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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)

MAJOR TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

A letter from the Board is set out on pages 4 to 11 of this circular.

The KT Guarantee Agreement has been approved by written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being dispatched to the Shareholders for information only.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Beijing Wangangtong”	Beijing Wangangtong Technology Development Co., Ltd.* (北京萬港通科技發展有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Borrower”	BCEG Road and Bridge Construction Group Co., Ltd. (北京建工路橋集團有限公司), a limited liability company established in the PRC
“Building”	Building No. 2 of Kingdom Guorui (國銳 • 金嶺), No. 1 Ronghua South Road, Beijing Economic and Technological Development Area, Beijing, the PRC
“BW Guarantee”	financial assistance provided by Beijing Wangangtong to the Borrower under the BW Guarantee Agreement
“BW Guarantee Agreement”	the guarantee agreement dated 4 August 2021 entered into between Beijing Wangangtong and the Borrower, pursuant to which Beijing Wangangtong agreed to provide (a) guarantee for an amount of up to RMB300 million in favour of the Borrower by means of pledging Property A to Ping An Bank to facilitate the Borrower to obtain the Ping An Facility; and (b) guarantee for an amount of up to RMB216 million in favour of the Borrower by means of pledging Property B to Dalian Bank to facilitate the Borrower to obtain the Dalian Facility
“BW Property A”	49 properties owned by Beijing Wangangtong with a gross floor area of approximately 7,619 square meters located on Levels 1 to 5 of the Building
“BW Property B”	75 properties owned by Beijing Wangangtong with a gross floor area of approximately 11,476 square meters located on Levels 6 to 12 of the Building
“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”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Dalian Bank”	Bank of Dalian Beijing Branch* (大連銀行股份有限公司北京分行), a financial institution established in the PRC
“Dalian Facility”	facility of up to RMB300 million granted by Dalian Bank to the Borrower for a term commencing from 26 July 2021 to 14 July 2023 under the Dalian Facility Agreement
“Dalian Facility Agreement”	the facility agreement dated 10 August 2021 entered into between Dalian Bank and the Borrower in respect of the grant of the Dalian Facility by Dalian Bank to the Borrower
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Kaipeng Technology”	Beijing Kaipeng Technology Development Co., Ltd.* (北京凱朋科技發展有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
“KT Guarantee”	financial assistance provided by Kaipeng Technology to the Borrower under the KT Guarantee Agreement
“KT Guarantee Agreement”	the guarantee agreement dated 15 March 2022 entered into between Kaipeng Technology and the Borrower, pursuant to which Kaipeng Technology agreed to provide guarantee in favour of the Borrower by means of pledging KT Property to Shengjing Bank to facilitate the Borrower to obtain the Shengjing Facility
“KT Property”	129 properties owned by Kaipeng Technology with a gross floor area of approximately 46,164.24 square meters located on Levels 1, 13 to 22, 24 to 33 and 35 to 36 of the Building
“Latest Practicable Date”	21 April 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ping An Bank”	Yizhuang Sub-Branch of Beijing Branch of Ping An Bank Co., Ltd. (平安銀行股份有限公司北京分行亦莊支行), a financial institution established in the PRC

DEFINITIONS

“Ping An Facility”	facility of up to RMB300 million granted by Ping An Bank to the Borrower for a term of one year commencing from 3 August 2021 to 2 August 2022 under the Ping An Facility Agreement
“Ping An Facility Agreement”	the facility agreement dated 2 August 2021 entered into between Ping An Bank and the Borrower in respect of the grant of the Ping An Facility by Ping An Bank to the Borrower
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder Group”	Wintime Company Limited and Gang Rui International Investment (HK) Limited
“Shengjing Bank”	Beijing Branch of Shengjing Bank Co., Ltd.* (盛京銀行股份有限公司北京分行), a financial institution established in the PRC
“Shengjing Facility”	facility of up to RMB800 million granted by Shengjing Bank to the Borrower for a term of three years commencing from 21 March 2022 to 20 March 2025 under the Shengjing Facility Agreement
“Shengjing Facility Agreement”	the facility agreement dated 15 March 2022 entered into between Shengjing Bank and the Borrower in respect of the grant of the Shengjing Facility by Shengjing Bank to the Borrower
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

The English names of Chinese entities marked with “” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

Executive Directors:

Mr. Wei Chunxian

Mr. Sun Zhongmin

Ms. Li Bing

Registered Office:

Unit 3505, Tower One

Lippo Centre

No. 89 Queensway

Hong Kong

Independent Non-executive Directors:

Mr. Tung Woon Cheung Eric

Ms. To Tsz Wan Vivien

Mr. Leung Louis Ho Ming

25 April 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to the announcement of the Company dated 15 March 2022 in relation to the KT Guarantee Agreement.

On 15 March 2022 (after trading hours), Kaipeng Technology, a non-wholly owned subsidiary of the Company, entered into the KT Guarantee Agreement with the Borrower pursuant to which Kaipeng Technology agreed to provide guarantee in favour of the Borrower by means of pledging the KT Property to Shengjing Bank to facilitate the Borrower to obtain a facility of up to RMB800 million provided by Shengjing Bank. In return, Kaipeng Technology shall receive from the Borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the Borrower under the Shengjing Facility.

The purpose of this circular is to provide you further details of the KT Guarantee Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE KT GUARANTEE AGREEMENT

- Date: 15 March 2022
- Parties: (1) Kaipeng Technology, a non-wholly owned subsidiary of the Company; and
(2) the Borrower
- Subject matter: Pursuant to the terms of the KT Guarantee Agreement, Kaipeng Technology has agreed to provide guarantee for an amount of up to RMB800 million in favour of the Borrower by means of pledging the KT Property to Shengjing Bank to facilitate the Borrower to obtain a facility of up to RMB800 million from Shengjing Bank, in return for a guarantee fee.
- Term: The KT Guarantee will be effective from the date of the relevant pledge agreement to be entered into between Kaipeng Technology and Shengjing Bank and will expire upon the full repayment of the Shengjing Facility.
- Guarantee Fee: Kaipeng Technology shall charge the Borrower a guarantee fee of 1% per annum of the amount of actual drawdown by the Borrower under the Shengjing Facility, which is payable by the Borrower to Kaipeng Technology at the same time of the payment of interest by the Borrower to Shengjing Bank under the Shengjing Facility Agreement.
- Taking into account of the maximum limit of the Shengjing Facility, the guarantee fee to be received by Kaipeng Technology from the Borrower will be up to RMB8,000,000 per year.
- Such guarantee fee was determined after arm's length negotiations between Kaipeng Technology and the Borrower by reference to the market rate of guarantee fee charged by financing companies in the PRC.
- The maximum exposure of the Group under the KT Guarantee is the guaranteed amount of not more than RMB800 million.

As at the Latest Practicable Date, Kaipeng Technology has executed all the necessary agreements and/or documents in favour of Shengjing Bank to implement and formalise the arrangements of the KT Guarantee in accordance with applicable PRC laws and regulations.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE KT GUARANTEE AND INTENDED USE OF PROCEEDS

As a result of the KT Guarantee, it is expected that the KT Guarantee will be recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the KT Guarantee will be measured at the higher of: (i) an allowance for expected credit losses determined; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised. Changes in fair value of the KT Guarantee shall be recognised in profit or loss.

The Company intends to apply the proceeds of the KT Guarantee of up to RMB8,000,000 per annum as its daily operation expenses.

REASONS AND BENEFITS OF THE PROVISION OF GUARANTEE

Kaipeng Technology is the owner of the KT Property, which is part of Building No. 2 of Kingdom Guorui (國銳•金嶺) located at No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC. Since the Borrower was one of the general contractors of the development of Kingdom Guorui, the Borrower and the Group had built and maintained a good working relationship since they first cooperated in the engineering, renovation, construction and office upgrade work during the development of the Building in early 2021. The Borrower has also recommended and procured a number of quality customers to enter into contracts with the Group for office rental.

As informed by the Borrower, it has applied to Shengjing Bank for the Shengjing Facility to support its daily business operations and working capital needs, and was required by Shengjing Bank to provide security. The Borrower therefore approached Kaipeng Technology to discuss if it can facilitate by pledging its properties to Shengjing Bank in favour of the Borrower in return for guarantee fee.

Taking into account the market practice of financing companies in the PRC, the Board considers that the guarantee fee at a rate of 1% per annum on actual drawdown is fair and reasonable and is in line with market rates. Based on the market information obtained by the management of the Group, the market rate for guarantees provided by financing companies which principally engages in providing guarantee in the PRC is in the range of 1% to 2% per annum. Given that Kaipeng Technology is not a financing company principally engaging in the provision of guarantee in the PRC and that the Borrower has agreed to provide guarantee fee at 2% under the BW Guarantee, considering that the amount of guarantee under the KT Guarantee (up to RMB800 million) is higher than that under the BW Guarantee (up to RMB516 million), after arm's length negotiation with the Borrower, Kaipeng Technology agreed to set the guarantee fee at 1% per annum (being the lower end of the range of market rate) and the Board considers that the guarantee fee of 1% per annum under the KT Guarantee is in line with the market rate, fair and reasonable and on normal commercial terms. Besides, the Group has been informed by the Borrower that Beijing Guorui Real Estate Development Co., Ltd.* (北京國銳房地產開發有限公司), a connected person of the Company, has also separately agreed to provide

LETTER FROM THE BOARD

guarantee in favour of the Borrower for obtaining the Shengjing Facility, therefore the risk exposure of the Group for any default by the Borrower has been diversified.

Further, based on the unaudited financial statements of the Group for the year ended 31 December 2021, the Group has recorded a profit of approximately RMB76 million (without taking into account the gain on disposal of subsidiaries during the year but taking into account the fair value gain of properties of the Group) during the year ended 31 December 2021. The Board therefore considers that the guarantee fee of up to RMB8,000,000 per year under the KT Guarantee and the guarantee fee of up to RMB10,302,000 per year under the BW Guarantee will bring good return to the Group and the guarantee fee will provide an additional income source to the Group attributable to its owned KT Property (in addition to the normal rental income of the KT Property). The guarantee support to the Borrower will also strengthen the business relationship and allow further cooperation between the Group and the Borrower. Therefore, the Board is of the view that even though the provision of guarantee is not in the ordinary and usual course of business of the Company and the Borrower is an independent third party and not a connected person of the Company, the provision of the KT Guarantee is in the interest of the Company and its shareholders as a whole.

The Group has carried out its own due diligence and assessed the financial conditions of the Borrower. Based on the audited financial statements of the Borrower for the financial year ended 31 December 2020 provided by the Borrower, the Borrower recorded for the year ended 31 December 2020 a total revenue of approximately RMB4,666 million, net profit before and after tax of approximately RMB95 million and RMB81 million respectively, and a net asset value of approximately RMB612 million as at 31 December 2020. Based on the unaudited financial statements of the Borrower for the financial year ended 31 December 2021 provided by the Borrower, the Borrower recorded for the year ended 31 December 2021 a total revenue of approximately RMB4,809 million, net profit before and after tax of RMB168 million and RMB153 million respectively, and a net asset value of approximately RMB768 million as at 31 December 2021.

Besides, the Group has conducted background checks on the Borrower. As the People's Government of Beijing Municipality is the ultimate beneficial owner of 49% of the entire equity interest in the Borrower as at the Latest Practicable Date, the Board considers that the Borrower has strong motivation and sufficient financial resources to repay the loan and comply with the terms of the Shengjing Facility.

Taking into account the financial conditions and the background of the Borrower, the Directors are of the view that its financial exposure is reasonably limited. On the above basis, the Board considers it not necessary to obtain any security from the Borrower for the provision of the KT Guarantee.

On the basis of the due diligence and assessment on the Borrower referred to above, the Board considers its due diligence to be sufficient for the purpose of entering into the KT Guarantee Agreement.

LETTER FROM THE BOARD

Pursuant to the KT Guarantee Agreement, Kaipeng Technology has the right to request the Borrower to provide any information for the purpose of understanding and monitoring the compliance of the Shengjing Facility during the term of the KT Guarantee Agreement. The Group will closely monitor the financial conditions and usage of the Shengjing Facility of the Borrower in order to ensure the effective implementation of the KT Guarantee Agreement and to avoid default of the Shengjing Facility on the part of the Borrower which may lead to financial losses to the Group.

In the event of default of the Shengjing Facility by the Borrower, the Company has the right to demand the Borrower to repay the Shengjing Facility to Shengjing Bank. The Company will in any event have the right to sue the Borrower for any loss suffered by the Group as a result of such default.

In light of the foregoing, the Directors are of the view that the terms of the KT Guarantee Agreement, which are determined after arm's length negotiations between the Group and the Borrower, are fair and reasonable, and the KT Guarantee is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE KT PROPERTY

The KT Property comprises 129 properties owned by Kaipeng Technology with a gross floor area of approximately 46,164.24 square meters located on Levels 1, 13 to 22, 24 to 33 and 35 to 36 of the Building.

As at the Latest Practicable Date, Kaipeng Technology is the owner of the KT Property.

The market value of the KT Property as at 31 December 2020 was RMB2,593 million according to the valuation report prepared by an independent professional valuer.

Based on the audited accounts of Kaipeng Technology for the financial year ended 31 December 2020 and the unaudited management accounts of Kaipeng Technology for the financial year ended 31 December 2021, the net profit (before taxation) of Kaipeng Technology were approximately RMB72.2 million and RMB215.9 million respectively, and the net profit (after taxation) of Kaipeng Technology were approximately RMB7.4 million and RMB73.3 million respectively.

INFORMATION OF THE GROUP AND KAIPENG TECHNOLOGY

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

Kaipeng Technology is a limited liability company established in the PRC which is principally engaged in sale of properties and property investment. As at the Latest Practicable Date, Kaipeng Technology is a non-wholly owned subsidiary of the Company.

LETTER FROM THE BOARD

INFORMATION OF THE BORROWER

The Borrower is a limited liability company established in the PRC which is principally engaged in comprehensive construction investment integrating municipal, highway, rail transit, housing construction, decoration, mechanical and electrical installation engineering construction, machinery rental and construction technology consulting. As an intellectually intensive, technology-intensive group company, now the Borrower has a municipal public works construction general contracting grade one qualification, highway construction general contracting grade one qualification, housing construction general contracting grade one qualification, mechanical and electrical equipment installation engineering professional contracting grade one qualification, building decoration engineering professional contracting grade qualification, bridge engineering professional contracting grade two qualification, tunnel engineering professional contracting grade two qualification, pressure pipeline installation GB1, GB2(2) level qualification.

As at the Latest Practicable Date, the ultimate beneficial owners of the Borrower are Ms. Wang Hongzhen (as to 51% of the entire equity interest in the Borrower) and the People's Government of Beijing Municipality (as to 49% of the entire equity interest in the Borrower).

As at the Latest Practicable Date, Ms. Wang Hongzhen, a PRC citizen, is the General Manager of Beijing Anze Asset Management Co., Ltd.* (北京安澤資產管理有限公司), a company established in the PRC engaging in asset management business.

The Borrower was one of the general contractors of the development of Kingdom Guorui (國銳•金嶺) in Beijing. The Borrower and the Group had built and maintained a good working relationship since they first cooperated in the engineering, renovation, construction and office upgrade work during the development of the Building (which is part of Kingdom Guorui) in early 2021. The Group and its connected persons have cooperated with the Borrower in the construction of various property projects in the PRC. The Borrower has also recommended and procured a number of quality customers to enter into contracts with the Group for office rental.

Save for the business relationship between the Borrower and the Group as disclosed above, the Directors are not aware of any other relationship between the Borrower and its ultimate beneficial owners and the Company and its connected person.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION OF SHENGJING BANK

Shengjing Bank is a financial institution established in the PRC.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Beijing Wangangtong, a wholly-owned subsidiary of the Company, entered into the BW Guarantee Agreement with the Borrower on 4 August 2021, pursuant to which Beijing Wangangtong agreed to provide (a) guarantee for an amount of up to RMB300 million in favour of the Borrower by means of pledging BW Property A to Ping An Bank to facilitate the Borrower to obtain the Ping An Facility; and (b) guarantee for an amount of up to RMB216 million in favour of the Borrower by means of pledging BW Property B to Dalian Bank to facilitate the Borrower to obtain the Dalian Facility, in return for a guarantee fee.

For further details in relation to the BW Guarantee, please refer to the announcement of the Company dated 4 August 2021.

Given that the KT Guarantee and the BW Guarantee were both entered into by the Group with the Borrower (i.e. the same party) and were all completed within a 12 month period, the KT Guarantee and the BW Guarantee are aggregated as a single transaction pursuant to Rule 14.23 of the Listing Rules. As the highest of all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the KT Guarantee and the BW Guarantee on an aggregated basis is more than 25%, the KT Guarantee and the BW Guarantee together constitute a major transaction of the Company under the Listing Rules and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the KT Guarantee. As such, no Shareholders would be required to abstain from voting in favour of the resolution(s) approving the KT Guarantee.

The Company has obtained written Shareholders' approval for the KT Guarantee in accordance with Rule 14.44 of the Listing Rules from the Shareholder Group. As at the Latest Practicable Date, the Shareholder Group, being a closely allied group of Shareholders, are beneficially interested in 2,246,160,464 Shares, which represents approximately 70.21% of the total number of issued shares of the Company. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval from the Shareholder Group is obtained in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the KT Guarantee Agreement.

The Shareholder Group comprises of Wintime Company Limited and Gang Rui International Investment (HK) Limited, which are interested in 44.83% and 25.37% of the Company's shareholding respectively as at the Latest Practicable Date. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited, the entire issued share capital of which is beneficially owned by Mr. Wei Chunxian. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Co.

LETTER FROM THE BOARD

Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an Independent Third Party. Beijing Guo Rui Real Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Therefore, Mr. Wei Chunxian is deemed to be interested in the Shares held by Wintime Company Limited and Gang Rui International Investment (HK) Limited. In view of the above, Wintime Company Limited and Gang Rui International Investment (HK) Limited are considered a closely allied group of Shareholders under Rule 14.45 of the Listing Rules.

RECOMMENDATION

The Directors are of the view that the terms of the KT Guarantee Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If the Company were to convene a general meeting for the approval of the KT Guarantee Agreement, the Board would have recommended the Shareholders to vote in favour of the resolutions to approve the KT Guarantee Agreement at such general meeting.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

The English names of Chinese entities marked with “” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2020 and the six months ended 30 June 2021 is disclosed in the following documents which are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.grproperties.com.hk:

- Annual report of the Company for the year ended 31 December 2018 (pages 160 to 289)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltm20190429315.pdf>)
- Annual report of the Company for the year ended 31 December 2019 (pages 157 to 300)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800946.pdf>)
- Annual report of the Company for the year ended 31 December 2020 (pages 140 to 268)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801213.pdf>)
- Interim report of the Company for the six months ended 30 June 2021 (pages 24 to 72)
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0927/2021092700885.pdf>)

WORKING CAPITAL

After taking into account the financial resources available to the Group, including the proceeds from the KT Guarantee, the internally generated funds and the presently available credit facilities, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

INDEBTEDNESS**Borrowings**

As at the close of business on 28 February 2022, the Group had (1) unsecured and unguaranteed shareholder's loan with an aggregate amount of approximately HK\$86,143,000 which bear interest at a fixed rate of 2% per annum; (2) unguaranteed loans from a joint venture partner with an aggregate amount of approximately HK\$585,054,000 which bear interest at a fixed rate of 9.5% per annum and are secured by the shares of a subsidiary of the Group and certain investment properties of the Group; (3) unsecured and unguaranteed loans from related parties with an aggregate amount of approximately HK\$369,586,000 which are interest-free and will be matured for repayment between 2023 and 2024; (4) secured and unguaranteed bank loan with an aggregate amount of approximately HK\$758,294,000 which bears interest at floating rates with effective interest rate of 2.34% per annum and are secured by an investment property

and lease receivables of the Group; (5) a guaranteed loan from a financial institution with an aggregate amount of approximately HK\$226,925,000 which bears interest at a fixed rate of 3.65% per annum and is secured by a pledge over an investment property and lease receivables of the Group; (6) unsecured and unguaranteed loan from an independent third party with an aggregate amount of approximately HK\$72,426,000 which bears interest at the rate of 12.5% per annum; (7) lease liabilities with a carrying amount of approximately HK\$5,614,000; (8) unsecured and unguaranteed perpetual convertible bonds with a liability component of approximately HK\$55,984,000; and (9) financial guarantee contracts with a carrying amount of approximately HK\$4,350,000.

Contingent liabilities

In or about February 2021, a plaintiff commenced a legal claim against a subsidiary of the Company in the USA, alleging that the subsidiary has caused bodily harm to the plaintiff in relation to the construction of a commercial and residential complex located in Santa Monica, the County of Los Angeles, State of California, the USA. The related claim is in an aggregate amount of US\$1,000,000.

Based on internal assessment of the aforesaid case and having sought legal advice from the independent legal advisor in the USA, the directors of the Company are of the opinion that the Group has reasonable grounds of defence on the merits and considered that the possibility of any outflow in settling the claim was remote as the claim was well covered by an insurance indemnity and no material adverse financial impact on the Group is therefore expected.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, any authorised or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, any other mortgages and charges or any guarantees or other material contingent liabilities outstanding at the close of business on 28 February 2022.

MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

Faced with the unprecedented challenge of the COVID-19 pandemic in 2021, the Group worked relentlessly to maintain effective operations and provide quality services, minimizing impact on tenants, customers and staffs. To ensure long-term sustainable business growth and value creation, the Group will continue to engage prominently in property development and investment, and relevant asset management services. Investments in the overseas markets should bring diversification and a hedge against the future domestic businesses of the Group with a reasonable return to the Shareholders. The Group would be more cautious in considering investments in the international markets such as the United States of America and Europe in accordance with the future development strategy of the Group. Other than capturing investment opportunities to establish its foothold and engage in the property market in Los Angeles and London for income generating real estates with capital appreciation potential in the long term and possibly re-development in future, the Group's focus will also be on the execution of its existing projects, including but not limited to enhancement of operating performance as well as facilitation of projects development. Besides, the Group will not rule out any possibility to divest its investment with decent return. The Directors believe that after the acquisitions in the past few years and execution of existing projects, the Group will be able to broaden its income base through the stable rental incomes generated from the various properties.

Apart from the Group's core businesses 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 Group will continue to focus on searching for suitable investment opportunities which may strategically fit into its diversification strategy and generate a steady source of income.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Interest in Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of issued share capital
Mr. Sun Zhongmin	Beneficial owner (Note 3)	136,752,350 (L)	117,756,660 (L)	254,509,010	7.95%
Mr. Wei Chunxian	Interest of controlled corporation (Notes 1 and 2)	2,246,160,464 (L)	1,342,317,340 (L)	3,588,477,804	112.16%

(L) denotes long position

Notes:

- Wintime Company Limited is interested in 1,434,421,537 shares and 1,342,317,340 underlying shares pursuant to convertible bonds in the principal amount of HK\$1,073,853,872 issued by the Company at conversion price of HK\$0.80 per share on 17 August 2018 and 31 December 2021. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited. The entire issued share capital of Winluck Global Limited is beneficially owned by Mr. Wei Chunxian. Each of Winluck Global Limited and Mr. Wei Chunxian is deemed to be interested in the shares and underlying shares held by Wintime Company Limited under the SFO.

2. 811,738,927 shares are held by Gang Rui International Investment (HK) Limited. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party. Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Each of Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司), Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) and Mr. Wei Chunxian is deemed to be interested in the shares held by Gang Rui International Investment (HK) Limited under the SFO.
3. Mr. Sun Zhongmin is interested in 136,752,350 shares and 117,756,660 underlying shares pursuant to convertible bonds in the principal amount of HK\$94,205,328 issued by the Company at the conversion price of HK\$0.80 per share on 17 August 2018 and 31 December 2021.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the Directors' knowledge, as at the Latest Practicable Date, the following persons (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group, or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Nature of interests	Number of Shares held	Number of underlying Shares held	Approximate percentage of the issued share capital of the Company
Wintime Company Limited (Note 1)	Beneficial owner	1,434,421,537	–	44.83%
	Beneficial owner	–	1,342,317,340	41.96%

Name	Nature of interests	Number of Shares held	Number of underlying Shares held	Approximate percentage of the issued share capital of the Company
Winluck Global Limited (Note 1)	Interest of controlled corporation	1,434,421,537	–	44.83%
	Interest of controlled corporation	–	1,342,317,340	41.96%
Gang Rui International Investment (HK) Limited (港銳國際投資(香港)有限公司) (Note 2)	Beneficial owner	811,738,927	–	25.37%
Beijing Guorui Real Estate Development Co., Ltd* (北京國銳房地產開發有限公司) (Note 2)	Interest in Controlled Corporation	811,738,927	–	25.37%
Beijing Guorui Holdings Co., Ltd* (北京國銳控股有限公司)	Interest in Controlled Corporation	811,738,927	–	25.37%

Notes:

1. Wintime Company Limited is interested in 1,434,421,537 shares and 1,342,317,340 underlying shares pursuant to convertible bonds in the principal amount of HK\$1,073,853,872 issued by the Company at conversion price of HK\$0.80 per share on 17 August 2018 and 31 December 2021. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited. The entire issued share capital of Winluck Global Limited is beneficially owned by Mr. Wei Chunxian. Each of Winluck Global Limited and Mr. Wei Chunxian is deemed to be interested in the shares and underlying shares held by Wintime Company Limited under the SFO.

2. 811,738,927 shares are held by Gang Rui International Investment (HK) Limited. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party. Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司), which is directly owned by Mr. Wei Chunxian and Mr. Sun Zhongmin as to approximately 91% and 9%, respectively. Each of Beijing Guorui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司), Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) and Mr. Wei Chunxian is deemed to be interested in the shares held by Gang Rui International Investment (HK) Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors and chief executive of the Company are aware, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest and/or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or is directly or indirectly interested in 5% or more of the issued voting shares at general meetings of the Company or any other member of the Group, or which were recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed below, as at the Latest Practicable Date, no other Directors are directors or employees of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Title	Company
Mr. Wei Chunxian	Director	Wintime Company Limited
	Director	Winluck Global Limited
	Director	Gang Rui International Investment (HK) Limited (港銳國際投資(香港)有限公司)
Mr. Sun Zhongmin	Director	Gang Rui International Investment (HK) Limited (港銳國際投資(香港)有限公司)
	Director	Beijing Guorui Real Estate Development Co., Ltd* (北京國銳房地產開發有限公司)
Ms. Li Bing	General Manager of Brand Marketing	Beijing Guorui Real Estate Development Co., Ltd* (北京國銳房地產開發有限公司)

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in any businesses (other than being a director of one or more members the Group or their respective close associates) which competes or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

6. INTERESTS IN CONTRACTS OR ARRANGEMENT

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. INTEREST IN ASSETS

As at the Latest Practicable Date, save as disclosed, none of the Directors had any direct or indirect interest in any asset which had, since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 8 January 2021 entered into among GR UK Holdings Limited (“**GR UK Holdings**”) (a direct wholly-owned subsidiary of the Company) and Bow Street Operations Limited (“**Bow Street**”), pursuant to which GR UK Holdings has agreed to sell and Bow Street has agreed to purchase all the issued shares of GR Properties UK Limited;

- (b) the sale and purchase agreement dated 31 May 2021 entered into among the Company and Winluck Global Limited (勝運環球有限公司) (“**Winluck Global**”) and Silky Apex Limited (“**Silky Apex**”), pursuant to which the Company has conditionally agreed to sell and Winluck Global and Silky Apex have conditionally agreed to purchase all the issued shares of Rui Hua Investment Limited (銳華天地投資有限公司); and
- (c) the BW Guarantee Agreement.

10. GENERAL

- (a) The secretary of the Company is Ms. Lam Yuen Ling Eva, who is a fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and was awarded the Chartered Governance Professional qualification.
- (b) The registered office of the Company is situated at Unit 3505, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.
- (c) The Company’s share registrar and transfer office in Hong Kong is Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.grproperties.com.hk for a period of 14 days from the date of this circular:

- (a) the KT Guarantee Agreement;
- (b) the material contracts referred to in the paragraph headed “9. Material Contracts” of this appendix; and
- (c) this circular.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English name. In the event of any inconsistency, the Chinese name prevails.*