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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Formation of Project Company regarding Land Acquisition and Connected Transaction

Reference is made to the announcement of the Company dated 5 February 2015 in relation to, among other things, the acquisition of the Foshan Chancheng Foping Road Land Parcel by the Group.

The Board is pleased to announce that following the successful bidding of the Land Parcel, on 11 February 2015, GZDH, an indirect 95% owned subsidiary of the Company and the Business Investment Enterprise entered into (i) the Bid Confirmation with the Transaction Centre; and (ii) the Cooperation Agreement between themselves in respect of the establishment of the Project Company for the acquisition and development of such Foshan Chancheng Foping Road Land Parcel, which superseded the previous bidding agreement between the Parties.

The Business Investment Enterprise, given its general partner's relationship with Guangzhou Yuexiu, is treated by the Company as its connected person under the Listing Rules for the purpose of the Project Company Formation Transaction. Therefore, the Project Company Formation Transaction is treated by the Company as a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of such transaction is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 5 February 2015 (the “**Announcement**”) in relation to, among other things, the acquisition of the Foshan Chancheng Foping Road Land Parcel by the Group.

The Board is pleased to announce that following the successful bidding of the Land Parcel, on 11 February 2015, GZDH, an indirect 95% owned subsidiary of the Company and the Business Investment Enterprise entered into (i) the Bid Confirmation with the Transaction Centre; and (ii) the Cooperation Agreement between themselves in respect of the establishment of the Project Company for the acquisition and development of the Land Parcel, which superseded the previous bidding agreement between the Parties.

The Foshan Chancheng Foping Road Land Parcel

As described in the Announcement, the Foshan Chancheng Foping Road Land Parcel has a site area of approximately 33,973 sq.m. and a total gross floor area of approximately 221,334 sq.m., of which the permissible gross floor area amounts to approximately 171,095 sq.m., the underground gross floor area amounts to approximately 50,239 sq.m., and the average land cost based on the total gross floor area amounts to approximately RMB2,900 per sq.m.. The parcel of land has a term of 70 years for residential use and a term of 40 years for commercial use. As of the date of this announcement, the Company’s total land bank amounted to approximately 16.12 million sq.m.. In terms of the attributable interest, the Company’s land bank amounted to approximately 13.21 million sq.m..

The Land Parcel is located at Chancheng District, Foshan City, Guangdong Province, at the junction of Shidong Road and Foping Road, the major roads of the city, enjoying convenient transportation. The Land Parcel is located in the mature area at Foshan Tour Mall commercial district and is surrounded by well established shopping, leisure, entertainment and catering facilities, in an advantageous location. The Land Parcel is adjacent to educational institutions including kindergartens, primary schools, secondary schools and two major hospitals and other public facilities, at a convenient location.

PRINCIPAL TERMS OF THE BID CONFIRMATION

Following the successful bidding of the Foshan Chancheng Foping Road Land Parcel, on 11 February 2015, the Parties have entered into the Bid Confirmation with the Transaction Centre, the principal terms of which are as follows:

Date

11 February 2015

Parties

The Parties and the Transaction Centre

Land premium and payment

The Parties shall sign the Land Transfer Contract with the Land Bureau before 25 February 2015. The land premium for the Foshan Chancheng Foping Road Land Parcel is RMB633,050,000, which shall be paid to the Land Bureau in accordance with the terms of the Land Transfer Contract. The land premium for the Foshan Chancheng Foping Road Land Parcel was arrived at as a result of successful bidding of the Foshan Chancheng Foping Road Land Parcel by the Parties through open tender organized by the Transaction Center after taking into account the initial bidding price required under the open tender documents for the Land Parcel, the prevailing market conditions, location of the Land Parcel and land price in the surrounding area.

PRINCIPAL TERMS OF THE COOPERATION AGREEMENT

Following the successful bidding of the Foshan Chancheng Foping Road Land Parcel, on 11 February 2015, the Parties have executed the Cooperation Agreement in relation to the formation of the Project Company, the principal terms of which are as follows.

Establishment of the Project Company

According to the Cooperation Agreement, GZDH and the Business Investment Enterprise shall establish the Project Company for the development of the Land Parcel. GZDH and the Business Investment Enterprise shall own 98% and 2%, respectively, of the equity interest of the Project Company upon its formation. The Project Company will become a non-wholly owned subsidiary of the Company upon its formation. The development, operation, management, leasing and decoration in relation to the Land Parcel shall be conducted by the Project Company.

Term of the Project Company

The Project Company shall be established for a term of five years from the date of its establishment or such other period as agreed by the Parties.

Capital Commitments

The land premium for the Land Parcel in the amount of RMB633,050,000 shall be paid by the Project Company, which will be financed in the following manner:

- (1) RMB480,000,000 of which shall be payable by GZDH and the Business Investment Enterprise to the Project Company as its registered capital in proportion to their equity interest held in the Project Company (i.e. 98%:2%) before 12 March 2015; and
- (2) the balance of the land premium for the Foshan Chancheng Foping Road Land Parcel will be financed by way of increase of the registered capital of the Project Company payable by GZDH and the Business Investment Enterprise to the Project Company in proportion to their equity interest held in the Project Company (i.e. 98%:2%) and/or shareholder loans to be made by GZDH and the Business Investment Enterprise to the Project Company in proportion to their equity interest held in the Project Company (i.e. 98%:2%).

The Deposit paid by GZDH will be repaid to GZDH by the Project Company by 27 March 2015. GZDH's total contributions for the land premium for the Land Parcel will not in any event be higher than RMB623,450,000, being the land premium for the Foshan Chancheng Foping Road Land Parcel less the registered capital of the Project Company payable by the Business Investment Enterprise. GZDH's capital commitments to the Project Company will be financed by the Group's internal resources.

The Project Company shall obtain external financing to satisfy any further development costs in respect of the Project. To the extent that the Project Company is not able to obtain such external financing, such outstanding development costs shall be satisfied by the Parties by way of shareholder loans in proportion to their equity interest held in the Project Company (i.e. 98%:2%).

The Project Company shall pay interest at the lending rate announced by The People's Bank of China for a comparable term in respect of the shareholder loans to be made by GZDH and the Business Investment Enterprise to the Project Company pursuant to the Cooperation Agreement. In the event that any Party fails to provide shareholder loan(s) as requested by the Project Company within the stipulated time in accordance with the Cooperation Agreement, the other Party may provide the outstanding shareholder loan(s), in which case the interest rate payable to such Party in respect of all shareholder loan(s) provided by such Party shall be at 20% per annum.

Compensation

Before the signing of the Land Transfer Contract, if GZDH causes the Deposit to be confiscated for whatever reasons, then it shall forfeit its right for repayment of the Deposit. If the Business Investment Enterprise causes the Deposit to be confiscated for whatever reasons, then it shall repay GZDH the amount of the Deposit.

After the signing of the Land Transfer Contract but before the date of establishment of the Project Company, the defaulting Party shall pay the other Party a compensation fee equivalent to 50% of the Deposit if it fails to pay for its portion of the registered capital of the Project Company by the agreed dates for payments of such registered capital. After the establishment of the Project Company, the equity interest held by the defaulting Party in the Project Company shall be transferred to the non-defaulting Party at nil consideration if it fails to pay for its portion of the registered capital of the Project Company by the agreed dates for payments of such registered capital.

The defaulting Party shall also be required to compensate the non-defaulting Party for the loss suffered by non-defaulting Party caused by a breach of the terms of the Cooperation Agreement caused by the defaulting Party.

Management of the Project Company

The Project Company shall have three directors, all of which shall be appointed by GZDH. The board of directors of the Project Company shall appoint the general manager and other senior management staff for the Project Company.

Matters that require unanimous approval from shareholders

The Project Company may not, without its shareholders' unanimous consent: (i) change the nature or scope of its business; (ii) enter into any transactions which are not on an arm's length basis; (iii) increase or decrease the registered capital of the Project Company; (iv) issue debt securities of the Project Company; (v) make any amendments to the articles of association of the Project Company; (vi) pass any resolutions relating to the merger, de-merger, change in corporate form, dissolution and winding-up of the Project Company; or (vii) make any amendments to the procedural rules of the Project Company.

Profit distribution arrangements

The profits of the Project Company shall be shared by the Parties in proportion to their respective equity interests in the Project Company.

Winding-up

Upon expiry of the term or early termination of the Project Company or the completion of the development of the Foshan Chancheng Foping Road Land Parcel (i.e. all properties in the Project have been sold and delivered), the Project Company shall be wound up, and the assets of which will be distributed to its shareholders in proportion to their actual contributions.

Restrictions on transfer

Save as otherwise provided in the Cooperation Agreement, during the term of the Cooperation Agreement, the Parties shall not transfer or assign all or any part of its rights or obligations in the Project Company to a third party without the prior written consent of the other Party.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As described in the Announcement, the Board believes that the Foshan Chancheng Foping Road Land Parcel is acquired by the Group for the purpose of absorbing quality land bank appropriately under the strategy of "Home base in Guangzhou and strategic expansion nationwide". Following the acquisition of the Foshan Chancheng Foping Road Land Parcel, the Company's land bank in the Pearl River Delta region (excluding Guangzhou) amounts to 2.56 million sq.m., which will further expand the Company's development scale in the region and better enhance the Company's brand image in the region.

The Directors (including the independent non-executive Directors) consider that the entering into by the Group of the Cooperation Agreement and the Project Company Formation Transaction are in the Company's ordinary and usual course of business, and that they (including the financing and profit distribution arrangements of the Project Company) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY, GZDH AND THE BUSINESS INVESTMENT ENTERPRISE

The Company

The Company is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123) and on Singapore Exchange Securities Trading Limited. It is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

GZDH

GZDH is an indirect 95% owned subsidiary of the Company and is an investment holding company incorporated under the laws of the PRC.

Business Investment Enterprise

The Business Investment Enterprise is a limited partnership investment fund established under the laws of the PRC. The Eligible Management Members who are required to participate in the Employee Incentive Scheme will be the limited partners of the Business Investment Enterprise (and it is possible for such limited partners, or some of them, to hold their interests in the Business Investment Enterprise for themselves and also for the benefits of certain other Eligible Management Members who elect to participate in the Employee Incentive Scheme). The general partner of the Business Investment Enterprise is a professional asset management company majority-owned by Guangzhou Yuexiu, which indirectly holds approximately 49.7% of the total issued shares of the Company as of the date of this announcement.

IMPLICATIONS OF THE LISTING RULES

The Business Investment Enterprise, given its general partner's relationship with Guangzhou Yuexiu, is treated by the Company as its connected person under the Listing Rules for the purpose of the Project Company Formation Transaction. Therefore, the Project Company Formation Transaction is treated by the Company as a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of such transaction is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

As none of the Directors had a material interest in the Cooperation Agreement and the transaction contemplated thereunder, no Director has abstained from voting on the relevant board resolutions of the Company.

DEFINITIONS

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

“Bid Confirmation”	the bid confirmation notice (網上掛牌交易成交確認書) signed by the Parties and the Transaction Centre on 11 February 2015 confirming the successful bidding of the land use right of the Foshan Chancheng Foping Road Land Parcel
“Board”	the board of Directors of the Company
“Business Investment Enterprise”	廣州越秀仁達八號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.8 Business Investment Enterprise (Limited Partnership)*), one of the Parties to the Cooperation Agreement
“Company”	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123) and on the Singapore Exchange Securities Trading Limited
“connected person”	has the meaning ascribed to it under the Listing Rules

“Cooperation Agreement”	the cooperation agreement dated 11 February 2015 entered into between the Parties in relation to the formation of the Project Company for the development of the Foshan Chancheng Foping Road Land Parcel, including if the context requires, the previous bidding agreement between the Parties that have been superseded by the said cooperation agreement
“Deposit”	the amount of RMB126,610,000 paid by GZDH to the Land Bureau prior to the bidding of the Foshan Chancheng Foping Road Land Parcel as security to participate in the bidding
“Directors”	the directors of the Company
“Eligible Management Members”	the local management team members and core staff in respect of a property development project of the Group included under the Employee Incentive Scheme who are eligible to participate in such scheme
“Employee Incentive Scheme”	the employee incentive scheme set up by the Company as disclosed in the Announcement, pursuant to which Eligible Management Members in respect of a property development project of the Group included under such scheme will be required (or for some Eligible Management Members, may elect) to make an equity investment in the project through a fund structure;
“Foshan Chancheng Foping Road Land Parcel” or “Land Parcel”	the parcel of land located at Foping Road, Chancheng District, Foshan City, Guangdong Province of the PRC with a site area of approximately 33,973 sq.m. to be acquired by the Project Company under the Cooperation Agreement
“Group”	the Company and its subsidiaries
“Guangzhou Yuexiu”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC

“GZDH”	廣州東輝房地產開發有限公司 (Guangzhou Donghui Property Development Limited*), an indirect 95% owned subsidiary of the Company incorporated under the laws of PRC with limited liability and one of the Parties to the Cooperation Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Bureau”	佛山市禪城區國土城建和水務局 (Foshan Land, City Construction Resources and Water Bureau*)
“Land Transfer Contract”	the land use right transfer contract to be entered into between the Project Company and the Land Bureau in relation to the acquisition of the Foshan Chancheng Foping Road Land Parcel
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	GZDH and the Business Investment Enterprise and each a “Party”
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Project”	the project to be developed by the Project Company on the Foshan Chancheng Foping Road Land Parcel
“Project Company”	the company to be established by the Parties in relation to the development of the Foshan Chancheng Foping Road Land Parcel pursuant to the terms of the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Project Company Formation Transaction”	the formation of the Project Company and the transaction contemplated under the Cooperation Agreement in relation to the Project

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed to it under the Listing Rules

“Transaction Center” 佛山市禪城區公共資源交易中心 (Foshan Chancheng District Public Resource Trading Center*)

* *for identification purposes only*

By Order of the Board
Yuexiu Property Company Limited
Yu Tat Fung
Company Secretary

Hong Kong, 11 February 2015

As at the date of this announcement, the Board comprises:

Executive Directors: *ZHANG Zhaoxing (Chairman), ZHU Chunxiu, TANG Shouchun, CHEN Zhihong, LI Feng and OU Junming*

Independent Non-executive Directors: *YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose*