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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO

(I) REVISION OF EXISTING ANNUAL CAPS;

AND

**(II) THE 2018 NEW HEAT SUPPLY SERVICES AGREEMENT;
THE 2018 NEW PROPERTY MANAGEMENT AGREEMENT; AND
THE 2018 KINGDOM GUORUI SALES OFFICE MANAGEMENT
AGREEMENT**

RENEWAL OF THE EXISTING ANNUAL CAPS UNDER THE (A) BEIJING GUORUI PROPERTY MANAGEMENT AGREEMENT; AND (B) BEIJING GUOLONG PROPERTY MANAGEMENT AGREEMENT

After the Existing Continuing Connected Transactions has come into effect, due to the rapid development of the business of the Group and the Beijing Guorui Group, the Directors anticipate that the Existing Annual Caps for the Existing Continuing Connected Transactions Contemplated under the Property Management Agreements will be exceeded during the remaining terms thereof. As such, the Company proposed to revise the Existing Annual Caps for the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement for the year 2017 by entering into Supplemental Agreements. Moreover, with a view to better cater for the future business expansion and the potential growth of income from the Existing Continuing Connected Transactions, as well as to rationalize the term of all the Existing Continuing Connected Transactions to tie with the financial year end of the Group for better monitoring, the Company and Beijing Guorui Group negotiated and on 20 October 2017 (after trading hours), entered into the conditional 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, and upon such agreements becoming effective, they shall supersede the relevant Heat Supply Agreements, the Property Management Agreements and Kingdom Guorui Sales Office Management Agreement and the same shall be terminated and cease to have any effect.

THE NEW AGREEMENTS FOR THE CONTINUING CONNECTED TRANSACTIONS

To rationalize the transaction arrangement and to improve the operation and management efficiency, the parties entered into the 2018 New Heat Supply Services Agreement. The heat supply provided under the Heat Supply Services Agreements was sourced from independent third parties by AOCEAN Property Management and will continue to be sourced from independent third parties by AOCEAN Property Management under the 2018 New Heat Supply Services Agreements.

To rationalize the transaction arrangement and to improve the operation and management efficiency, AOCEAN Property Management and Beijing Guorui Property entered into the 2018 New Property Management Agreement for management of the vacant units and units occupied by the Beijing Guorui Group within the residential and commercial property projects of the Beijing Guorui Group. AOCEAN Property Management also entered into the 2018 Kingdom Guorui Sales Office Management Agreement.

LISTING RULES IMPLICATIONS

The transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement would therefore constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the revised annual caps for the relevant Existing Continuing Connected Transactions and the annual caps for each of the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, respectively, exceed 25%, the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will seek the Independent Shareholders' approval of the transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, and the annual caps thereof at the General Meeting by way of poll whereby Wintime, Mr. Sun and their respective associates shall abstain from voting.

GENERAL

A circular containing, *inter alia*, (i) details of the proposed revision to the relevant Existing Annual Caps; (ii) details of the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement; (iii) the letter of recommendation from the Independent Board Committee; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the General Meeting, will be despatched to the Shareholders on or before 8 November 2017 in accordance with the Listing Rules.

Reference is made to the announcement of the Company dated 27 November 2015 and the circular of the Company dated 23 December 2015 in relation to, among other things, the Existing Continuing Connected Transactions contemplated under the Heat Supply Agreements, the Property Management Agreements and Kingdom Guorui Sales Office Management Agreement, and the respective Existing Annual Caps for each of the Existing Continuing Connected Transactions. Pursuant to the relevant agreements, AOCEAN Property Management, an indirect wholly-owned subsidiary of the Company, has agreed to provide heat supply services or property management services to Beijing Guorui Property or Beijing Guolong (as the case may be).

After the Existing Continuing Connected Transactions has come into effect, due to the rapid development of the business of the Group and the Beijing Guorui Group, the Directors anticipate that the Existing Annual Caps for the Existing Continuing Connected Transactions contemplated under the Property Management Agreements will be exceeded during the remaining terms thereof. As such, the Company proposed to revise the Existing Annual Caps for the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement for the year 2017 by entering into Supplemental Agreements. Moreover, with a view to better cater for the future business expansion and the potential growth of income from the Existing Continuing Connected Transactions, as well as to rationalize the term of all the Existing Continuing Connected Transactions to tie with the financial year end of the Group for better monitoring, the Company and Beijing Guorui Group negotiated and on 20 October 2017 (after trading hours), entered into the conditional 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, and upon such agreements becoming effective, they shall supersede the relevant Heat Supply Agreements, the Property Management Agreements and Kingdom Guorui Sales Office Management Agreement and the same shall be terminated and cease to have any effect.

(I) RENEWAL OF THE EXISTING ANNUAL CAPS UNDER THE (A) BEIJING GUORUI PROPERTY MANAGEMENT AGREEMENT; AND (B) BEIJING GUOLONG PROPERTY MANAGEMENT AGREEMENT

As disclosed in the announcement of the Company dated 27 November 2015 and the circular of the Company dated 23 December 2015, the Company has entered into the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement. Also, for the purpose of revising the relevant Existing Annual Caps thereunder, the Supplemental Agreements were entered into. Brief details of the agreements are as follows:

(A) Beijing Guorui Property Management Agreement

Date:	27 November 2015 (as supplemented on 20 October 2017)
Term:	1 January 2016 to 31 December 2018 (both days inclusive)
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property

Under the Beijing Guorui Property Management Agreement, AOCEAN Property Management is responsible for (i) safekeeping of the keys of the vacant units; (ii) carrying out monthly inspections of the vacant units and keeping records accordingly;

(iii) carrying out monthly cleaning of the vacant units; and (iv) inspecting the vacant units during bad weather conditions; (v) providing security services; and (vi) maintaining and managing facilities and assets for public use, etc.

The Existing Annual Caps for the Beijing Guorui Property Management Agreement are as follows:

	For the year ended 31 December 2016 (RMB)	For the year ending 31 December 2017 (RMB)	For the year ending 31 December 2018 (RMB)
Existing Annual Caps	4,481,000	6,858,000	7,497,000

Since it is expected that the Existing Annual Cap for the year ending 31 December 2017 will be exceeded, and the Beijing Guorui Property Management Agreement will be replaced by the 2018 Beijing Guorui Property Management Agreement commencing from 1 January 2018 with the new relevant annual cap being approved at the EGM, the Company proposed to seek approval from the Independent Shareholders at the EGM to revise the Existing Annual Cap for the year ending 31 December 2017 under the Beijing Guorui Property Management Agreement to RMB14,244,000.

The proposed revised annual cap has been determined by the Company after taking into account the actual amount of management fee received by AOCEAN Property Management under the Beijing Guorui Property Management Agreement and the estimated management fee to be received by AOCEAN Property Management for the year ending 31 December 2017.

(B) Beijing Guolong Property Management Agreement

- Date: 27 November 2015 (as supplemented on 20 October 2017)
- Term: 1 January 2016 to 31 December 2018 (both days inclusive)
- Parties: (1) AOCEAN Property Management
(2) Beijing Guorui Property

Under the Beijing Guorui Property Management Agreement, AOCEAN Property Management is responsible for (i) safekeeping of the keys of the vacant units; (ii) carrying out monthly inspections of the vacant units and keeping records accordingly; (iii) carrying out monthly cleaning of the vacant units; and (iv) inspecting the vacant units during bad weather conditions; (v) providing security services; and (vi) maintaining and managing facilities and assets for public use, etc.

The Existing Annual Caps for the Beijing Guolong Property Management Agreement are as follows:

	For the year ended 31 December 2016 (RMB)	For the year ending 31 December 2017 (RMB)	For the year ending 31 December 2018 (RMB)
Existing Annual Caps	3,003,000	2,642,000	2,907,000

Since it is expected that the Existing Annual Cap for the year ending 31 December 2017 will be exceeded, and the Beijing Guolong Property Management Agreement will be replaced by the 2018 Beijing Guolong Property Management Agreement commencing from 1 January 2018 with the new relevant annual cap being approved at the EGM, the Company proposed to seek approval from the Independent Shareholders at the EGM to revise the annual cap for the year ending 31 December 2017 under the Beijing Guolong Property Management Agreement to RMB2,842,000.

The proposed revised Existing Annual Cap has been determined by the Company after taking into account the actual amount of management fee received by AOCEAN Property Management under the Beijing Guolong Property Management Agreement and the estimated management fee to be received by AOCEAN Property Management for the year ending 31 December 2017.

(II) THE NEW AGREEMENTS FOR THE CONTINUING CONNECTED TRANSACTIONS

(A) Terms of the 2018 New Heat Supply Services Agreement

As at the date of this announcement, AOCEAN Property Management provided heat supply and maintenance services to a total of approximately 12,548 property units of Beijing Guorui Group with a total floor area of approximately 1,214,189 square metres. To rationalize the transaction arrangement and to improve the operation and management efficiency, the parties entered into the 2018 New Heat Supply Services Agreement. The heat supply provided under the Heat Supply Services Agreements was sourced from independent third parties by AOCEAN Property Management and will continue to be sourced from independent third parties by AOCEAN Property Management under the 2018 New Heat Supply Services Agreement. The salient terms of each of the 2018 New Heat Supply Services Agreement are summarised as follows:

Date:	20 October 2017
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property (for itself and for and on behalf of the Beijing Guorui Group)
Term:	From 1 January 2018 to 31 December 2020 (both days inclusive)

Nature of Transactions: AOCEAN Property Management shall provide heat supply services to the members of Beijing Guorui Group. AOCEAN Property Management's responsibilities include (i) overseeing the daily operation and provision of repair and maintenance services of the heat exchange station and facilities and the pipeline network located in the property projects developed by Beijing Guorui Group, namely Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期) and Rui City International Building* (銳城國際大廈) in Chaoyang District, Beijing, Kingdom Guorui* (國銳•金嶺) in Daxing District, Beijing, and North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing; and (ii) ensuring that the heat supply complies with governmental guidelines and standards, etc.

AOCEAN Property Management charges the individual owners/tenants of the property units directly for those units which are occupied. The relevant members of the Beijing Guorui Group will be responsible for the fees of the vacant units or units occupied by Beijing Guorui Group within the aforesaid property projects

Fees: Residential properties: RMB18 to RMB30 per square meter per heat supply season depending on the property project, payable on annual basis

Commercial properties: RMB25.2 to RMB50.4 per square meter per heat supply season depending on the property project, payable on annual basis

Condition precedent and effect on the existing Beijing Guorui Property Heat Supply Services Agreement and Beijing Guolong Heat Supply Services Agreement

Subject to the passing of an ordinary resolution by the Independent Shareholder at the General Meeting to approve it and the transactions contemplated thereunder, including the annual caps, the 2018 New Heat Supply Services Agreement shall become effective on 1 January 2018.

Upon the 2018 New Heat Supply Services Agreement becoming effective, it shall supersede the existing Beijing Guorui Property Heat Supply Services Agreement and Beijing Guolong Heat Supply Services Agreement, and the same shall cease to have any effect. The aggregate fees chargeable by AOCEAN Property Management under the Beijing Guorui Property Heat Supply Services Agreement and the Beijing Guolong Heat Supply Services Agreement since 16 September 2017 up to 31 December 2017, will be covered by the relevant annual caps approved at the general meeting of the Company held on 11 January 2016.

Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees payable by Beijing Guorui Group to AOCEAN Property Management in respect of the heat supply services provided by AOCEAN Property Management for vacant property units and units occupied by Beijing Guorui Group for the two years ended 15 September 2016 and the period commencing from 16 September 2016 up to 31 August 2017 under the Beijing Guorui Property Heat Supply Services Agreement and the Beijing Guolong Heat Supply Services Agreement.

	The period from 16 September 2014 to 15 September 2015 (RMB)	The period from 16 September 2015 to 15 September 2016 (RMB)	The period from 16 September 2016 to 31 August 2017 (RMB)
Actual transaction amounts	1,233,000	4,508,000	5,446,000

The proposed annual caps under the 2018 New Heat Supply Services Agreement for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018 (RMB)	For the year ending 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)
Proposed annual caps	8,596,000	9,456,000	10,401,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the heat supply services provided for vacant property units and units occupied by Beijing Guorui Group for the three years ended 15 September 2017; (ii) the estimated number of vacant units of the relevant property projects during the three years ending 31 December 2020 having taken into account the completion of the construction of new property units of Kingdom Guorui* (國銳•金嶺) with a total floor area of approximately 210,000 square metres, estimated sales and lease plan of the new property units of Kingdom Guorui* (國銳•金嶺) and the resettlement plan of the original inhabitants on the relevant lands by the PRC government for North Garden* (北花園) based on the current construction plan and information available as at the date of this announcement; and (iii) the fees chargeable per square meter per heat supply season during such period as stipulated under the 2018 New Heat Supply Services Agreement.

The Directors confirm that the terms under the 2018 New Heat Supply Services Agreement have been agreed based on arm's length negotiations between AOCEAN Property Management and Beijing Guorui Group, and have been entered into by AOCEAN Property Management in its ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to AOCEAN Property Management than those available to or from independent third parties.

Pricing and Payment Terms

AOCEAN Property Management charges heat supply services fees in accordance with the prevailing heat supply prices as stipulated by the relevant regulatory authorities of the Beijing municipal government.

On 24 November 2015, the Beijing Municipal Commission of Development and Reform released the Notice Regarding the Adjustment of the Heat Supply Price for Non- Residential Purpose in the City (Jing Fa Gai [2015] No. 2619) (《關於調整本市非居民供熱價格的通知(京發改[2015]2619號)》), pursuant to which the heat supply price for non-residential purpose in Beijing was adjusted to RMB40 to RMB42 per square metre at various areas designated thereunder for every heat supply season. The fees in respect of commercial property are implemented in accordance with the aforesaid standard non-residential heat supply price.

On 17 October 2001, the Beijing Municipal Price Bureau issued the Notice Regarding the Adjustment of Residential-use Heat Supply Price and Ex-Factory Price of Heat from Thermal Power Plants for the City (Jing Jia (Shang) Zi [2001] No. 372) (《關於調整我市民用供熱價格和熱電廠熱力出廠價格的通知(京價(商)字[2001]372號)》), in which it was stipulated that the heat supply price for residential purpose in Beijing shall be adjusted to RMB30 per square metre for every heat supply season. Such heat supply government regulated prices have remained unchanged since its implementation.

Moreover, In certain property project AOCEAN Property Management will charge lower or higher price as those properties are not governed by the abovementioned regulations, and the price chargeable to independent third party users could be lower or higher than the prices as set by the regulations in general given the nature of such properties, and as such AOCEAN Property Management will charge a price comparable to that chargeable to other Independent Third Party users.

The Directors are of the opinion that AOCEAN Property Management strictly complies with the heat supply government regulated prices of the regulatory authorities (where applicable), and where the abovementioned regulations are not applicable, are no less favourable than those chargeable to Independent Third Party users, for the purpose of charging heat supply fees under the 2018 New Heat Supply Services Agreements.

The Company will take the following measures for monitoring the pricing and terms of the transactions contemplated under the 2018 New Heat Supply Services Agreement and for ensuring that the transactions conducted under such agreements are entered into based on normal commercial terms:

- (1) continuously monitoring and checking the government regulated heat supply prices, in order to ensure that the price paid by property owners remains consistent with the government regulated prices; and
- (2) complying with the Company's internal control measures in relation to connected transactions, in order to ensure that the heat supply prices charged by AOCEAN Property Management and the relevant terms of the 2018 New Heat Supply Services Agreement are compliant with the government regulated prices or the market price chargeable to Independent Third Party users (where applicable). AOCEAN Property Management will strictly implement the latest heat supply prices in accordance with the government regulated prices.

(B) Terms of the 2018 New Property Management Agreement

AOCEAN Property Management is currently providing property services to Beijing Guorui and Beijing Guolong under the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement. To rationalize the transaction arrangement and to improve the operation and management efficiency, AOCEAN Property Management and Beijing Guorui Property entered into the 2018 New Property Management Agreement for management of the vacant units and units occupied by Beijing Guorui Group within the residential and commercial property projects of the Beijing Guorui Group. Salient terms of which are summarised as follows:

Date:	20 October 2017
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property (for itself and for and on behalf of the Beijing Guorui Group)
Term:	From 1 January 2018 to 31 December 2020 (both days inclusive)
Premises:	Fortune Street Phase One* (財滿街一期), Fortune Street Phase Two* (財滿街二期), Rui City International Building* (銳城國際大廈), GOLDEN TOWER* (金長安大廈) in Chaoyang District, Beijing, and Kingdom Guorui* (國銳•金嶺), Fairyland (國銳境界) in Miyun, Beijing at Daxing District, Beijing, and North Garden* (北花園) at Gaobeidian, Chaoyang District, Beijing
Nature of Transactions:	AOCEAN Property Management is responsible for (i) safekeeping of the keys of the vacant units; (ii) carrying out monthly inspections of the vacant units and keeping records accordingly; (iii) carrying out monthly cleaning of the vacant units; and (iv) inspecting the vacant units during bad weather conditions; (v) providing security services; and (vi) maintaining and managing facilities and assets for public use, etc.

Moreover, for particular property units, AOCEAN Property Management will also provide initial clean up services after completion of their construction (the “**Initial Clean Up Services**”).

Fees The management fee ranges from RMB1.25 to RMB32.0 per square meter per month for different types of commercial and residential property units, payable on a quarterly basis

For the Initial Clean UP Services, AOCEAN Property Management charges a fee calculated based on its actually incurred disbursement plus a margin of 10%.

Condition precedent and effect on the existing Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement

Subject to the passing of an ordinary resolution by the Independent Shareholders at the General Meeting to approve it and the transactions contemplated thereunder, including the annual caps, the 2018 New Property Management Agreement shall become effective on 1 January 2018.

Upon the 2018 New Property Management Agreement becoming effective, it shall supersede the existing Beijing Guorui Property Management Agreement and Beijing Guolong Property Management Agreement, and the same shall cease to have any effect.

Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Group to AOCEAN Property Management in respect of the property management services for vacant property units provided by AOCEAN Property Management for the two years ended 31 December 2016 and the eight months ended 31 August 2017 under the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement.

	The year from 1 January 2015 to 31 December 2015 (RMB)	The year from 1 January 2016 to 31 December 2016 (RMB)	The eight months from 1 January 2017 to 31 August 2017 (RMB)
Actual transaction amounts	2,868,000	6,275,000	7,162,000

The proposed annual caps under the 2018 New Property Management Agreement for the amount receivable by AOCEAN Property Management for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018 (RMB)	For the year ending 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)
Proposed annual caps	54,620,000	60,083,000	66,091,000

The proposed annual caps have been determined by the Company after taking into account of (i) the historical actual transaction amounts as disclosed above; (ii) the estimated number of vacant units or units occupied by Beijing Guorui Group of the relevant property projects during the three years ending 31 December 2020 having taken into account the estimated completion of the construction of new property units of Kingdom Guorui* (國銳•金嶺) with a total floor area of approximately 210,000 square metres, , estimated sales and lease plan of the new property units of Kingdom Guorui* (國銳•金嶺) and the resettlement plan of the original inhabitants on the relevant lands by the PRC government for North Garden* (北花園) based on the current construction plan and information available as at the date of this announcement; and (iii) the fees chargeable per square meter per month during such period as stipulated under the 2018 New Property Management Agreement.

The Directors confirm that the terms under the 2018 New Property Management Agreement have been agreed based on arm's length negotiations between AOCEAN Property Management and Beijing Guorui Group, and have been entered into by AOCEAN Property Management in its ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to AOCEAN Property Management than those available to or from independent third parties.

Pricing and Payment Terms

AOCEAN Property Management charges property management fees in accordance with the applicable laws and regulations of the relevant government authorities, the details of which are set out below.

As stipulated in Article 5 of the Measures on the Administration of Property Service Charges in Beijing (《北京市物業服務收費管理辦法》) (the “Measures”) issued by Beijing Municipal Commission of Development and Reform in 2005, either the market adjusted price or government regulated price shall apply to property service charges in Beijing. In respect of those property service charges to which the market-adjusted price applies, the charge rates shall be stipulated in a property service contract to be entered into by the landlord and the property management enterprise. In respect of those property service charges to which the government regulated prices apply, the basic charge rates and range of adjustments shall be formulated by the competent municipal price authorities together with the competent property administrative authorities.

Pursuant to Article 6 of the Measures, the types of property adopting the government regulated price shall include economically affordable housing communities, and communities in which unsafe buildings are rebuilt into replacement housing. The property units under the management of AOCEAN Property Management fall into the category of either general residential property or commercial property, for which the market-adjusted price shall be implemented instead of the government regulated price. In other words, AOCEAN Property Management is entitled to independently negotiate and fix the charge rates with the landlord in accordance with the prevailing market price levels and charging practices in the industry, and taking into account the nature, quality, location etc. of the relevant properties.

In accordance with the Measures, AOCEAN Property Management will collect property management fees based on the market-adjusted price approach under the 2018 New Property Management Agreement. The charge rates and fee calculation methods have been specifically stipulated in the said agreements. Based on the aforesaid, the Directors are of the opinion that AOCEAN Property Management strictly complies with the Measures in respect of the charges and fees under the 2018 New Property Management Agreement.

The Company will take the following measures for monitoring the pricing and terms of the transactions contemplated under 2018 New Property Management Agreement and for ensuring that the transactions conducted under such agreements are entered into based on normal commercial terms:

- (1) continuously monitoring and checking the relevant laws and regulations on property management prices, in order to ensure that the price paid by property owners remains consistent with the requirements pursuant to the relevant laws and regulations; and
- (2) complying with the Company's relevant internal control measures in relation to connected transactions, in order to ensure that the property management prices charged by AOCEAN Property Management and the relevant terms are no less favourable to the Company than those available to or from independent third parties.

(C) Terms of the 2018 Kingdom Guorui Sales Office Management Agreement

Date:	20 October 2017
Parties:	(1) AOCEAN Property Management (2) Beijing Guorui Property
Term:	From 1 January 2018 to 31 December 2020 (both days inclusive)
Premises:	Kingdom Guorui* (國銳•金嶺) — sales office and ancillary areas at Beijing Economic and Technological Development Area, Daxing District, Beijing

- Nature of Transactions: AOCEAN Property Management is responsible for (i) welcoming and arranging customers to visit the show flats; (ii) coordinating services related to sales activities; (iii) the security, hygiene and concierge services of the property; (iv) the daily operation, management and maintenance of the common parts including the restaurants, bars and other amenities facilities and common facilities; (v) maintenance of the hygiene and security of the common parts of the property; (vi) refuse collection and disposal; (vii) maintenance and management of the greenery of the property, and so on.
- Fees: Beijing Guorui Property shall bear the following expenses, disbursements, costs and fees, which are paid by AOCEAN Property Management in advance and settled between the parties quarterly:
- the expenses incurred in the course of providing services to the property, including all supplies, materials and labour costs;
 - disbursements including the costs incurred for external wall cleaning, floor brightening, maintenance of the exterior greenery as well as power charges and replacement costs of facilities;
 - the costs of acquiring the fixed assets, equipment and facilities necessary for the additional services if Beijing Guorui Property requests AOCEAN Property Management to provide additional services or themed activities related to sales; and
 - the relevant taxation and profit margin of 10% over the actual costs and expenses incurred in the course of managing the property.

Condition precedent and effect on the existing Kingdom Guorui Sales Office Management Agreement

Subject to the passing of an ordinary resolution by the Independent Shareholder at the General Meeting to approve it and the transactions contemplated thereunder, including the annual caps, the 2018 Kingdom Guorui Sales Office Management Agreement shall become effective on 1 January 2018.

Upon the 2018 Kingdom Guorui Sales Office Management Agreement becoming effective, it shall supersede the existing Kingdom Guorui Sales Office Management Agreement and the same shall cease to have any effect.

Historical Transaction Amounts and Annual Caps

The table below summarises the actual transaction amounts, being the fees paid by Beijing Guorui Property to AOCEAN Property Management in respect of the sales office management services provided by AOCEAN Property Management under the Kingdom Guorui Sales Office Management Agreement.

	The period from 8 October 2015 to 7 October 2016 (RMB)	The period from 8 October 2016 to 31 August 2017 (RMB)
Actual transaction amounts	11,247,000	5,388,000

The proposed annual caps under the 2018 Kingdom Guorui Sales Office Management Agreement to AOCEAN Property Management for the three years ending 31 December 2020 are as follows:

	For the year ending 31 December 2018 (RMB)	For the year ending 31 December 2019 (RMB)	For the year ending 31 December 2020 (RMB)
Proposed annual caps	6,160,000	6,776,000	7,454,000

The proposed annual caps are determined by the Company after taking into account of (i) the scale of Kingdom Guorui sales office and its ancillary areas, (ii) the estimated actual costs and expenses to be incurred by AOCEAN Property Management in managing and operating the Kingdom Guorui sales office and its ancillary areas; and (iii) the relevant taxation and the 10% profit margin entitled by AOCEAN Property Management as stipulated under the 2018 Kingdom Guorui Sales Office Management Agreement.

The Directors confirm that the terms under the 2018 Kingdom Guorui Sales Office Management Agreement have been agreed based on arm's length negotiations between AOCEAN Property Management and Beijing Guorui Group, and have been entered into by AOCEAN Property Management in its ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to AOCEAN Property Management than those available to or from independent third parties.

Pricing and Payment Terms

As stated in the paragraph headed "Pricing and Payment Terms" in the section headed "(B) Terms of the 2018 New Property Management Agreement" above, AOCEAN Property Management charges property management fees in accordance with the applicable laws and regulations of the relevant government authorities.

In accordance with the Measures, AOCEAN Property Management collects property management fees based on the market-adjusted price approach under the 2018 Kingdom Guorui Sales Office Management Agreement. The charge rates and fee calculation methods have been specifically stipulated in the said agreement. Based on the aforesaid, the Directors are of the opinion that AOCEAN Property Management strictly complies with the Measures in respect of the charges and fees under the 2018 Kingdom Guorui Sales Office Management Agreement. The management fees chargeable by AOCEAN Property Management are on a cost-plus basis with a margin of 10%, representing a reasonable profit margin that AOCEAN Property Management shall be entitled to by providing the similar kind of services to other Independent Third Parties.

The Company has taken the following measures for monitoring the pricing and terms of the transactions contemplated under 2018 Kingdom Guorui Sales Office Management Agreement and for ensuring that the transactions conducted under such agreement are entered into based on normal commercial terms:

- (1) continuously monitoring and checking the relevant laws and regulations on property management prices, in order to ensure that the price paid by the property owner remains consistent with the requirements pursuant to the relevant laws and regulations; and
- (2) complying with the Company's relevant internal control measures in relation to connected transactions, in order to ensure that the property management prices charged by AOCEAN Property Management and the relevant terms are no less favourable to the Company than those available to or from independent third parties.

REASONS FOR THE REVISION TO THE EXISTING ANNUAL CAPS AND THE ENTERING INTO THE 2018 NEW HEAT SUPPLY SERVICES AGREEMENTS, THE 2018 NEW PROPERTY MANAGEMENT AGREEMENTS AND THE 2018 KINGDOM GUORUI SALES OFFICE MANAGEMENT AGREEMENT

AOCEAN Property Management has been providing property management services to some of the residential and commercial property projects developed by Beijing Guorui Group since 2004. Throughout the years, AOCEAN Property Management has been selected, through tender process, by Beijing Guorui Group for the management of a number of property projects developed by Beijing Guorui Group and a strong business relationship has been developed between the two. As at the date of this announcement, the Company managed nine major property projects through AOCEAN Property Management, most of which were property projects developed by Beijing Guorui Group.

In light of the rapid development of the business of the Guorui Property Group and hence the demand for the heat supply services and property management services for its property projects, it is anticipated that the previously approved annual caps for the Existing Continuing Connected Transactions will exceed during the remaining terms. Moreover, the term and valid period of the various existing agreements end on different dates, which increased the administrative costs and the difficulties for the Company to monitor the accounting arrangement under the various existing agreements. As such, the Company negotiated with Beijing Guorui Group and proposed to enter into the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, so as to update the terms and conditions of the relevant

agreements, to fix the new annual caps for the Independent Shareholders' approval, and to unify the term and end dates of the agreements so as to facilitate the monitoring of the relevant financial performance under the continuing connected transactions.

The Directors (excluding the independent non-executive Directors whose view is subject to the advice from the Independent Financial Adviser) consider it beneficial to the Group to continue to conduct the continuing connected transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement given that they are in line with the Group's strategies to maintain and further its property management business in the PRC, and are able to continue to generate stable revenue and income to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Wintime is the Controlling Shareholder of the Company holding 984,214,591 Shares, representing approximately 68.2% of the issued share capital of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Wintime is a wholly-owned subsidiary of Winluck Global Limited, the entire issued share capital of which is beneficially owned by Mr. Wei. Therefore, Mr. Wei is deemed to be interested in the 984,214,591 Shares held by Wintime, representing approximately 68.2% of the issued share capital of the Company as at the date of this announcement.

As at the date of this announcement, Mr. Wei is a director and the beneficial shareholder of Beijing Guorui Property holding approximately 91% equity interest (the remaining equity interest of approximately 9% being held by Mr. Sun) and each of Mr. Sun and Ms. Liu is a director of Beijing Guorui Property. As such, each of the members of the Beijing Guorui Group, including Beijing Guorui Property and Beijing Guolong is a connected person of the Company. The transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement would therefore constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the revised annual caps for the relevant Existing Continuing Connected Transactions and the annual caps for each of the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, respectively, exceed 25%, the transactions contemplated thereunder constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements. The Company will seek the Independent Shareholders' approval of the transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement, and the annual caps thereof at the General Meeting by way of poll whereby Wintime, Mr. Sun and their respective associates shall abstain from voting.

The Independent Board Committee will be established to advise the Independent Shareholders on the proposed revision to the relevant Existing Annual Caps and the transactions contemplated under the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement and the annual caps thereof. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, *inter alia*, (i) details of the proposed revision to the relevant Existing Annual Caps; (ii) details of the 2018 New Heat Supply Services Agreement, the 2018 New Property Management Agreement and the 2018 Kingdom Guorui Sales Office Management Agreement; (iii) the letter of recommendation from the Independent Board Committee; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the General Meeting, will be despatched to the Shareholders on or before 8 November 2017 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2018 Kingdom Guorui Sales Office Management Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property which shall supersede the existing Kingdom Guorui Sales Office Management Agreement upon becoming effective
“2018 New Heat Supply Services Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property which shall supersede the existing Beijing Guorui Property Heat Supply Services Agreement and the existing Beijing Guolong Heat Supply Services Agreement upon becoming effective
“2018 New Property Management Agreement”	the conditional agreement dated 20 October 2017 entered into between AOCEAN Property Management and Beijing Guorui Property which shall supersede the existing Beijing Guorui Property Management Agreement and the existing Guolong Property Management Agreement upon becoming effective
“AOCEAN Property Management”	北京澳西物業管理有限公司 (Beijing AOCEAN Property Management Company Limited*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Guolong”	北京國隆置業有限公司 (Beijing Guolong Property Company Limited*), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of Beijing Guorui Property

“Beijing Guolong Heat Supply Services Agreement”	the agreement dated 27 November 2015 entered into between AOCEAN Property Management and Beijing Guolong under which AOCEAN Property Management shall provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units of the residential property project of Beijing Guolong
“Beijing Guolong Property Management Agreement”	the agreement dated 27 November 2015 entered into between AOCEAN Property Management and Beijing Guolong under which AOCEAN Property Management shall provide property management services to the vacant units of the residential property project of Beijing Guolong
“Beijing Guorui Group”	Beijing Guorui Property and its subsidiaries and associates, including, <i>inter alia</i> , Beijing Guolong and Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司), which is also a connected subsidiary (as defined under the Listing Rules) of the Company
“Beijing Guorui Property”	北京國銳房地產開發有限公司 (Beijing Guorui Property Development Company Limited*), a company established under the laws of the PRC with limited liability, of which Mr. Wei is a director and the beneficial shareholder holding approximately 91% equity interest (the remaining equity interest of approximately 9% being held by Mr. Sun) and of which each of Mr. Sun and Ms. Liu is a director
“Beijing Guorui Property Heat Supply Services Agreement”	the agreement dated 27 November 2015 entered into between AOCEAN Property Management and Beijing Guorui Property under which AOCEAN Property Management shall provide heat supply and maintenance services of heat exchange stations and facilities and pipeline networks to the vacant units of certain residential and commercial property projects of Beijing Guorui Property
“Beijing Guorui Property Management Agreement”	the agreement dated 27 November 2015 entered into between AOCEAN Property Management and Beijing Guorui Property under which AOCEAN Property Management shall provide property management services to the vacant units of certain residential and commercial property projects of Beijing Guorui Property
“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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“Existing Annual Caps”	the existing annual caps proposed for each of the Existing Continuing Connected Transactions
“Existing Continuing Connected Transactions”	the continuing connected transactions contemplated under the Heat Supply Services Agreement, the Property Management Agreement and the Kingdom Guorui Sales Office Management Agreement
“General Meeting”	the general meeting to be convened by the Company for the Independent Shareholders to consider and approve, if thought fit, the revision to the relevant Existing Annual Caps, the 2018 New Heat Supply Services Agreements, the 2018 New Property Management Agreements and the 2018 Kingdom Guorui Sales Office Management Agreement, and the transactions contemplated thereunder and the annual caps thereof
“Group”	the Company and its subsidiaries
“Heat Supply Services Agreements”	together, the Beijing Guolong Heat Supply Services Agreement and the Beijing Guorui Heat Supply Services Agreement
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the proposed revision to the relevant Existing Annual Caps and the transactions contemplated under the 2018 New Heat Supply Services Agreements, the 2018 New Property Management Agreements and the 2018 Kingdom Guorui Sales Office Management Agreement, and the annual caps thereof
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed revision to the relevant Existing Annual Caps and the transactions contemplated under the 2018 New Heat Supply Services Agreements, the 2018 New Property Management Agreements and the 2018 Kingdom Guorui Sales Office Management Agreement, and the annual caps thereof
“Independent Shareholders”	Shareholders other than Wintime, Mr. Sun and their respective associates
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made reasonable enquiries, are independent of our Company or are not its connected persons

“Kingdom Guorui Sales Office Management Agreement”	the agreement dated 27 November 2015 entered into between Beijing Guorui Property and AOCEAN Property Management under which AOCEAN Property Management shall provide property management services, sales related services and ancillary services to the sales office and ancillary areas of the property project, Kingdom Guorui* (國銳•金嶺) developed by Beijing Guorui Property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sun”	Mr. Sun Zhongmin, an executive Director and a Shareholder beneficially interested as to approximately 6.7% of the equity interest of the Company, who is also a director and a shareholder (holding approximately 9% equity interest) of Beijing Guorui Property
“Mr. Wei”	Mr. Wei Chunxian, the Chairman, executive Director and a Controlling Shareholder beneficially interested as to approximately 68.2% of the equity interest of the Company, who is also a director and the controlling shareholder (holding approximately 91% equity interest) of Beijing Guorui Property
“Ms. Liu”	Ms. Liu Shuhua, an executive Director and the Chief Executive Officer of the Company, who is also a director of Beijing Guorui Property
“PRC”	The People’s Republic of China
“Property Management Agreements”	the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements to the Beijing Guorui Property Management Agreement and the Beijing Guolong Property Management Agreement
“Wintime”	Wintime Company Limited, a Controlling Shareholder and a connected person of the Company

“%”

Per cent.

* *for identification purpose only*

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 20 October 2017

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. Au Yeung Po Fung and Mr. Chui Tsan Kit.