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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

CONNECTED TRANSACTION

Exercise of Call Option

The Board is pleased to announce that on 29 December 2014, the Parties entered into the Call Option Exercise Agreement, pursuant to which GZDH has exercised the Call Option granted by JV Partner under the Cooperation Agreement. On 29 December 2014, in order to effect the Equity Transfer upon the exercise of the Call Option by GZDH, simultaneously with the Call Option Exercise Agreement, GZDH and JV Partner entered into the Equity Transfer Agreement, pursuant to which GZDH has agreed to purchase and JV Partner has agreed to sell the JV Partner's Equity Interests, representing 80% of the total equity interests of the Project Company. The total consideration payable by GZDH upon the full exercise of the Call Option is RMB544,912,222.22, which is calculated based on (a) the contribution of registered capital in the Project Company actually made by the JV Partner plus (b) the amount equal to the JV Partner's Actual Contribution (or if the JV Partner's Contribution is made by installments, in respect of each installment of the JV Partner's Actual Contribution) multiplied by an internal rate of return of 11% per year (before tax) based on the period of time that the JV Partner's Actual Contribution is contributed into the Project Company.

As JV Partner is regarded by the Company as a connected person of the Company under the Listing Rules as disclosed in the JV Announcement, 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 0.1% but less than 5%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) 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

Reference is made to the announcement of the Company dated 9 July 2013 (the “**JV Announcement**”), in relation to, among others, the formation of the Project Company for the development of the Land Parcel. The Project Company is owned as to 20% and 80% respectively by GZDH and JV Partner as at the date of this announcement. Pursuant to the Cooperation Agreement, JV Partner granted the Call Option to GZDH.

EXERCISE OF THE CALL OPTION

The Call Option

On 9 July 2013, GZDH and JV Partner entered into the Cooperation Agreement, pursuant to which JV Partner granted the Call Option to GZDH for it to acquire the JV Partner’s Equity Interest at an exercise price to be determined based on an internal rate of return of 11% on the equity and shareholders loans injected by the JV Partner into the Project Company.

The Exercise period

The Call Option is exercisable by GZDH during the period commencing on the first anniversary and ending on the eighteenth month (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 JV Partner, being 12 July 2013 pursuant to the Cooperation Agreement. As such, the exercise period of the Call Option commenced on 12 July 2014 and will end on 12 January 2015.

Exercise of the Call Option

On 29 December 2014, the Parties entered into the Call Option Exercise Agreement, pursuant to which GZDH has exercised the Call Option granted by JV Partner under the Cooperation Agreement.

Consideration

The exercise price of the Call Option for the JV Partner’s Equity Interests was determined with reference to the formulation provided under the Cooperation Agreement, which provides that the exercise price shall be determined based on an internal rate of return of 11% on the equity and shareholders loans injected by the JV Partner into the Project Company, as disclosed in the JV Announcement.

As at the date of this announcement, the Project Company has repaid in full all shareholders loans owed by it, and there is no outstanding shareholder loan owed by the Project Company to any of its shareholders. Accordingly, the Parties have agreed that the total consideration payable by GZDH upon the full exercise of the Call Option is RMB544,912,222.22, which is calculated based on (a) the contribution of registered capital in the Project Company actually made by the JV Partner (the “**JV Partner’s Actual Contribution**”) plus (b) the amount equal to the JV Partner’s Actual Contribution (or if the JV Partner’s Actual Contribution is made by installments, in respect of each installment of the JV Partner’s Actual Contribution) multiplied by an internal rate of return of 11% per year (before tax) based on the period of time that the JV Partner’s Actual Contribution is contributed into the Project Company. It is the intention of the Company to satisfy such consideration by the internal resources of the Group.

The Equity Transfer Agreement

On 29 December 2014, in order to effect the Equity Transfer upon the exercise of the Call Option by GZDH, simultaneously with the Call Option Exercise Agreement, GZDH and JV Partner entered into the Equity Transfer Agreement. The principle terms of the Equity Transfer Agreement are set out below.

Date

29 December 2014

Parties

GZDH and JV Partner

Assets to be acquired by the Group

GZDH has agreed to purchase and JV Partner has agreed to sell the JV Partner’s Equity Interests, representing 80% of the total equity interests of the Project Company.

Consideration and payment terms

The consideration in the amount of RMB544,912,222.22 shall be payable in full by GZDH in RMB to the JV Partner via wire transfer within 10 business days from the effective date of the Equity Transfer Agreement.

Completion of the Equity Transfer

The articles of association of the Project Company shall be amended to reflect the Equity Transfer, and such amended articles of association together with the Equity Transfer Agreement and other relevant documents in relation to the Equity Transfer shall be submitted to the relevant approval authority for approval and/or filing.

Upon signing of the Equity Transfer Agreement, the Parties shall arrange for the necessary procedures and provide the necessary documents required by relevant laws, regulations and requirements by relevant approval authorities to the Project Company for it to apply to the relevant approval authority for approval of the Equity Transfer.

Within five business days from the day on which the abovementioned filing and registration are made, the Parties shall procure the Project Company to arrange for the registration of the Equity Transfer with the relevant administration for industry and commerce. Completion of the Equity Transfer shall take place within 5 business days from the date on which such registration is completed.

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 a Party;
3. material breach by a Party;
4. the relevant approval authority not approving the Equity Transfer not due to the fault of either Parties; or
5. agreement between the Parties to terminate.

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

Termination of Cooperation Agreement

As a result of the exercise of the Call Option, the Cooperation Agreement will be terminated on the day that the registration of the Equity Transfer with the relevant administration for industry and commerce is completed. JV Partner shall cease to have any obligations (except for the confidentiality obligation) under the Cooperation Agreement upon the termination of the Cooperation Agreement.

Upon completion of the exercise of the Call Option, the Project Company will become a wholly-owned subsidiary of GZDH and an indirect non wholly-owned subsidiary of the Company.

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 net assets of the Project Company and the Property. According to the valuation of the Independent Valuer, the appraised values of the net assets of the Project Company and the Property as at 22 December 2014 (i.e. the Valuation Date) were RMB691.57 million and RMB2,340 million respectively. The appreciation in value was RMB166.97 million in respect of the Property.

In respect of the valuation of the net assets of the Project Company, the Independent Valuer had adopted the asset approach, which is based on the economic principle of substitution and measures the net asset value of the Project Company as at the Valuation Date and the cost of replacing such assets.

In respect of the valuation of the Property, the Independent Valuer had adopted the direct comparison approach as the main methodology, which is generally and commonly considered to be the appropriate methodology to value real properties when relevant sale evidence is available, and cross checked by another approach, which assumed the Property will be developed and completed in accordance with the latest development proposal and has taken into account the development costs relevant to the stage of construction and the remainder costs to completion as at the Valuation Date. The Directors (including the independent non-executive Directors) consider this methodology appropriate taking into account that the Property is still in the early stage of development and market comparable transactions are readily available for reference.

According to the valuation by the Independent Valuer, the adjusted net asset value of the Project Company after taking into account the appraised value of the Property is RMB691.57 million, accordingly the JV Partner's Equity Interests would be valued at RMB553.26 million. As such, the total consideration payable upon the full exercise of the Call Option of RMB544,912,222.22 represents a 1.5% discount to the adjusted net asset value of the Project Company attributable to the JV Partner's Equity Interests.

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE CALL OPTION

Since the Foshan government has loosened the restrictions on property purchase policies in September 2014, there has been notable growth in the transaction amount of property sales and purchases in Foshan, where the Property is located, in October 2014. Together with the standard interest rates for loans having been lowered to 0.4% by the People's Bank of China in November 2014, thereby reducing the cost of property purchases, it is expected that demand for properties in Foshan will continue to rise in the foreseeable future. The Directors believe that the exercise of the Call Option will provide a good opportunity for the Group to increase its land bank in Foshan without exposing itself to the market and operational risks associated with the initial stage of project development, which is strategically important to the Group's long-term development as it is expected that demand for properties in Foshan will continue to increase in the future as a result of the above relaxation in purchase policies and lowered interest rates.

As further elaborated below, it is currently intended that the Property will be sold in phases shortly after completion of the exercise of the Call Option, upon which the Project Company will become an indirect non wholly-owned subsidiary of the Company. Accordingly, it is expected that the completion of the exercise of the Call Option will provide immediate contribution to the Group's contracted sales and cash flows. Therefore, the Directors consider that the exercise of the Call Option and the subsequent sale of the Property would allow the Group to realize its investment in the Project Company and the Property in the reinvigorated market conditions and maximize the revenue generated from the Property for the Group. In addition, as the exercise period of the Call Option will expire soon, if the Call Option was allowed to elapse and subsequently the Company is desirous of acquiring all or part of the equity interest held by the JV Partner in the Project Company, negotiation would have to start afresh.

Taking into account: (i) the valuation of the Project Company and the Property by the Independent Valuer; (ii) the 1.5% discount of the exercise price of the Call Option to the adjusted net asset value of the Project Company attributable to the JV Partner's Equity Interests; 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 AND THE LAND PARCEL

The Project Company

The Project Company is a limited company incorporated under the laws of the PRC. It is principally engaged in property development and operation, lease of self-owned properties, property management and interior decoration. The Project Company is owned as to 20% and 80% respectively by GZDH and JV Partner as at the date of this announcement.

Based on the unaudited consolidated financial statements of the Project Company for the period from the date of its incorporation (i.e. 9 July 2013) up to 31 December 2013, prepared in accordance with the PRC Generally Accepted Accounting Principles, the book value of the net assets of the Project Company as at 31 December 2013 amounted to approximately RMB569,003,781, and the net loss before and after taxation and extraordinary items of the Project Company for the period from the date of its incorporation to 31 December 2013 amounted to approximately RMB41,328,292 and RMB30,996,219, respectively.

The Land Parcel

The Land Parcel has a site area of approximately 55,982 sq.m. and a total gross floor area of approximately 314,500 sq.m.. The total land premium of the Land Parcel is RMB1,772,000,000. The parcel of land has a term of 70 years for residential use and a term of 40 years for commercial use.

The Land Parcel is located in Chancheng district, Foshan City, Guangdong province of the PRC, where the two main roads, Tongji Road and Lingnan Road, divide the Land Parcel into four districts. The Land Parcel is situated in the center of Foshan, within the axis of the Foshan City. It is in close proximity to the Tongji Road and Pujun North Road stations of the Guangzhou-Foshan metroline. The Land Parcel is also surrounded by large supermarkets, schools, hospitals, parks, well-equipped facilities with excellent transport for a convenient lifestyle.

As at the date of this announcement, the Land Parcel is being developed into a mixed use residential and commercial complex. The presale/sale of the Property is intended to commence in early 2015.

INFORMATION OF THE COMPANY, GZDH 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 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.

GZDH

GZDH is an indirect 95% owned subsidiary of the Company and is an investment holding company incorporated under the laws of the PRC.

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. 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 as disclosed in the JV Announcement, 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 0.1% but less than 5%, the exercise of the Call Option (including the entering into of the Equity Transfer Agreement and the Call Option Exercise Agreement) 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:

“Board”	the board of Directors of the Company
“Call Option”	the call option granted by JV Partner to GZDH for it to acquire the JV Partner's Equity Interests of the Project Company held by JV Partner as at the date of this announcement
“Call Option Exercise Agreement”	the call option exercise agreement dated 29 December 2014 entered into between the Parties regarding the exercise of the Call Option by GZDH
“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 9 July 2013 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
“Directors”	the directors of the Company

“Equity Transfer”	the transfer of the JV Partner’s Equity Interests by JV Partner to GZDH pursuant to the Equity Transfer Agreement and the exercise of the Call Option under the Cooperation Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Parties dated 29 December 2014 regarding the Equity Transfer
“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
“GZDH”	廣州東輝房地產開發有限公司 (Guangzhou Donghui Property Development Limited*), an indirect 95% owned subsidiary of the Company incorporated under the laws of PRC with limited liability and one of the Parties to the Cooperation Agreement, the Call Option Exercise Agreement and the Equity Transfer Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Greater China Appraisal Limited
“JV Partner”	廣州越秀諾成實業投資合夥企業 (Guangzhou Yuexiu Nuocheng Business Investment Enterprise (Limited Partnership)*, one of the Parties to the Cooperation Agreement, the Call Option Exercise Agreement and the Equity Transfer Agreement
“JV Partner’s Equity Interests”	all of the 80% equity interests of the Project Company held by JV Partner as at the date of this announcement
“Land Parcel”	the parcel of land situated in Chancheng district, Foshan City, Guangdong province of the PRC with a site area of approximately 55,982 sq.m. to be acquired by the Project Company under the Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Parties”	GZDH 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”	佛山市禪城區越輝房地產開發有限公司*, the joint venture established by the Parties 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
“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
“Valuation Date”	22 December 2014

** for identification purposes only*

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

Hong Kong, 29 December 2014

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

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

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