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CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

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Reference is made to the announcement of the 2017 Announcement and the 2017 Circular regarding the renewals of continuing connected transactions of the Company in relation to the Bank Deposits with the CHB Group.

On 23 September 2019, the Company entered into the 2020 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2017 Bank Deposits Agreement.

LISTING RULES IMPLICATIONS

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2020 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions constitute a major transaction of the Company and are subject to Shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things: (i) further information on the Transactions; (ii) a letter of recommendations from the independent board committee of the Company; (iii) a letter of advice from an independent financial adviser; and (iv) a notice of the General Meeting is expected to be despatched to the Shareholders on or before 16 October 2019.

INTRODUCTION

Reference is made to the announcement of the Company dated 17 May 2017 (the “**2017 Announcement**”) and the circular of the Company dated 19 May 2017 (the “**2017 Circular**”) regarding the renewals of continuing connected transactions of the Company in relation to the Bank Deposits with the CHB Group.

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

Background

As disclosed in the 2017 Announcement and the 2017 Circular, the Company entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017, the term of which will expire on 31 December 2019.

On 23 September 2019, the Company entered into the 2020 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2017 Bank Deposits Agreement.

Pursuant to the 2020 Bank Deposits Agreement, the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group on normal commercial terms from time to time during the term of the 2020 Bank Deposits Agreement, and the placing and maintenance of any such Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers of similar size to the Group from time to time.

Duration

Subject to the approval by the Independent Shareholders at the General Meeting, the term of the 2020 Bank Deposits Agreement shall commence on 1 January 2020 and shall continue up to and including 31 December 2022. Subject to compliance with the Listing Rules, the 2020 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

Conditions Precedent

The 2020 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the General Meeting. If that condition is not fulfilled on or before 31 December 2019 or such later date as agreed between the Company and CHB, the 2020 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

Pricing Policy

The 2020 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on (1) in the case of deposits in Hong Kong, interest rates and other terms offered by the CHB Group and at least two other independent banks in Hong Kong to the Group; and (2) in the case of deposits in Mainland China, interest rates for deposits in Mainland China set with reference to the standard interest rates published by the PBOC and interest rates and other terms offered by the CHB Group and at least two other independent banks in Mainland China to the Group.

In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may be executed in order to facilitate the Transactions.

Historical Annual Caps and Amounts

The Annual Caps in respect of the Bank Deposits under the 2017 Bank Deposits Agreement for the years ended 31 December 2017 and 2018 and for the year ending 31 December 2019 were RMB4,000,000,000, RMB5,500,000,000 and RMB7,000,000,000 respectively.

The highest daily outstanding balance of the Bank Deposits actually placed by the Group with the CHB Group on any given day during each of the years ended 31 December 2017 and 31 December 2018 and the period of six months ended 30 June 2019 were as follows:

	For the year ended 31 December 2017 (approximately)	For the year ended 31 December 2018 (approximately)	For the six months ended 30 June 2019 (approximately)
Highest daily outstanding balance of the Bank Deposits on any given day during the year/period	RMB3,568,000,000	RMB2,398,000,000	RMB5,381,000,000

New Annual Caps

As the scale of the Group's business and operation continues to grow, it is expected that its total assets, and the level of cash and cash equivalents as well as Charged Deposits (collectively, "Cash Holdings") held or maintained by it from time to time, may increase correspondingly. By way of illustration, the total assets of the Group grew from approximately RMB133.1 billion as at 31 December 2017 to approximately RMB168.8 billion as at 31 December 2018, and further to RMB208.3 billion as at 30 June 2019; and the level of its Cash Holdings grew from approximately RMB20.79 billion (comprising cash and cash equivalents of approximately RMB16.65 billion and Charged Deposits of approximately RMB4.14 billion) as at 31 December 2017 to approximately RMB27.16 billion (comprising cash and cash equivalents of approximately RMB21.99 billion and Charged Deposits of approximately RMB5.17 billion) as at 31 December 2018, and further to approximately RMB31.58 billion (comprising cash and cash equivalents of approximately RMB24.50 billion and Charged Deposits of approximately RMB7.08 billion) at 30 June 2019.

A higher Annual Cap would allow the Group to benefit more from a healthy competition amongst the CHB Group and the other banks. By way of illustration, the amounts of bank deposits required to be made by the Group would be particularly high when the Group receives proceeds from a major fund raising exercise (e.g. bond issue and issue of Shares) and when the Group is engaged in a significant acquisition or disposal. For example, the Company received cash proceeds of approximately US\$1.195 billion from its US\$ bonds issue (equivalent to approximately RMB7.517 billion based on the then prevailing exchange rate) in April 2018, and the Company received cash proceeds of approximately HK\$6.2 billion (equivalent to approximately RMB5.30 billion based on the then prevailing exchange rate) from the subscription of Shares by its strategic investor in the first half of 2019. The Group would not be in a position to invite the CHB Group to provide quotations and compete with the other banks for this type of sizable deposits if the relevant Annual Cap does not allow enough room for the Group to do so.

Having considered the above, the Company proposes to set the Annual Caps at RMB8,500,000,000, RMB10,000,000,000 and RMB12,000,000,000 for the years ending 31 December 2020, 2021 and 2022, respectively (the “**New Annual Caps**”). The Company considers that the level of increments in such New Annual Caps is reasonable taking into account the business development of the Group.

INTERNAL CONTROL PROCEDURES

The Group has established internal control procedures as follows:

- 1) Bank Deposits will only be placed with the CHB Group by the Group on a non-exclusive basis. In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, each time before placing any Bank Deposits, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.
- 2) The Group will monitor the highest daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the New Annual Caps.
- 3) The Group will prepare a continuing connected transaction report once every six months on Bank Deposits with the CHB Group which will be submitted to the Group’s audit committee for consideration. Such a report will cover (among other things) the status of compliance with the New Annual Caps and utilization of the New Annual Caps.
- 4) The Group’s audit committee will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits) at least twice a year.

- 5) The auditors of the Group will, in addition to its interim review and year-end audit, issue a letter to the Board in relation to, among others, the Transactions for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to the Directors' attention that causes them to believe that the Transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the 2020 Bank Deposits Agreement; and (iv) have exceeded the New Annual Caps. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Company.

The Company is satisfied that it has an adequate system of controls to safeguard the Transactions, and to provide information for the independent non-executive Directors and auditors to properly review the Transactions annually.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in property development and investment. The Group has to maintain deposits with banks, primarily in Hong Kong and Mainland China, from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

CHB, as a reputable and long-established authorized institution in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities. The Company believes that it would be in the interest of the Group to engage the services of the CHB Group, being the placing of Bank Deposits with the CHB Group in this case, on a non-exclusive basis subject always to the Group's internal control procedures and the applicable annual caps. For the reasons discussed in the sub-section headed "New Annual Caps" under the section headed "Continuing Connected Transactions and Major Transaction in relation to Bank Deposits" above, the Company considers that the New Annual Caps have been reasonably determined taking into account the business development of the Group.

The Directors (excluding the Directors who have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2020 Bank Deposits Agreement have been entered into on normal commercial terms and in the ordinary and usual course of the Group's business, and that the transactions contemplated thereunder (together with the New Annual Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, provided that the independent non-executive Director's view is subject to the advice of Somerley Capital Limited, the independent financial adviser appointed by the Company, and the opinion of the independent board committee will be set forth in the circular to be despatched to the Shareholders.

LISTING RULES IMPLICATIONS

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2020 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions constitute a major transaction of the Company and are subject to Shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. LI Feng and Ms. CHEN Jing, the executive Directors, and Mr. LEE Ka Lun and Mr. YU Lup Fat Joseph, the independent non-executive Directors, are also serving as directors of CHB, each of them is regarded as having a material interest in the transactions contemplated under the 2020 Bank Deposits Agreement and has abstained from voting on the relevant board resolutions of the Company.

INFORMATION ON THE COMPANY AND CHB

The Company

The Company is principally engaged in property development and investment, focusing on property development in Guangdong-Hong Kong-Macau Greater Bay Area, Eastern Region, Central Region and Northern Region.

CHB

CHB 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: 01111). CHB and its subsidiaries are principally engaged in the provision of banking and related financial services.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 13.39(6)(c), the independent board committee shall not consist of any independent non-executive Directors who have a material interest in the relevant transaction or arrangement. As Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph are regarded as having a material interest in the transactions contemplated under the 2020 Bank Deposits Agreement, an independent board committee comprising only Mr. Lau Hon Chuen Ambrose has been established to advise the Independent Shareholders in connection with the 2020 Bank Deposits Agreement and the transactions contemplated thereunder.

Somerley Capital Limited has been appointed by the Company as the independent financial adviser to advise the independent board committee and the Independent Shareholders in connection with the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

GENERAL MEETING AND CIRCULAR

The General Meeting will be convened and held by the Company to consider and, if thought fit, to approve the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

YXE and its associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps), therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

A circular containing, among other things: (i) further information on the Transactions; (ii) a letter of recommendations from the independent board committee of the Company; (iii) a letter of advice from an independent financial adviser; and (iv) a notice of the General Meeting is expected to be despatched to the Shareholders on or before 16 October 2019.

DEFINITIONS

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

“2017 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2017 Bank Deposits Agreement”	the master agreement dated 16 May 2017 entered into between the Company and CHB in relation to Bank Deposits
“2017 Circular”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2020 Bank Deposits Agreement”	the master agreement dated 23 September 2019 entered into between the Company and CHB in relation to Bank Deposits
“Annual Cap”	the maximum daily outstanding balance of the Bank Deposits allowed to be placed by the Group with the CHB Group on any given day

“Bank Deposits”	deposits of whatever duration and nature and any other bank balances maintained by the Group (or any member of the Group) with the CHB Group from time to time
“Board”	the board of Directors
“Cash Holdings”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits – New Annual Caps” in this announcement
“Charged Deposits”	certain amounts of presale proceeds of properties as guarantee deposits for constructions of related properties that certain property development companies of the Group are required to be placed in designated bank accounts in accordance with relevant documents issued by local State-Owned Land and Resource Bureau as part of the Group’s sale process in its ordinary course of business
“CHB”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01111)
“CHB Group”	CHB and its subsidiaries
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, to approve the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the Shareholders, other than YXE and its associate(s)

“Independent Third Party(ies)”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mainland China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“New Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits – New Annual Caps” in this announcement
“PBOC”	The People’s Bank of China
“RMB”	Renminbi, the lawful currency of Mainland China
“Shares”	ordinary share(s) of the Company
“Shareholders”	holders of Shares
“Standard Documentation”	any standard documentation, as prescribed by the CHB Group in compliance with applicable legal and regulatory requirements and in accordance with usual banking practices in Hong Kong, applicable to the transactions contemplated under the 2020 Bank Deposits Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the transactions contemplated under the 2020 Bank Deposits Agreement
“US\$”	US dollar, the lawful currency of the United States of America

“YXE”

Yue Xiu Enterprises (Holdings) Limited, a limited company incorporated under the laws of Hong Kong and the controlling shareholder of each of the Company and CHB

“%”

per cent

For and on behalf of the Board
Yuexiu Property Company Limited
Yu Tat Fung
Company Secretary

Hong Kong, 23 September 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*

Non-executive Directors:

OUYANG Changcheng

Independent Non-executive Directors:

*YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen
Ambrose*