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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)

## **VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF PROPERTY**

### **SUPPLEMENTAL AGREEMENT**

Reference is made to the announcement of GR Properties Limited (the “**Company**”) dated 9 March 2015 in relation to the very substantial acquisition in relation to the acquisition of Property (the “**Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise specified.

On 31 March 2015, the Buyer and the Seller has further entered into a first amendment to the Purchase Agreement (the “**First Amendment**”) to amend the terms of the Purchase Agreement, details of which are set out below:

#### **FIRST AMENDMENT**

Date : 31 March 2015 (US time) (after the trading hours of the Stock Exchange)

Buyer : East Pacific Properties LLC, an indirect wholly-owned subsidiary of the Company

Seller : Wilshire West Car Wash, LLC, a California limited liability company

#### **Effective Date**

The First Amendment shall be effective as of 26 March 2015.

#### **Amendments to the Purchase Agreement**

The Buyer and the Seller agreed to amend the Purchase Agreement as follows:

1. The Purchase Price will be increased from US\$25,000,000 (equivalent to approximately HK\$194,000,000) to US\$25,250,000 (equivalent to approximately HK\$195,940,000).

2. The coverage limits of the Title Policy dated the date of Closing, which insures the Buyer's interest in the Property, will be increased from US\$25,000,000 (equivalent to approximately HK\$194,000,000) to US\$25,250,000 (equivalent to approximately HK\$195,940,000).
3. The Buyer's execution of the First Amendment will constitute the Buyer's delivery to the Seller of the Approval Notice under the Purchase Agreement. The Buyer will deposit with the Escrow Holder the Additional Deposit in the sum of US\$1,000,000 within two business days after the execution and delivery of the First Amendment.
4. The Seller agrees to submit an application with the City of Santa Monica for the demolition of all the buildings on the Land (the "**Demo Permit Application**") promptly after the execution of the First Amendment and to pursue an approval of the Demo Permit Application in good faith and reasonable diligence. If the City of Santa Monica's Landmarks Commission ("**Landmarks Commission**") or any members of the general public have provided specific objections or comments to the Demo Permit Application and/or requested the City of Santa Monica to evaluate the historic merits of any of the existing buildings on the Land within the 60-day period following the submission of the Demo Permit Application, then the Seller shall proceed to make good faith and reasonable efforts to obtain approval for the Demo Permit Application at the Landmarks Commission Public Hearing (the "**Public Hearing**") which would be scheduled for the Property to address such objections or comments..
5. The following condition precedent to Closing will be added to the Purchase Agreement:

"The Demo Permit Application Approval (as defined below) has been approved."

The above condition precedent shall be deemed to have been satisfied if:

- (i) the Demo Permit Application has been approved by the City of Santa Monica;
- (ii) a representative of the City of Santa Monica confirms, in substance, the following in an email transmission: (A) that during the 60-day period following the submission of the Demo Permit Application no application was submitted for the designation of a structure of merit, a landmark or a historic district at the Property, and (B) that the remaining portion of the demolition permit application process with respect to the Property is ministerial;
- (iii) the condition in subparagraph (ii)(A) above, but not the condition set forth in subparagraph (ii)(B) above, is met and Edgar Khalatian, Buyer's land use attorney, confirms to his reasonable satisfaction that the remaining portion of the demolition permit application process with respect to the Property is ministerial; or

(iv) the Seller has pulled a demolition permit from the City of Santa Monica with respect to the buildings on the Land.

(the occurrence of any of the items in subparagraphs (i) through (iv) above to be referred to as “**Demo Permit Application Approval**”)

6. If the Demo Permit Application Approval has not occurred or the Landmarks Commission has not otherwise approved of the Demo Permit Application by the later of the end of the 60-day period following the submittal of the Demo Permit Application, or at the Public Hearing, as applicable, or if the Demo Permit Application is not otherwise approved by the City of Santa Monica by 31 July 2015, the Purchase Agreement shall automatically terminate and the total deposit paid in the aggregate amount of US\$2,000,000 shall be returned to Buyer within two business days of such termination.
7. The Buyer agrees to reimburse the Seller for (A) the permitting fees paid by the Seller to the City of Santa Monica solely in connection with its efforts to obtain the approval of the Demo Permit Application, and (B) if the Seller elects to pull the demolition permit as referenced in subparagraph 5(iv) above, all reasonable costs and expenses incurred by the Seller in connection therewith. As the costs and expenses to be incurred is expected to be insignificant, the Company agrees to reimburse the Seller even if the Demo Permit Application Approval is not approved.
8. The Closing shall be changed to take place on the date which is 60 days following the date of the Demo Permit Application Approval, or such earlier date as the Buyer and the Seller may mutually agree.

Save for the above, all other terms and conditions of the Purchase Agreement will remain unmodified and in full force and effect.

*Basis of determination of the increase in Purchase Price and coverage limits of the Title Policy*

As the Demo Permit Application process could potentially delay the Closing for several months, the Seller may experience a delay in obtaining the Purchase Price and use of funds. As such, the Seller requested for an increase in the Purchase Price. The increase in Purchase Price (i.e. US\$250,000 (equivalent to approximately HK\$1,940,000)) was arrived at after arm's length negotiations, taking into account the assumption of additional obligations by the Seller and expedition of the Group's development plans in respect of the Property as a result of the Demo Permit Application Approval.

The increase in coverage limits is to reflect the increase in the Purchase Price.

## **REASONS AND BENEFITS OF THE AMENDMENTS TO THE PURCHASE AGREEMENT**

Following the mutual execution and delivery of the Purchase Agreement on 26 February 2015, the Group has engaged experts to conduct due diligence on the Property. During the due diligence process, the Company became aware that the demolition of buildings on the Land requires a permit (the “**Demo Permit**”) by the City of Santa Monica for they are built over 40 years ago. For the avoidance of doubt, the Demo Permit Application is not one of the Development Entitlements but without the Demo Permit, it is not possible to commence development.

As disclosed in the Announcement, the Group currently intends to demolish the existing buildings and structure of the Land and develop the Land into a three-stories property with residential units, retail and restaurant as well as car parking spaces. Upon completion of the development project, the Group currently intends to sell the residential units and hold the retail and restaurant as well as car parking spaces as investment properties for lease to third parties.

Since the said permit for demolition of buildings on the Land is essential for the Group to carry out its intended plans for the Land, after negotiations with the Seller, the Seller has agreed to add the non-ministerial portion of the Demo Permit Application (i.e. the approval of the Demo Permit Application Approval) as a condition precedent to Closing, and to be responsible for the Demo Permit Application. The new condition precedent to Closing is the satisfaction of the non-ministerial portion of the Demo Permit Application Approval. After Closing, if the Demo Permit is not yet issued, the Buyer may be required to complete the ministerial procedures for the issue of the Demo Permit. If the Demo Permit was issued prior to Closing, the City of Santa Monica will administratively transfer the Demo Permit to the Buyer. Upon the satisfaction of the non-ministerial portion of the Demo Permit Application Approval, the Company does not expect there to be any impediments for the issue of or the transfer of, as applicable, the Demo Permit. Under the terms of the First Amendment, in the event that, among other things, the Demo Permit Application Approval does not occur before the prescribed deadline, the Purchase Agreement shall automatically terminate and the total deposit paid shall be returned to the Buyer. Since this arrangement safeguards the Group’s ability to develop the Land as intended upon Closing, the Directors consider that the moderate increase in the Purchase Price and the reimbursement of the Seller of all the permitting fees paid solely in connection with its efforts to obtain the approval of the Demo Permit Application is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above, the Directors consider that the entering into of the First Amendment is in the interest of the Company and the Shareholders as a whole and that the terms of the First Amendment are fair and reasonable.

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

Hong Kong, 1 April 2015

*For illustration purposes only, the exchange rate of US\$1.00 = HK\$7.76 has been adopted for translating US\$ into HK\$ in this announcement. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.*

*As at the date of this announcement, the executive Directors are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Liu Shuhua; and the independent non-executive Directors are Mr. Tung Woon Cheung Eric, Mr. Mak Kwong Yiu and Mr. Chui Tsan Kit.*