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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

INSIDE INFORMATION

OPTION TO ACQUIRE MAJORITY INTEREST IN TWO NEW METRO PROPERTY PROJECTS

INTRODUCTION

This announcement is made by Yuexiu Property Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

As disclosed in the circular issued by the Company on 18 March 2019, the introduction of 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*) (“**Guangzhou Metro**”) as a strategic shareholder of the Company would put the Company in a better position (vis-à-vis its competitors) to gain the rights to participate in different new metro property development projects won by Guangzhou Metro, which would in turn facilitate the realization of the Company’s business strategy of “Railway + Property”. The acquisition by the Company of an 86% interest in the first of such projects (as referred in the circular mentioned above) was completed in April 2019.

The Board is pleased to announce that, with the benefit of its new strategic relationship with Guangzhou Metro, it has secured the right to acquire a 51% interest in two New Metro Property Projects (as defined below) by entering into two YXP Option Deeds (as defined below) with its ultimate controlling shareholder, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited*) (“**GZYX**”), on the date of this announcement.

THE TWO NEW METRO PROPERTY PROJECTS

Guangzhou Metro (through two of its wholly-owned subsidiaries (each a “**New Project Company**”)) had successfully bid for the following two parcels of land:

The first project (the “**Luogang Project**”) is strategically located adjacent to the Xiangxue Station of the No. 6 subway line, which is only 600 metres away, and is directly connected to the station by an underpass. The Company understands that this is the only sizeable parcel of land in the core area of Huangpu District (with a site area of 282,931 square metres (“**m²”) and a gross floor area of 911,922 m²) on which a mixed-use property complex comprising residential buildings and educational facilities can be developed.**

The second project (the “**Chen Tougang Project**”, and together with the Luogang Project collectively the “**New Metro Property Projects**”, and each a “**New Metro Property Project**”), which is located east of Chentougang Station on the No. 22 subway line, is a rare residential-only property development project of such a large size (with a site area of 242,094 m² and a gross floor area of 881,240 m²) in the Panyu District. The No. 22 subway line is expected to commence operation in 2020, which is expected to correspond with the Chen Tougang Project’s sales period and in turn help to increase the value of the project.

As at the date of this announcement, the New Metro Property Projects are still at the pre-construction design and drawing stage. The Company understands that construction is expected to commence in the third quarter of 2019.

THE TWO YXP OPTION DEEDS

On the date of this announcement, GZYZ (through its subsidiaries) entered into, among others, an equity transfer agreement with Guangzhou Metro to acquire a 51% equity interest (together with a pro-rata share of the outstanding shareholders’ loans including accrued interest) (collectively “**51% Equity and Initial Loan Interests**”) in each of the two New Project Companies (each a “**GZYZ 51% Acquisition**”). Assuming completion on 30 May 2019 (for illustrative purpose), an aggregate consideration in the amount of approximately RMB4.36 billion (in relation to the Luogang Project) and approximately RMB3.49 billion (in relation to the Chen Tougang Project), respectively, will be payable by GZYZ (through its subsidiaries) for such acquisitions. In addition, it is expected that GZYZ will (directly or through its subsidiaries) provide further funding to the New Project Company(ies) (pro-rata to GZYZ’s shareholding in the relevant project(s)) (each a “**Further Shareholder’s Loan**”) for initial development of the project(s). The Company understands that on the date of this announcement, Guangzhou Metro also entered into an equity transfer agreement with another party (such party and its ultimate beneficial owner is, to the

best of the Directors' knowledge, information and belief having made all reasonable enquiries, a third party independent of the Company and its connected persons) to acquire a 9% equity interest (together with a pro-rata share of the outstanding shareholders' loans including accrued interest) in the New Project Company which holds the Luogang Project.

On the date of this announcement, GZYZ also entered into two option deeds with the Company (collectively the "**YXP Option Deeds**", and each a "**YXP Option Deed**") pursuant to which GZYZ agreed to grant to the Company the right to (collectively the "**YXP 51% Acquisitions**", and directly or through its subsidiary) acquire from GZYZ (or its subsidiaries) (each a "**YXP Option**") the 51% Equity and Initial Loan interests (together with any Further Shareholders' Loan), in each case including accrued interest, in each of the two New Project Companies (collectively the "**YXP 51% Acquisitions**", and each a "**YXP 51% Acquisition**"). The YXP 51% Acquisitions may be effected by way of a direct transfer of the relevant interests in the New Project Company or, if GZYZ and the Company agree, the transfer of interests in the special purpose vehicle that holds such relevant interests in the relevant New Project Company, provided that in the latter case, such fair and reasonable adjustment shall be made to the pricing formula of the exercise price set out below taking into account the paid up registered capital (and other assets and liabilities, as applicable) of the special purpose vehicle to be transferred and other incidental costs .

The two YXP Options may be exercised together or separately at the election of the Company. In relation to the exercise of each YXP Option, the exercise price payable by the Company (or its subsidiary, as the case may be) for the relevant YXP 51% Acquisition shall be the higher of:

- (1) GZYZ's cost of acquisition of the relevant 51% Equity and Initial Loan Interests and the amount of any Further Shareholders' Loan plus interest accrued thereon at 6.5% per annum in each case and other incidental costs; or
- (2) the value of the interests to be transferred as determined based on the valuation report prepared by an independent professional valuer to be agreed by GZYZ and the Company.

Each YXP Option will be exercisable by the Company any time after the relevant GZYZ 51% Acquisition has been completed and on or before 31 December 2019 (or such later date as GZYZ and the Company may agree in writing) (the "**Expiry Date**"). Completion of each YXP 51% Acquisition pursuant to any such exercise,

which shall take place on a date (not later than the Expiry Date) to be agreed between the GZYY and the Company, will be conditional upon (among others) compliance by the Company with all applicable requirements under the Listing Rules (including obtaining independent shareholders' approval, if required).

REASONS FOR AND BENEFITS OF THE YXP OPTION DEEDS

The Board is of the view that securing the right to acquire a 51% interest in the New Metro Property Projects represents an important step to forging the Company's strategic co-operation with Guangzhou Metro and to pursuing its business strategy of "Railway + Property". The YXP Options will provide an opportunity for the Company to acquire additional quality land reserves of approximately 1.79 million m², which represent approximately 9.2% of the Group's current land bank. Upon completion of the YXP 51% Acquisitions following the exercise of both YXP Options, the GFA of the Group's metro related projects will increase to approximately 3.25 million m², representing approximately 16.7% of the current total land bank of the Group and approximately 41.9% of its land bank in first tier cities.

The Board is also of the view that the YXP Option Deeds allow the Company to have a high degree of flexibility to manage its cash flow, thus enhancing its ability to maintain an optimal balance between growth and stability in the current macro-economic conditions. Subject to the valuation as mentioned above, it is the current intention of the Company to exercise both YXP Options and complete the YXP 51% Acquisitions in the fourth quarter of 2019, subject to compliance with all applicable requirements under the Listing Rules (including obtaining independent shareholders' approval, if required). For illustrative purposes, if completion of such acquisitions were to take place on 31 December 2019 and assuming that the exercise price is calculated on the basis set out in (1) under the section headed "The Two YXP Option Deeds" above and that Further Shareholder's Loans in the amount of up to approximately RMB313 million (in the case of the Lougang Project) and up to approximately RMB372 million (in the case of the Chen Tougang Project) were advanced to the relevant New Project Company, the aggregate consideration payable by the Company in respect of the Luogang Project and the Chen Tougang Project would be approximately RMB4.93 billion and RMB4.07 billion, respectively.

LISTING RULES IMPLICATIONS

As GZYY is a connected person of the Company by virtue of being its controlling shareholder, the YXP Option Deeds are connected transactions of the Company. However, as only a nominal amount is payable by the Company pursuant to the YXP

Option Deeds, the entry into of the YXP Option Deeds qualify as de minimis transactions under Rule 14A.76(1) of the Listing Rules and is, therefore, fully exempt from independent shareholders' approval, annual review, announcement and all disclosure requirements. Nonetheless, the exercise of a YXP Option would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and may (depending on the results of the size test calculations at the relevant time) constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules, which may (depending on the results of the size test calculations at the relevant time) be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. When the Company exercises either or both of the YXP Options, it will comply with all applicable requirements under the Listing Rules as and when required.

GENERAL

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The Company will make further announcement(s) as and when appropriate or required.

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

Hong Kong, 28 May 2019

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

Executive Directors: LIN Zhaoyuan (Chairman), LIN Feng, LI Feng, CHEN Jing and LIU Yan

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

** For identification purpose only*