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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 7 October 2022 (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 shall provide guarantee in favour of the Borrower by means of (i) pledging the Property to Xiamen International Bank; (ii) pledging its rental income and other receivables arising from the Property to Xiamen International Bank; and (iii) providing joint liability guarantee for the repayment of the Xiamen Facility, in order to facilitate the Borrower to obtain a facility of up to RMB300 million provided by Xiamen International Bank. In return, Beijing Wangangtong shall receive from the Borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the Borrower under the Xiamen 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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Borrower to obtain a facility of up to RMB300 million provided by Xiamen International Bank. In return, Beijing Wangangtong shall receive from the Borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the Borrower under the Xiamen Facility.

### **Principal terms of the Guarantee Agreement**

- Date: 7 October 2022
- 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 shall provide guarantee in favour of the Borrower by means of (i) pledging the Property to Xiamen International Bank; (ii) pledging its rental income and other receivables arising from the Property to Xiamen International Bank; and (iii) providing joint liability guarantee for the repayment of the Xiamen Facility, in order to facilitate the Borrower to obtain a facility of up to RMB300 million from Xiamen International Bank, in return for a guarantee fee.
- Term: The term of the Guarantee will commence from the effective date of the Xiamen Pledge Documents and will expire upon the full repayment of the Xiamen Facility or the end of three years following the deadline for debt repayment (or the extended deadline for debt repayment agreed by the parties) under the Xiamen Facility Agreement (whichever is later).
- Guarantee Fee: Beijing Wangangtong shall charge the Borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the Borrower under the Xiamen Facility, which is payable by the Borrower to Beijing Wangangtong at the same time of the payment of interest by the Borrower to Xiamen International Bank under the Xiamen Facility Agreement.
- Taking into account of the maximum limit of the Xiamen Facility, the guarantee fee to be received by Beijing Wangangtong from the Borrower will be up to RMB3,000,000 per year.
- 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 20 September 2022, Beijing Wangangtong has executed the Xiamen Pledge Documents and delivered the same to Xiamen International Bank for internal approvals and execution. On the date of this announcement, Xiamen International Bank has confirmed that it has completed the formalities to execute the Xiamen Pledge Documents.

As advised by the management of the Company, the Ping An Facility and Dalian Facility taken out by the Borrower have been fully repaid and the guarantee provided by Beijing Wangangtong under the BW Guarantee Agreement has been terminated and/or expired.

## **REASONS AND BENEFITS OF THE PROVISION OF GUARANTEE**

Beijing Wangangtong is the owner of the Property, being 142 properties in 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 in early 2021. 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 Xiamen International Bank for the Xiamen Facility for the purpose of purchase of raw materials, and was required by Xiamen International Bank to provide security. The Borrower therefore approached Beijing Wangangtong to discuss if it can facilitate by pledging its properties to Xiamen International Bank in favour of the Borrower in return for guarantee fee.

Taking into account the market practice of financing companies in the PRC and the credit history of the Borrower, the Board considers that the guarantee fee at a rate of 1% per annum on actual drawdown is fair and reasonable and is in line with market rates. Based on the market information obtained by the management of the Group, the market rate for guarantees provided by financing companies which principally engages in providing guarantee in the PRC is in the range of 1% to 2% per annum. Given that Beijing Wangangtong is not a financing company principally engaging in the provision of guarantee in the PRC, the Board considers that the guarantee fee of 1% per annum under the Guarantee is in line with the market rate, fair and reasonable and on normal commercial terms. Besides, the guarantee fee will provide an additional income source to the Group attributable to its owned Property (in addition to the normal rental income of the Property) 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 2021 provided by the Borrower, the Borrower recorded for the year ended 31 December 2021 a total revenue of approximately RMB4,738.1 million, net profit before and after tax of approximately RMB87.5 million and RMB76.6 million respectively, and a net asset value of approximately RMB692.3 million as at 31 December 2021.

Besides, the Group has conducted background checks on the Borrower. As the People's Government of Beijing Municipality is the ultimate beneficial owner of 49% of the entire equity interest in the Borrower as at the date of this announcement, the Board considers that the Borrower has strong motivation and sufficient financial resources to repay the loan and comply with the terms of the Xiamen Facility.

Taking into account the financial conditions and the background of the Borrower, the Directors are of the view that its financial exposure is reasonably limited. On the above basis, the Board considers it not necessary to obtain any security from the Borrower for the provision of the Guarantee.

On the basis of the due diligence and assessment on the Borrower referred to above, the Board considers its due diligence to be sufficient for the purpose of entering into the Guarantee Agreement.

Pursuant to the Guarantee Agreement, Beijing Wangangtong has the right to request the Borrower to provide any information for the purpose of understanding and monitoring the compliance of the Xiamen Facility during the term of the Guarantee Agreement. The Group will closely monitor the financial conditions and usage of the Xiamen Facility of the Borrower in order to ensure the effective implementation of the Guarantee Agreement and to avoid default of the Xiamen Facility on the part of the Borrower which may lead to financial losses to the Group.

In the event of default of the Xiamen Facility by the Borrower, the Company has the right to demand the Borrower to repay the Xiamen Facility to Xiamen International Bank. The Company will in any event have the right to sue the Borrower for any loss suffered by the Group as a result of such default.

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 PROPERTY**

The Property comprises 142 properties owned by Beijing Wangangtong with a gross floor area of approximately 22,521.09 square meters located on lower ground 3rd floor to 12th floor of the Building.

The market value of the Building as at 31 December 2021 was RMB1,088 million according to the valuation report prepared by an independent professional valuer.

Based on the audited financial statements of Beijing Wangangtong for the financial years ended 31 December 2020 and 2021, the net profit (before taxation) of Beijing Wangangtong were approximately RMB2.7 million and RMB27.5 million respectively, and the net loss (after taxation) of Beijing Wangangtong for the financial year ended 31 December 2020 was approximately RMB2.3 million and the net profit (after taxation) of Beijing Wangangtong for the financial year ended 31 December 2021 was approximately RMB18.7 million.

## **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.

As at the date of this announcement, 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 XIAMEN INTERNATIONAL BANK**

Xiamen International 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:

“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 Guarantee Agreement”	the guarantee agreement dated 4 August 2021 entered into between Beijing Wangangtong and the Borrower, pursuant to which Beijing Wangangtong shall provide guarantee for the Ping An Facility and Dalian Facility by means of pledging certain parts of the Building, further details of which are set out in the announcements of the Company dated 4 August 2021 and 15 March 2022
“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 Facility”	facility of up to RMB300 million to be granted by Bank of Dalian Beijing Branch* (大連銀行股份有限公司北京分行) to the Borrower for a term commencing from 26 July 2021 to 14 July 2023 under the facility agreement dated 10 August 2021, further details of which are set out in the announcements of the Company dated 4 August 2021 and 15 March 2022
“Directors”	directors of the Company
“Guarantee”	financial assistance provided by Beijing Wangangtong to the Borrower under the Guarantee Agreement
“Guarantee Agreement”	the guarantee agreement dated 7 October 2022 entered into between Beijing Wangangtong and the Borrower, pursuant to which Beijing Wangangtong shall provide guarantee in favour of the Borrower by means of (i) pledging the Property to Xiamen International Bank; (ii) pledging its rental income and other receivables arising from the Property to Xiamen International Bank; and (iii) providing joint liability guarantee for the repayment of the Xiamen Facility, in order to facilitate the Borrower to obtain the Xiamen Facility
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ping An Facility”	facility of up to RMB300 million granted by 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) to the Borrower for a term of one year commencing from 3 August 2021 to 2 August 2022 under the facility agreement dated 2 August 2021, further details of which are set out in the announcements of the Company dated 4 August 2021 and 15 March 2022
“PRC”	The People’s Republic of China
“Property”	142 properties owned by Beijing Wangangtong with a gross floor area of approximately 22,521.09 square meters located on lower ground 3rd floor to 12th floor of the Building
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen Facility”	facility of up to RMB300 million granted by Xiamen International Bank to the Borrower for a term of three years commencing from 20 September 2022 to 19 September 2025 under the Xiamen Facility Agreement

“Xiamen Facility Agreement”	the facility agreement dated 20 September 2022 entered into between Xiamen International Bank and the Borrower in respect of the grant of the Xiamen Facility by Xiamen International Bank to the Borrower
“Xiamen International Bank”	Beijing Branch of Xiamen International Bank Co., Ltd.* (廈門國際銀行股份有限公司北京分行), a financial institution established in the PRC
“Xiamen Pledge Documents”	a property pledge agreement, a receivables pledge agreement and a guarantee agreement all dated 20 September 2022 entered into between Beijing Wangangtong and Xiamen International Bank for implementing the pledge of the Property, the pledge of rental income and other receivables arising from the Property and the joint liability guarantee as contemplated under the Guarantee Agreement
“%”	per cent

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

Hong Kong, 7 October 2022

*As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin 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*