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VOLUNTARY ANNOUNCEMENT OPTION TO ACQUIRE MAJORITY INTEREST IN TWO NEW METRO PROPERTY PROJECTS

INTRODUCTION

This is a voluntary announcement made by Yuexiu Property Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”)

The Company is pleased to announce that, with the benefit of its strategic relationship with 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.) (“**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, 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*) (“**GZYX**”).

THE TWO NEW METRO PROPERTY PROJECTS

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

The first project (the “**Shuixi Project**”) is located on the west side of Shuixi Road, the southwest side of the intersection of Northern Ring Expressway and Guanghui Expressway in the Science City of Huangpu District, Guangzhou. The Shuixi Project is located above the Shuixi North Station of Phase 2 of the No. 7 metro line which is expected to commence service in 2023. It is also near the Shuixi Station of the No. 21 metro line and the Luogang exit of the Guanghui Expressway. The Shuixi Project has a site area of 81,620 square metres (“**sq.m.**”) and a gross floor area of 338,789 sq.m. on which residential buildings and ancillary public facilities can be developed.

The second project (the “**Zhenlong Project**”, and together with the Shuixi Project collectively the “**New Metro Property Projects**”, and each a “**New Metro Property Project**”), is located on the intersection of Xinlong Town in Huangpu District and Zhongxin town of Zengcheng District, Guangzhou. It is on the northern side of the Guangshan Expressway, adjacent to the Zhenlong Station of the No. 21 metro line. The Zhenlong Project has a site area of 242,175 sq.m., and a gross floor area of 706,685 sq.m. on which residential buildings and ancillary public facilities can be developed.

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 by July 2020.

INTERESTS IN THE TWO PROJECT COMPANIES

On 4 June 2020, GZYZ and its wholly-owned subsidiaries entered into, among others, equity transfer agreements (“**Equity Transfer Agreements**”) with Guangzhou Metro and 科學城(廣州)投資集團有限公司 (Science City (Guangzhou) Investment Group Company Limited*) (“**Science City**”), pursuant to which GZYZ shall, through its wholly-owned subsidiaries, 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**”) from Guangzhou Metro.

Assuming completion on 5 June 2020 (for illustrative purpose), an aggregate consideration in the amount of approximately RMB1.67 billion (in relation to the Shuixi Project) and approximately RMB1.83 billion (in relation to the Zhenlong Project), respectively, will be payable by GZYZ (or its subsidiary) for such acquisitions. In addition, it is expected that GZYZ will (directly or through its subsidiary) 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**”) to finance the outstanding land premium (being approximately RMB0.37 billion for the Shuixi Project and approximately RMB1.06 billion for the Zhenlong Project), and other costs for the initial development of the projects (being approximately RMB 0.18 billion for Shuixi Project and approximately RMB 0.27 billion for Zhenlong Project).

The Company understands that, under the Equity Transfer Agreements, Science City shall also acquire a 20% equity interest (together with a pro-rata share of the outstanding shareholders’ loans including accrued interest) from Guangzhou Metro in each of the two New Project Companies, so that following the completion of the Equity Transfer Agreements, each New Project Company will be held as to 51% by GZYZ, 29% by Guangzhou Metro and 20% by Science City. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Science City is a third party independent of the Company and its connected persons.

THE TWO OPTION DEEDS

On 4 June 2020, 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 (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 absolute discretion 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) GZYG'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 GZYG and the Company.

Each YXP Option will be exercisable by the Company any time at its absolute discretion after the relevant GZYG 51% Acquisition has been completed and on or before 30 June 2021 (or such later date as GZYG and the Company may agree in writing) (the "**Expiry Date**"). Completion of each YXP 51% Acquisition pursuant to any such exercise will be conditional upon (among others) compliance by the Company with all applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (including obtaining independent shareholders' approval, if required).

REASONS FOR AND BENEFITS OF THE YXP OPTION DEEDS

The Company is of the view that securing the right to acquire a 51% interest in the New Metro Property Projects represents another 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 bank of approximately 1.05 million sq.m., which represents approximately 4.38% of the Group's land bank as of 31 December 2019.

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 4.19 million sq.m., representing approximately 17.56% of the total land bank of the Group as of 31 December 2019 and approximately 33.96% of its land bank in the Greater Bay Area as of 31 December 2019.

The Company 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 2020, 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 2020 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 approximately RMB0.54 billion (in the case of the Shuixi Project) and approximately RMB1.33 billion (in the case of the Zhenlong Project) were respectively advanced to the New Project Companies, the aggregate consideration payable by the Company in respect of the Shuixi Project and the Zhenlong Project would be approximately RMB2.33 billion and RMB3.31 billion, respectively.

LISTING RULES IMPLICATIONS

As GZYG 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.

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, 5 June 2020

As at the date of this announcement, the board of directors of the Company comprises:

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

Non-executive Director: *OUYANG Changcheng*

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

* *For identification purpose only*