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Land Acquisition and Connected Transaction

The Board is pleased to announce that pursuant to a bidding agreement between GZXJ, an indirect 95.48% owned subsidiary of the Company, and the JV Partner in respect of the Land Parcel, GZXJ paid the Deposit to the Land Bureau, and the Parties participated in, and won, the bidding of the Land Parcel on a joint basis through open tenders organized by the Transaction Center on 22 January 2014. On 22 January 2014, upon the successful bidding of the Land Parcel, the Parties entered into (i) the Bid Confirmation with the Land Bureau; and (ii) the Cooperation Agreement between themselves in respect of the establishment of the Project Company for the acquisition and development of such Land Parcel, which superseded the previous bidding agreement between the Parties.

As JV Partner is regarded by the Company as a connected person of the Company under the Listing Rules, the formation of joint venture between the Parties pursuant to the Cooperation Agreement and the transaction contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of such transaction is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that pursuant to a bidding agreement between GZXJ, an indirect 95.48% owned subsidiary of the Company, and the JV Partner in respect of the Land Parcel, GZXJ paid the Deposit to the Land Bureau, and the Parties participated in, and won, the bidding of the Land Parcel on a joint basis

through open tenders organized by the Transaction Center on 22 January 2014. On 22 January 2014, upon the successful bidding of the Land Parcel, the Parties entered into (i) the Bid Confirmation with the Land Bureau; and (ii) the Cooperation Agreement between themselves in respect of the establishment of the Project Company for the acquisition and development of such Land Parcel, which superseded the previous bidding agreement between the Parties.

The Land Parcel

The Land Parcel has a site area of approximately 57,257 sq.m., and a total gross floor area of approximately 182,298 sq.m., of which the permissible gross floor area amounts to approximately 131,691 sq.m., and an underground gross floor area of approximately 50,607 sq.m.. The total land premium of the Land Parcel is RMB1,000,570,000 and the average land cost based on the total gross floor area amounts to approximately RMB5,489 per sq.m.. The parcel of land has a term of 70 years for residential use and a term of 40 years for commercial use.

As of the date of this announcement, the Company's total landbank amounted to approximately 16.56 million sq.m.. In terms of the attributable interest, the Company's landbank amounted to approximately 13.72 million sq.m..

Further information about the Land Parcel

The Land Parcel is located in the Yuhang District, Hangzhou City, Zhejiang Province of the PRC. The Land Parcel extends to Gudun Road to the east, Guihuazhi Road to the south, Guihua Road to the west and Chaijiaba Gang to the north. Yuhang District is a key sub-city centre planned by the Hangzhou Municipal Government, positioned as a quality new metropolitan district of modernized life, comprising elements of a strong economic zone, an ecological zone and a cultural zone, located in the north of the Hangzhou metropolitan area. The Land Parcel is situated within the Hangzhou City highway, linking Yuhang District and the West Lake District and is close to the city centre. The Land Parcel is surrounded by educational institutions, rivers and parks. The transportation of the Land Parcel is convenient, it is located near the Gudun Road, which is a main road that connects directly to the city center. The Land Parcel is also located near the Xinyue Road Station of Metro Line 2, which is currently under construction and is expected to commence operations in 2018, adding land appreciation potential to the Land Parcel.

PRINCIPAL TERMS OF THE BID CONFIRMATION

On 22 January 2014, upon the successful bidding of the Land Parcel, the Parties have entered into the Bid Confirmation with the Land Bureau for the Land Parcel, the principal terms of which are as follows.

Date

22 January 2014

Parties

The Parties and the Land Bureau

Land premium and payment

The Parties shall sign the Land Transfer Contract with the Land Bureau before 29 January 2014. The land premium for the Land Parcel is RMB1,000,570,000, which shall be paid to the Land Bureau in accordance with the terms of the Land Transfer Contract. The land premium for the Land Parcel was arrived at as a result of successful bidding of the Land Parcel by the Parties through open tenders organized by the Transaction Center after taking into account the initial bidding price required under the open tender documents for the Land Parcel, the prevailing market conditions, location of the Land Parcel and land price in the surrounding area.

PRINCIPAL TERMS OF THE COOPERATION AGREEMENT

On 22 January 2014, after the successful bidding of the Land Parcel, the Parties have executed the Cooperation Agreement in relation to the formation of the Project Company, the principal terms of which are as follows.

Establishment of the Project Company

According to the Cooperation Agreement, GZXJ and the JV Partner shall establish the Project Company for the development of the Land Parcel. GZXJ and JV Partner shall own 10% and 90%, respectively, of the equity interest of the Project Company upon its formation. The Project Company will not become a subsidiary of the Company upon its formation. The development, operation management, leasing and decoration in relation to the Land Parcel shall be conducted by the Project Company.

Term of the Project Company

Subject to the exercise of the Call Option by GZXJ, the Project Company shall be established for a term of 5 years from the date of its establishment or such other period as agreed by the Parties.

Capital Commitments

The land premium for the Land Parcel in the amount of RMB1,000,570,000 will be financed in the following manner:

- (1) RMB50,000,000 of which shall be payable by GZXJ and the JV Partner to the Project Company as its registered capital in proportion to their equity interest held in the Project Company (i.e. 10%:90%) before 10 February 2014; and
- (2) the balance of the land premium for the Land Parcel will be financed by way of increase of the registered capital of the Project Company payable by GZXJ and the JV Partner to the Project Company in proportion to their equity interest held in the Project Company (i.e. 10%:90%) before 20 January 2015; and/or shareholder loan(s) to be made by the JV Partner to the Project Company.

The Deposit paid by GZXJ will be repaid to GZXJ by the Project Company after receiving the first shareholder loan to be made by the JV Partner to the Project Company before 26 February 2014. GZXJ's total contributions for the land premium for the Land Parcel will not in any event be higher than RMB100,057,000, being 10% of the land premium for the Land Parcel. GZXJ's capital commitments to the Project Company will be financed by the Group's internal resources.

Compensation

Before the signing of the Land Transfer Contract, if GZXJ causes the Deposit to be confiscated for whatever reasons, then it shall forfeit its right for repayment of the Deposit. If the JV Partner causes the Deposit to be confiscated for whatever reasons, then it shall repay GZXJ the amount of the Deposit.

After the signing of the Land Transfer Contract but before the date of establishment of the Project Company, the defaulting Party shall pay the other Party a compensation fee equivalent to 50% of the Deposit if it fails to pay for its portion of the registered capital of the Project Company by the agreed dates for payments of such registered capital. After the establishment of the Project Company, the equity interest held by the defaulting party in the Project Company shall be transferred to the non-defaulting party at nil consideration if it fails to pay for its portion of the registered capital of the Project Company by the agreed dates for payments of such registered capital.

The defaulting Party shall also be required to compensate the non-defaulting Party for the loss suffered by non-defaulting Party caused by a breach of the terms of the Cooperation Agreement caused by the defaulting Party.

Management of the Project Company

The Project Company shall have five directors, one of which shall be appointed by GZXJ and the remaining four directors shall be appointed by the JV Partner. The JV Partner shall appoint the chairman of the board of directors of the Project Company. The board of directors of the Project Company shall appoint the general manager and other senior management staff for the Project Company.

Board resolutions of the Project Company shall be passed by two-thirds of its directors. The director appointed by GZXJ for the Project Company shall have the veto right in respect of the board resolutions relating to the following matters for the Project Company:

- the execution of mortgages for real properties of the Project Company; or
- bank loan agreements or other financing agreements with loan amounts or principal amounts exceeding RMB50,000,000.

Matters that require unanimous approval from shareholders

The Project Company may not, without its shareholders' unanimous written consent: (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the auction or tender document; (ii) increase or decrease the registered capital of the Project Company; (iii) change the shareholder(s) of the Project Company; (iv) distribute profits; (v) make any amendments to the articles of association of the Project Company; (vi) pass any resolutions relating to the dissolution, de-merger and merger of the Project Company; (vii) pass any resolutions relating to winding-up of the Project Company; or (viii) enter into any transactions which are not on an arm's length basis.

Profit distribution arrangements

Any rights, profits, losses and risks of the Project Company shall be shared by the Parties in proportion to their respective equity interests in the Project Company.

Call Option

The JV Partner has granted a Call Option to GZXJ for it to acquire all of the 90% equity interests of the Project Company held by the JV Partner. The Call Option is exercisable by GZXJ during the period commencing on the first anniversary and ending on the second anniversary (or such extended period as agreed between the Parties in writing) from the due day for payment of registered capital into the capital account of the Project Company by the JV Partner. The Call Option shall be exercised at the exercise price that is equivalent to (a) the total capital contribution by the JV Partner (comprising the registered capital and/or shareholders loan(s) contributed by JV Partner) in the Project Company (“**JV Partner Contribution**”) plus (b) an amount not exceeding the JV Partner Contribution (or if the JV Partner Contribution is made by installments, in respect of each installment of the JV Partner Contribution) multiplied by an internal rate of return of 12% per year (before tax) based on the period of time that the JV Partner Contribution is contributed into the Project Company (in calculating this rate of “return”, all interests accrued or paid to JV Partner on its shareholders loans provided to the Project Company or any distributions or dividends payable or paid to JV Partner when it is an equity holder of the Project Company shall count towards the amount of “return” but any management fees paid or payable by JV Partner for the manager engaged by it shall be borne by the JV Partner).

If GZXJ exercises the Call Option, the JV Partner shall cease to be entitled to any rights or benefits nor shall it have any obligations in the Project Company from the day that the registration of the transfer of all of JV Partner’s equity interest in the Project Company to GZXJ with the relevant administration for industry and commerce is completed.

Restrictions on transfer

Save as otherwise provided in the Cooperation Agreement, during the term of the Cooperation Agreement, the Parties shall not transfer or assign all or any part of its rights or obligations in the Project Company to a third party without the prior written consent of the other Party.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the Land Parcel, which is located close to Hangzhou City center, will facilitate the Company to better reinforce its brand image and awareness in Hangzhou City.

The Directors (including the Independent Non-executive Directors) consider that the formation of joint venture between the Parties pursuant to the Cooperation Agreement and the transaction contemplated thereunder are conducted by the Company in its ordinary and usual course of business, and that they (including the financing and profit distribution arrangements of the Project Company) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY, GZXJ AND 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) and on the Singapore Exchange Securities Trading Limited. It 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.

GZXJ

GZXJ is an indirect 95.48% owned subsidiary of the Company incorporated under the laws of the PRC and is principally engaged in property development.

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, investment advisory and investment management. Guangzhou Yuexiu, which indirectly holds approximately 49.7% of the total issued shares of the Company as of the date of this announcement, is a majority shareholder of the general partner of JV Partner. JV Partner is regarded by the Company as a connected person of the Company by virtue of its relationship with Guangzhou Yuexiu.

IMPLICATIONS OF THE LISTING RULES

As JV Partner is regarded by the Company as a connected person of the Company under the Listing Rules, the formation of joint venture between the Parties pursuant to the Cooperation Agreement and the transaction contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of such transaction is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

DEFINITIONS

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

“Bid Confirmation”	the bid confirmation notice (余杭區國有建設用地使用權掛牌競買成交通知書) signed by the Parties and the Land Bureau on 22 January 2014 confirming the successful bidding of the land use right of the Land Parcel
“Board”	the board of Directors of the Company
“Call Option”	the call option granted by the JV Partner to GZXJ for it to acquire all of the 90% equity interests of the Project Company held by JV Partner
“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) and on the Singapore Exchange Securities Trading Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 22 January 2014 entered into between the Parties, including if the context requires, the previous bidding agreement between the Parties that have been superseded by the said cooperation agreement
“Deposit”	the amount of RMB200,120,000 paid by GZXJ to the Land Bureau prior to the bidding of the Land Parcel as security to participate in the bidding
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Yuexiu”	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

“GZXJ”	廣州祥錦房地產開發有限公司 (Guangzhou Xiangjin Property Development Co. Ltd.*), an indirect 95.48% owned subsidiary of the Company incorporated under the laws of PRC with limited liability and one of the Parties to the Cooperation Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Partner”	廣州越秀仁達二號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.2 Business Investment Enterprise (Limited Partnership)*), one of the Parties to the Cooperation Agreement
“Land Bureau”	杭州市國土資源局余杭分局 (Hangzhou Municipal bureau of Land and Resources Yuhang Precinct*)
“Land Parcel”	the parcel of land situated in the Yuhang District, Hangzhou City, Zhejiang Province of the PRC with a site area of approximately 57,257 sq.m. to be acquired by the Project Company under the Cooperation Agreement
“Land Transfer Contract”	the land use right transfer contract to be entered into between the Project Company and the Land Bureau in relation to the acquisition of the Land Parcel
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	GZXJ and JV Partner and each a “Party”
“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”	the joint venture to be established by the Parties in relation to the development of the Land Parcel pursuant to the terms of the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed to it under the Listing Rules
“Transaction Center” 杭州市余杭區公共資源交易中心 (Hangzhou City
Yuhang District Public Resources Transaction Center*)

** for identification purposes only*

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

Hong Kong, 22 January 2014

As at the date of this announcement, the Board comprises:

Executive Directors: ZHANG Zhaoxing (Chairman), ZHU Chunxiu, TANG Shouchun and
CHEN Zhihong

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