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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: 123)

DISCLOSEABLE TRANSACTION

On 30 December 2010, the Company and two of its subsidiaries entered into the Sale and Purchase Agreements with the Vendor Group pursuant to which the relevant subsidiaries of the Company agreed to acquire and the Vendor Group together agreed to sell, directly and indirectly, the entire equity interest in the Project Company. The consideration involved in the Acquisitions includes the Share Transfer Consideration and the Loan Consideration, and the Group also agreed to procure and ensure the Project Company to repay the Project Company Debts within 30 days after completion.

As at the date of this announcement, the entire equity interest in the Project Company was held directly as to 99% by the Hong Kong Company and 1% by the Second Vendor. Pursuant to the Sale and Purchase Agreement I, the Group will acquire from the First Vendor the entire issued share capital in the Hong Kong Company. Pursuant to the Sale and Purchase Agreement II, the Group will acquire from the Second Vendor its 1% equity interest in the Project Company.

As one of the applicable size test percentage ratios in relation to the transactions contemplated under the Sale and Purchase Agreements calculated under Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

On 30 December 2010, the Company and two of its subsidiaries entered into the Sale and Purchase Agreements with the Vendor Group pursuant to which the relevant subsidiaries of the Company agreed to acquire and the Vendor Group together agreed to sell, directly and indirectly, the entire equity interest in the Project Company. The consideration involved in the Acquisitions includes the Share Transfer Consideration and the Loan Consideration, and the Group also agreed to procure and ensure the Project Company to repay the Project Company Debts within 30 days after completion.

As at the date of this announcement, the entire equity interest in the Project Company was held directly as to 99% by the Hong Kong Company and 1% by the Second Vendor. Pursuant to the Sale and Purchase Agreement I, the Group will acquire from the First Vendor the entire issued share capital in the Hong Kong Company which in turn holds 99% equity interest in the Project Company. Pursuant to the Sale and Purchase Agreement II, the Group will acquire from the Second Vendor its 1% equity interest in the Project Company. Upon completion of the Acquisitions, the Project Company will become an indirect subsidiary of the Company.

SALE AND PURCHASE AGREEMENTS

Sale and Purchase Agreement I

Parties

Date: 30 December 2010

Parties: (1) First Purchaser, a wholly-owned subsidiary of the Company;
(2) the Company;
(3) First Vendor; and
(4) Mr. Lu

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, each of the First Vendor, its beneficial owner and Mr. Lu are third parties independent of the Company and the Company's connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement I, the First Purchaser will acquire from the First Vendor 10,000 shares of HK\$1 each in the capital of the Hong Kong Company, representing its entire issued share capital.

Consideration

The consideration under the Sale and Purchase Agreement I comprises:

- (1) the Share Transfer Consideration in the amount of RMB385,911,716.45; and
- (2) the Loan Consideration in the amount of HK\$269,779,974.57.

The consideration was determined by reference to the recent transaction values of those pieces of land surrounding the Project and based on the assessment of the conditions of the Project, and was arrived at through arm's length negotiation amongst the parties after taking into account the prevailing market conditions.

In accordance with the Sale and Purchase Agreement I, the First Purchaser, the Hong Kong Company and Mr. Lu will enter into the Deed of Loan Assignment in a substantially agreed form on the Completion Date. Pursuant to the Deed of Loan Assignment, Mr. Lu will assign all his rights and interests in the Hong Kong Company Loan to the First Purchaser in consideration for the Loan Consideration payable by the First Purchaser.

Payment terms

On 12 October 2010, the First Purchaser has paid an initial deposit equivalent to RMB20,000,000 to the First Vendor, being settlement of part payment of the Share Transfer Consideration.

The remaining Share Transfer Consideration will be settled as follows:

- (1) a first payment in an amount equivalent to RMB70,000,000, will be payable within five Business Days after the signing of the Sale and Purchase Agreement I; and
- (2) the balance of the Share Transfer Consideration will be payable on the Completion Date.

Such consideration under the Sale and Purchase Agreement I will be settled by cash in HK\$ and funded by internal resources of the Group. The parties agreed that the exchange rate between RMB and HK\$ shall be the middle rate quoted by the People's Bank of China on a Business Day immediately preceding the date of actual payment of the relevant part of the consideration.

The Loan Consideration will be paid to Mr. Lu on the date of the signing of the Deed of Loan Assignment pursuant to that deed.

Conditions precedent

Completion of the sale and purchase of the entire issued share capital in the Hong Kong Company is subject to and conditional upon a number of conditions being satisfied or waived, including but not limited to the following:

- (i) the Hong Kong Company, the Project Company and the Project having fulfilled certain agreed conditions in respect of the financial status, construction investment and the performance targets in respect of existing agreements as set out under the Sale and Purchase Agreement I; and
- (ii) the Sale and Purchase Agreement II having been duly executed and the new foreign investment approval certificate of the Project Company having been obtained.

The First Purchaser may waive any or all of the conditions by notice in writing to the First Vendor.

In the event that any of the conditions is not satisfied (or waived by the First Purchaser in writing) on or before 1 April 2011, the First Purchaser may terminate the Sale and Purchase Agreement I by written notice to the First Vendor, and the First Vendor shall return all monies (without interest) then received under the transaction to the First Purchaser within 10 Business Days from the date of the termination notice from the First Purchaser.

The Sale and Purchase Agreement I provides for a mechanism (including a pre-completion audit and verification process) to ascertain and to agree as to whether the conditions precedent have been fulfilled.

Completion

Upon fulfillment of the conditions precedent, completion of the Sale and Purchase Agreement I shall take place within five Business Days after written notification was sent by the First Purchaser to the First Vendor confirming fulfillment (or waiver) of the conditions precedent.

Certain post completion events

As at the date of this announcement, the Project Company owed the Project Company Debts to the Project Company Creditors. Under the Sale and Purchase Agreement I, the First Purchaser and the Company agreed to, subject to completion taking place, procure and ensure that the Project Company shall fully repay the Project Company Debts to the respective Project Company Creditors within 30 days after the Completion Date.

The First Purchaser and the First Vendor agreed to arrange a post-completion audit on the financial status of the Hong Kong Company and the Project Company as at the Completion Date, and the consideration will be adjusted by reference to the liabilities of the Hong Kong Company and the Project Company according to the post-completion audit results as compared to those as agreed under the Sale and Purchase Agreement I.

The First Purchaser and the First Vendor also agreed to arrange a post-completion construction verification on the Project. The First Purchaser principally agreed to reimburse the First Vendor for the additional construction costs in respect of the Project in excess of that agreed under the Sale and Purchase Agreement I which had been incurred on or before the Completion Date and approved by the First Purchaser, subject to a maximum amount of RMB25,000,000 and that such payment obligation complies with the relevant laws and regulations (including listing rules) applicable to the Company.

Undertaking, indemnity and liquidated damages

The Sale and Purchase Agreement I includes certain customary representations, warranties, undertakings and indemnities on the part of the First Vendor and Mr. Lu.

In the situation that the First Vendor and Mr. Lu have fulfilled all their respective obligations under the Sale and Purchase Agreement I and have not breached any of their respective representations, warranties and undertakings under the agreement, should the First Purchaser fail to pay any relevant portion of the Share Transfer Consideration in accordance with the Sale and Purchase Agreement I, the First Purchaser shall on demand pay daily liquidated damages equivalent to 0.05% of the then due but unpaid amount of the Share Transfer Consideration to the First Vendor, until the Share Transfer Consideration (or the relevant part thereof) is fully paid, or up to 30 days from the relevant payment due date, whichever is earlier. Should any part of the Share Transfer Consideration remain unpaid after the expiration of such 30-day period, the First Vendor may terminate the Sale and Purchase Agreement I and request the First Purchaser to pay liquidated damages equivalent to 20% of the Share Transfer Consideration (inclusive of all liquidated damages paid during the 30-day period).

Further, after completion, should the First Purchaser and the Company fail to procure the Project Company to repay the Project Company Debts in full within the prescribed period, the First Purchaser and the Company shall on demand procure that the Project Company pay daily liquidated damages equivalent to 0.05% of the then due but unpaid amount of the Project Company Debts to the relevant Project Company Creditor(s) until the relevant Project Company Debt is fully repaid.

The Deed of Loan Assignment will also include a similar liquidated damages clause such that should the First Purchaser default on timely payment of Loan Consideration, it shall on demand pay daily liquidated damages equivalent to 0.05% of the then due but unpaid amount of the Loan Consideration to Mr. Lu until the Loan Consideration is fully paid.

Sale and Purchase Agreement II

Parties

Date: 30 December 2010

Parties: (1) Second Purchaser, a 95% owned subsidiary of the Company;
and

(2) Second Vendor

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, the Second Vendor and its beneficial owner are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement II, the Second Purchaser will acquire 1% equity interest in the Project Company from the Second Vendor.

Consideration

The total consideration under the Sale and Purchase Agreement II is RMB2,413,800 and was determined by reference to the capital injected by the Second Vendor.

The consideration under the Sale and Purchase Agreement II will be settled by cash in RMB and funded by internal resources of the Group. The consideration is payable within 15 days from the date of approval of the transaction contemplated under the Sale and Purchase Agreement II and the issue of a new foreign investment approval certificate by the relevant PRC authority.

Conditions precedent

Completion of the Sale and Purchase Agreement II is subject to and conditional upon certain conditions being satisfied, including but not limited to the approval of the transaction contemplated under the Sale and Purchase Agreement II by the relevant PRC authority.

Within 15 days after full payment by the Second Purchaser of the consideration, the Second Vendor shall assist the Second Purchaser with procedures for registration of the equity transfer with the relevant PRC authority and for changes of directors of the Project Company.

Liquidated damages

After the signing of the Sale and Purchase Agreement II, should any party terminate the agreement without proper cause, such party should pay damages in an amount equal to 10% of the consideration under the Sale and Purchase Agreement II to the other party.

Should the Second Purchaser fail to effect all or any part of its payment obligations in accordance with the Sale and Purchase Agreement II, it shall pay daily liquidated damages equivalent to 0.05% of the then due but unpaid amount to the Second Vendor until such amount is paid in full.

REASONS FOR AND BENEFIT OF THE ACQUISITIONS

The Directors believe that the Acquisitions offer the Company an opportunity to increase its land bank and represent the first occasion whereby the Company extends its business to Shenyang. The Acquisitions are in line with the business strategy of the Company in focusing on the economically-developed cities in the Pearl River Delta, the Bohai region and the central region. After the Acquisitions, the land bank of the Company (based on the gross floor area) is expected to increase by approximately 367,000 square metres with the total land bank reaching approximately 10,355,000 square metres.

Shenyang city is the capital of Liaoning province and is an important base of the heavy industry for the country. It is expected to play a significant role in the overall revitalization of Liaoning and even the north-eastern region of the PRC. The Directors believe that there are abundant opportunities for developing trade commerce and real estate markets in Shenyang city.

The Directors believe that Shenyang possesses the economic foundation for developing suburban residency and that the demand for top quality properties will continue to increase. They also believe that the land of the Project Company is of premium quality and is suitable for developing into a low-density, high-end community, which is in line with the strategic position of the Company in respect of the area. The Acquisitions represent a significant step of the Company in establishing a strategically advantaged position in the area.

The Directors believe that the terms of each of the Sale and Purchase Agreement I and the Sale and Purchase Agreement II are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION OF THE HONG KONG COMPANY AND THE PROJECT COMPANY

Hong Kong Company

The Hong Kong Company was incorporated as a company with limited liability in Hong Kong on 18 August 2009. As at the date of this announcement, the Hong Kong Company had an issued capital of HK\$10,000 and was directly wholly-owned by the First Vendor.

The Hong Kong Company is principally engaged in the activities of investment holding and holds 99% equity interest in the Project Company.

As at 27 December 2010, the unaudited total asset value of the Hong Kong Company (prepared under the Hong Kong financial reporting standards) was HK\$269,743,199, and its unaudited net liabilities (prepared under the Hong Kong financial reporting standards) was HK\$36,776. The unaudited consolidated net loss before and after taxation and extraordinary items of the Hong Kong Company for the period from 18 August 2009 (its date of incorporation) to 27 December 2010 was HK\$46,776.

Project Company

The Project Company is a company incorporated in Shenyang of the PRC with limited liability. It is principally engaged in the business of Project development. The Project involves the development and construction of a real estate project located in the Huishan Agricultural High-tech Development Zone in Shenyang city of the PRC.

The Project has a site area of approximately 667,000 square metres with a gross floor area of approximately 367,000 square metres and has been approved for residential use. The site is located at Pu River Xin Cheng, Shen Bei Xin Qu of Shenyang city, facing the Pu River scenery leisure zone to the south and the Qi Pan Mountain natural scenery zone to the north and encompassing a natural lake. The site is endowed with a landscape with water and mountain scenery. Currently, the Project is planned to be developed into sparsely inhabited, low-density villas located near schools, commercial districts, hospitals and light rail stations currently under construction.

Since the Project is still in the construction phase, no profit has been recorded by the Project Company for the two financial years immediately preceding the date of this announcement.

As at 27 December 2010, the unaudited total asset value of the Project Company was approximately RMB669,133,844.35, and its unaudited net asset value was RMB241,569,920.40.

INFORMATION OF THE PARTIES

The Company

The Group is principally engaged in the businesses of property development, management and investment in the PRC, including Hong Kong. The Group also holds a 35.58% interest in GZI Real Estate Investment Trust. The First Purchaser is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the activities of investment holding. The Second Purchaser is a limited liability company incorporated in the PRC and a 95% owned subsidiary of the Company. It is principally engaged in property development.

The First Vendor

The First Vendor is a company incorporated in the British Virgin Islands with limited liability. Its principal business involves investment holding.

The Second Vendor

The Second Vendor is a limited liability company incorporated in the PRC. Its principal business involves real estate development and investment in the PRC.

LISTING RULES IMPLICATION

As one of the applicable size test percentage ratios in relation to the Acquisitions calculated under Chapter 14 of the Listing Rules exceeds 5% but is less than 25%, the Acquisitions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisitions”	the acquisitions by the Group of the entire issued share capital in the Hong Kong Company under the Sale and Purchase Agreement I and of the 1% equity interest in the Project Company under the Sale and Purchase Agreement II
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“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general business and inter-bank deposit and payment business in Hong Kong
“Company”	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange and the stock exchange operated by Singapore Exchange Securities Trading Limited
“Completion Date”	date of completion of the sale and purchase of the entire issued share capital in the Hong Kong Company under the Sale and Purchase Agreement I
“Deed of Loan Assignment”	the deed of loan assignment in a substantially agreed form to be entered into between the First Purchaser, the Hong Kong Company and Mr. Lu on the Completion Date pursuant to which Mr. Lu will assign all his rights and interests in the Hong Kong Company Loan to the First Purchaser in consideration for the Loan Consideration payable by the First Purchaser
“Director(s)”	the director(s) of the Company
“First Purchaser”	Guangzhou Construction & Development Holdings (China) Limited (城市建設開發集團(中國)有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“First Vendor”	Genious Choice Investments Limited (智選投資有限公司), a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Fancy Treasure Limited (寶誼有限公司), a company incorporated in Hong Kong with limited liability

“Hong Kong Company Loan”	the interest free loan in the amount of HK\$269,779,974.57 owed by the Hong Kong Company to Mr. Lu as at the date of the Sale and Purchase Agreement I
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	HK\$269,779,974.57, equivalent to the amount of the Hong Kong Company Loan, being part of the consideration under the Sale and Purchase Agreement I
“Mr. Lu”	Mr. Lu Yubin (陸裕彬)
“PRC”	the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project”	the real estate project named 嶺海明珠項目 (Linghai Mingzhu Project*) under development and construction by the Project Company, located in the Huishan Agricultural High-tech Development Zone in Shenyang city of the PRC
“Project Company”	瀋陽嶺海房地產有限公司 (Shenyang Linghai Property Development Company Limited*), a limited liability company incorporated in the PRC
“Project Company Creditors”	the creditors of the Project Company in respect of the Project Company Debts, including the Second Vendor
“Project Company Debts”	the interest free debts in a total amount of RMB420,000,000 owed by the Project Company to the Project Company Creditors as at the date of the Sale and Purchase Agreement I
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreements”	the Sale and Purchase Agreement I and the Sale and Purchase Agreement II
“Sale and Purchase Agreement I”	the sale and purchase agreement dated 30 December 2010 among the First Purchaser, the Company, the First Vendor and Mr. Lu in respect of the purchase and sale of the entire issued share capital in the Hong Kong Company

“Sale and Purchase Agreement II”	the sale and purchase agreement dated 30 December 2010 between the Second Purchaser and the Second Vendor in respect of the acquisition and transfer of 1% equity interest in the Project Company
“Second Purchaser”	廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), a limited liability company incorporated in the PRC and a 95% owned subsidiary of the Company
“Second Vendor”	潮州市嶺海房地產有限公司 (Chaozhou Linghai Property Development Company Limited*), a limited liability company incorporated in the PRC
“Share Transfer Consideration”	RMB385,911,716.45, being part of the consideration under the Sale and Purchase Agreement I
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Vendor Group”	the First Vendor, the Second Vendor and Mr. Lu

By order of the Board
Yuexiu Property Company Limited
Lu Zhifeng
Chairman

Hong Kong, 30 December 2010

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

Executive Directors: LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, LIANG Youpan and LAM Yau Fung Curt

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

* *for identification purpose only*