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DISCLOSEABLE TRANSACTION

Exercise of Call Option

The Board is pleased to announce that on 12 June 2015, the Parties entered into the Call Option Exercise Agreement, pursuant to which GZHJ has exercised the Call Option. On 12 June 2015, in order to effect the Equity Transfer upon the exercise of the Call Option by GZHJ, simultaneously with the Call Option Exercise Agreement, GZHJ and the JV Partner entered into the Equity Transfer Agreement, pursuant to which GZHJ has agreed to purchase and the JV Partner has agreed to sell: (i) the JV Partner's Equity Interest, representing 45% of the total equity interest of the Project Company; and (ii) all the rights, title, interest and benefits in and to the JV Partner Loan upon completion of the Equity Transfer. The total consideration payable by GZHJ upon the full exercise of the Call Option is RMB2,449,815,075, which is calculated based on (a) the total capital contribution by the JV Partner (comprising the registered capital and/or shareholders' loan(s) contributed by the JV Partner) in the Project Company plus (b) an amount not exceeding 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 12% per year (before tax) based on the period of time that the JV Partner Contribution is contributed into the Project Company.

On the same day, the Parties also entered into the Loan Assignment to effect the assignment of the JV Partner Loan by the JV Partner to GZHJ on a dollar-for-dollar basis. The Loan Assignment shall become effective upon completion of the Equity Transfer.

As a result of the exercise of the Call Option, the First 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. The JV Partner shall cease to have any obligations (except for the confidentiality obligation) under the First Cooperation Agreement upon the termination of the First Cooperation Agreement. The Second Cooperation Agreement shall continue to be in force as against GZHJ and the Investor.

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, the Call Option Exercise Agreement and the Loan Assignment) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to: (i) the announcement of the Company dated 31 October 2013 (the “**First Announcement**”) in relation to, among other things, the formation of the Project Company for the development of the Land Parcel pursuant to the First Cooperation Agreement in relation to, among other things, the establishment of the Project Company, which was owned as to 10% and 90% by GZHJ and the JV Partner respectively upon its formation, for the development of the Land Parcel; and (ii) the announcement of the Company dated 22 November 2013 (the “**Second Announcement**”) in relation to, among other things, the introduction of a new investor to invest in and develop the Land Parcel pursuant to the Second Cooperation Agreement through acquiring equity interest in the Project Company by way of a capital increase. The Project Company is owned as to 5%, 45% and 50%, respectively, by GZHJ, the JV Partner and the Investor as at the date of this announcement. Pursuant to the First Cooperation Agreement and as agreed by GZHJ, the JV Partner and the Investor in the Second Cooperation Agreement, JV Partner granted the Call Option to GZHJ.

EXERCISE OF THE CALL OPTION

The Call Option

On 31 October 2013, GZHJ and the JV Partner entered into the First Cooperation Agreement, pursuant to which, among other things, the JV Partner granted the Call Option to GZHJ for it to acquire all the equity interests in the Project Company held by the JV Partner at an exercise price to be determined based on an internal rate of return of 12% on the equity and shareholders loans injected by the JV Partner into the Project Company.

As the Project Company wished to introduce another investor to invest in and develop the Land Parcel, on 22 November 2013, GZHJ, the JV Partner and the Investor entered into the Second Cooperation Agreement, pursuant to which, among other things, the Investor shall acquire equity interest in the Project Company by way of a capital increase, and the resulting equity interest owned by GZHJ, the JV Partner and the Investor shall be 5%, 45% and 50% respectively. Accordingly, the equity interest in the Project Company which GZHJ has the option to acquire under the Call Option has been diluted from 90% to 45%. The Investor has not been granted any call option under the Second Cooperation Agreement.

The Exercise period

The Call Option is exercisable by GZHJ during the period commencing on the first anniversary and ending on the second anniversary (or such extended period as agreed between GZHJ and the JV Partner in writing) from the due day for payment of registered capital into the capital account of the Project Company by the JV Partner, being 6 November 2013 pursuant to the Second Cooperation Agreement. As such, the exercise period of the Call Option commenced on 6 November 2014 and will end on 5 November 2015.

Exercise of the Call Option

On 12 June 2015, the Parties entered into the Call Option Exercise Agreement, pursuant to which GZHJ 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 First Cooperation Agreement, which provides that the exercise price shall be determined based on: (a) the total capital contribution by the JV Partner (comprising the registered capital and/or shareholders' loan(s) contributed by the JV Partner) in the Project Company (the "**JV Partner Contribution**") plus (b) an amount not exceeding 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 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 First Announcement.

The total consideration payable by GZHJ upon the full exercise of the Call Option as calculated pursuant to the above formula provided under the First Cooperation Agreement is RMB2,449,815,075. It is the intention of the Company to satisfy such consideration by the internal resources of the Group.

The Equity Transfer Agreement

On 12 June 2015, in order to effect the Equity Transfer upon the exercise of the Call Option by GZHJ, simultaneously with the Call Option Exercise Agreement, GZHJ and the JV Partner entered into the Equity Transfer Agreement. The principle terms of the Equity Transfer Agreement are set out below.

Date

12 June 2015

Parties

GZHJ and the JV Partner

Assets to be acquired by the Group

GZHJ has agreed to purchase and the JV Partner has agreed to sell: (i) the JV Partner's Equity Interest, representing 45% of the total equity interest of the Project Company; and (ii) all the rights, title, interest and benefits in and to the JV Partner Loan upon completion of the Equity Transfer.

Consideration and payment terms

The consideration in the amount of RMB2,449,815,075 shall be payable in full by GZHJ in RMB to the JV Partner in the following manner:

- (1) GZHJ shall pay to the JV Partner RMB1,122,941,194, being the consideration payable for the transfer of the JV Partner's Equity Interest, via wire transfer within 10 business days from the effective date of the Equity Transfer Agreement; and
- (2) GZHJ shall pay to the JV Partner RMB1,326,873,881, being the consideration payable for the assignment of the JV Partner Loan, via wire transfer in instalments according to the following schedule:
 - (i) RMB700,000,000 before 18 June 2015; and
 - (ii) RMB626,873,881 before 19 June 2015.

Conditions precedent

Completion of the Equity Transfer is conditional upon the satisfaction of the following condition:

the Project Company and its shareholders having obtained approval for the Equity Transfer, the amended articles of association of the Project Company to reflect the Equity Transfer, the Equity Transfer Agreement and other documents in relation to the Equity Transfer from the relevant approval authority, and/or the abovementioned documents having been put on record (if required);

Completion of the Equity Transfer

Within five business days from the day on which all of the abovementioned conditions precedent have been satisfied, the Parties 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 Equity Transfer shall take place on the date on which such registration is completed.

The Parties shall (and shall procure that the Investor shall) sign a written shareholders' resolution as shareholders of the Project Company, approving the Equity Transfer and the consequential amendments to the articles of association of the Project Company, on or before completion of the Equity Transfer.

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 in writing between the Parties to terminate.

Upon termination of the Equity Transfer Agreement, the JV Partner shall refund the consideration (or any part thereof) already paid by GZHJ within ten business days from the date of termination, failing which, the JV Partner must pay to GZHJ 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.

The Loan Assignment

On 12 June 2015, the Parties entered into the Loan Assignment to effect the assignment of the JV Partner Loan by the JV Partner to GZHJ on a dollar-for-dollar basis. The Loan Assignment shall become effective upon completion of the Equity Transfer.

Termination of First Cooperation Agreement

As a result of the exercise of the Call Option, the First 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. The JV Partner shall cease to have any obligations (except for the confidentiality obligation) under the First Cooperation Agreement upon the termination of the First Cooperation Agreement. The Second Cooperation Agreement shall continue to be in force as against GZHJ and the Investor.

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 of the Project Company and the Property. According to the valuation of the Independent Valuer, the fair values of each of the equity interest of the Project Company and the Property as at 31 March 2015 (i.e. the Valuation Date) were approximately RMB2,500 million and approximately RMB5,692 million respectively. The appreciation in value was approximately RMB757 million in respect of the Property.

In respect of the valuation of the fair value of the equity interest of the Project Company, the Independent Valuer had adopted the asset approach, which is based on the economic principle of substitution and measures the fair 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 fair value of the equity interest of the Project Company after taking into account the appraised value of the Property is approximately RMB2,500 million, accordingly the JV Partner's Equity Interest would be valued at approximately RMB1,125 million. As such, the consideration payable for the transfer of the JV Partner's Equity Interest of approximately RMB 1,123 million represents a slight discount of 0.18% to the fair value of the JV Partner's Equity Interest.

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE CALL OPTION

In the past six months, there have been several monetary and credit policies promulgated that are favourable to the PRC real estate market, including, among others: (i) policies promulgated by the People's Bank of China ("PBOC") allowing mortgages on second homes to be treated in the same way as a first mortgage, as long as the buyer has paid off the first loan; (ii) the lowering of standard interest rates for loans by the PBOC; (iii) the lowering of the RMB deposit reserve ratio of financial institutions by the PBOC; and (iv) the "330 New Policy", which reduces the down payment ratio for the commercial loans for purchasing the second housing units to 40%. In light of the above, costs of property purchases have been lowered, therefore it is expected that demand for properties in the PRC will continue to rise in the foreseeable future. Coupled with the climbing confidence of the investors, it is expected that a new wave of property transactions will emerge, especially in the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, and second tier cities, such as Nanjing, Nanchang, Suzhou.

The Directors believe that the exercise of the Call Option will provide a good opportunity for the Group to increase its land bank in Guangzhou 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 Guangzhou will continue to increase in the future as a result of the above relaxation in purchase policies and lowered interest rates.

It is currently intended that the Property will commence pre-sale shortly after completion of the exercise of the Call Option. 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.

Taking into account: (i) the valuation of the Project Company and the Property by the Independent Valuer; (ii) the 0.18% 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 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, investment of self-owned funds, property management and interior decoration and design. The Project Company is owned as to 5%, 45% and 50% by GZHJ, the JV Partner and the Investor 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 2014 up to 31 December 2014, 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 2014 were approximately RMB4,665,600,000 and approximately RMB1,999,407,000 respectively.

The unaudited consolidated financial information of the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the period from the date of its incorporation (i.e. 31 October 2013) to 31 December 2013 and for the year ended 31 December 2014 respectively is as follows:

	For the period from 31 October 2013 to 31 December 2013 (RMB)	For the year ended 31 December 2014 (RMB)
Net (loss)/profit before tax and extraordinary items	(790,000)	(3,173,000)
Net (loss)/profit after tax and extraordinary items	(790,000)	(3,119,000)

Please also refer to the latest valuation of the Property and the Project Company set out in the paragraph headed “Basis of Valuation of Property” above.

Upon completion of the exercise of the Call Option, the Project Company will be owned as to 50% and 50% by GZHJ and the Investor respectively, and will be jointly controlled by GZHJ and the Investor.

The Investor is a limited liability company established under the laws of the PRC, and is principally engaged in the development and operation of real estate, letting of premises, interior design, car park operation and property management.

The Land Parcel

The Land Parcel has a site area of approximately 189,520 sq.m., and a total gross floor area of approximately 667,900 sq.m.. The total land premium of the Land Parcel is RMB4,350,000,000. The parcel of land has a term of 70 years for residential use.

The Land Parcel is located on the Southern side of Yunpu First Road, Yunpu Industrial Zone, Luogang District, Guangzhou City, Guangdong Province of the PRC. It is only 45 minutes by drive to the Zhujiang New Town central business district of the Guangzhou city centre. The Land Parcel is surrounded by abundant natural landscape and provides a comfortable living environment. It is also surrounded by large residential complexes built by various well-known property developers. The Land Parcel has been planned to be part of the Guangzhou Eastern Landscape New Town, and will become a primary area for the distribution of the population in Guangzhou in the future, with excellent development prospects.

As at the date of this announcement, the Land Parcel is being developed into a residential project. The presale/sale of the Property is intended to commence in 2015.

INFORMATION OF THE COMPANY, GZHJ 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) 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.

GZHJ

GZHJ 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

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

As at the date of each of the First Cooperation Agreement and Second Announcement, Guangzhou Yuexiu, which indirectly held approximately 49.7% of the total issued shares of the Company as of the date of the Second Announcement, was a majority shareholder of the general partner of the JV Partner. Accordingly, the JV Partner was regarded by the Company as a connected person of the Company by virtue of its relationship with Guangzhou Yuexiu at the time each of the First Cooperation Agreement and Second Cooperation Agreement was entered into as disclosed in the Second Announcement, respectively.

On 13 May 2015, the general partner of the JV Partner was changed to 廣州匯垠天粵股權投資基金管理有限公司 (GZ Huiyin Tianyue Equity Interests Investment Asset Management Co., Ltd.*). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 廣州匯垠天粵股權投資基金管理有限公司 (GZ Huiyin Tianyue Equity Interests Investment Asset Management Co., Ltd.*) and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Accordingly, as at the date the Call Option Exercise Agreement, the Equity Transfer Agreement, the Loan Assignment and the date of this announcement, the JV Partner is also a third party independent of the Company and its connected persons.

IMPLICATIONS 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 Call Option Exercise Agreement, the Equity Transfer Agreement and the Loan Assignment) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 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 the JV Partner to GZHJ 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 12 June 2015 entered into between the Parties regarding the exercise of the Call Option by GZHJ
“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
“Directors”	the directors of the Company
“Equity Transfer”	collectively, the transfer of the JV Partner’s Equity Interest and the assignment of the JV Partner Loan by the JV Partner to GZHJ pursuant to the Equity Transfer Agreement and the Loan Assignment, and the exercise of the Call Option under the First Cooperation Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Parties dated 12 June 2015 regarding the Equity Transfer

“First Cooperation Agreement”	the cooperation agreement dated 31 October 2013 entered into between GZHJ and the JV Partner
“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
“GZHJ”	廣州宏景房地產開發有限公司 (Guangzhou Hongjing 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 First Cooperation Agreement, the Second 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
“Investor”	廣東保利房地產開發有限公司 (Guangdong Poly Property Development Limited*), one of the parties to the Second Cooperation Agreement
“JV Partner”	廣州越秀仁達五號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No.5 Business Investment Enterprise (Limited Partnership)*), one of the parties to the First Cooperation Agreement, the Second Cooperation Agreement, the Call Option Exercise Agreement and the Equity Transfer Agreement
“JV Partner’s Equity Interest”	all of the 45% equity interest of 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 Yunpu Industrial Zone, Luogang District, Guangzhou City, Guangdong Province of the PRC with a site area of approximately 189,520 sq.m. to be acquired by the Project Company under the First Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Assignment”	the shareholder’s loan assignment agreement dated 12 June 2015 entered into between the Parties to effect the assignment of the JV Partner Loan by the JV Partner to GZHJ
“Parties”	parties to the Call Option Exercise Agreement and the Equity Transfer Agreement, being GZHJ and the 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”	廣州中耀實業投資有限公司*, the joint venture established by GZHJ, the JV Partner and the Investor in relation to the development of the Land Parcel pursuant to the terms of the First Cooperation Agreement and the Second Cooperation Agreement
“Property”	a residential project being developed on the Land Parcel
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre
“Second Cooperation Agreement”	the cooperation agreement dated 22 November 2013 entered into between GZHJ, the JV Partner and the Investor as supplemented by the memorandum dated 22 November 2013 entered into between GZHJ, the JV Partner and the Investor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed to it under the Listing Rules

“Valuation Date” 31 March 2015

** for identification purposes only*

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

Hong Kong, 12 June 2015

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