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**越秀地產股份有限公司**  
**YUEXIU PROPERTY COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 00123)**

**CONNECTED TRANSACTIONS IN RELATION TO THE  
TRANSFER OF LEASE ASSETS AND THE LEASE  
TRANSACTIONS CONSULTANCY SERVICES  
AND  
CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE FINANCE LEASE ARRANGEMENT**

The Board is pleased to announce that on 23 September 2015, HZYX, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with GZ Finance, pursuant to which HZYX has agreed to lease from GZ Finance the Lease Assets for the Lease Consideration subsequent to the acquisition by GZ Finance of the Lease Assets from HZYX at the Transfer Consideration of RMB500 million.

The Lease Consideration consists of the principal amount of RMB500 million and lease interests. The annual lease interest rate is approximately 6.1905% as at the date of the Finance Lease Agreement, which will be adjusted in case of change of the annual RMB benchmark lending rate for term loans of 3 years. Based on this interest rate, the total amount of lease interests payable for the entire Lease Period is approximately RMB92,349,867.71. The Lease Consideration will be paid by HZYX in twelve instalments on a quarterly basis.

On 23 September 2015, HZYX also entered into a Lease Transactions Consultancy Agreement with GZ Finance, pursuant to which HZYX engages GZ Finance to provide it with consultancy services on matters relating to finance lease transactions, at the Consultancy Fee of RMB15 million.

As GZ Finance is an indirect wholly-owned subsidiary of the GZYX, the controlling shareholder of the Company, GZ Finance is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction in respect of the transfer of the Lease Assets from HZYX to GZ Finance contemplated under the Sale and Purchase Agreement and the transaction contemplated under the Lease Transactions Consultancy Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The transaction in respect of the lease of the Lease Assets by GZ Finance to HZYX contemplated under the Finance Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the transfer of the Lease Assets from HZYX to GZ Finance contemplated under the Sale and Purchase Agreement exceed 0.1% but are less than 5%, the transaction in respect of the transfer of the Lease Assets contemplated under the Sale and Purchase Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

As all the applicable percentage ratios in respect of the Annual Caps for the lease of the Lease Assets by GZ Finance to HZYX contemplated under the Finance Lease Agreement exceed 0.1% but are less than 5%, the transaction in respect of the lease of the Lease Assets contemplated under the Finance Lease Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

As all the applicable percentage ratios in respect of the transaction contemplated under the Lease Transactions Consultancy Agreement exceed 0.1% but are less than 5%, the Lease Transactions Consultancy Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

## **FINANCE LEASE AGREEMENT**

On 23 September 2015, HZYX entered into the Finance Lease Agreement with GZ Finance, pursuant to which HZYX has agreed to lease from GZ Finance the Lease Assets for the Lease Consideration subsequent to the acquisition by GZ Finance of the Lease Assets from HZYX at the Transfer Consideration of RMB500 million.

### **Date**

23 September 2015

### **Parties**

**Lessor:** GZ Finance

**Lessee:** HZYX

### **Lease Assets**

The Lease Assets consist of 1 set of electromechanical system, 2 sets of fire fighting systems, 1 set of fireproof door system, 3 sets of elevator systems, 3 sets of artificial intelligence systems, 2 sets of wall facilities, 2 sets of lighting systems, 1 set of aluminium door and window system, 3 sets of renovation facilities, 3 sets of air-conditioning systems and 1 set of electrical engineering facilities. As at 1 July 2015, the book value of the Lease Assets was approximately RMB500,427,879.01.

### **Purchase of the Lease Assets by GZ Finance**

In connection with the Finance Lease Agreement, on 23 September 2015, HZYX entered into the Sale and Purchase Agreement with GZ Finance, pursuant to which HZYX has conditionally agreed to sell, and GZ Finance has conditionally agreed to purchase, the Lease Assets at the Transfer Consideration of RMB500 million, which is payable in full by GZ Finance upon the fulfilment of certain conditions, including, among others, GZ Finance having received payment of the Consultancy Fee by HZYX in full. Title of the Lease Assets shall transfer to GZ Finance upon the payment of the Transfer Consideration by GZ Finance in full and shall continue to vest in GZ Finance throughout the Lease Period.

The Transfer Consideration has been determined after arm's length negotiations between HZYX and GZ Finance with reference to the book value of the Lease Assets.

### **Lease Period**

The Lease Period for the Lease Assets is 36 months, commencing from the date on which GZ Finance pays the Transfer Consideration in full to HZYX, which is the same date as the date of the Finance Lease Agreement and the Sale and Purchase Agreement, i.e. 23 September 2015.

## **Lease Consideration and Payment**

The Lease Consideration consists of the principal amount of RMB500 million and lease interests. The annual lease interest rate is approximately 6.1905% as at the date of the Finance Lease Agreement. Based on this interest rate, the total amount of lease interests payable for the entire Lease Period is approximately RMB92,349,867.71. The Lease Consideration will be paid by HZYX in twelve instalments on a quarterly basis.

The fourth instalment shall include RMB5 million of the principal amount, the eighth instalment shall include RMB20 million of the principal amount, and the twelfth instalment shall include RMB475 million of the principal amount. The other instalments shall consist of lease interests only.

In the event that the PBOC adjusts the annual RMB benchmark lending rate for term loans of 3 years, the lease interest rate under the Finance Lease Agreement will be adjusted accordingly. GZ Finance will issue a notice of adjustment to the Lease Consideration to HZYX, and HZYX shall unconditionally accept such adjustment to the Lease Consideration. Assuming the annual RMB benchmark lending rate for term loans of 3 years remains unchanged throughout the Lease Period, the Lease Consideration for the entire Lease Period is approximately RMB592,349,867.71.

The Lease Consideration (in particular, the lease interests chargeable for the Lease Period) has been determined after arm's length negotiations between HZYX and GZ Finance: (1) with reference to: (a) the prevalent market conditions (including the interest rate, which is no less favourable than those offered by independent third parties for similar services); and (b) the prevailing market rate for comparable assets finance leases; and (2) in reflection of the future adjustments (if materialised) by the PBOC of the annual RMB benchmark lending rate for term loans of 3 years.

It is proposed that the Lease Consideration will be satisfied by the internal resources of the Group.

## **Annual Caps and Basis of Determination**

	<b>23 September 2015</b>	<b>23 September 2016</b>	<b>23 September 2017</b>
	<b>to</b>	<b>to</b>	<b>to</b>
	<b>22 September 2016</b>	<b>22 September 2017</b>	<b>22 September 2018</b>
Annual caps	RMB43,020,833	RMB60,150,000	RMB515,935,764

The Annual Caps have been determined: (1) with reference to, including but not limited to: (a) the annual lease rent to be paid for the relevant 12-month period during the Lease Period from 23 September 2015 to 22 September 2018 under the Finance Lease Agreement; (b) the prevalent market conditions (including the interest rate, which is no less favourable than those offered by independent third parties for similar services); and (c) the nature and value of the Lease Assets; and (2) in reflection of the future adjustments (if materialised) by the PBOC of the annual RMB benchmark lending rate for term loans of 3 years.

### **Purchase Option**

Upon the expiry of the Lease Period and on the condition that HZYX has fully paid-up each instalment of the Lease Consideration in a timely manner contemplated under the Finance Lease Agreement, HZYX has an option to purchase the Lease Assets from GZ Finance at a nominal price of RMB1.

### **Transfer of Rights, Interests and Obligations**

HZYX shall not, without the prior written consent of GZ Finance, sublease, loan or make other use of the Lease Assets that may affect the ownership of GZ Finance to the Lease Assets.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT AND THE SALE AND PURCHASE AGREEMENT**

The entering into of the Finance Lease Agreement and the Sale and Purchase Agreement will improve the financing structure and expand the financing channels of the Group. It will also enable the Group to control financing risk and lower its financing costs.

Taking into account: (i) Transfer Consideration and the Lease Consideration and the respective bases of determination thereof; (ii) the reasons and benefits described above; and (iii) the Annual Caps and the basis of determination thereof, the Directors (including the independent non-executive Directors) consider that the terms of the Finance Lease Agreement and the Sale and Purchase Agreement (including the Lease Consideration, the Transfer Consideration and the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the Finance Lease Agreement and the Sale and Purchase Agreement are entered into in the ordinary and usual course of business of the Group.

## **LEASE TRANSACTIONS CONSULTANCY AGREEMENT**

On 23 September 2015, in connection with the Finance Lease Agreement, HZYX entered into the Lease Transactions Consultancy Agreement with GZ Finance pursuant to which HZYX engages GZ Finance to provide it with consultancy services on matters relating to finance lease transactions.

### **Date**

23 September 2015

### **Parties**

Service provider: GZ Finance

Service recipient: HZYX

### **Consultancy Services**

Pursuant to the Lease Transactions Consultancy Agreement, HZYX engages GZ Finance to provide it with consultancy services on matters relating to finance lease transactions.

The consultancy services under the Lease Transactions Consultancy Agreement include but are not limited to: introduction of the finance leasing industry, comparison and analysis of costs of market fund raising, on-site due diligence services, clearance of existing assets, intermediary services, structuring of lease transactions, provision of financial, tax and legal advice and more.

### **Consultancy Fee**

The Consultancy Fee payable by HZYX under the Lease Transactions Consultancy Agreement is a fixed sum of RMB15 million to be paid in full by HZYX to GZ Finance on the date of the Lease Transactions Consultancy Agreement.

The Consultancy Fee has been determined after arm's length negotiations between HZYX and GZ Finance with reference to: (i) the experience and expertise of the relevant personnel of GZ Finance; (ii) the prevalent market conditions (including the fees charged by independent third parties for similar services); and (iii) the costs of GZ Finance for providing the services under the Lease Transactions Consultancy Agreement.

It is proposed that the Consultancy Fee will be satisfied by the internal resources of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE TRANSACTIONS CONSULTANCY AGREEMENT**

GZ Finance, whose business includes the provision of finance leasing services (including related consultancy services), has experienced and expert personnel in finance leasing and will be able to effectively assist the Group in sourcing relevant lease assets for potential finance lease transactions and conducting due diligence on such lease assets.

As such, taking into account: (i) Consultancy Fee and the basis of determination thereof; and (ii) the reasons and benefits described above, the Directors (including the independent non-executive Directors) consider that the terms of the Lease Transactions Consultancy Agreement (including the Consultancy Fee) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the Lease Transactions Consultancy Agreement is entered into in the ordinary and usual course of business of the Group.

## **LISTING RULES IMPLICATIONS**

As GZ Finance is an indirect wholly-owned subsidiary of the GZYS, the controlling shareholder of the Company, GZ Finance is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction in respect of the transfer of the Lease Assets from HZYX to GZ Finance contemplated under the Sale and Purchase Agreement and the transaction contemplated under the Lease Transactions Consultancy Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The transaction in respect of the lease of the Lease Assets by GZ Finance to HZYX contemplated under the Finance Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the transfer of the Lease Assets from HZYX to GZ Finance contemplated under the Sale and Purchase Agreement exceed 0.1% but are less than 5%, the transaction in respect of the transfer of the Lease Assets contemplated under the Sale and Purchase Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

As all the applicable percentage ratios in respect of the Annual Caps for the lease of the Lease Assets by GZ Finance to HZYX contemplated under the Finance Lease Agreement exceed 0.1% but are less than 5%, the transaction in respect of the lease of the Lease Assets contemplated under the Finance Lease Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

As all the applicable percentage ratios in respect of the transaction contemplated under the Lease Transactions Consultancy Agreement exceed 0.1% but are less than 5%, the Lease Transactions Consultancy Agreement is subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

None of the Directors had a material interest in the transactions in respect of: (i) the transfer of the Lease Assets from HZYX to GZ Finance contemplated under the Sale and Purchase Agreement; (ii) the transaction in respect of the lease of the Lease Assets by GZ Finance to HZYX contemplated under the Finance Lease Agreement; or (iii) the transaction contemplated under the Lease Transactions Consultancy Agreement.

## **INFORMATION OF THE PARTIES**

### **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, the Yangtze River Delta, the Bohai Rim and the Central Region.

### **HZYX**

HZYX is an indirect wholly-owned subsidiary of the Company and is a property development company incorporated under the laws of the PRC.

### **GZ Finance**

GZ Finance is a limited liability company incorporated under the laws of the PRC and is an indirect wholly-owned subsidiary of GZYX. GZ Finance's business includes the provision of finance leasing services (including related consultancy services), wholesale of household electronic appliances, and sale and operation of certain types of licensed medical devices.



## DEFINITIONS

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

“Annual Caps”	the annual caps under the Finance Lease Agreement as set out in the paragraph headed “Annual Caps and Basis of Determination” in this announcement
“Board”	the board of Directors of the Company
“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
“Consultancy Fee”	the total fee to be paid by HZYX to GZ Finance under the Lease Transactions Consultancy Agreement, which is a fixed sum of RMB15 million
“Directors”	the directors of the Company
“Finance Lease Agreement”	the Finance Lease Agreement dated 23 September 2015 entered into between HZYX and GZ Finance
“Group”	collectively, the Company and its subsidiaries
“GZ Finance”	廣州越秀融資租賃有限公司 (Guangzhou Yuexiu Financial Leasing Co., Ltd.*), an indirect wholly-owned subsidiary of GZYX incorporated under the laws of the 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
“HZYX”	杭州越秀房地產開發有限公司 (Hangzhou Yuexiu Property Development Limited*), an indirect wholly-owned subsidiary of the Company incorporated under the laws of the PRC with limited liability

“Lease Assets”	the lease assets to be transferred under the Sale and Purchase Agreement and to be leased under the Finance Lease Agreement, as further described in the paragraph headed “Lease Assets” in this announcement
“Lease Consideration”	the total consideration to be paid by HZYX to GZ Finance under the Finance Lease Agreement, which consists of the principal amount of RMB500 million and lease interests
“Lease Period”	the period as described in the paragraph headed “Lease Period” in this announcement
“Lease Transactions Consultancy Agreement”	the Lease Transactions Consultancy Agreement dated 23 September 2015 entered into between HZYX and GZ Finance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	GZ Finance and HZYX and each a “Party”
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 23 September 2015 entered into between HZYX and GZ Finance
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transfer Consideration”	the consideration of RMB500 million to be paid by GZ Finance to HZYX in relation to the purchase of the Lease Assets under the Sale and Purchase Agreement

