Borrower by means of (a) pledging Property A to Ping An Bank to facilitate the Borrower to obtain a facility of up to RMB300 million from Ping An Bank; and (b) pledging Property B to Dalian Bank to facilitate the Borrower to obtain a facility of up to RMB216 million from Dalian Bank, in return for a guarantee fee.
- In respect of the Dalian Facility, Beijing Wangangtong will also pledge its rental income arising from Property B to Dalian Bank as additional security.
- Term of the Guarantee: The Guarantee will be effective from the date of the relevant pledge agreements and/or documents to be entered into between Beijing Wangangtong and the respective Banks and will expire upon the full repayment of the respective Facilities.
- Guarantee Fee: Beijing Wangangtong shall charge the Borrower a guarantee fee of 2% per annum of the amount of actual drawdown by the Borrower under the Ping An Facility and the Dalian Facility, which is payable by the Borrower to Beijing Wangangtong at the same time of the payment of interest by the Borrower to the Banks under the respective Facility Agreements.
- Taking into account of the maximum limit of the Ping An Facility and the Dalian Facility, the guarantee fee to be received by Beijing Wangangtong from the Borrower will be up to RMB6,000,000 and RMB4,320,000 per year respectively.
- Such guarantee fee was determined after arm's length negotiations between Beijing Wangangtong and the Borrower by reference to the market rate of guarantee fee charged by financing companies in the PRC.

On or after the date of the Guarantee Agreement, Beijing Wangangtong will execute the necessary agreements and/or documents in favour of the Banks to implement and formalise the Guarantee arrangements in accordance with applicable PRC laws and regulations.

REASONS AND BENEFITS OF THE PROVISION OF GUARANTEE

Beijing Wangangtong is the owner of the Properties, which are part of Building No.2 of Kingdom Guorui (國銳•金嶺) located at No.1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC. Since the Borrower was one of the general contractors of the development of Kingdom Guorui, the Borrower and the Group had built and maintained a good working relationship since they first cooperated in the engineering, renovation, construction and office upgrade work during the development of the Building early this year. The Borrower has also recommended and procured a number of quality customers to enter into contracts with the Group for office rental.

As informed by the Borrower, it has applied to the Banks for the Facilities to support its daily business operations and working capital needs, and was required by the Banks to provide security. The Borrower therefore approached Beijing Wangangtong to discuss if it can facilitate by pledging its properties to the Banks in favour of the Borrower in return for guarantee fee.

Taking into account the market practice of financing companies in the PRC, the Board considers that the guarantee fee at a rate of 2% per annum on actual drawdown is fair and reasonable and is in line with market rates. The guarantee fee will provide an additional income source to the Group attributable to its owned Properties (in addition to the normal rental income of the Properties) and is in the interest of the Company and its shareholders as a whole. The guarantee support to the Borrower will also strengthen the business relationship and allow further cooperation between the Group and the Borrower.

The Group has carried out its own due diligence and assessed the financial conditions of the Borrower. Based on the audited financial statements of the Borrower for the financial year ended 31 December 2020 provided by the Borrower, the Borrower recorded for the year ended 31 December 2020 a total revenue of approximately RMB4,666 million, net profit before and after tax of approximately RMB95 million and RMB81 million respectively, and a net asset value of approximately RMB612 million as at 31 December 2020. Taking into account the financial conditions of the Borrower, the Directors are of the view that its financial exposure is reasonably limited.

The Group will also closely monitor the financial conditions and usage of the Facilities of the Borrower in order to ensure the effective implementation of the Guarantee Agreement and to avoid default of the Facilities on the part of the Borrower which may lead to financial losses to the Group.

In light of the foregoing, the Directors are of the view that the terms of the Guarantee Agreement, which are determined after arm's length negotiations between the Group and the Borrower, are fair and reasonable, and the Guarantee is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PROPERTIES

Property A comprises 49 properties owned by Beijing Wangangtong with a gross floor area of approximately 7,619 square meters located on 1st to 5th floors of the Building.

Property B comprises 75 properties owned by Beijing Wangangtong with a gross floor area of approximately 11,476 square meters located on 6th to 12th floors of the Building.

As at the date of this announcement, Beijing Wangangtong is the owner of the BW Building.

Based on the latest unaudited management accounts of Beijing Wangangtong as at 31 December 2020, the fair value of the BW Building was approximately RMB1,088 million.

Based on the latest unaudited management accounts of Beijing Wangangtong for the financial years ended 31 December 2019 and 2020, the net loss and net profit (before taxation) of Beijing Wangangtong were approximately RMB202 million and RMB40 million respectively, and the net loss and net profit (after taxation) of Beijing Wangangtong were approximately RMB202 million and RMB31 million respectively.

INFORMATION OF THE GROUP AND BEIJING WANGANGTONG

The Group is principally engaged in property development and investments in the United Kingdom, the United States of America and the PRC, and provision of property management services in the PRC.

Beijing Wangangtong is a limited liability company established in the PRC which is principally engaged in office building leasing, commercial property leasing and property investment. As at the date of this announcement, Beijing Wangangtong is a direct wholly-owned subsidiary of the Company.

INFORMATION OF THE BORROWER

The Borrower is a limited liability company established in the PRC which is principally engaged in comprehensive construction investment integrating municipal, highway, rail transit, housing construction, decoration, mechanical and electrical installation engineering construction, machinery rental and construction technology consulting. As an intellectually intensive, technology-intensive group company, now the Borrower has a municipal public works construction general contracting grade one qualification, highway construction general contracting grade one qualification, housing construction general contracting grade one qualification, mechanical and electrical equipment installation engineering professional contracting grade one qualification, building decoration engineering professional contracting grade qualification, bridge engineering professional contracting grade two qualification, tunnel engineering professional contracting grade two qualification, pressure pipeline installation GB1, GB2 (2) level qualification.

The ultimate beneficial owners of the Borrower are Wang Hongzhen (as to 51% of the entire equity interest in the Borrower) and the People's Government of Beijing Municipality (as to 49% of the entire equity interest in the Borrower).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION OF THE BANKS

Each of Ping An Bank and Dalian Bank is a financial institution established in the PRC.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Guarantee are more than 5% but less than 25%, it constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Banks”	Ping An Bank and Dalian Bank
“Beijing Wangangtong”	Beijing Wangangtong Technology Development Co., Ltd.* (北京萬港通科技發展有限公司), a limited liability company established in the PRC
“Board”	the board of Directors
“Borrower”	BCEG Road and Bridge Construction Group Co., Ltd. (北京建工路橋集團有限公司), a limited liability company established in the PRC
“Building”	Building No.2 of Kingdom Guorui (國銳•金嶺), No.1 Ronghua South Road, Beijing Economic and Technological Development Area, Beijing, the PRC
“BW Building”	the whole of the basements, the whole of Levels 2 to 11, Unit 108 on Level 1M and Units 1201, 1202 and 1203 on Level 12M of the Building, which are owned by Beijing Wangangtong
“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 108)
“Dalian Bank”	Bank of Dalian Beijing Branch* (大連銀行股份有限公司北京分行), a financial institution established in the PRC
“Dalian Facility”	facility of up to RMB216 million to be granted by Dalian Bank to the Borrower for a term of 24 months under the Dalian Facility Agreement

“Dalian Facility Agreement”	the facility agreement to be entered into between Dalian Bank and the Borrower in respect of the grant of the Dalian Facility by Dalian Bank to the Borrower, which is pending the approval by Dalian Bank
“Directors”	directors of the Company
“Facilities”	Ping An Facility and Dalian Facility
“Facility Agreements”	Ping An Facility Agreement and Dalian Facility Agreement
“Guarantee”	financial assistance provided by Beijing Wangangtong to the Borrower under the Guarantee Agreement
“Guarantee Agreement”	the guarantee agreement dated 4 August 2021 entered into between Beijing Wangangtong and the Borrower, pursuant to which Beijing Wangangtong agreed to provide guarantee in favour of the Borrower by means of (a) pledging Property A to Ping An Bank to facilitate the Borrower to obtain the Ping An Facility; and (b) pledging Property B to Dalian Bank to facilitate the Borrower to obtain the Dalian Facility
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ping An Bank”	Yizhuang Sub-Branch of Beijing Branch of Ping An Bank Co., Ltd. (平安銀行股份有限公司北京分行亦莊支行), a financial institution established in the PRC
“Ping An Facility”	facility of up to RMB300 million granted by Ping An Bank to the Borrower for a term of one year commencing from 3 August 2021 to 2 August 2022 under the Ping An Facility Agreement
“Ping An Facility Agreement”	the facility agreement dated 2 August 2021 entered into between Ping An Bank and the Borrower in respect of the grant of the Ping An Facility by Ping An Bank to the Borrower
“PRC”	The People’s Republic of China
“Properties”	Property A and Property B
“Property A”	49 properties owned by Beijing Wangangtong with a gross floor area of approximately 7,619 square meters located on Levels 1 to 5 of the Building
“Property B”	75 properties owned by Beijing Wangangtong with a gross floor area of approximately 11,476 square meters located on Levels 6 to 12 of the Building

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 4 August 2021

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

* *for identification purposes only*