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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

CONNECTED AND DISCLOSABLE TRANSACTION

Exercise of Call Option

The Board is pleased to announce that GZ Superland, an indirect wholly-owned subsidiary of the Company, proposed to exercise the Call Option to acquire the JV Partner's Equity Interest under the Call Option. To facilitate the above, the Cooperation Agreement has been amended by a supplemental agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, pursuant to which GZCJ and the JV Partner have agreed that GZCJ or GZ Superland, a wholly-owned subsidiary of the Company designated by GZCJ, shall have the right to exercise the Call Option. Save as disclosed herein, all other terms and provisions of the Cooperation Agreement remain unchanged and in full force and effect.

Pursuant to the Cooperation Agreement (as supplemented by the supplemental agreement dated 14 February 2018), on 14 February 2018, GZ Superland and the JV Partner entered into the Call Option Exercise Agreement, pursuant to which GZ Superland has exercised the Call Option.

On 14 February 2018, in order to effect the Equity Transfer upon the exercise of the Call Option, simultaneously with the Call Option Exercise Agreement, GZ Superland and the JV Partner entered into the Equity Transfer Agreement, pursuant to which (i) GZ Superland has agreed to purchase and the JV Partner has agreed to sell, the JV Partner's Equity Interest, representing 92% of the total equity interest in the Project Company and (ii) GZ Superland has agreed to contribute RMB3,250,000,000 as shareholder's loan into the Project Company, which shall be used by the Project Company to repay the JV Partner Loan in full. GZ Superland and the JV Partner have agreed that the total consideration payable by GZ Superland upon the full exercise of the Call Option is RMB3,321,250,000, of which RMB71,250,000 represents the consideration payable for the Equity Transfer, and RMB3,250,000,000 represents the Repayment Amount.

As the JV Partner is regarded as a connected person of the Company under the Listing Rules, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the exercise of the Call Option is more than 5% but less than 25%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to 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 exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement); (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the General Meeting is expected to be despatched to the Shareholders on or before 9 March 2018.

BACKGROUND

Reference is made to: (i) the announcement of the Company dated 12 September 2013 (the “**JV Announcement**”) in relation to, among other things, the formation of the Project Company, which was owned as to 8% and 92% by GZCJ and the JV Partner respectively upon its formation, for the development of the Land Parcel; and (ii) the announcements of the Company dated 23 September 2015 and 3 January 2017 (the “**Supplemental Announcements**”) in relation to, among other things, the extension of exercise period of the Call Option to 31 December 2016 and 31 December 2018 respectively.

EXERCISE OF THE CALL OPTION

The Call Option

On 12 September 2013, GZCJ and the JV Partner entered into the Cooperation Agreement, pursuant to which, among other things, the JV Partner granted the Call option to GZCJ for it to acquire 92% of the equity interests of the Project Company held by JV Partner at an exercise price to be determined based on an internal rate of return of not exceeding 12% per year (before tax) on the capital contributed by the JV Partner into the Project Company.

The Exercise period

As disclosed in the JV Announcement, the Call Option is exercisable during the period commencing on the first anniversary of the due day for payment of registered capital into the capital account of the Project Company by JV Partner, being 22 September 2015, and ending on the expiry of twenty four months (or such extended period as agreed between GZCJ and the JV Partner in writing) thereafter. As disclosed in the Supplemental Announcements, the exercise period of the Call Option has been extended to 31 December 2016 and further to 31 December 2018 at no cost pursuant to written confirmation letters entered into between GZCJ and the JV Partner on 22 September 2015 and 30 December 2016 respectively.

Exercise of the Call Option

GZ Superland, an indirect wholly-owned subsidiary of the Company, proposed to exercise the Call Option to acquire the JV Partner's Equity Interest under the Call Option. To facilitate the above, the Cooperation Agreement has been amended by a supplemental agreement dated 14 February 2018 entered into between GZCJ and the JV Partner, pursuant to which GZCJ and the JV Partner have agreed that GZCJ or GZ Superland, a wholly-owned subsidiary of the Company designated by GZCJ, shall have the right to exercise the Call Option. Save as disclosed herein, all other terms and provisions of the Cooperation Agreement remain unchanged and in full force and effect.

Pursuant to the Cooperation Agreement (as supplemented by the supplemental agreement dated 14 February 2018), on 14 February 2018, GZ Superland and the JV Partner entered into the Call Option Exercise Agreement, pursuant to which GZ Superland has exercised the Call Option.

Consideration

The exercise price of the Call Option for the JV Partner's Equity Interest was determined with reference to the formulation provided under the Cooperation Agreement, which provides that the exercise price shall be determined based on: (a) the total capital contribution by the JV Partner in the Project Company (the "**JV Partner Contribution**") plus (b) an amount equivalent to the JV Partner Contribution (or if the JV Partner Contribution is made by instalments, in respect of each instalment of the JV Partner Contribution) multiplied by an internal rate of return of not exceeding 12% per year (before tax) based on the period of time that the JV Partner Contribution is contributed into the Project Company, as disclosed in the JV Announcement.

GZ Superland and the JV Partner have agreed that the total consideration payable by GZ Superland upon the full exercise of the Call Option as calculated pursuant to the above formula provided under the Cooperation Agreement is RMB3,321,250,000 (the “**Total Consideration**”), of which RMB71,250,000 represents the consideration payable for the Equity Transfer (the “**Equity Consideration**”), and RMB3,250,000,000 represents the Repayment Amount (as defined below). It is the intention of the Company to satisfy the Total Consideration by the internal resources of the Group.

The Equity Transfer Agreement

On 14 February 2018, in order to effect the Transaction upon the exercise of the Call Option, simultaneously with the Call Option Exercise Agreement, GZ Superland and the JV Partner entered into the Equity Transfer Agreement. The principle terms of the Equity Transfer Agreement are set out below.

Date

14 February 2018

Parties

(i) GZ Superland and (ii) the JV Partner

Assets to be acquired by the Group

GZ Superland has agreed to purchase and the JV Partner has agreed to sell, the JV Partner’s Equity Interest, representing 92% of the total equity interest in the Project Company; and GZ Superland has agreed to contribute RMB3,250,000,000 (the “**Repayment Amount**”) as shareholder’s loan into the Project Company (the “**Repayment Amount Contribution**”), which shall be used by the Project Company to repay the JV Partner Loan in full.

Condition precedent

Completion of the Transaction is conditional upon the satisfaction of the following conditions (the “**Conditions**”):

1. all representations and warranties given by GZ Superland and the JV Partner in the Equity Transfer Agreement remaining true, accurate and complete in all material respects and are not misleading as at the date of the Equity Transfer Agreement and at all times up to and including the Completion Date;

2. the Transaction having been approved by the Independent Shareholders at the General Meeting; and
3. all consents or waivers from the relevant regulatory authorities which are necessary in connection with the consummation of the transactions contemplated under the Equity Transfer Agreement having been obtained.

Consideration and payment terms

GZ Superland shall:

- (i) pay to the JV Partner the Equity Transfer Consideration in full in RMB via wire transfer within one business days from date on which all of the Conditions have been fulfilled; and
- (ii) make the Repayment Amount Contribution as shareholder's loan into the Project Company within one business day from the Registration Date, which Repayment Amount shall be used by the Project Company to repay the JV Partner Loan to the JV Partner in full on the same day immediately upon receipt of such amount by the Project Company.

Completion of the Transaction

Within five business days from the date on which all of the Conditions have been fulfilled, GZ Superland and the JV Partner shall procure the Project Company to arrange for the registration of the Equity Transfer and the amendments to the articles of association of the Project Company with the relevant administration for industry and commerce. Completion of the Transaction is deemed to have taken place on the date on which such registration is completed (the "**Registration Date**").

Termination

The Equity Transfer Agreement may be terminated at the occurrence of any one of the following events:

1. force majeure;
2. loss of capacity to fulfill the Equity Transfer Agreement by GZ Superland or the JV Partner;
3. material breach by GZ Superland or the JV Partner; or
4. agreement in writing between GZ Superland and the JV Partner to terminate.

Upon termination of the Equity Transfer Agreement, the JV Partner shall refund the consideration (or any part thereof) already paid by GZ Superland within ten business days from the date of termination, failing which, the JV Partner must pay to GZ Superland on a daily basis an interest at a rate of 0.05% of the aforesaid refund until such refund has been paid by the JV Partner.

Termination of Cooperation Agreement

As a result of the exercise of the Call Option, the Cooperation Agreement will be terminated and will cease to have any effect on the day that the registration of the Equity Transfer with the relevant administration for industry and commerce is completed.

BASIS OF VALUATION OF PROPERTY

To assist the Directors to assess whether the Company should exercise the Call Option, the Company has appointed the Independent Valuer to conduct a valuation on the fair value of the equity interest in the Project Company and the Property. According to the valuation of the Independent Valuer, the market values of each of the property interest held for sale by the Project Company in the PRC and the property interest held under development by the Project Company in the PRC as at 31 December 2017 (i.e. the Valuation Date) were RMB2,724,500,000 and approximately RMB10,205,700,000 respectively. The net asset value of the Project Company as at the Valuation Date was RMB157,565,000.

In respect of the valuation of the net asset value of the Project Company, the Independent Valuer had adopted the net asset value approach. The Independent Valuer had considered the type of assets and liabilities and their conditions when arriving at the market values of the Project Company and adopted appropriate valuation methodology for each different class of assets and liabilities.

In respect of the valuation of the property interest held for sale by the Project Company in the PRC, the Independent Valuer had adopted the comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. In respect of the valuation of the property interest held under development by the Project Company, the Independent Valuer had assumed that the Property will be developed and completed in accordance with the latest development proposals provided by the Project Company and had adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of the cost and fees expected to be incurred for completing the

development. The Independent Valuer had relied on the accrued construction cost and professional fees information provided by the Project Company according to the different stages of construction of the Property as at the Valuation Date, and did not find any material inconsistency from those of other similar developments. The Directors (including the independent non-executive Directors) consider these methodologies appropriate taking into account that market comparable transactions are readily available for reference.

According to the valuation by the Independent Valuer, the net asset value of the Project Company after taking into account the appraised value of the Property is approximately RMB157,565,000, accordingly the JV Partner's Equity Interest would be valued at approximately RMB144,959,800. The Equity Consideration of RMB71,250,000 represents a discount of approximately 51% to the fair value of the JV Partner's Equity Interest.

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE CALL OPTION

The Directors believe that the exercise of the Call Option will provide a good opportunity for the Group to increase its land bank in Wuhan without exposing itself to the market and operational risks associated with the initial stage of project development, which is important to the Group's long-term development. It is expected that the completion of the exercise of the Call Option will provide contribution to the Group's income and cash flows.

The Property is a high-end project that is of relatively large scale. The Land Parcel is situated in the centre of Wuhan City, which has a bustling business atmosphere and is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Subway Line Two, with well-equipped facilities and convenient transportation. Therefore, the Directors consider that the exercise of the Call Option is beneficial to the scale of the Group's development in Wuhan, can increase sales and enhance the Group's position and brand image in the Wuhan city market. Taking into account: (i) the valuation of the Project Company and the Property by the Independent Valuer; (ii) the approximately 51% discount of the exercise price of the Call Option to the fair value of the JV Partner's Equity Interest; and (iii) the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the exercise of the Call Option, the Call Option Exercise Agreement and Equity Transfer Agreement (including the total consideration payable upon full exercise of the Call Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PROJECT COMPANY

The Project Company

The Project Company is principally engaged in the business of property investment, property development and sale, property management and renovation work. The Project Company is owned as to 8% and 92% by GZCJ and the JV Partner respectively as at the date of this announcement.

Based on the unaudited consolidated financial statements of the Project Company for the period from 1 January 2017 up to 31 December 2017, prepared in accordance with the PRC Generally Accepted Accounting Principles, the unaudited consolidated total asset value and the net asset value of the Project Company as at 31 December 2017 were approximately RMB18,161,802,000 and approximately RMB53,073,000 respectively.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the years ended 31 December 2016 and 31 December 2017 is as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>(RMB)</i>	<i>(RMB)</i>
Net profit/(loss) before tax	151,158,000	(16,017,000)
Net profit/(loss) after tax	113,965,000	(16,017,000)

Upon completion of the exercise of the Call Option, the Project Company will become an indirect non wholly-owned subsidiary of the Company, and the accounts of the Project Company will be consolidated into the accounts of the Company. The Project Company will reduce its indebtedness level by accelerating its collection of sales proceeds and other feasible methods.

INFORMATION OF THE COMPANY, GZCJ, GZ SUPERLAND AND THE JV PARTNER

The Company

The Company 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: 00123). The Group 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.

GZCJ

GZCJ is principally engaged in property development.

GZ SUPERLAND

GZ Superland is principally engaged in the provision of commercial services.

JV Partner

JV Partner is a limited partnership investment fund established under the laws of the PRC. JV Partner principally engages in the business of investment and management.

GZYZ, which is the controlling shareholder of the Company, is a majority shareholder of the general partner of JV Partner. Accordingly, the JV Partner is regarded by the Company as a connected person of the Company by virtue of its relationship with GZYZ.

IMPLICATIONS OF THE LISTING RULES

As the JV Partner is regarded as a connected person of the Company under the Listing Rules, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the exercise of the Call Option is more than 5% but less than 25%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the General Meeting under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

As none of the Directors had a material interest in the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), no Director has abstained from voting on the relevant board resolutions of the Company.

GENERAL MEETING AND CIRCULAR

The General Meeting will be convened and held by the Company to consider and, if thought fit, to approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement).

GZYZ and its associates will abstain from voting at the General Meeting in respect of the proposed resolutions to approve to approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement). 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 exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement), therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

The Circular containing, among other things: (i) further information on the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement); (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the General Meeting is expected to be despatched to the Shareholders on or before 9 March 2018.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Call Option”	the call option granted by the JV Partner to GZCJ for it to acquire all the equity interest in the Project Company held by the JV Partner, being the JV Partner's Equity Interest as at the date of this announcement

“Call Option Exercise Agreement”	the call option exercise agreement dated 14 February 2018 entered into between GZ Superland and the JV Partner regarding the exercise of the Call Option
“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)
“Conditions”	has the meaning ascribed to it under the paragraph headed “Conditions Precedent” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 12 September 2013 entered into between GZCJ and the JV Partner, including if the context requires, the previous bidding agreement between GZCJ and the JV Partner that have been superseded by the said cooperation agreement
“Directors”	the directors of the Company
“Equity Consideration”	has the meaning ascribed to it under the paragraph headed “Consideration” in this announcement
“Equity Transfer”	the transfer of the JV Partner’s Equity Interest by the JV Partner to GZ Superland pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between GZ Superland and the JV Partner dated 14 February 2018 regarding the Equity Transfer
“General Meeting”	the general meeting of the Company to be held to consider and, if thought fit, the approve the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Group”	the Company and its subsidiaries

“GZCJ”	廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co. Ltd.*), an indirect 95.48% owned subsidiary of the Company incorporated under the laws of PRC with limited liability
“GZ Superland”	廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited*), an indirect wholly-owned subsidiary of the Company incorporated under the laws of PRC with limited liability
“GZYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
“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 the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Independent Financial Adviser”	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement)
“Independent Shareholders”	Shareholders other than GZYX and its associates
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited

“JV Announcement”	the announcement of the Company dated 12 September 2013 in relation to, among others, the formation of the Project Company for the development of the Land Parcel
“JV Partner”	廣州越秀仁達四號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.4 Business Investment Enterprise (Limited Partnership))*
“JV Partner Contribution”	has the meaning ascribed to it under the paragraph headed “Consideration” in this announcement
“JV Partner’s Equity Interest”	92% of the equity interest in the Project Company held by the JV Partner as at the date of this announcement
“JV Partner Loan”	the entire amount owing by the Project Company to the JV Partner as at completion of the Equity Transfer
“Land Parcel”	the parcel of land situated in Hankou District, Wuhan City, Hubei Province of the PRC with a site area of approximately 147,240 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Project Company”	武漢康景實業投資有限公司*, the joint venture to be established by GZCJ and the JV Partner in relation to the development of the Land Parcel pursuant to the terms of the Cooperation Agreement
“Property”	the mixed use residential and commercial complex being developed on the Land Parcel
“Registration Date”	has the meaning ascribed to it under the paragraph headed “Completion of the Transaction” in this announcement
“Repayment Amount”	has the meaning ascribed to it under the paragraph headed “Assets to be acquired by the Group” in this announcement

