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GLORY 国瑞

GUORUI PROPERTIES LIMITED

國瑞置業有限公司

*(Incorporated in the Cayman Islands with limited liability
under the name of “Glory Land Company Limited (國瑞置業有限公司)”
and carrying on business in Hong Kong as “Guorui Properties Limited”)
(Stock Code: 2329)*

MAJOR TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Board announces that, on September 4, 2021, Hainan Guorui (an indirect non-wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Shuangfeng and the Target Company, pursuant to which Hainan Guorui agreed to sell and Shuangfeng agreed to purchase 100% equity interest in the Target Company. The total consideration under the Equity Transfer Agreement is RMB338.66 million, comprising (i) RMB287.64 million for the transfer of 100% equity interest in the Target Company, and (ii) RMB51.02 million for repaying the shareholder loan provided by Hainan Guorui to the Target Company. Upon completion of the Disposal, the Company will no longer hold any equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal. As at the date of this announcement, the Company has obtained a written approval from Alltogether, the controlling Shareholder holding 3,409,431,570 Shares (representing approximately 76.71% of the total issued Shares as at the date of the written approval), in respect of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Alltogether can be accepted in lieu of holding a general meeting for the purpose of approving the Disposal.

For shareholders' information, a circular setting out, among other matters, (i) further details of the Equity Transfer Agreement; (ii) the property valuation report of the Target Company; and (iii) the other information required under the Listing Rules will be despatched to the Shareholders within 15 Business Days after the date of this announcement.

I. INTRODUCTION

The Board announces that, on September 4, 2021, Hainan Guorui (an indirect non-wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Shuangfeng and the Target Company, pursuant to which Hainan Guorui agreed to sell and Shuangfeng agreed to purchase 100% equity interest in the Target Company. Upon completion of the Disposal, the Company will no longer hold any equity interest in the Target Company.

II. EQUITY TRANSFER AGREEMENT

Date

September 4, 2021

Parties

- a) Hainan Guorui as vendor;
- b) Shuangfeng as purchaser; and
- c) the Target Company.

Subject

100% equity interest in the Target Company

Consideration

The total consideration under the Equity Transfer Agreement is RMB338.66 million, comprising (i) RMB287.64 million for the transfer of 100% equity interest in the Target Company, and (ii) RMB51.02 million for repaying the shareholder loan provided by Hainan Guorui to the Target Company, which was determined after arm's length negotiations between the parties, taking into account:

- a) the development value of the properties: RMB380.26 million, which is calculated based on the total gross floor area of 155,055.90 square meters (comprising 4,254.23 square meters at low floors and 150,801.67 square meters at high floors and others) and the unit prices of RMB3,425 for low floors and RMB2,425 for high floors and others. The unit prices were agreed by the parties with reference to the prevailing market price, construction costs, taxation costs and reasonable profit margin;
- b) the total amounts payable by the Target Company: RMB98.50 million, including accounts payable, and other outstanding payments of the Target Company (other than the shareholder loan of RMB51.02 million provided by Hainan Guorui to the Target Company); and
- c) the total amounts receivable by the Target Company: RMB56.90 million, including accounts receivable, fair value on the unsold properties, pre-paid fees and banking deposits of the Target Company.

The formula for the calculation of the consideration is as follows:

Consideration = Property value under paragraph (a) – Amounts payable under paragraph (b) + Amounts receivable under paragraph (c)

Payment

The consideration for the Disposal will be settled in cash in four installments:

- a) RMB172.72 million shall be paid to Hainan Guorui within three business days from the transfer date of 51% equity interest in the Target Company to Shuangfeng;
- b) RMB67.73 million shall be paid to Hainan Guorui before September, 24, 2021, after which Hainan Guorui shall transfer 40% equity interest in the Target Company to Shuangfeng within three business days;
- c) A further RMB67.73 million shall be paid by Shuangfeng to Hainan Guorui before September 27, 2021;
- d) Within 90 days from the transfer of 91% equity interest in the Target Company, the remaining consideration shall be paid to Hainan Guorui and the remaining 9% equity interest shall be transferred to Shuangfeng.

Guarantee

Mr. Zhang Zhangsun (the chairman of the Company) and Beijing Guorui Xingye Properties Limited* (北京國瑞興業房地產控股有限公司, a subsidiary of the Company) shall provide guarantees in favour of Hainan Guorui in respect of its obligations under the Equity Transfer Agreement.

Hainan Shuangda Group Limited* (海南雙大集團有限公司, the parent company of Shuangfeng) and its ultimate controllers, namely Wu Dianling (吳殿玲) and Zhang Zhaohui (張朝輝) shall provide guarantees in favour of Shuangfeng in respect of its obligations under the Equity Transfer Agreement.

III. INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liabilities. As at the date of the entering into of the Equity Transfer Agreement, Hainan Guorui held 100% equity interest in the Target Company. The principal business of the Target Company includes property development and operation.

The financial information of the Target Company for the two financial years ended December 31, 2020 and the eight months ended August 31, 2021 are set out below:

	Year ended December 31, 2019 (RMB)	Year ended December 31, 2020 (RMB)	Eight Months ended August 31, 2021 (RMB)
Profit before tax	11,612,067.97	6,682,484.31	67,801,226.57
Profit after tax	8,585,685.48	4,990,928.72	43,967,818.19

As of August 31, 2021, the total assets of the Target Company amounted to RMB262.75 million, and the total liabilities of the Target Company amounted to RMB232.75 million.

The Target Company is principally engaged in the real estate developing of Wanning Guorui City (萬寧國瑞城) since its establishment in 2009. Wanning Guorui City is a developing residential community located on the southern side of the Industrial Avenue, Northern New District, Wancheng Town, Wanning City, Hainan Province (海南省萬寧市萬城鎮城北新區工業大道南側) with a total site area of 244,339.82 square meters. As at the date of this announcement, it is still under construction.

IV. FINANCIAL IMPLICATIONS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited value of the net assets of the Target Company of approximately RMB30 million as of August 31, 2021, it is estimated that the Company will realise a gain from the Disposal of approximately RMB257.64 million, being the difference between the consideration for the transfer of 100% equity interest in the Target Company (i.e. RMB287.64 million) and the unaudited value of the net assets of the Target Company as of August 31, 2021. As the Company indirectly held 80% equity interest in the Target Company before the Disposal, the gain attributable to the parent company amounts to RMB206.11 million.

The net proceeds of the Disposal to be received by the Company are intended to be used as general working capital and for repayment of the debt.

V. REASONS FOR AND BENEFITS OF THE DISPOSAL

As a property developer, the Group has business operations in many main cities in the PRC and is principally engaged in property development. The Directors believe that the disposal of the Target Company, composed of third-and-fourth-tier projects, will be beneficial for the Company to better utilise its strengths and resources to focus on development and construction of its first-and-second-tier projects, as well as to lower debt ratio to improve liquidity and ensure the steady overall development of the Company.

The Directors of the Company are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

VI. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and is principally engaged in property development and investment in the PRC.

Hainan Guorui is a company incorporated in the PRC with limited liabilities and an indirect non-wholly-owned subsidiary of the Company, held as to 80% by the Company and 20% by Ms. Zhang Youxi, sister of the Company's controlling Shareholder, Mr. Zhang Zhangsun. Hainan Guorui is principally engaged in real estate investment.

Shuangfeng is a company incorporated in the PRC with limited liabilities, whose ultimate controllers are Wu Dianling (吳殿玲) and Zhang Zhaohui (張朝輝). It is principally engaged in real estate development and operation, provision of real estate consulting and agency services, and property management. After having made all reasonable enquiries, to the best of the Directors' knowledge, information and belief, Shuangfeng and its ultimate controllers are third parties independent of the Company and its connected persons.

VII. LISTING RULES IMPLICATIONS

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To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal. As at the date of this announcement, the Company has obtained a written approval from Alltogether, the controlling Shareholder holding 3,409,431,570 Shares (representing approximately 76.71% of the total issued Shares as at the date of the written approval), in respect of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Alltogether can be accepted in lieu of holding a general meeting for the purpose of approving the Disposal.

For shareholders' information, a circular setting out, among other matters, (i) further details of the Equity Transfer Agreement; (ii) the property valuation report of the Target Company; and (iii) the other information required under the Listing Rules will be despatched to the Shareholders within 15 Business Days after the date of this announcement.

VIII. DEFINITIONS

In this announcement, the following terms shall have the following meanings:

“Alltogether”	Alltogether Land Company Limited* (通和置業有限公司), a company 100% owned by Mr. Zhang Zhangsun and a controlling shareholder of the Company
“Board”	the board of Directors of the Company
“Company”	Guorui Properties Limited (國瑞置業有限公司), an exempted company with limited liability incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” and that carries on business in Hong Kong as “Guorui Properties Limited”
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	Hainan Guorui transfers 100% equity interest in the Target Company to Shuangfeng under the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement entered into on September 4, 2021, among Hainan Guorui, Shuangfeng and the Target Company, in relation to the transfer of 100% equity interest in the Target Company

“Group”	the Company and subsidiaries of the Company
“Hainan Guorui”	Hainan Guorui Real Estate Development Co., Ltd.* (海南國瑞房地產開發有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Holder(s) of the shares of the Company
“Shuangfeng”	Hainan Shuangfeng Real Estate Co., Ltd.* (海南雙楓置業有限公司), a company incorporated in the PRC with limited liability and a third party independent of the Company and its connected persons
“Subsidiary(ies)”	has the same meaning as defined in the Hong Kong Listing Rules
“Target Company”	Wanning Guorui Real Estate Development Co., Ltd.* (萬寧國瑞房地產開發有限公司), a company incorporated in the PRC with limited liability and whose equity interest was 100% held by Hainan Guorui as at the date of entering into the Equity Transfer Agreement
“%”	per cent

By order of the Board
Guorui Properties Limited
Zhang Zhangsun
Chairman

PRC, December 13, 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhang Zhangsun, Ms. Ruan Wenjuan, Ms. Dong Xueer, Mr. Hao Zhenhe and Mr. Sun Xiaodong, as executive directors and Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru, as independent non-executive directors.

* For identification purpose only