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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 ACQUISITION OF PROPERTY IN THE UNITED STATES

On 14 September 2018 (after trading hours), GR USA (an indirect wholly-owned subsidiary of the Company) and the Sellers entered into the Agreement in relation to the acquisition of the entire partnership interests in the Target, which in turn owns the Property located in the United States.

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

INTRODUCTION

The Board is pleased to announce that on 14 September 2018 (after trading hours), GR USA (an indirect wholly-owned subsidiary of the Company) and the Sellers entered into the Agreement in relation to the acquisition of the entire partnership interests in the Target which owns the Property located in the United States. A summary of the major terms of the Agreement is set out below.

THE AGREEMENT

Date: 14 September 2018 (Hong Kong time)

- Parties:
- (1) Purchaser: GR USA, an indirect wholly-owned subsidiary of the Company
 - (2) Sellers: (i) Washington Culver, LP and (ii) Washington Motor GP LLC, which are respectively the limited partner and the general partner of the Target
 - (3) The Target

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter:

The Target is the owner of the Property and through the Acquisition, the Group will acquire the Property. Upon Completion and subject to the relevant governmental approval(s), the Group intends to develop the Property into: (i) one hundred and eight (108) multi-family residential apartment units, including eleven (11) rent-restricted affordable housing units, with such residential units containing 132,589 gross square feet; (ii) 3,600 gross square feet of retail space; and (iii) two levels of subterranean parking consisting of 184 parking spaces (the "**Project**").

The unaudited net deficit of the Target as at 31 December 2017 was US\$14,525 and the Sellers have warranted under the Agreement that the Target does not have on the date of the Agreement, and will not have on the date of Completion, any indebtedness (other than property taxes, insurance premiums and other short-term obligations arising in its ordinary course of business). Excluding the aforesaid indebtedness of the Target that is required to be repaid before Completion, the unaudited total net assets of the Target as at 31 December 2017 amount to US\$12,992,864.

The unaudited net profits before and after taxation of the Target for the years ended 31 December 2017 and 31 December 2016 are as follows:

	For the year ended 31 December	
	2017	2016
	<i>US\$</i>	<i>US\$</i>
Net profits before taxation	181,253	110,122
Net profits/(loss) after taxation	16,565	(31,190)

Consideration:

the consideration for the acquisition of the entire partnership interests in the Target is US\$24,843,860, of which US\$500,000 will be payable to the Escrow Agent within 5 business days after the date on which the Escrow Agent receives the Agreement as executed by the Sellers and the Purchaser (the "**Opening of Escrow**").

An additional US\$1,000,000 will be payable within five business days after GR USA gives the Sellers written notice (“**Approval Notice**”) indicating its intention to proceed further with the Acquisition upon expiry of the due diligence review period. GR USA has the right to elect not to proceed with the Acquisition on or before the date that is 45 days after the Opening of Escrow, and in the event the Approval Notice is not given by GR USA by that date, the Acquisition will terminate and GR USA will receive a refund for the deposit paid after having deducted the applicable escrow cancellation fee and US\$100 as non-refundable deposit.

The balance of the consideration shall be payable by GR USA to the Escrow Agent for release upon Completion, which in turn is subject to satisfaction of the conditions precedent stated below and the Sellers’ delivery of the relevant documents required under the Agreement.

The consideration was determined upon arm’s length negotiations between the Group and the Sellers after taking into account (i) the preliminary valuation of the Property at US\$25 million conducted by an independent valuer commissioned by the Group adopting direct comparison approach; and (ii) the development potential of the Project.

Conditions precedent: Completion is conditional upon satisfaction (or waiver, as the case may be) of the following:-

- (i) the Escrow Agent shall have unconditionally and irrevocably committed to issue an American Land Title Association (ALTA) extended coverage owner’s policy of title insurance;
- (ii) immediately after Completion, the Target shall own its assets including the Property free of all leases, tenants and occupancy;
- (iii) the government approval(s) in respect of the Project shall have been obtained and remaining unmodified and in full force and effect (the “**Entitlements Condition**”);
- (iv) no governmental authority shall have enacted or issued any governmental order that is in effect and has the effect of making the Acquisition illegal or otherwise restraining or prohibiting the Completion, or causing it to be rescinded following Completion;

- (v) no legal action shall have been commenced against GR USA, the Sellers or the Target that would prevent the Completion;
- (vi) all contracts to which the Target is a party or by which the Target is bound, or which otherwise affects or relates to the its assets or equity interests shall have been terminated;
- (vii) GR USA and Sellers' timely delivery to the Escrow Agent of various documents relating to the Acquisition as required under the Agreement;
- (viii) the respective representations and warranties given by the Sellers, the Target and GR USA shall remain true and correct in all material respects;
- (ix) each of GR USA and the Sellers shall have duly performed and complied with all agreements, covenants and conditions under the Agreement and any related documents; and
- (x) the Sellers shall have delivered to GR USA a certified balance sheet of the Target as of the date of Completion.

If the Entitlements Condition is not satisfied by 27 December 2018, then GR USA is entitled to terminate the Agreement. As at the date of this announcement, none of the above deliverable conditions has been fulfilled.

Completion:

Subject to the fulfilment of the above conditions precedent, Completion will take place on the later of (i) January 16, 2019 and (ii) 20 days after satisfaction of the Entitlements Condition. If the Entitlements Condition has not been satisfied by 27 December 2018, GR USA has the right to terminate the Agreement and receive refund of deposits paid. If the Sellers cannot procure the Entitlements Condition to be satisfied by 16 January 2019, then the parties are entitled to terminate the Agreement subject to the terms and conditions therein provided that GR USA may extend the deadline to satisfy the Entitlements Condition to 16 April 2019.

INFORMATION ON THE GROUP AND THE SELLERS

The Group is principally engaged in property development and investments in the PRC, the United States and the United Kingdom, and the provision of property management services in Beijing, the PRC. GR USA is the Group's holding company of its operations in the United States.

Washington Culver, LP is a limited partnership registered in Nevada, the United States and it is principally engaged in real estate investment through ownership of limited partnership interests.

Washington Motor GP LLC is a limited liability company incorporated in Nevada, the United States and its only business is to hold general partner interests in the Target.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

As disclosed in the Company's annual report for the year ended 31 December 2017, it is part of the Group's future development strategy to tap into international markets such as the United States and Europe. The Directors consider the Acquisition to be an attractive investment opportunity to broaden the Group's property development operations in the United States, as the Property is located within walking distances to the heart of Culver City, Los Angeles, which is the hub of a number of motion pictures and other production studios and is close to transportation network. The Project is expected to mark the Group's further entrenchment in the western United States and enhance the Group's overall geographical diversification of business.

Having taken into account the above reasons and benefits, the Directors consider that the terms of the Agreement are fair and reasonable, and the Acquisition is in the interest of the Group and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition 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, the following expressions have the respective meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Target by GR USA under the Agreement
“Agreement”	a partnership interest purchase agreement dated 14 September 2018 entered into between GR USA and the Sellers in relation to the Acquisition and including a due diligence agreement in respect of the due diligence investigation being conducted with respect to the Target and the Property
“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)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company, including the independent non-executive directors of the Company
“Escrow Agent”	First American Title Company, a third party independent of the Company and its connected persons
“Group”	the Company and its subsidiaries
“GR USA”	GR Properties USA Inc., a company incorporated in the United States which is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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
“Property”	the real property owned by the Target located at 10375 West Washington Boulevard, Los Angeles, California 90232, the United States of America, together with all property rights attached such real property
“Sellers”	Washington Culver, LP and Washington Motor GP LLC, which are respectively the limited partner and general partner of the Target
“Shareholder(s)”	the holder(s) of Share(s)
“Shares”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Washington Motor LP, a Nevada limited partnership, which owns the Property
“United States”	the United States of America
“US\$”	United States Dollars, the lawful currency of the United States

By Order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 14 September 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.