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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00123)**

## **DISCLOSEABLE TRANSACTION**

### **PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN GUANGZHOU YUNXIU REAL ESTATE CO., LTD.\***

The Board is pleased to announce that on 30 May 2018, the Seller, the Purchaser and the Project Company entered into the Equity Transfer Agreement pursuant to which: (i) the Seller agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company for a consideration of RMB116,000,000; and (ii) the Purchaser agreed to contribute a sum of RMB64,926,444 as a loan into the Project Company, which shall be used by the Project Company to repay the Seller Loan in full. The Target Company owns 2% of the equity interest in the Project Company. Accordingly, following the completion of the Transaction, the Purchaser will acquire an indirect 2% equity interest in the Project Company.

The Total Payable Amount is estimated to be RMB180,926,444, of which RMB116,000,000 represents the Equity Transfer Consideration, and RMB64,926,444 represents the Repayment Amount. The Equity Transfer Consideration was determined with reference to the market value of 100% equity interest in the Target Company as at 28 February 2018, which was approximately RMB120,755,000, as valued by the Independent Valuer by application of summation method under cost approach. The Repayment Amount is the dollar-for-dollar amount of the Seller Loan. The Target Appraised NAV was derived after taking into account the appraised value of the 2% equity interest in the Project Company as at 28 February 2018 (being approximately RMB120,703,000), the figure of which was derived as follows: the audited net asset value of the Project Company as at 28 February 2018 (being approximately RMB3,520,665,485), plus the appreciation in the Property, minus the deferred tax liability (which was estimated based on the increase in value from the book value of the Property to the market value), and by taking into consideration the discount for minority interest (being 6.53%). In respect of the valuation of the Property held by the Project Company, the comparison approach had been applied.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Transaction is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 30 May 2018, the Seller, the Purchaser and the Project Company entered into the Equity Transfer Agreement .

## **EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out below:

### **Date**

30 May 2018

### **Parties**

The Seller, the Purchaser and the Project Company (each a “**Party**”, collectively, “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Seller, the Target Company and their respective ultimate beneficial owners is an Independent Third Party.

### **Asset to be acquired**

Pursuant to the Equity Transfer Agreement: (i) the Seller agreed to sell, and the Purchaser agreed to purchase, 100% of the equity interest in the Target Company for a consideration of RMB116,000,000; and (ii) the Purchaser agreed to contribute RMB64,926,444 (the “**Repayment Amount**”) as a loan into the Project Company (the “**Repayment Amount Contribution**”), which shall be used by the Project Company to repay the Seller Loan in full. The Target Company owns 2% of the equity interest in the Project Company. Accordingly, following the completion of the Transaction, the Purchaser will acquire an indirect 2% equity interest in the Project Company.

## **Consideration and payment terms**

The Equity Transfer Consideration of RMB116,000,000 shall be payable in full by the Purchaser to the Seller (via an account designated by the Seller) within 10 Business Days after the date of the Equity Transfer Agreement. The Purchaser shall contribute the Repayment Amount as a loan into the Project Company within 10 Business Days after the Completion Date, which Repayment Amount shall be used by the Project Company to repay the Seller Loan to the Seller in full on the same day immediately upon receipt of such amount by the Project Company. Accordingly, the total amount payable by the Purchaser under the Equity Transfer Agreement is RMB180,926,444 (the “**Total Payable Amount**”). It is the intention of the Company to satisfy the Total Payable Amount by the internal resources of the Group.

The term of the Repayment Amount Contribution shall be two years, commencing from the date on which the Repayment Amount is contributed by the Purchaser to the Project Company and shall bear interest which is payable quarterly.

## **Completion of the Transaction**

The Seller and the Purchaser shall procure that the registration of the Equity Transfer with the relevant administration for industry and commerce is completed within 10 Business Days from the effective date of the Equity Transfer Agreement. The completion date of the Transaction shall be the date on which such registration is completed (the “**Completion Date**”).

## **Compensation**

The defaulting party shall be required to compensate the non-defaulting party for the loss suffered by the non-defaulting party caused by the defaulting party’s breach (as defined in the Equity Transfer Agreement) of the Equity Transfer Agreement.

## **Termination**

The Equity Transfer Agreement may be terminated upon the occurrence of any of the following events:

- (i) agreement in writing between the Parties; or
- (ii) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the Equity Transfer Agreement.

In the event that the Equity Transfer Consideration (or any part thereof) is overdue for more than 30 days, the Seller may terminate the Equity Transfer Agreement. All of the Transaction Documents shall terminate on the date of receipt by the Purchaser of the written notice of termination issued by the Seller. In such event, the Seller shall be entitled to compensation for all losses from the Purchaser.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

The Total Payable Amount is estimated to be RMB180,926,444, of which RMB116,000,000 represents the Equity Transfer Consideration, and RMB64,926,444 represents the Repayment Amount. The Equity Transfer Consideration was determined with reference to the market value of 100% equity interest in the Target Company as at 28 February 2018, which was approximately RMB120,755,000 (the “**Target Appraised NAV**”), as valued by the Independent Valuer by application of summation method under cost approach. The Repayment Amount is the dollar-for-dollar amount of the Seller Loan.

The Target Appraised NAV was derived after taking into account the appraised value of the 2% equity interest in the Project Company as at 28 February 2018 (being approximately RMB120,703,000), the figure of which was derived as follows: audited net assets value of the Project Company as at 28 February 2018 (being approximately RMB3,520,665,485), plus the appreciation in the Property, minus the deferred tax liability (which was estimated based on the increase in value from the book value of the Property to the market value), and by taking into consideration the discount for minority interest (being 6.53%). In respect of the valuation of the Property held by the Project Company, the comparison approach had been applied.

The Directors (including the independent non-executive Directors) consider that the Total Payable Amount is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE TRANSACTION**

Following completion of the Transaction, each of the Target Company and the Project Company will become an indirect non wholly-owned subsidiary of the Company, and the accounts of the Target Company and the Project Company will be consolidated into those of the Company.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

The Project is a large multi-purpose residential and commercial project that is of relatively large scale. The Project is situated at Guangzhou Avenue in Baiyun District, Guangzhou City, the PRC\* (中國廣州市白雲區廣州大道), conveniently located at the centre of Guangzhou and is close to the subway station. Given the steady trend in the Guangzhou real estate market, the Directors are optimistic about the prospect of the Project (the development and sales of which are expected to continue over the coming years). Therefore the Directors believe it is in the interest of the Group to increase its interest in the Project Company through the Equity Transfer. Upon completion of the Equity Transfer, the Company's indirect effective interest in the Project Company will increase from 49% to approximately 50.91%. Accordingly, the financial results of both of the Target Company and the Project Company will be consolidated into the consolidated financial results of the Group and they are expected to contribute to the Group's overall operating revenue.

Taking into account the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE TARGET COMPANY, THE PROJECT COMPANY AND THE PROJECT

### The Target Company

The Target Company is principally engaged in the development and operation of properties and provision of corporate management services.

The unaudited consolidated financial information of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the financial years ended 31 December 2017 and 31 December 2016, respectively, is as follows:

	<b>For the financial year ended 31 December 2016</b>	<b>For the financial year ended 31 December 2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Net profit/(loss) before taxation	5	(103)
Net profit/(loss) after taxation	4	(103)

The total assets and the net asset value of the Target Company as at 28 February 2018 were RMB95,070,600 and RMB95,050,600, respectively.

### **The Project Company**

The Project Company was established on 26 November 2014 solely for the purpose of developing the Project, and is currently engaged in the ownership, development and management of the Project. As such, the Project Company is a joint venture engaging in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of the Company. The Project Company is the current legal owner of the land use rights of the Land on which the Project is being constructed.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the financial years ended 31 December 2016 and 31 December 2017, respectively, is as follows:

	<b>For the financial year ended 31 December 2016</b>	<b>For the financial year ended 31 December 2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Net (loss) before taxation	(39,800)	(48,900)
Net (loss) after taxation	(30,100)	(36,900)

The total assets and the net asset value of the Project Company as at 28 February 2018 were RMB12,100,827,000 and RMB3,520,665,000, respectively.

### **The Project**

The Project, which is developed and operated by the Project Company, when completed, will be a large-scale mixed-use residential and commercial project, comprising (among others) 30 blocks of high-rise bungalow residence, a large shopping area, an exclusive clubhouse and a first-class school. The Project is currently being constructed and its development is estimated to be completed in 2022.

## **INFORMATION ON THE COMPANY, THE SELLER AND THE PURCHASER**

### **The Company**

The Company 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.

### **The Seller**

The Seller is principally engaged in commercial services.

### **The Purchaser**

The Purchaser is principally engaged in commercial services.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Transaction is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As none of the Directors had a material interest in the Transaction, no Director abstained from voting on the relevant board resolutions of the Company.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday in the PRC)
“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)
“Completion Date”	has the meaning as ascribed to it under the paragraph headed “Completion of the Transaction” in this announcement

“Directors”	the directors of the Company
“Equity Transfer”	the transfer of 100% equity interest in the Target Company by the Seller to the Purchaser in accordance with the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Seller, the Purchaser and the Project Company dated 30 May 2018 regarding the Transaction
“Equity Transfer Consideration”	RMB116,000,000, being the consideration for the Equity Transfer payable by the Purchaser to the Seller pursuant to the Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“GZYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated under the laws of the PRC, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and which is the ultimate controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Land”	collectively, the four parcels of land (Lot nos. AB3103004, AB3103067, AB3103083 and AB3103085) located at Hongyun Chemical Painting Factory, South China Expressway, Tonghe Village, Baiyuan District, Guangzhou City, Guangdong Province, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Parties”	collectively, the Seller, the Purchaser and the Project Company 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”	廣州星匯雲城 (Guangzhou Starry Sky City*) project, which is being developed on the Land
“Project Company”	廣州宏勝房地產開發有限公司 (Guangzhou Hong Sheng Property Development Co., Ltd.*), a limited liability company incorporated under the laws of the PRC and which is owned as to 49% by Prime Profit International Holdings Limited (栢盈國際集團有限公司), as to 2% by the Target Company and as to 49% by 廣州聯衡置業有限公司 (Guangzhou Lianheng Real Estate Co., Ltd.*), respectively
“Purchaser”	廣州盈勝投資有限公司 (Guangzhou Yingsheng Investments Co., Ltd.*), a limited liability company incorporated under the laws of the PRC which is wholly-owned by 廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.*) which is a 95.48%-owned subsidiary of the Company
“Repayment Amount”	has the meaning ascribed to it under the paragraph headed “Asset to be acquired” in this announcement
“Repayment Amount Contribution”	has the meaning ascribed to it under the paragraph headed “Asset to be acquired” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	廣州明睿一號實業投資合夥企業 (Guangzhou Ming Rui No.1 Industrial Investment Partnership*), a limited partnership established under the laws of the PRC
”Seller Loan”	the entire amount owing by the Project Company to the Seller as at 28 February 2018
“Shareholders”	holders of shares of the Company
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

