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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

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Reference is made to the announcement of the 2019 Announcement and the 2019 Circular regarding the renewals of continuing connected transactions of the Company in relation to the Bank Deposits with the CHB Group.

On 3 November 2022, the Company entered into the 2023 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2020 Bank Deposits Agreement.

LISTING RULES IMPLICATIONS

As CHB is a subsidiary of YXE, the controlling Shareholder, 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 highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2023 Bank Deposits Agreement exceeds 25% but is 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 24 November 2022.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 September 2019 (the “**2019 Announcement**”) and the circular of the Company dated 27 September 2019 (the “**2019 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 2019 Announcement and the 2019 Circular, the Company entered into the 2020 Bank Deposits Agreement with CHB on 23 September 2019, the term of which will expire on 31 December 2022.

On 3 November 2022, the Company entered into the 2023 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2020 Bank Deposits Agreement.

Pursuant to the 2023 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 2023 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 2023 Bank Deposits Agreement shall commence on 1 January 2023 and shall continue up to and including 31 December 2025. Subject to compliance with the Listing Rules, the 2023 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

Conditions Precedent

The 2023 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2023 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 2022 or such later date as agreed between the Company and CHB, the 2023 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

Pricing Policy

The 2023 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 to the Group by or obtained by the Group from at least two other independent banks in Hong Kong; 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 to the Group by or obtained by the Group from at least two other independent banks in Mainland China.

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

Historical Annual Caps and Amounts

The Annual Caps in respect of the Bank Deposits under the 2020 Bank Deposits Agreement for the years ended 31 December 2020 and 2021 and for the year ending 31 December 2022 were RMB8,500,000,000, RMB10,000,000,000 and RMB12,000,000,000 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 2020 and 31 December 2021 and the period of nine months ended 30 September 2022 were as follows:

	For the year ended 31 December 2020 (approximately)	For the year ended 31 December 2021 (approximately)	For the nine months ended 30 September 2022 (approximately)
Highest daily outstanding balance of the Bank Deposits on any given day during the year/period	RMB6,108,000,000	RMB9,602,000,000	RMB8,447,000,000

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 RMB263.2 billion as at 31 December 2020 to approximately RMB313.9 billion as at 31 December 2021, and further to RMB320.9 billion as at 30 June 2022; and the level of its Cash Holdings grew from approximately RMB37.30 billion (comprising cash and cash equivalents of approximately RMB28.21 billion and Charged Deposits of approximately RMB9.09 billion) as at 31 December 2020 to approximately RMB40.50 billion (comprising cash and cash equivalents of approximately RMB32.77 billion and Charged Deposits of approximately RMB7.73 billion) as at 31 December 2021, and approximately RMB39.06 billion (comprising cash and cash equivalents of approximately RMB26.07 billion and Charged Deposits of approximately RMB12.99 billion) at 30 June 2022.

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 Group received gross proceeds of approximately HK\$2,016 million, equivalent to approximately RMB1,677 million and net proceeds (after deduction of the capitalised listing expenses) of approximately HK\$1,961 million, equivalent to approximately RMB1,632 million, from the spin-off and initial public offering of Yuexiu Services Group Limited (Stock Code: 6626) (whose financial results (including assets such as Cash Holdings) remain consolidated into those of the Company post-listing and as at the date of this announcement). In 2020, the Group received RMB1.50 billion from the issuance of onshore corporate bonds. In 2021, the Group received USD800 million and RMB6 billion from the issuance of offshore USD bonds and onshore RMB corporate bonds respectively. 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 RMB13,000,000,000, RMB14,500,000,000 and RMB16,000,000,000 for the years ending 31 December 2023, 2024 and 2025, 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 placed 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 auditor of the Group will be engaged to report on the continuing connected transactions of the Group disclosed in the annual report of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor will issue a letter containing their conclusions in respect of the continuing connected transactions disclosed in the annual report of the Company in accordance with Rule 14A.56 of the Listing Rules. According to the letter, the auditor will express a conclusion, whether anything has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, conducted in accordance with the pricing policies of the Group for the transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the 2023 Bank Deposits Agreement governing such transaction; and/or (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 auditor 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 financial 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 Mr. Li Feng, Ms. Chen Jing, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, the Directors who are regarded as having a material interest in the Transactions and therefore have abstained from voting on the relevant board resolutions of the Company) are of the view that (i) the 2023 Bank Deposits Agreement has been entered into on normal commercial terms and in the ordinary and usual course of the Group's business; (ii) the terms of the 2023 Bank Deposits Agreement are fair and reasonable; and (iii) the Transactions (together with the New Annual Caps) are in the interests of the Company and its Shareholders as a whole, provided that the Independent Board Committee's view on the Transactions (together with the New Annual Caps) is subject to the advice of Maxa 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, 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 highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2023 Bank Deposits Agreement exceeds 25% but is 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.

INFORMATION ON THE COMPANY AND CHB

The Company

The Company is principally engaged in property development and investment, deepening the implementation of the "1+4" national strategic layout and cultivation of the Greater Bay Area market, and focusing on expanding their business in Eastern China, Central China, Northern China and Western China.

CHB

CHB is incorporated in Hong Kong with limited liability. The CHB Group is principally engaged in provision of banking and related financial services.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 13.39(6)(c) of the Listing Rules, 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, an independent board committee only comprising of Mr. Lau Hon Chuen Ambrose has been established to advise the Independent Shareholders in connection with the 2023 Bank Deposits Agreement and the Transactions.

Maxa 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 2023 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 2023 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

YXE and its associates, and each of Mr. Li Feng, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, being Directors who are also Shareholders and who have a material interest in the Transactions, will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2023 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 2023 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 24 November 2022.

DEFINITIONS

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

“2019 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2019 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
“2023 Bank Deposits Agreement”	the master agreement dated 3 November 2022 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
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“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 place 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
“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
“controlling shareholder”	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 2023 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 Board Committee”	the independent board committee only comprising of Mr. LAU Hon Chuen Ambrose, the independent non- executive Director who does not have a material interest in the Transactions, established to advise the Independent Shareholders in respect of the Transactions.
“Independent Shareholders”	the Shareholders, other than YXE and its associate(s), and Mr. Li Feng, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph
“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
“Shareholders”	holders of Shares
“Shares”	ordinary share(s) of the Company
“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 2023 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 2023 Bank Deposits Agreement
“USD”	United States Dollars, 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 and the indirect sole shareholder of CHB
“%”	per cent

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

Hong Kong, 3 November 2022

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: ZHANG Yibing

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