

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CONNECTED TRANSACTION IN RELATION TO ESTABLISHMENT OF FUND

THE LIMITED PARTNERSHIP AGREEMENT

The Board is pleased to announce that on 10 December 2018, (1) GCCD and the GZ Industrial Fund (as Limited Partners); and (2) Yuexiu Zhonglian (as General Partner) entered into the Limited Partnership Agreement to establish the No. 1 Fund for the purpose of conducting capital investments, providing investment consultancy services.

The capital commitment in the No. 1 Fund was determined after arm's length negotiations between GZ Industrial Fund, GCCD and Yuexiu Zhonglian. The capital commitment of GCCD in the No. 1 Fund will be financed by the Group's internal resources.

The Board believes that GCCD's investment in the No.1 Fund, which is professionally managed, will generate financial return for the benefit of the Company's shareholders. The Directors (including the independent non-executive Directors) consider that GCCD's investment in the No.1 Fund and the entering into of the Limited Partnership Agreement by GCCD are in the Company's ordinary and usual course of business, and that they (including the financing and profit distribution arrangements of the No.1 Fund) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As Yuexiu Industrial Fund Management, being the fund manager to the No.1 Fund, is regarded by the Company as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, the Limited Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the GCCD's capital commitment under the Limited Partnership Agreement is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

As none of the Directors had a material interest in the Limited Partnership Agreement and the establishment of the No.1 Fund thereunder, no Director has abstained from voting on the relevant board resolutions of the Company.

BACKGROUND

The Board is pleased to announce that on 10 December 2018, (1) GCCD and the GZ Industrial Fund (as Limited Partners); and (2) Yuexiu Zhonglian (as General Partner) entered into the Limited Partnership Agreement to establish the No. 1 Fund for the purpose of conducting capital investments, providing investment consultancy services.

PRINCIPAL TERMS OF THE LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are as follows:

Term

The term of the Limited Partnership Agreement is five years from the Signing Date, with an option exercisable by the execution partner (being the General Partner) to extend one year. Upon expiration of such extension, the Partners can agree to extend one more year.

Capital Commitments

The total capital commitment in respect of the No. 1 Fund will be financed in the following manner:

- (i) RMB700,000,000, representing approximately 14% of the total capital commitment in respect of the No. 1 Fund, shall be payable by GCCD (as a Limited Partner) within five years from the Signing Date (of which RMB520,000,000 shall be payable upon demand);
- (ii) RMB4,300,000,000, representing approximately 85.98% of the total capital commitment in respect of the No. 1 Fund, shall be payable by the GZ Industrial Fund (as a Limited Partner) within five years from the Signing Date (of which a lump sum of RMB1,080,000,000 shall be payable upon demand); and

(iii) RMB1,000,000, representing approximately 0.02% of the total capital commitment in respect of the No.1 Fund, shall be payable by Yuexiu Zhonglian (as the General Partner) within five years from the Signing Date.

The capital commitment in the No. 1 Fund was determined after arm's length negotiations between GZ Industrial Fund, GCCD and Yuexiu Zhonglian. The capital commitment of GCCD in the No. 1 Fund will be financed by the Group's internal resources.

Investment Committee

The No. 1 Fund has an Investment Committee comprising five members who shall be appointed in the following manner: (i) one member shall be appointed by the General Partner (who shall not be an employee or a Related Person of any GZ YX Member); (ii) three members shall be appointed by GZ Industrial Fund (none of whom shall be an employee or a Related Person of any GZ YX Member); and (iii) the remaining member shall be appointed by GCCD (which shall be a related person of GCCD, provided that such person shall not be an employee or a Related Person of any GZ YX Member (excluding the Company's subsidiaries).

Pursuant to the Limited Partnership Agreement, the Investment Committee's powers and functions include, amongst others:

- (i) making investment and exit decisions;
- (ii) selecting the party(ies) to operate the No. 1 Fund's investment projects and formulating business indicators; and
- (iii) deciding on matters that the No. 1 Fund, as a shareholder of any of its investment portfolio companies, is entitled to decide or vote on.

A resolution of the Investment Committee is validly passed by three or more affirmative votes, with each member being entitled to one vote.

General Partner

In accordance with the Limited Partnership Agreement, the General Partner, who has been appointed as and in its capacity as the execution partner of the Fund, is entitled to exercise (among others):

- (i) implement of investment decisions made by the Investment Committee;
- (ii) manage and maintain the No. 1 Fund's assets;

- (iii) change the name of the No. 1 Fund and its principal place of business;
- (iv) open bank and securities account for the No. 1 Fund;
- (v) engage third party professional, advisors to provide service to the No. 1 Fund;
and
- (vi) handle tax-related matters for No. 1 Fund.

Fund Manager

Yuexiu Industrial Fund Management is the fund manager of the No. 1 Fund whose responsibility is mainly to assist the General Partner as the execution partner of the No. 1 Fund to execute the Investment Committee's decisions and to perform other administrative functions.

Profit distribution

After settlement of costs of No. 1 Fund, the proceeds derived from realising investment projects of the No.1 Fund shall be distributed to the Partners.

Management Fee

The No.1 Fund shall pay the following management fees:

- (i) a sum of RMB80,000 to the General Partner per annum; and
- (ii) a sum of 1.2% per annum of the total paid-in capital contribution amount of all Partners to Yuexiu Industrial Fund Management.

Winding-up

The No.1 Fund will be wound up upon occurrence of certain events, including but not limited to (i) expiration of the term of the No.1 Fund without being extended in accordance with the Limited Partnership Agreement; (ii) exit or removal of the General Partner by all Partners or pursuant to the Limited Partnership Agreement and no general partner has been appointed; and (iii) serious breach of the Limited Partnership Agreement by one or more Limited Partners, which results in the General Partner arriving at the decision that the No.1 Fund could no longer operate.

Restrictions on transfer

During the term of the Limited Partnership Agreement, no transfer of all or any part of its interest in the No.1 Fund shall be made:

- (i) by the General Partner unless otherwise agreed upon between the Partners; and
- (ii) by a Limited Partner without prior consent of the General Partner.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE NO. 1 FUND

The Board believes that GCCD's investment in the No.1 Fund, which is professionally managed, will generate financial return for the benefit of the Company's shareholders. The Directors (including the independent non-executive Directors) consider that GCCD's investment in the No.1 Fund and the entering into of the Limited Partnership Agreement by GCCD are in the Company's ordinary and usual course of business, and that they (including the financing and profit distribution arrangements of the No.1 Fund) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY, GCCD, GZ INDUSTRIAL FUND, GENERAL PARTNER AND YUEXIU INDUSTRIAL FUND MANAGEMENT

The Company

The Company 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.

GCCD (Limited Partner of the No. 1 Fund)

GCCD is a 95%-owned subsidiary of the Company which is principally engaged in the development, operation, leasing and management of properties.

GZ Industrial Fund (Limited Partner of the No. 1 Fund)

GZ Industrial Fund is principally engaged in investment consultancy and investment management. It is owned directly as to approximately 79.10% by independent third parties and indirectly as to approximately 20.90% (in aggregate) by Guangzhou Yuexiu Financial (a subsidiary of GZYX), in each case as limited partners. GZ Industrial Fund has vested all of its voting power in the No. 1 Fund to the investment committee of the GZ Industrial Fund, the majority of the members of which are appointed by independent third parties of the Company, and to the extent that any

such members are connected persons or appointed by connected persons of the Company, they shall abstain from voting on all matters in relation to the No. 1 Fund.

Yuexiu Zhonglian (General Partner of the No. 1 Fund)

Yuexiu Zhonglian is principally engaged in capital markets services.

Yuexiu Industrial Fund Management

Yuexiu Industrial Fund Management is principally engaged in capital markets services.

IMPLICATIONS OF THE LISTING RULES

As Yuexiu Industrial Fund Management, being the fund manager to the No.1 Fund, is regarded by the Company as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, the Limited Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the GCCD's capital commitment under the Limited Partnership Agreement is more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

As none of the Directors had a material interest in the Limited Partnership Agreement and the establishment of the No.1 Fund thereunder, no Director has abstained from voting on the relevant board resolutions of the Company.

DEFINITIONS

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

| | |
|--------------------|--|
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “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) |
| “connected person” | has the meaning ascribed to it under the Listing Rules |

| | |
|------------------------------|--|
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “Family Member” | in relation to an individual, an immediate family member (as defined under the Listing Rules) or relative (as defined under the Listing Rules) of such individual |
| “No. 1 Fund” | 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No.I Business Investment Enterprise (Limited Partnership)*), a limited partnership investment fund established under the laws of the PRC |
| “GCCD” | 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 which is indirectly owned as to 95% by the Company and 5% by 廣州市城市建設開發集團有限公司 (Guangzhou City Construction & Development Group Company Limited*) respectively, the latter of which is in turn indirectly wholly-owned by GZYX, the controlling shareholder of the Company. |
| “General Partner” | Yuexiu Zhonglian |
| “GZ Industrial Fund” | 廣州國資產業發展股權投資基金合夥企業(有限合夥) (Guangzhou State Assets Industrial Equity Investment Fund Enterprise (Limited Partnership)*) |
| “Guangzhou Yuexiu Financial” | 廣州越秀金融控股集團股份有限公司 (Guangzhou Yuexiu Financial Holdings Group Co., Ltd.*), a limited liability company incorporated in the PRC which is a subsidiary of GZYX |
| “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 |
| “GZYX Members” | collectively, GZYX and its subsidiary, and each a GZYX Member |

| | |
|-------------------------------------|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Individual Affiliate” | in relation to a company, a director, a chief executive or a supervisor of such company or a person with or who can exercise 10% or more voting rights in such company, or a person who was a director of such company in the last 12 months |
| “Investment Committee” | the investment committee of the No.1 Fund established in accordance with the terms of the Limited Partnership Agreement |
| “Limited Partners” | collectively, GCCD and GZ Industrial Fund, and each a “ Limited Partner ” |
| “Limited Partnership Agreement” | the limited partnership agreement dated 10 December 2018 entered into between GCCD, GZ Industrial Fund and Yuexiu Zhonglian in respect of the No.1 Fund |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Partners” | collectively, GCCD, GZ Industrial Fund and Yuexiu Zhonglian, and each a “ Partner ” |
| “PRC” | the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “Signing Date” | 10 December 2018, being the date on which the Limited Partnership Agreement was signed by the parties thereto |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiary” | has the meaning ascribed to it under the Listing Rules |
| “Related Persons” | (i) any Individual Affiliate of any GZYZ Member; and/or (ii) any Family member of such Individual Affiliate |
| “Yuexiu Industrial Fund Management” | 廣州越秀產業投資基金管理股份有限公司 (Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd*), a limited liability company incorporated in the PRC which is a subsidiary of GZYZ |

“Yuexiu Zhonglian”

廣州越秀中聯股權投資基金管理有限公司 (Guangzhou Yuexiu United Equity Investment Fund Management Company Limited)*, a limited liability company incorporated in the PRC and which is indirectly owned as to 45% by the Company and 55% by independent third parties. Save as disclosed above, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Yuexiu Zhonglian and its ultimate beneficial owners are third parties independent of and not connected with the Company.

**for identification purpose only*

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

Hong Kong, 10 December 2018

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

Executive Directors: LIN Zhaoyuan (Chairman), LIN Feng, LI Feng, CHEN Jing and LIU Yan

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