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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

On 31 May 2018 (after trading hours), Guorui Hotel Management (an indirect wholly-owned subsidiary of the Company) and Ruilai Recreational entered into the Gym Services Agreement, and Guorui Property Development and Winzone Technology (an indirect wholly-owned subsidiary of the Company) entered into the Winzone Tenancy Agreement.

As at the date of this announcement, Ruilai Recreational is a connected subsidiary of the Group and Guorui Property Development is an associate of a Director. As such, each of Ruilai Recreational and Guorui Property Development is a connected person of the Company under the Listing Rules. Accordingly, the entering into of each of the Gym Services Agreement and the Winzone Tenancy Agreement and the transactions contemplated therein constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the the annual caps for the Gym Services Agreement, and the Aggregate Annual Cap, are more than 0.1% but less than 5%, both the Gym Services Agreement and the Winzone Tenancy Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 31 May 2018 (after trading hours of the Stock Exchange), the Group has entered into various agreements with the relevant connected parties in respect of gym management services under the Gym Services Agreement and the lease of certain premises under the Winzone Tenancy Agreement. A summary of the principal terms of these agreements are set out below.

A. GYM SERVICES AGREEMENT

Date: 31 May 2018

Parties: (1) Guorui Hotel Management
(2) Ruilai Recreational

Term: 1 June 2018 to 31 May 2020

Subject matter: Ruilai Recreational is responsible for providing gym management services for Guorui Hotel Management's gym situated at Units 103-05, Block 3, No.1 Ronghua South Road, Daxing District, Beijing, the PRC (#北京經濟技術開發區榮華南路1號院3號樓103-05號)

Service fee: Guorui Hotel Management shall pay Ruilai Recreational in cash on a monthly basis RMB420,000 (equivalent to approximately HK\$525,000) as part payment of its service fee. The monthly service fee payable will be determined based on 35% of Guorui Hotel Management's monthly operating revenue. The aforementioned service fee has been determined with reference to the historical operating revenue of Guorui Hotel Management and the price quotations from two Independent Third Parties for the provision of similar services to that of Ruilai Recreational under the Gym Services Agreement.

The service fee payable is subject to the following cap, which is determined with reference to the historical operating revenues of Guorui Hotel Management and the price quotations from two Independent Third Parties for the provision of similar services to that of Ruilai Recreational under the Gym Services Agreement:

Period	Cap
1 June 2018 to 31 December 2018	RMB2,940,000 (equivalent to approximately HK\$3,675,000)
1 January 2019 to 31 December 2019	RMB5,040,000 (equivalent to approximately HK\$6,300,000)
1 January 2020 to 31 May 2020	RMB2,100,000 (equivalent to approximately HK\$2,625,000)

The monthly payments made by Guorui Hotel Management will add up to the caps above. An assessment will be made within 30 days after each of the three periods described above to determine the amount of service fee that should have been charged for such period based on 35% of Guorui Hotel Management's monthly operating revenue. If it is determined that:

- (i) the amount of service fee that should be charged for the relevant period (i.e. 35% of the actual amount of operating revenue of Guorui Hotel Management) is in excess of the above cap for the corresponding period (i.e. the aggregate monthly payments received), Guorui Hotel Management will not be required to pay any additional amount to Ruilai Recreational; or
- (ii) the amount of service fee that should be charged for the relevant period (i.e. 35% of the actual amount of operating revenue of Guorui Hotel Management) is less than the amount of the above cap for the corresponding period (i.e. the aggregate monthly payments received), then Ruilai Recreational shall return to Guorui Hotel Management the difference between the service fee chargeable for that period and the fees actually paid by Guorui Hotel Management during such period within 30 days after such assessment.

Option to renew: Guorui Hotel Management and Ruilai Recreational may negotiate within seven days prior to the expiry of the Gym Services Agreement whether to renew. The renewal of the Gym Services Agreement is subject to compliance with applicable Listing Rules.

B. WINZONE TENANCY AGREEMENT

Date: 31 May 2018

Parties (1) Guorui Property Development (as tenant)
(2) Winzone Technology (as landlord)

Premises being leased: Unit 103, 1/F, Block 3, No. 1 Ronghua South Road, Daxing District, Beijing, the PRC (#北京市北京經濟技術開發區榮華南路1號院3號樓一層103號)

Gross floor area: Approximately 4,445 square metres

Use: For office or operation only

Term: A term of two years, commencing from 1 June 2018 to 31 May 2020

- Rent: RMB200,040.30 per month (inclusive of VAT) (equivalent to approximately HK\$250,050)
- Option to renew: Guorui Property Development may make a written request to renew the Winzone Tenancy Agreement not less than 30 days before the expiry of the Winzone Tenancy Agreement. Any renewal will be subject to Winzone Technology's written acceptance and compliance with applicable Listing Rules.

Upon expiration of the Winzone Tenancy Agreement, Guorui Property Development has the priority to enter into a new tenancy agreement on substantively the same terms which Winzone Technology may offer to Independent Third Parties.

ANNUAL CAPS FOR THE AGREEMENTS

Based on the terms of the Agreements, it is estimated that the total amounts payable under each Agreement for the years ending 31 December 2018, 2019 and 2020 will not exceed the annual caps as set out below:

Annual Cap	Year ending 31 December		
	2018	2019	2020
Gym Services Agreement ^(Note 1)	RMB2,940,000 (equivalent to approximately HK\$3,675,000)	RMB5,040,000 (equivalent to approximately HK\$6,300,000)	RMB2,100,000 (equivalent to approximately HK\$2,625,000)
Winzone Tenancy Agreement ^(Note 2)	RMB1,400,283 (equivalent to approximately HK\$1,750,354)	RMB2,400,484 (equivalent to approximately HK\$3,000,605)	RMB1,000,202 (equivalent to approximately HK\$1,250,253)

Notes:

- The annual caps for the Gym Services Agreement for the years ending 31 December 2018, 2019 and 2020 have been determined with reference to the maximum amount of money payable by Guorui Hotel Management during the corresponding year under the Gym Services Agreement. The maximum amount of money payable by Guorui Hotel Management for each year has been determined with reference to the historical operating revenue of Guorui Hotel Management and the price quotations from two Independent Third Parties for the provision of similar services to that of Ruilai Recreational under the Gym Services Agreement.

2. The annual caps for the Winzone Tenancy Agreement for the years ending 31 December 2018, 2019 and 2020 were determined with reference to the annual rental receivable by Winzone Technology under the Winzone Tenancy Agreement. The annual rental receivable under the Winzone Tenancy Agreement has been determined with reference to the open market rent of properties of comparable size and location.
3. All figures in the above table are rounded up to the nearest whole number.

AGGREGATE ANNUAL CAP OF THE WINZONE TENANCY AGREEMENT AND THE PREVIOUS TENANCY AGREEMENTS

The Group entered into the Previous Tenancy Agreements which are subject to aggregation with the Winzone Tenancy Agreement under Rule 14A.81 of the Listing Rules. The Aggregate Annual Cap for the rental payable under such agreements during the period where they overlap with the Winzone Tenancy Agreement are set out below:

	Year ending 31 December		
	2018	2019	2020
	RMB4,380,481	RMB6,195,225	RMB1,486,202
	(equivalent to	(equivalent to	(equivalent to
	approximately	approximately	approximately
	HK\$5,475,601)	HK\$7,744,032)	HK\$1,857,753)

Notes:

- (i) All figures in the above table are rounded up to the nearest whole number.
- (ii) The Aggregate Annual Cap above refers to the period during which the Winzone Tenancy Agreement is in effect.

INFORMATION ON THE GROUP, GUORUI HOTEL MANAGEMENT, WINZONE TECHNOLOGY, GUORUI PROPERTY DEVELOPMENT AND RUILAI RECREATIONAL

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

Guorui Hotel Management is an indirect wholly-owned subsidiary of the Company that is principally engaged in the operation of a leisure and lifestyle experience centre.

Winzone Technology is an indirect wholly-owned subsidiary of the Company that is principally engaged in property holding.

Guorui Property Development is principally engaged in property development in the PRC. As at the date of this announcement, Guorui Property Development is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) which in turn is indirectly owned by Mr. Wei and Mr. Sun as to 91% and 9%, respectively, and is therefore an associate of Mr. Wei under the Listing Rules. Mr. Wei, being an executive Director and the chairman of the Board, is a connected person of the Company, and hence Guorui Property Development, being an associate of Mr. Wei, is regarded as a connected person of the Company under the Listing Rules.

Ruilai Recreational is principally engaged in the operation and management of fitness centres. As at the date of this announcement, Ruilai Recreational is owned as to 80% by Guorui Hotel Management, an indirect wholly-owned subsidiary of the Company, and 20% by Xinrong Beijing, which is a company established in the PRC and indirectly owned by Mr. Sun and an associate of Mr. Wei. As such, Ruilai Recreational, being a connected subsidiary of the Group, is regarded as a connected person of the Company under the Listing Rules.

Accordingly, the transaction under each Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GYM SERVICES AGREEMENT AND WINZONE TENANCY AGREEMENT

Guorui Hotel Management entered into the Gym Services Agreement to outsource the management of its gym to a professional provider of gym management services with the aim of saving time and resources for its management. The terms of the Gym Services Agreement have been arrived at after arm's length negotiation with reference to the historical operating revenue of Guorui Hotel Management and the price quotations from two Independent Third Parties for the provision of similar services to that of Ruilai Recreational under the Gym Services Agreement.

The entry into the Winzone Tenancy Agreement enables the Group to secure the use of its properties and generate revenue in turn without any disruptions to the operations of the Group. The terms of the Winzone Tenancy Agreement have been arrived at after arm's length negotiation with reference to the open market rent of properties of comparable size and location.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that each Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole, and the terms of each Agreement are fair and reasonable.

In view of Mr. Wei and Mr. Sun's interest in Guorui Property Development and their relationship with Ruilai Recreational, Mr. Wei and Mr. Sun are considered as having a material interest in each Agreement and have abstained from voting on the board resolutions passed in connection with the Agreements and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the annual caps for the Gym Services Agreement, and the Aggregate Annual Cap, are more than 0.1% but less than 5%, both the Gym Services Agreement and the Winzone Tenancy Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Aggregate Annual Cap”	the maximum amount of rental payable by the Group under the Winzone Tenancy Agreement and the Previous Tenancy Agreements for each of the three years ending 31 December 2018, 2019 and 2020 based on the rental payable thereunder during the period where the Previous Tenancy Agreements overlaps with the Winzone Tenancy Agreement
“Agreements”	collectively, the Gym Services Agreement and the Winzone Tenancy Agreement, and each an “Agreement”
“associate(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108)

“connected person”	has the same meaning as ascribed thereto under the Listing Rules
“connected subsidiary”	has the same meaning as ascribed thereto under the Listing Rules
“Crystal Tree”	Beijing Crystal Tree Commercial Management Company Limited* (北京水晶樹商務管理有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Crystal Tree Tenancy Agreement #1”	the tenancy agreement dated 30 July 2016 between Guorui Property Development (as landlord) and Crystal Tree (as tenant) in respect of the lease of the premises situated at Unit 12, Block 1, No. 69 Chaoyang Road, Chaoyang District, Beijing, the PRC (#北京市朝陽區朝陽路69號1號樓12號), free of charge for a term from 1 August 2016 to 31 July 2019
“Crystal Tree Tenancy Agreement #2”	the tenancy agreement dated 1 August 2016 (as amended on 7 July 2017) between Guorui Property Development (as landlord) and Crystal Tree (as tenant) in respect of the lease of the premises situated at No. 12, Block 1, No. 69 Chaoyang Road, Chaoyang District, Beijing, PRC (#北京市朝陽區朝陽路69號1號樓12號), details of which are set out in the Company’s announcement dated 7 July 2017
“Director(s)”	the directors of the Company, including the independent non-executive directors of the Company
“Group”	the Company and its subsidiaries
“Guorui Hotel Management”	Beijing Guorui Hotel Management Company Limited* (北京國銳酒店管理有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Guorui Property Development”	Beijing Guorui Property Development Company Limited* (北京國銳房地產開發有限公司), a company established in the PRC with limited liability
“Gym Services Agreement”	the agreement dated 31 May 2018 between Guorui Hotel Management and Ruilai Recreational in relation to the provision of gym management services
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party/ Parties”	individuals or companies independent from the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sun”	Mr. Sun Zhongmin, an executive Director
“Mr. Wei”	Mr. Wei Chunxian, an executive Director and the chairman of the Board holding indirectly 929,661,314 Shares (representing approximately 51.03% of the total issued Shares as at the date of this announcement)
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Tenancy Agreements”	the Ruilai Tenancy Agreement, Crystal Tree Tenancy Agreement #1, Ruilai Recreational Tenancy Agreement, Ronghua Travel Tenancy Agreement, Ronghua Advertising Tenancy Agreement and Crystal Tree Tenancy Agreement #2
“RMB”	Renminbi, the lawful currency of the PRC
“Ronghua Advertising”	Beijing Ronghua Tiandi Advertising Company Limited* (北京榮華天地廣告有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Ronghua Advertising Tenancy Agreement”	the tenancy agreement dated 30 June 2014 between Guorui Property Development (as landlord) and Ronghua Advertising (as tenant) in respect of the lease of the premises situated at No.802, Unit 1, Block 2–1, No.82 Dongsihuan Road Central, Chaoyang District, Beijing, PRC (#北京市朝陽區東四環中路82號2–1座1單元802號), details of which are set out in the Company’s announcement dated 7 July 2017
“Ronghua Travel”	Beijing Ronghua Tiandi International Travel Agency Company Limited* (北京榮華天地國際旅行社有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company

“Ronghua Travel Tenancy Agreement”	the tenancy agreement dated 12 July 2014 between Guorui Property Development (as landlord) and Ronghua Travel (as tenant) in respect of the lease of the premises situated at No.1008, Unit 2, Block 2-1, Block 2, No.82, Dongsihuan Road Central, Chaoyang District, Beijing, PRC (#北京市朝陽區東四環中路82號2座2-1座2單元1008), details of which are set out in the Company’s announcement dated 7 July 2017
“Ruilai Recreational”	Beijing Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司), a company established in the PRC with limited liability whose equity interest is held by Xinrong Beijing directly as to 20% and by the Company indirectly through Guorui Hotel Management as to 80%
“Ruilai Recreational Tenancy Agreement”	the tenancy agreement dated 13 June 2017 between Winzone Technology (as landlord) and Ruilai Recreational (as tenant) in respect of the lease of the premises situated at Units 103-05, Block 3, No. 1 Ronghua South Road, Daxing District, Beijing, the PRC (#北京市北京經濟技術開發區榮華南路1號院3號樓103-05號) for RMB97,200 (equivalent to approximately HK\$121,500) per year for a term from 13 June 2017 to 12 June 2020
“Ruilai Tenancy Agreement”	the tenancy agreement dated 12 January 2017 (as amended on 7 July 2017) between Guorui Property Development (as landlord) and Ruilai Recreational (as tenant) in respect of the lease of the premises situated at Second Floor, Block B1-B2, Jinchang’an Building, No.82 Donghuan 4th Road Central, Chaoyang District, Beijing, PRC (#北京市朝陽區東環四路中路82號金長安大廈B1-B2座2層號), details of which are set out in the Company’s announcement dated 7 July 2017
“Shareholder(s)”	the holder(s) of Share(s)
“Shares”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	the value-added tax
“Winzone Technology”	Beijing Winzone Technology Development Company Limited* (北京勝域科技發展有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company

“Winzone Tenancy Agreement”

the tenancy agreement dated 31 May 2018 entered into between Winzone Technology (as landlord) and Guorui Property Development (as tenant)

“Xinrong Beijing”

Xinrong (Beijing) Investment Fund Management Company Limited* (鑫隆(北京)投資基金管理有限公司), which is a company established in the PRC with limited liability and indirectly owned by Mr. Sun and an associate of Mr. Wei

* *English name of such entity is the transliteration of its Chinese name for reference only.*

The address of the premises in question in English is a transliteration of its address in Chinese for reference only.

For illustrative purposes, the exchange rate of RMB1.00 = HK\$1.25 is adopted in this announcement.

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 31 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin and Ms. Liu Shuhua; and the independent non-executive directors of the Company are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung.