

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

**CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF 98% EQUITY INTEREST IN
GUANGZHOU BAI CHENG INVESTMENT DEVELOPMENT CO. LTD.***

**ACQUISITION OF 98% EQUITY INTEREST IN GUANGZHOU BAI CHENG
INVESTMENT DEVELOPMENT CO. LTD.***

The Company is pleased to announce that on 23 July 2021, the Purchaser, which is a subsidiary of the Company, has entered into the Equity Transfer Agreement with the Seller, which is a controlling shareholder of the Company, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, 98% of the equity interest in the Target Company, which owns the Project Land, for the Equity Transfer Consideration of approximately RMB1,873,596,000. In addition, within 60 Business Days from the Completion, the Purchaser shall also inject the Repayment Amount of approximately RMB419,189,883.14 to the Target Company, which shall be used for the payment of the Amount Payable to the Seller. Upon Completion, the Purchaser will own 98% of the equity interest of the Target Company. The Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial results of the Group.

The Total Consideration is approximately RMB2,292,785,883.14, of which approximately RMB1,873,596,000 represents the Equity Transfer Consideration and approximately RMB419,189,883.14 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 31 May 2021, which was approximately RMB1,911,832,000, as valued by the Independent Valuer by application of the summation method under cost approach. The Repayment Amount is the dollar-for-dollar value of the Amount Payable. The Directors (including the independent non-executive Directors) consider that the Total Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since the Seller is a controlling shareholder of the Company, the Seller is a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular requirements and the approval of the Independent Shareholders at the general meeting under Chapter 14A of the Listing Rules.

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

INTRODUCTION

The Company is pleased to announce that on 23 July 2021, the Purchaser, which is a subsidiary of the Company, has entered into the Equity Transfer Agreement with the Seller, which is the controlling shareholder of the Company, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, 98% of the equity interest in the Target Company for the Equity Transfer Consideration of approximately RMB1,873,596,000. The remaining 2% of the equity interest in the Target Company is held by 廣州商貿投資控股集團有限公司 (Guangzhou Commercial Investment Holdings Group Limited*) (“**Minority Shareholder**”), an independent third party. In addition, within 60 Business Days from the Completion, the Purchaser shall also inject a Repayment Amount of approximately RMB419,189,883.14 to the Target Company, which shall be used for the payment of the Amount Payable to the Seller.

EQUITY TRANSFER AGREEMENT

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

Date

23 July 2021

Parties

The Seller as seller and the Purchaser as purchaser

Asset to be acquired

Pursuant to the Equity Transfer Agreement, the Seller agreed to sell, and the Purchaser agreed to purchase, 98% of the equity interest in the Target Company.

Consideration and payment terms

The Equity Transfer Consideration of approximately RMB1,873,596,000 shall be payable by the Purchaser (using its internal funds) to the Seller within 5 Business Days after the Equity Transfer Agreement becomes effective.

In addition, within 60 Business Days from the Completion, the Purchaser (using its internal funds) shall also inject an amount of approximately RMB419,189,883.14 to the Target Company (the “**Repayment Amount**”), which shall be used for the payment of the Amount Payable to the Seller.

Conditions precedent

The effective date of the Equity Transfer Agreement shall be the day on which the last of the following conditions has been satisfied:

- (a) the Independent Shareholders having passed all necessary resolutions at the general meeting to approve the Acquisition and the transactions contemplated thereunder; and
- (b) the approval(s) or waiver(s) of the relevant regulatory authorities or compliance review procedures which are necessary for the Acquisition having been obtained or carried out, including but not limited to: (i) the necessary procedures for the filing of the assessment of the state-owned assets and other relevant state-owned assets approval procedures; (ii) the relevant equity interest may be transferred to the Purchaser in the form of an agreement; and (iii) other necessary procedures for the state-owned assets ownership transfer, assessment approval and filing, etc..

Purchaser’s and Target Company’s obligations

Pursuant to an equity transfer agreement dated 31 December 2012 (as amended and supplemented by supplemental agreements dated 5 January 2013 and 18 April 2013 respectively) (collectively, the “**2012 Equity Transfer Agreement**”), the Seller completed the acquisition of a total of 98% interest in the Target Company from the original shareholders of the Target Company (together with their successors (if any), the “**Original Shareholders**”) for a consideration of RMB1.5 billion on 25 May 2016. A further supplemental agreement was entered into on 30 May 2021 to govern the rights and obligations between the shareholders of the Target Company (together with the 2012 Equity Transfer Agreement, the “**Pre-existing Agreements**”). In 2017, an Original Shareholder transferred 2% interest in the Target Company to the Minority Shareholder and the Minority Shareholder assumed the rights and obligations of the relevant Original Shareholder under the Pre-existing Agreements.

Pursuant to the Pre-existing Agreements, the Target Company agreed to construct and deliver to the Original Shareholders before 31 December 2016 a portion of the commercial real estate developed on the Property amounting to a total gross floor area of 70,000 sq. m. (comprising a 30,000 sq. m. shopping mall, 21,000 sq. m. of grade A office premises, 4,000 sq. m. of street-level commercial properties, 15,000 sq. m. of office premises and 500 underground car parking spaces) (the “**Commercial Real Estate**”) at cost of up to a maximum of RMB1 billion, the sum of which had been paid on account. Any residual cost on account shall be returned without interest to the Original Shareholders.

The original delivery date of the Commercial Real Estate had subsequently been extended to before 31 December 2024, in return for which the Target Company is required to pay compensation of RMB65,000,000 (“**Compensation**”) which was accrued and included in the accounts of the Target Company as at 31 May 2021, being the reference date for the valuation of the Target Company.

Completion of the Equity Transfer

The Purchaser and the Seller agreed to procure the Target Company to arrange for registration of the Equity Transfer and the amendment of the Articles of Association of the Target Company with its original registration authorities within 5 Business Days after the Equity Transfer Agreement becomes effective. Completion shall take place on the date on which the above registration is completed (“**Completion**”).

Upon Completion, the Purchaser will own 98% of the equity interest of the Target Company. The Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial results of the Group.

Compensation

If the Equity Transfer Agreement is early terminated or rescinded due to the breach by the Seller, the Seller shall, within 10 Business Days after the Equity Transfer Agreement is terminated, return the Equity Transfer Consideration to the Purchaser, and shall procure the Target Company to return the Repayment Amount to the Purchaser. In addition, the Seller shall pay the Purchaser an amount equivalent to 5% of the Total Consideration as compensation.

If the Purchaser fails to pay the Equity Transfer Consideration to the Seller or provide the Repayment Amount to the Target Company according to the terms of the Equity Transfer Agreement, for each day that the amount is overdue, the Purchaser shall pay an interest at the rate of 0.0005% on the outstanding amount of the Total Consideration to the Seller.

Termination

The Equity Transfer Agreement may be early terminated: (i) by either party upon the occurrence of a force majeure event; (ii) by the non-defaulting party if the other party loses the ability to perform the contract or the purpose of the Equity Transfer Agreement cannot be realised due to a serious breach by the defaulting party; or (iii) by mutual agreement of both parties.

MANAGEMENT OF THE TARGET COMPANY

Board composition and reserved matters of the Target Company

As a result of the completion of the Acquisition, the Target Company will be owned as to 98% by the Purchaser and 2% by the Minority Shareholder.

Upon Completion and following registration of the amendment of the Articles of Association of the Target Company, the board of the Target Company shall have a total of five directors, one of whom shall be appointed by the Minority Shareholder and four of whom shall be appointed by the Purchaser. All matters requiring board approval (such as, among others, setting up the internal control entity, appointing or dismissing managers and formulating general management system in the Target Company) are subject to simple majority vote.

All matters requiring shareholders’ approval are subject to simple majority vote other than certain reserve matters such as (among others) increase or reduction of the registered capital, any merger, change in company form or liquidation and amendment of articles, which are subject to the approval by majority vote of more than two-thirds of the shareholders of the Target Company.

BASIS OF DETERMINATION OF TOTAL CONSIDERATION

The Total Consideration is approximately RMB2,292,785,883.14, of which approximately RMB1,873,596,000 represents the Equity Transfer Consideration and approximately RMB419,189,883.14 represents the Repayment Amount. The Equity Transfer Consideration was determined with reference to the market value of a 100% equity interest in the Target Company as at 31 May 2021, which was approximately RMB1,911,832,000, as valued by the Independent Valuer by application of the summation method under cost approach (the “**Target Appraised NAV**”). The Repayment Amount is the dollar-for-dollar value of the Amount Payable.

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

INFORMATION OF THE TARGET COMPANY

The Target Company is owned as to 98% by the Seller. It is principally engaged in property development and investment, including the development of the Project Land. It is the sole legal and beneficial owner of property rights in the Project Land. The Project Land is situated at 廣州市海珠區工業大道南大干圍 12 號、1 號(地塊二) (No. 1 (Lot 2) and No. 12 of Daganwei, Industrial Avenue South, Haizhu District, Guangzhou, China*). It has a total site area of 62,578 sq. m. and a plot ratio accountable gross floor area of 389,813 sq.m.. The Project Land is being developed for commercial use, including apartment, retail, shopping mall, ancillary and basement.

The audited financial information of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the financial years ended 31 December 2019 and 31 December 2020, respectively, is as follows:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	0	0
Net profit (or loss) before taxation	555,459	531,269
Net profit (or loss) after taxation	417,912	398,230

As at 31 May 2021, the book value of the total assets of the Target Company amounted to approximately RMB1,881,382,579 whereas the book value of equity of the Target Company was approximately -RMB62,785,677.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Project Land which is located at 廣州市海珠區工業大道南大干圍 12 號、1 號(地塊二) (No. 1 (Lot 2) and No. 12 of Daganwei, Industrial Avenue South, Haizhu District, Guangzhou, China*, with a total site area of 62,578 sq.m., has excellent geographical advantages. Haizhu District (海珠區), where the Project Land sits, is one of the core areas of Guangzhou with well-developed premium lifestyle facilities and transportation systems. Three surrounding subway stations (Shixi Station (石溪站) and Nanzhou Station (南洲站) on Guangfo Line (廣佛線), Nanzhou Station (南洲站) on Line 2 (2 號線), and Daganwei Station (大干圍站) on Line 10 (10 號線)) provides quick and direct reach to the core business district in Guangzhou. In view of the healthy and stable real estate market in Guangzhou and the quality of the Project Land, the development prospects of the Project Land is considered promising. The Acquisition serves to add approximately 389,813 sq. m. of a plot ratio accountable gross floor area to the land bank capacity of the Group, helping the Company to strengthen its core real estate business and to consolidate its leading strategic positioning of the Group in the Guangzhou real estate market, reinforcing the national and regional roadmap strategy in the Greater Bay Area and for the development of Eastern, Central, North and Southwest of China. In view of the above, the Directors believe that it is in the interest of the Group to acquire interest in the Project Land through the Acquisition. Upon Completion, the Purchaser will own 98% interest of the Target Company. Accordingly, the financial results of the Target 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 OF 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, through its various subsidiaries, is principally engaged in various businesses including (among others) financial business, property development, infrastructure and construction.

The Purchaser

The Purchaser is principally engaged in property development and investment.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Acquisition. Maxa Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. Such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

The Seller is the controlling shareholder of the Company and hence a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition is subject to the reporting, announcement, circular requirements and the approval of the Independent Shareholders at the general meeting under Chapter 14A of the Listing Rules.

The circular containing, among other things: (i) further information on the Acquisition; (ii) a letter of recommendations from the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Acquisition; (iv) valuation report in respect of the Target Company and the Project Land and (v) a notice of the GM, is expected to be despatched to the Shareholders on or before 13 August 2021.

As none of the Directors had a material interest in the Acquisition, 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:

“2012 Equity Transfer Agreement”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Purchaser’s and Target Company’s obligations” in this announcement
“Acquisition”	collectively, the Equity Transfer and the payment of the Amount Payable in accordance with the terms of the Equity Transfer Agreement
“Amount Payable”	the amount of RMB419,189,883.14 dividend payable by the Target Company to the Seller as at the date of the Equity Transfer Agreement

“Business Day”	a day (other than a Saturday, Sunday or public holiday in the PRC)
“Commercial Real Estate”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Purchaser’s and Target Company’s obligations” in this announcement
“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)
“Compensation”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Purchaser’s and Target Company’s obligations” in this announcement
“Completion”	has the meaning ascribed to it in the section headed “Completion of the Equity Transfer” of this announcement
“Directors”	the directors of the Company
“Equity Transfer”	the transfer of 98% of the equity interest in the Target Company by the Seller to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Seller and the Purchaser dated 23 July 2021 regarding the Equity Transfer
“Equity Transfer Consideration”	the consideration of RMB1,873,596,000 for the Purchaser’s acquisition of 98% of the equity interest in the Target Company from the Seller
“GM”	the general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Equity Transfer Agreement and the transaction contemplated thereunder (namely, the Acquisition)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, established to advise the Independent Shareholders in respect of whether the Acquisition is fair and reasonable and as to voting

“Independent Financial Adviser”	Maxa Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Acquisition is fair and reasonable and as to voting
“Independent Shareholder(s)”	Shareholders other than (i) any Shareholder who has a material interest in the Acquisition other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (i)
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Board composition and reserved matters of the Target Company” in this announcement
“Original Shareholders”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Purchaser’s and Target Company’s obligations” in this announcement
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Pre-existing Agreements”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Purchaser’s and Target Company’s obligations” in this announcement
“Project Land”	the land and the buildings located at 廣州市海珠區工業大道南大千圍 12 號、1 號(地塊二) (No. 1 (Lot 2) and No. 12 of Daganwei, Industrial Avenue South, Haizhu District, Guangzhou, China*), of which the certificate of the real estate ownership is 00400004.
“Purchaser”	廣州越秀華城房地產開發有限公司 (Guangzhou Yuexiu Huacheng Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability and which is a 95.48% subsidiary of the Company
“Repayment Amount”	has the meaning as ascribed to it in the paragraph headed “EQUITY TRANSFER AGREEMENT – Consideration and payment terms” in this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated in the PRC and a controlling shareholder holding 39.78% shareholdings of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Appraised NAV”	has the meaning as ascribed to it in the paragraph headed “BASIS OF DETERMINATION OF TOTAL CONSIDERATION” in this announcement
“Target Company”	廣州市佰城投資發展有限公司 (Guangzhou Bai Cheng Investment Development Co. Ltd.*), a company incorporated in the PRC and which is owned as to 98% by the Seller
“Total Consideration”	the aggregate consideration payable by the Purchaser for the Equity Transfer and the payment of the Repayment Amount by the Target Company to the Seller for settlement of the Amount Payable in accordance with the terms of the Equity Transfer Agreement

* *For identification purpose only*

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

Hong Kong, 23 July 2021

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 Director: *OUYANG Changcheng*

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