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(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

- (1) PROPOSED SUBSCRIPTION AND ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE AND APPLICATION FOR
WHITEWASH WAIVER**
- (2) MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
THE ACQUISITIONS OF AN 86% INTEREST IN GUANGZHOU CITY
PINXIU PROPERTY DEVELOPMENT COMPANY LIMITED*
AND**
- (3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Independent Financial Adviser to the Company



THE TRANSACTIONS

The Company is pleased to announce that, on 27 February 2019, the Group entered into the following Transactions upon and subject to the terms and conditions of the Transaction Documents:

(1) SUBSCRIPTION OF NEW SHARES BY THE GZ METRO SUBSCRIBER

On 27 February 2019, the Company entered into a conditional Subscription Agreement with the GZ Metro Subscriber (a wholly-owned subsidiary of Guangzhou Metro) relating to the proposed subscription by the GZ Metro Subscriber of 3,080,973,807 Subscription Shares at the Subscription Price of HK\$2.00 per Subscription Share, i.e. for a total consideration of HK\$6,161,947,614. The Subscription Shares represent approximately 19.9%

of the total number of issued Shares as enlarged by the allotment and the issue of the Subscription Shares (assuming there being no other changes in the issued share capital of the Company between the date of this announcement and the date of completion of the Subscription). The Subscription Price of HK\$2.00 per Subscription Share represents a premium of approximately 22.0% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on 27 February 2019, being the date of the Subscription Agreement.

Subject to the terms and conditions of the Subscription Agreement, the GZ Metro Subscriber shall have the right to nominate one candidate to be put forward for the appointment to the Board as a non-executive Director, which right of nomination shall cease if it holds less than 10% of the total number of issued Shares.

(2) ACQUISITIONS OF AN 86% INTEREST IN THE TARGET COMPANY

Simultaneously with the entering into of the Subscription Agreement on 27 February 2019, the Purchaser entered into a set of agreements in relation to the Acquisitions. Pursuant to such agreements, the Purchaser has conditionally agreed to acquire, directly or indirectly, an aggregate of 86% of the equity interest in the Target Company together with the relevant loan interests in the Target Company and the Target Holding Company, respectively, in the following manner:

- (a) Firstly, the Purchaser has agreed to acquire:
 - (i) 51% of the equity interest in the Target Company by way of acquiring (from a wholly-owned subsidiary of GZYZ) the entire equity interest in the Target Holding Company for a consideration agreed with reference to the net asset value of the Target Holding Company as at 31 December 2018 (which is calculated by the Independent Valuer taking into account the Appraised Value of the Project as at 31 December 2018);
 - (ii) all of the interests in the loans owing by the Target Holding Company to GZYZ, together with accrued interest, by way of assuming the assignment of such loans on a dollar-for-dollar basis; and
 - (iii) all of the interests in the loans corresponding to GZYZ's 51% interest in the Target Company, owing by the Target Company to GZYZ, together with accrued interest, by way of assuming the assignment of the interests in part of the loans and refinancing the remaining part of the loans, in each case on a dollar-for-dollar basis.

- (b) Secondly, the Purchaser has agreed to acquire:
- (i) 35% of the equity interest in the Target Company from Guangzhou Metro for a consideration agreed with reference to 35% of the net asset value of the Target Company as at 31 December 2018 (which is calculated by the Independent Valuer taking into account the Appraised Value of the Project as at 31 December 2018); and
 - (ii) interests in such loans corresponding to Guangzhou Metro's 35% interest in the Target Company, owing by the Target Company to Guangzhou Metro, together with accrued interest, by way of assuming the assignment of the interests in part of the loans and refinancing the remaining part of the loans, in each case on a dollar-for-dollar basis.
- (c) Thirdly, the Purchaser has agreed to pay an Initial Cost Amount to GZYX to cover the cost of capital attributable to the amount advanced by GZYX to Guangzhou Metro in relation to the Project before the Original 51% Acquisition and other incidental costs.

For illustrative purpose, assuming completion of the Acquisitions on 30 April 2019 (being the date by which the Company targets to complete the Acquisitions): (i) the aggregate amount payable by the Purchaser to GZYX (and/or its wholly-owned subsidiary) for the 51% Acquisition (which includes (among other things) the Initial Cost Amount) would be approximately RMB8,481,966,000; (ii) the aggregate amount payable by the Purchaser to Guangzhou Metro for the 35% Acquisition would be approximately RMB5,625,711,000; and (iii) therefore, the total amount payable by the Purchaser for the Acquisitions would be approximately RMB14,107,677,000.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company believes that its poised business strategy of “Railway + Property” could be substantiated and realised with the introduction of Guangzhou Metro as a strategic shareholder, and the business synergies created between the Company and Guangzhou Metro would allow the Company to stand in a good position despite the current uncertainties in the PRC property market.

The Subscription is beneficial to the Company from a financial perspective, given the Subscription Price represents a substantial premium to the current market price of the Shares. The Company also believes that the introduction of Guangzhou Metro as a new shareholder by itself would strengthen the Company's shareholder base.

The Project is in close proximity to Guanhu Station of Line 13 of the Guangzhou Metro network. The Xintang area, where the Project is located, is an important transportation hub which connects Guangzhou and Dongguan and provides good development prospects for the Project. It is also expected that, given its large scale, the Project would contribute significantly to the sales and cash flow of the Group.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, GZYZ and parties acting in concert or presumed to be acting in concert (as named below) with it were interested in, and controlled or were entitled to exercise control over, the voting rights in respect of, directly and indirectly, an aggregate of 6,166,240,299 Shares, representing approximately 49.72% of the voting rights of the Company. Parties presumed to be acting in concert with GZYZ under the Takeovers Code comprise: (i) Guangzhou Metro (including the GZ Metro Subscriber); (ii) Mr. Lin Zhaoyuan and Mr. Li Feng (each being a director of certain Relevant YXE Subsidiaries, an executive Director and a Shareholder); (iii) Ms. Chen Jing (being a director of certain Relevant YXE Subsidiaries and an executive Director); and (iv) all of the other Directors (other than the independent non-executive Directors) (namely, Mr. Lin Feng and Ms. Liu Yan, each of whom is an executive Director and therefore are presumed to be acting in concert with GZYZ by virtue of class (6) presumption under the definition of “acting in concert” under the Takeovers Code). The aforesaid class (6) presumption will cease upon completion of the Subscription.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of at least 75% votes by the Independent Shareholder present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription at the GM by way of poll.

IMPLICATIONS UNDER LISTING RULES

As at the date of this announcement, GZYZ wholly owns YXE (the controlling shareholder of the Company) and is therefore an associate of YXE and, hence, a connected person of the Company. As such, the 51% Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Guangzhou Metro is wholly-owned by the Guangzhou Municipal People's Government of the PRC, which is a PRC Governmental Body as defined in the Listing Rules. Accordingly, Guangzhou Metro is not a connected person of the Company by virtue of its relationship with the Guangzhou Municipal People's Government of the PRC. However, pursuant to Rule 14A.28 of the Listing Rules, the 35% Acquisition involves the Purchaser (a subsidiary of the Company) acquiring from Guangzhou Metro the 35% equity interest in the Target Company, the substantial shareholder of whom (i.e. the Target Holding Company) is an associate of YXE (the controller).

The Subscription itself is not a connected transaction under the Listing Rules. Since its completion is a non-waivable condition for, among others, the 35% Acquisition becoming effective and that the subscriber under the Subscription and the seller of the 35% Acquisition are under the Guangzhou Metro group, the Company takes a prudent view and treats the Subscription as if it were a connected transaction of the Company and will comply with the requirements under Chapter 14A of the Listing Rules accordingly.

As the highest applicable percentage ratio in respect of the 51% Acquisition and the 35% Acquisition, on an aggregated basis, exceeds 25% but is less than 100%, the Acquisitions and the transactions contemplated thereunder, on an aggregated basis, constitute major and connected transactions of the Company. Accordingly, the transactions contemplated under the Acquisitions are subject to the reporting, announcement, circular and the approval of the Independent Shareholders at the GM under Chapters 14 and 14A of the Listing Rules.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate, which is subject to the approval of the Independent Shareholders at the GM. Upon completion of the Transactions, the GZ Metro Subscriber will become a connected person of the Company under the Listing Rules.

The Relevant YXE Subsidiaries (all being wholly-owned subsidiaries of YXE and hence, parties acting in concert with GZMX under the Takeovers Code and associates (as defined under the Listing Rules) of GZMX) and all Directors who was also Shareholders will abstain from voting on all resolutions to be proposed at the GM.

(3) INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Transactions and the Whitewash Waiver. Yu Ming Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the Whitewash Waiver.

GM AND CIRCULAR

The GM will be convened and held by the Company to consider and, if thought fit, to approve, among other things, the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver. Given the passing of the resolutions approving all the aforesaid matters is a non-waivable condition in each of the Transaction Documents, if any such resolution is not passed at the GM, the Transactions will not proceed.

The circular containing, among other things: (i) further information on the Transactions and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in relation to the Transactions and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Transactions and the Whitewash Waiver; (iv) the application for the Whitewash Waiver; (v) financial information of the Group, the Target Holding Company and the Target Company; and (vi) a notice of the GM, is expected to be despatched to the Shareholders on or before 20 March 2019.

Shareholders and potential investors of the Company should be aware that the Transactions are subject to certain conditions being satisfied, therefore the Transactions may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE TRANSACTIONS

The Company is pleased to announce that, on 27 February 2019 (after trading hours), the Group entered into the Transactions, comprising the Subscription and the Acquisitions upon and subject to the respective terms and conditions of the Transaction Documents.

(1) SUBSCRIPTION OF NEW SHARES BY GZ METRO SUBSCRIBER

On 27 February 2019 (after trading hours), the Company entered into the Subscription Agreement with the GZ Metro Subscriber (a wholly-owned subsidiary of Guangzhou Metro) pursuant to which the Company conditionally agreed to issue and allot under the Specific Mandate, and the GZ Metro Subscriber conditionally agreed to subscribe for, 3,080,973,807 Subscription Shares at the Subscription Price of HK\$2.00 per Subscription Share, i.e. for a total consideration of HK\$6,161,947,614.

The Subscription Agreement

Date: 27 February 2019

Parties: (i) the Company; and

(ii) the GZ Metro Subscriber

The GZ Metro Subscriber is a company incorporated in Hong Kong and is principally engaged in financing and investment holding. It is a wholly-owned subsidiary of Guangzhou Metro.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the GZ Metro Subscriber and its ultimate beneficial owners are not connected persons of the Company.

Number of the Subscription Shares

3,080,973,807 Subscription Shares

The Subscription Shares represent (i) approximately 24.8% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 19.9% of the total number of issued Shares as enlarged by the allotment and the issue of the Subscription Shares (assuming there being no other changes in the issued share capital of the Company between the date of this announcement and the date of completion of the Subscription).

Subscription Price

The Subscription Price of HK\$2.00 per Subscription Share represents:

- (a) a premium of approximately 22.0% to the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on 27 February 2019, being the date of the Subscription Agreement;

- (b) a premium of approximately 20.5% to the closing price of HK\$1.66 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 23.0% to the average of the closing prices per Share as quoted on the Stock Exchange for the five trading days ending on the Last Trading Day of approximately HK\$1.63 per Share; and
- (d) a premium of approximately 25.4% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten trading days ending on the Last Trading Day of approximately HK\$1.60 per Share.

The net subscription price, after deduction of all estimated expenses, is estimated to be approximately HK\$2.00 per Subscription Share.

The Subscription Price was determined based on arm's length negotiations between the Company and Guangzhou Metro with reference to the market price and the net asset value of the Shares.

Rights and ranking of the Subscription Shares

The Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the other Shares in issue on the date of completion of the Subscription, and together with the right to receive the dividends and other distributions the record date for which is on or after the date of completion of the Subscription. If completion of the Subscription takes place on or before the record date of the Company's final cash dividend (i.e., 6 June 2019), the GZ Metro Subscriber will be entitled to receive the Company's final cash dividend of HK\$0.051 per Share (the payment of which is subject to Shareholders' approval at the forthcoming annual general meeting of the Company).

Conditions

The completion of the Subscription is conditional upon all of the following conditions having been satisfied (or waived, if applicable):

- (a) the Independent Shareholders having passed all necessary resolutions at the GM to approve the Transaction Documents and the transactions contemplated thereunder (namely the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver;
- (b) the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Subscription Shares to be issued (and such listing and permission not being subsequently revoked prior to completion of the Subscription);

- (c) the Whitewash Waiver being granted and not subsequently revoked prior to completion of the Subscription;
- (d) the approval(s) of the relevant regulatory authorities which are necessary in connection with the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereunder having been obtained (and such approval(s) not being subsequently revoked prior to completion of the Subscription) (conditions (a) to (d) are collectively referred to as the “**Regulatory Conditions**”);
- (e) the representations and warranties in respect of (i) the Company and (ii) the Subscription Shares being true and accurate and not misleading at the date of completion of the Subscription; and
- (f) the representations and warranties in respect of the GZ Metro Subscriber and its beneficial owners being true and accurate and not misleading at the date of completion of the Subscription.

The GZ Metro Subscriber may in its absolute discretion waive either in whole or in part at any time by notice in writing to the Company condition (e) above; and the Company may in its absolute discretion waive either in whole or in part at any time by notice in writing to the GZ Metro Subscriber condition (f) above. All other conditions set out above cannot be waived by either party to the Subscription Agreement.

The Company shall use its reasonable endeavours to ensure that conditions (a) to (c) and (e) above are satisfied, and the GZ Metro Subscriber shall use reasonable endeavours to ensure that the condition (f) above is satisfied. Each party to the Subscription Agreement shall use its reasonable endeavours to ensure that condition (d) above is satisfied. The approval(s) required under condition (d) above have been obtained as at the date of this announcement.

In the event that the above conditions are not fulfilled (or waived, if applicable) on or before the Long Stop Date:

- (a) the Subscription Agreement shall lapse and be of no further force and effect but the customary surviving clauses (“**Surviving Provisions**”) in the Subscription Agreement will continue to have effect;
- (b) neither party to the Subscription Agreement shall have any claim against the other except for antecedent breaches or claims pursuant to the Surviving Provisions; and
- (c) the Company shall reimburse the GZ Metro Subscriber for legal fees and out-of-pocket expenses which the GZ Metro Subscriber has reasonably incurred up to a maximum amount of HK\$100,000.

Specific Mandate

The Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the GM. The Specific Mandate, if approved, will be valid until completion of the Subscription or termination of the Subscription Agreement (whichever is earlier).

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion

The completion of the Subscription shall take place on the third business day after all of the conditions under the Subscription Agreement are satisfied (or waived, if applicable) (or such other date as the Company and the GZ Metro Subscriber may agree in writing).

Nomination of Director

Pursuant to the Subscription Agreement, to the extent permissible under the applicable laws, regulations, the Articles, the Listing Rules or by the Stock Exchange, upon completion of the Subscription, and for so long as the GZ Metro Subscriber beneficially owns at least 10% or more of the total number of issued Shares, the GZ Metro Subscriber shall have the right to nominate one candidate to be put forward for the appointment to the Board as a non-executive Director and the Company shall procure that such candidate be appointed to the Board as soon as practicable, provided that:

- (a) such candidate fulfils the qualification and experience requirements of a director under the applicable laws, regulations, the Listing Rules and the Articles; and
- (b) any Director so appointed by the Board will be subject to the retirement, re-election and Shareholders' approval requirements under the Articles and the Listing Rules.

If at any time the GZ Metro Subscriber holds less than 10% of the total number of issued Shares, the GZ Metro Subscriber shall procure that its nominee Director to immediately resign as a Director and holder of any office within the Company without any compensation for loss of office and the GZ Metro Subscriber's director nomination right shall cease thereafter.

Effect of the Subscription on shareholdings in the Company

For illustrative purpose only, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Subscription (assuming there being no change of the total number of issued Shares from the date of this announcement to the date of completion of the Subscription save for the issuance of the Subscription Shares):

	As at the date of this announcement		Immediately after completion of the Subscription	
	% of issued Shares (Approx.)		% of issued Shares (Approx.)	
	No. of Shares	(Note 10)	No. of Shares	(Note 10)
Shareholders				
<i>GZYZ and parties acting in concert with it</i>				
YXE (Note 1)	6,159,447,662	49.67	6,159,447,662	39.78
GZ Metro Subscriber (Note 2)	—	—	3,080,973,807	19.90
Mr. Lin Zhaoyuan (Note 3)	2,186,985	0.02	2,186,985	0.01
Mr. Li Feng (Note 4)	172,900	0.00	172,900	0.00
Ms. Chen Jing (Note 5)	—	—	—	—
Mr. Lin Feng (Note 6)	4,415,752	0.04	4,415,752	0.03
Ms. Liu Yan (Note 7)	17,000	0.00	17,000	0.00
Sub-total:	<u>6,166,240,299</u>	<u>49.72</u>	<u>9,247,214,106</u>	<u>59.73</u>
<i>Other Directors</i>				
Mr. Yu Lup Fat Joseph (Note 8)	4,000,000	0.03	4,000,000	0.03
Mr. Lee Ka Lun (Note 9)	3,200,000	0.03	3,200,000	0.02
Mr. Lau Hon Chuen Ambrose (Note 10)	4,841,200	0.04	4,841,200	0.03
Sub-total:	12,041,200	0.10	12,041,200	0.08
Public Shareholders	<u>6,223,025,132</u>	<u>50.18</u>	<u>6,223,025,132</u>	<u>40.19</u>
Total number of issued Shares	<u>12,401,306,631</u>	<u>100</u>	<u>15,482,280,438</u>	<u>100</u>

Notes:

1. Shareholding in the Company is held indirectly by YXE (a wholly-owned subsidiary of GZYZ) through its various wholly-owned subsidiaries, namely, Superb Master Ltd., Bosworth International Limited, Novena Pacific Limited, Morrison Pacific Limited, Greenwood Pacific Limited, Goldstock International Limited and Yue Xiu Finance Company Limited (collectively, the “**Relevant YXE Subsidiaries**”).
2. The GZ Metro Subscriber is presumed to be a party acting in concert with GZYZ.
3. Mr. Lin Zhaoyuan is a director of certain Relevant YXE Subsidiaries and is presumed to be a party acting in concert with GZYZ. Mr. Lin is also an executive Director who is interested in 2,186,985 Shares, out of which 373,464 Shares are owned as beneficial owner, 1,813,521 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.
4. Mr. Li Feng is a director of certain Relevant YXE Subsidiaries and is presumed to be a party acting in concert with GZYZ. Mr. Li is also an executive Director.
5. Ms. Chen Jing is a director of certain Relevant YXE Subsidiaries and is presumed to be a party acting in concert with GZYZ, Ms. Chen is also an executive Director.
6. Mr. Lin Feng is an executive Director who is interested in 4,415,752 Shares, out of which 1,357,276 Shares are owned as beneficial owner, 2,958,476 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse. By virtue of being an executive Director, Mr. Lin is presumed to be a party acting in concert with GZYZ pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription.
7. Ms. Liu Yan is an executive Director. By virtue of being an executive Director, Ms. Liu is presumed to be a party acting in concert with GZYZ pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription.
8. Mr. Yu Lup Fat Joseph is an independent non-executive Director.
9. Mr. Lee Ka Lun is an independent non-executive Director.
10. Mr. Lau Hon Chuen Ambrose is an independent non-executive Director.
11. Certain percentage figures included in the table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Equity fund raising by the Company in the past 12 months

Save for the Subscription, the Company has not raised any funds by an issue of equity securities in the 12 months preceding the date of this announcement.

(2) ACQUISITIONS OF AN 86% INTEREST IN THE TARGET COMPANY

The Acquisitions

The Target Company was established by Guangzhou Metro to bid for the Land on which a mixed-use residential, commercial and public utilities project (the “**Project**”) is built and developed. In May 2018, the Target Holding Company (an indirect wholly-owned subsidiary of GZYZ) acquired 51% of the equity interest in the Target Company from Guangzhou Metro for approximately RMB670,914,000, and GZYZ acquired interests in 51% of the loans then owing by the Target Company to Guangzhou Metro for approximately RMB6,709,137,000 (collectively the “**Original 51% Acquisition**”). Upon and after the Original 51% Acquisition, further loans had been extended by GZYZ (in the aggregate principal amount of RMB347,644,000) to the Target Company, and Guangzhou Metro (in the aggregate principal amount of RMB334,011,000) to the Target Company respectively pro-rata to their equity interests.

Simultaneously with the entering into of the Subscription Agreement on 27 February 2019, the Purchaser entered into a set of agreements in relation to the Acquisitions. Pursuant to such agreements, the Purchaser has conditionally agreed to acquire, directly or indirectly, an aggregate of 86% of the equity interest in the Target Company together with the relevant loan interests in the Target Company and the Target Holding Company, respectively, in the following manner:

- (a) Firstly, the Purchaser has agreed to acquire:
 - (i) 51% of the equity interest in the Target Company by way of acquiring (from a wholly-owned subsidiary of GZYZ) the entire equity interest (being paid-up registered capital in the amount of RMB10,000,000) in the Target Holding Company for RMB10,413,000 (the “**51% Equity Transfer Consideration**”), which was agreed with reference to the net asset value of the Target Holding Company as at 31 December 2018 (which is calculated by the Independent Valuer taking into account the Appraised Value of the Project as at 31 December 2018);

- (ii) all of the interests in the loans owing by the Target Holding Company to GZYX (in the principal amount of RMB671,500,000), together with accrued interest, (“**Target Holding Loan**”) by way of assuming the assignment of such loans on a dollar-for-dollar basis; and
 - (iii) all of the interests in the loans corresponding to GZYX’s 51% interest in the Target Company, owing by the Target Company to GZYX, together with accrued interest, by way of assuming the assignment of the interests in part of the loans (in the principal amount of RMB6,954,780,801 plus accrued interest) (the “**51% Target Assignment Loan**”), and refinancing the remaining part of the loans (in the principal amount of RMB102,000,000 plus accrued interest) (the “**51% Purchaser Refinancing Loan**”), in each case on a dollar-for-dollar basis (the dollar amount of the Target Holding Loan, the 51% Target Assignment Loan and the 51% Purchaser Refinancing Loan, in each case together with accrued interest, are collectively referred to as the “**51% Loan Consideration**”),
- (b) Secondly, the Purchaser has agreed to acquire:
- (i) 35% of the equity interest in the Target Company from Guangzhou Metro for RMB479,988,000 (the “**35% Equity Transfer Consideration**”), which was agreed with reference to 35% of the net asset value of the Target Company as at 31 December 2018 (which is calculated by the Independent Valuer taking into account the Appraised Value of the Project as at 31 December 2018); and
 - (ii) interests in such loans corresponding to Guangzhou Metro’s 35% interest in the Target Company, owing by the Target Company to Guangzhou Metro, together with accrued interest, by way of assuming the assignment of the interests in part of the loans (in the principal amount of RMB4,772,888,785 plus accrued interest) (the “**35% Target Assignment Loan**”) and refinancing the remaining part of the loans (in the principal amount of RMB70,000,000 plus accrued interest) (the “**35% Purchaser Refinancing Loan**”) in each case on a dollar-for-dollar basis (collectively, the “**35% Loan Consideration**”),
- ((b) above is referred to as the “**35% Acquisition**”).

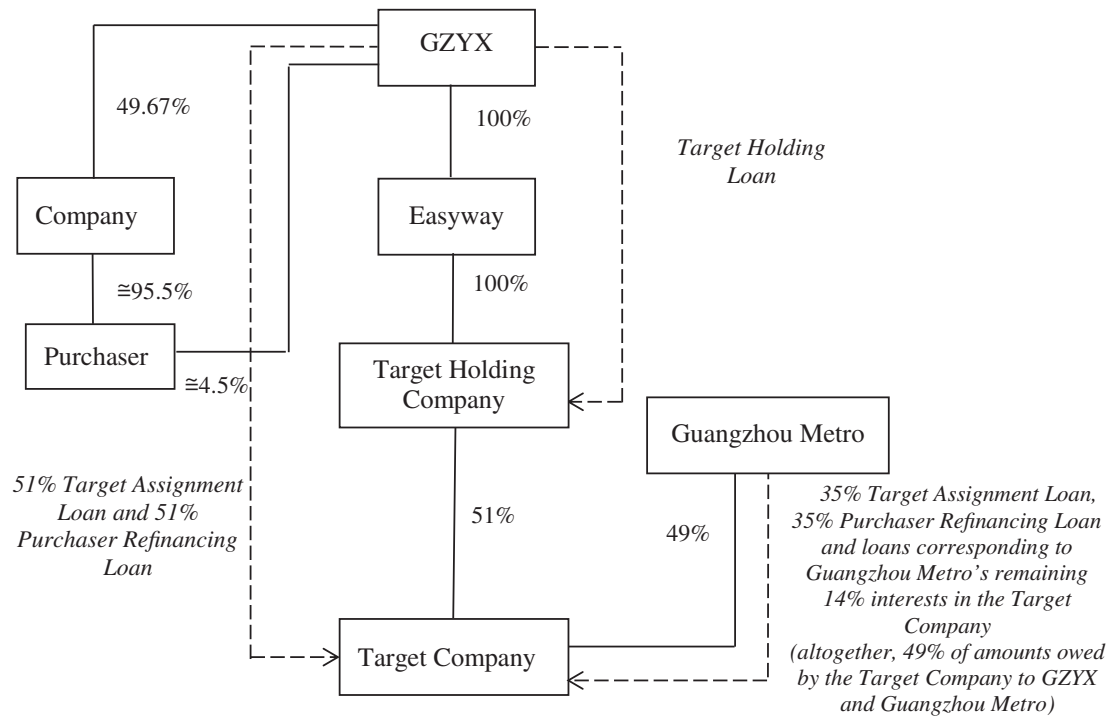
(c) Thirdly, the Purchaser has agreed to pay an amount to GZYZ to cover the cost of capital attributable to the amount advanced by GZYZ to Guangzhou Metro in relation to the Project before the Original 51% Acquisition and other incidental costs (the “**Initial Cost Amount**”) (for illustrative purpose, assuming completion of the 51% Acquisition on 30 April 2019, the Initial Cost Amount would be approximately RMB259,448,030). ((a) and (c) above are collectively referred to as the “**51% Acquisition**”)

For illustrative purpose, assuming completion of the Acquisitions on 30 April 2019 (being the date by which the Company targets to complete the Acquisitions): (i) the aggregate amount payable by the Purchaser to GZYZ (and/or its wholly-owned subsidiary) for the 51% Acquisition (which includes the Initial Cost Amount and the interest accrued on the outstanding loans subject to (among other things) the 51% Acquisition) would be approximately RMB8,481,966,000; (ii) the aggregate amount payable by the Purchaser to Guangzhou Metro for the 35% Acquisition (which includes (among other things) the interest accrued on the outstanding loans subject to the 35% Acquisition) would be approximately RMB5,625,711,000; and (iii) therefore, the total amount payable by the Purchaser for the Acquisitions (the “**Total Acquisitions Amount**”) would be approximately RMB14,107,677,000.

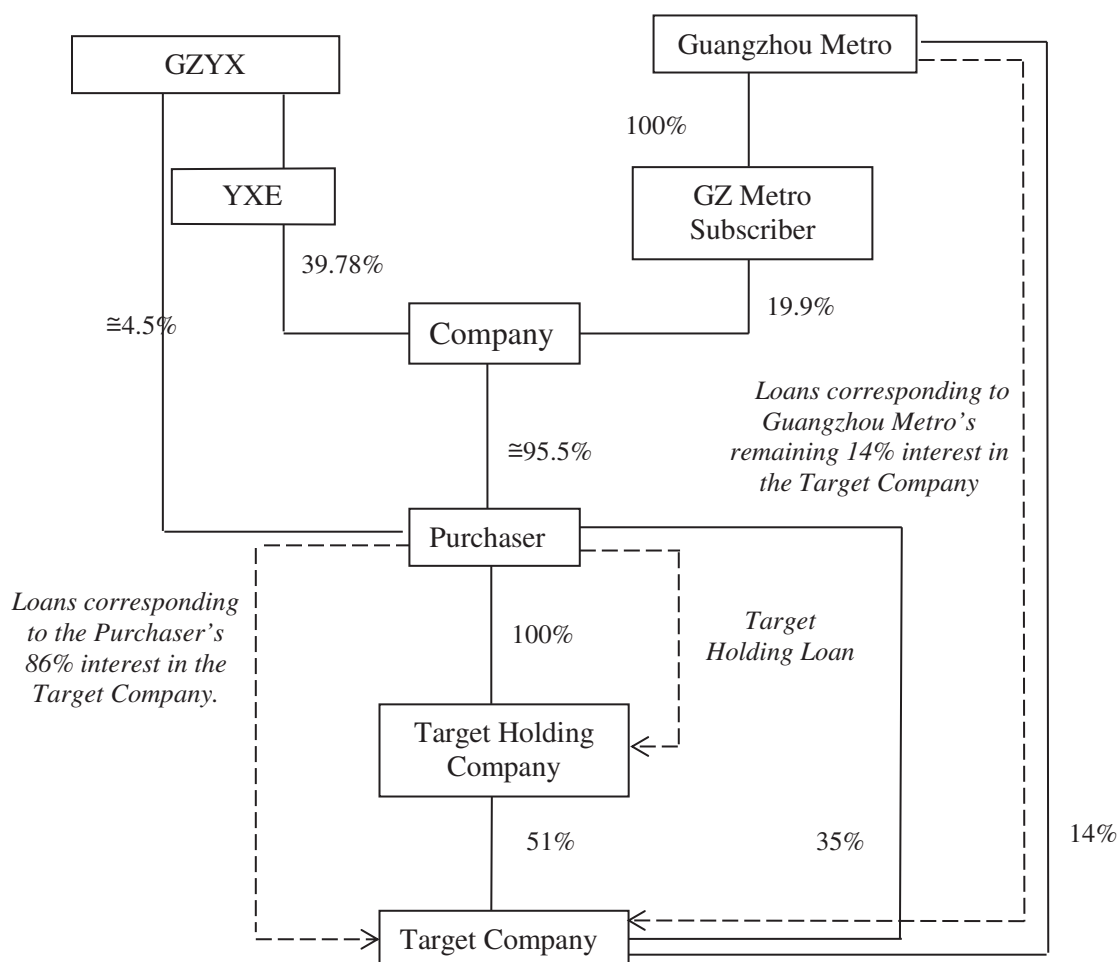
As a separate note, apart from the Initial Cost Amount, the aggregate amount payable by the Purchaser to GZYZ (and/or its wholly-owned subsidiary) for the 51% Acquisition would be approximately equal to GZYZ’s acquisition cost for its 51% interests in the Project (taking into account the capital contributed and all loans extended by it to the Target Holding Company and/or the Target Company) plus interest accrued on the outstanding loans subject to the 51% Acquisition.

Corporate structure before and immediately after completion of the Transactions

Set out below is the simplified corporate structure chart before completion of the Transactions:



Set out below is the simplified corporate structure chart immediately after completion of the Transactions:



Note:

- indicates shareholding/ holding of equity interest (direct or indirect)
- > indicates debt provided by one party to another

Details of the terms of the agreements for the Acquisitions are described below:

1. The 51% Acquisition

- the 51% Equity Transfer Agreement dated 27 February 2019 ("51% Equity Transfer Agreement")*

Parties: Easyway (a wholly-owned subsidiary of GZYZ) (as seller), GZYZ, the Purchaser (a subsidiary of GCCD, which is in turn indirectly owned as to 95% by the Company and 5% by GZYZ) (as purchaser) and the Target Company

(ii) *the 51% Loan Assignment Agreements dated 27 February 2019 (“51% Loan Assignment Agreements”)*

Parties:

- (a) in respect of the Target Holding Loan: GZYYX (as assignor), the Purchaser (as assignee) and the Target Holding Company (as debtor);
- (b) in respect of the 51% Target Assignment Loan: GZYYX (as assignor), the Purchaser (as assignee) and the Target Company (as debtor)

(iii) *the Initial Cost Amount Agreement dated 27 February 2019 (“Initial Cost Amount Agreement”)*

(the 51% Equity Transfer Agreement, the 51% Loan Assignment Agreements and the Initial Cost Amount Agreement are collectively referred to as the “**51% Acquisition Agreements**”)

Parties: Easyway, the Purchaser and GZYYX

Conditions

The effective date of each of the 51% Acquisition Agreements (the “**Acquisitions Effective Date**”) shall be the day on which the last of the following conditions has been satisfied:

- (a) the Regulatory Conditions having been satisfied; and
- (b) completion of the Subscription having taken place.

Consideration, payment terms and completion

Subject to the Acquisitions Effective Date having occurred:

- (a) the 51% Equity Transfer Consideration of RMB10,413,000 shall be payable in cash in full by the Purchaser to Easyway within five business days of the Acquisitions Effective Date, and completion of the 51% Equity Transfer shall take place on the date on which such transfer is registered at the relevant administration for industry and commerce (“**51% Equity Transfer Registration**”);

- (b) within ten business days of the date of completion of the 51% Equity Transfer Agreement:
 - (i) GZYZ shall transfer to the Purchaser all of its rights and interests in the Target Holding Loan and the 51% Target Assignment Loan, and the Purchaser shall pay an equivalent amount to GZYZ; and
 - (ii) the Purchaser shall provide a loan to the Target Company to enable it to repay the 51% Purchaser Refinancing Loan in full;
- (c) the Purchaser shall, within ten business days of the date of completion of the 51% Equity Transfer Agreement, pay the Initial Cost Amount to GZYZ in full.

Indemnity

Each party to the 51% Equity Transfer Agreement and the 51% Loan Assignment Agreements agrees to indemnify each other against all losses, debts, taxes, damages, litigation and settlement costs and expenses suffered by the non-defaulting party(ies) as a result of or in connection with any breach of the respective obligations of the defaulting party(ies).

Termination

After the 51% Equity Transfer Agreement becomes effective, no party thereto shall be entitled to terminate the 51% Equity Transfer Agreement except upon the occurrence of any of the following events:

- (a) agreement in writing between the parties to the agreement; or
- (b) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the 51% Equity Transfer Agreement.

In the event that payment of the 51% Equity Transfer Consideration (or any part thereof) is overdue by the Purchaser for more than 30 business days of the Acquisitions Effective Date or the 51% Equity Transfer Registration does not take place within 30 business days of the Acquisitions Effective Date, Easyway or the Purchaser (as the case may be) who is not a defaulting party may terminate the 51% Equity Transfer Agreement whereupon such non-defaulting party shall be entitled to compensation for such default and for all losses from the Purchaser or Easyway (as the case may be) in the manner set out in the 51% Equity Transfer Agreement.

Upon termination of the 51% Equity Transfer Agreement due to default of any party, any part of the amounts payable under the 51% Acquisition Agreements (namely, the 51% Equity Transfer Consideration, the 51% Loan Consideration, the 51% Purchaser Refinancing Loan and the Initial Cost Amount) which has been paid, shall be returned to the Purchaser. The defaulting party shall pay compensation and attend to all necessary procedures to unwind the 51% Equity Transfer pursuant to the terms of the 51% Equity Transfer Agreement and applicable laws and regulations.

2. The 35% Acquisition

(i) *the 35% Equity Transfer Agreement dated 27 February 2019 (“35% Equity Transfer Agreement”)*

Parties: Guangzhou Metro (as seller), the Purchaser (a non wholly-owned subsidiary of the Company) (as purchaser), the Target Holding Company and the Target Company

(ii) *the 35% Loan Assignment Agreement dated 27 February 2019 (“35% Loan Assignment Agreement”)* (the 35% Equity Transfer Agreement and the 35% Loan Assignment Agreement are collectively referred to as “**35% Acquisition Agreements**”)

Parties: Guangzhou Metro (as assignor) and the Purchaser (as assignee) and the Target Company (as debtor)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Guangzhou Metro and its ultimate beneficial owners are not connected persons of the Company.

Conditions

The effective date of each of the 35% Acquisition Agreements shall be the Acquisitions Effective Date.

Consideration, payment terms and completion

Subject to the Acquisitions Effective Date having occurred:

- (a) the 35% Equity Transfer Consideration of RMB479,988,000 shall be payable in cash in full by the Purchaser to Guangzhou Metro within five business days of the Acquisitions Effective Date, and completion of the 35% Equity Transfer shall take place on the date on which such transfer is registered at the relevant administration for industry and commerce (“**35% Equity Transfer Registration**”);

- (b) within ten business days of the date of completion of the 35% Equity Transfer Agreement:
 - (i) Guangzhou Metro shall transfer to the Purchaser all its rights and interests in the 35% Target Assignment Loan, and the Purchaser shall pay an equivalent amount to Guangzhou Metro; and
 - (ii) the Purchaser shall provide a loan to the Target Company to enable it to repay the 35% Purchaser Refinancing Loan in full.

Indemnity

Each party to the 35% Equity Transfer Agreement and the 35% Loan Assignment Agreement agrees to indemnify each other against all losses, debts, taxes, damages, litigation and settlement costs and expenses suffered by the non-defaulting party(ies) as a result of or in connection with any breach of the respective obligations of the defaulting party(ies).

Termination

After the 35% Equity Transfer Agreement becomes effective, no party thereto shall be entitled to terminate the 35% Equity Transfer Agreement except upon the occurrence of any of the following events:

- (a) agreement in writing between the parties to the agreement; or
- (b) termination pursuant to any applicable laws, rules and regulations or pursuant to other terms of the 35% Equity Transfer Agreement.

In the event that payment of the 35% Equity Transfer Consideration (or any part thereof) is overdue for more than 30 business days of the Acquisitions Effective Date or the 35% Equity Transfer Registration does not take place within 30 business days of the Acquisitions Effective Date, Guangzhou Metro or the Purchaser (as the case may be) who is not a defaulting party may terminate the 35% Equity Transfer Agreement whereupon such non-defaulting party shall be entitled to compensation for such default and for all losses from the Purchaser or Guangzhou Metro (as the case may be) in the manner set out in the 35% Equity Transfer Agreement.

Upon termination of the 35% Equity Transfer Agreement due to default of any party, any part of the amounts payable under the 35% Acquisition Agreements (namely, the 35% Equity Transfer Consideration, the 35% Loan Consideration and the 35% Purchaser Refinancing Loan) which has been paid shall be returned to the Purchaser. The defaulting party shall pay compensation and attend to all necessary procedures to unwind the 35% Equity Transfer pursuant to the terms of the 35% Equity Transfer Agreement and applicable laws and regulations.

MANAGEMENT OF THE TARGET COMPANY

As a result of completion of the Acquisitions: (a) the Target Holding Company will become a wholly-owned subsidiary of the Company; (b) the Target Company will become indirectly and directly owned as to 86% and 14% by the Company and Guangzhou Metro, respectively, and (c) the financial results of the Target Holding Company and the Target Group will be consolidated into those of the Company.

Pursuant to the 35% Equity Transfer Agreement, Guangzhou Metro and the Purchaser will cooperate to jointly develop the Project through the Target Company, with the Target Holding Company being mainly responsible for the overall daily operational management of the Project as well as the infrastructure development and operations of the Project. Unanimous approval of all the shareholders of the Target Company is required for the following certain matters: (i) increase or reduction of the registered capital; (ii) merger, division, change of company form, establishment of branch or subsidiary, dissolution and liquidation; (iii) amendment(s) to the constitutive documents.

Board composition

Pursuant to the 35% Equity Transfer Agreement, the Target Company shall have a total of five directors, three of whom shall be appointed by the Target Holding Company (which will be a subsidiary of the Company after the completion of the Acquisitions), one of whom shall be appointed by the Purchaser and one of whom shall be appointed by Guangzhou Metro.

Further Funding

In the event that additional funds are required for the development and construction of the Project, the Target Company shall first seek external financing. In the event the Target Company's registered capital does not meet with the requirements for obtaining external financing, subject to compliance with the respective internal approval procedure of the Purchaser, the Target Holding Company and Guangzhou Metro and subject to the approval of the shareholders of the Target Company at shareholders' meeting holding more than 50% of the voting rights in the Target Company, the Purchaser, the Target Holding Company and Guangzhou Metro shall inject funds to increase the capital of the Target Company pro rata to their then respective equity holdings in the Target Company. In the event the Target Company does not have sufficient assets to secure its obligations under the external financing, subject to compliance with the respective internal approval procedure of the Purchaser, the Target Holding Company and Guangzhou Metro and subject to the approval of the shareholders of the Target Company at shareholders' meeting, the Purchaser, the Target Holding Company and Guangzhou Metro shall provide security

or guarantee pro rata to their then respective equity holdings in the Target Company. In the event the Target Company has funding needs and external financing is insufficient for the capital required for the development and construction of the Project, the Purchaser, the Target Holding Company and Guangzhou Metro shall, subject to compliance with their respective internal approval procedure, provide additional shareholders' loans to the Target Company to ensure the normal operation of the Target Company and the development of the Project.

Profit distribution arrangements

Pursuant to the 35% Equity Transfer Agreement, the profits of the Target Company shall be shared by Guangzhou Metro, the Purchaser and the Target Holding Company in proportion to their respective equity interests in the Target Company.

Right of first refusal

Pursuant to the 35% Equity Transfer Agreement, Guangzhou Metro, the Purchaser and the Target Holding Company granted to each other a right of first refusal, where, subject to 95% or more of the total saleable area of the Project having been sold, any one of them (the "**Transferor**") may transfer its respective equity interest in the Target Company and assign all or any shareholder's loan (including an unpaid interest) owing to the Transferor by the Target Company by sending the other two a notice setting out the terms of the proposed transfer (including the proposed transfer price) and assignment. If the other two parties do not respond within three months of the date of the aforesaid notice as to whether they consent to the proposed transfer or wish to exercise their right of first refusal, they are deemed to have given consent to the proposed transfer and waived their right of first refusal. If the Transferor effects the proposed transfer, the final transfer price shall not be lower than the proposed transfer price stated in the aforesaid notice and the Transferor shall also assign, and procure the proposed transferee to accept the transfer of, all or any shareholder's loan (including any unpaid interest) owing to the Transferor by the Target Company as stated in the aforesaid notice as at and upon such transfer.

The Target Holding Company shall ensure that Guangzhou Metro's normal railway operations are not affected by the construction works of the Project, and that the Project complies with the safety management system and standards of Guangzhou Metro. If Guangzhou Metro becomes aware of a safety or quality issue caused by the Project failing to meet safety standards prescribed by Guangzhou Metro, it is entitled to demand for the construction works of the Project to be suspended, in which case the Purchaser and the Target Company shall indemnify Guangzhou Metro against all losses suffered by Guangzhou Metro due to suspension of railway service and/or due to delay in construction works of the Project in accordance with the terms of the 35% Equity Transfer Agreement.

BASIS OF DETERMINATION OF THE TOTAL ACQUISITIONS AMOUNT

As at 31 December 2018, the Appraised Value of the Project as determined by the Independent Valuer using the comparison approach (by making reference to comparable sales evidence as available in the relevant market) was approximately RMB16,180,000,000. For more details, please refer to a copy of the valuation report in relation to the Project as set out in the Appendix to this announcement. Upon completion of the Acquisitions, the Purchaser will have a direct and indirect interest in an aggregate of 86% of the Project. As the Appraised Value only relates to the Project, it does not take into account the financing and shareholding structure of the Project and is not equivalent to the value of the Target Company that is being acquired (directly and indirectly through the Acquisitions). Accordingly, in negotiating the Total Acquisitions Amount, the Company has taken into account (among other things): (a) the net asset values of the Target Holding Company and the Target Company respectively as at 31 December 2018 which is calculated by the Independent Valuer, which is described in more detail in the paragraph below, and (b) the Initial Cost Amount (for illustrative purpose, assuming completion of the 51% Acquisition on 30 April 2019, the Initial Cost Amount would be approximately RMB259,448,030).

In determining the net asset value of the Target Company as at 31 December 2018, the Independent Valuer took into account (a) the potential fair value gain of the Project (which is accounted for as property under development and stated at cost in the Target Company's financial statements) of approximately RMB2,239,403,000 and the associated potential deferred tax liabilities of approximately RMB559,850,750 and (b) the liabilities of the Target Company, which mainly comprised of loans advanced by GZYX and Guangzhou Metro in the principal amount of approximately RMB13,836,825,000 in aggregate together with interest accrued up to 31 December 2018. Accordingly, the Independent Valuer valued the net asset value of the Target Company at approximately RMB1,371,393,250 (equivalent to approximately HK\$1,593,272,369) (the "**Target Company Valuation**"). As the sole asset held by the Target Holding Company (other than cash) is its 51% equity interest in the Target Company, the Independent Valuer determined the value of the Target Holding Company as at 31 December 2018 by (among other things) valuing its interest in the Target Company at approximately RMB699,411,000 (being 51% of the Target Company Valuation). After accounting for the liabilities of the Target Holding Company as at the same date, which mainly comprised of shareholder's loans advanced by GZYX of a principal amount of approximately RMB671,500,000 together with interest accrued up to 31 December 2018, the Independent Valuer determined that the net asset value of the Target Holding Company

as at 31 December 2018 was approximately RMB10,413,000 (equivalent to approximately HK\$12,097,730) (the “**Target Holding Company Valuation**”).

Assuming that completion of the Acquisitions will take place on 30 April 2019 (being the date by which the Company targets to complete the Acquisitions), the Total Acquisitions Amount would be approximately RMB14,107,677,000 and comprises of: (1) the 51% Equity Transfer Consideration (which is equal to the Target Holding Company Valuation) and the 35% Equity Transfer Consideration (which is equal to 35% of the Target Company Valuation), respectively, (2) the aggregate amount of the 51% Loan Consideration and the 35% Loan Consideration (which, in each case, include interest accrued up to and including the date of completion of the Acquisitions), and (3) the Initial Cost Amount (i.e. RMB259,448,030).

USE OF PROCEEDS OF THE SUBSCRIPTION

The gross proceeds of the Subscription are expected to be approximately HK\$6,161,947,614. After deducting all relevant costs and expenses, the net proceeds of the Subscription are expected to be approximately HK\$6,160,400,600, which will be used for working capital purposes. For illustrative purpose, assuming completion of the Acquisitions will take place on 30 April 2019, the Company (through the Purchaser) would be required to pay the Total Acquisitions Amount of approximately RMB14,107,677,000 and the net effect of the Subscription and the Acquisitions for the Group on a consolidated basis would be a cash outflow of approximately RMB8,805,173,788 (equivalent to approximately HK\$10,220,771,810).

FINANCIAL INFORMATION OF THE TARGET HOLDING COMPANY AND THE TARGET COMPANY

The Target Holding Company

The audited consolidated financial information of the Target Holding Company prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from 23 January 2018 (being the date of incorporation of the Target Holding Company) to 31 December 2018 is as follows:

	<i>RMB'000</i>
Revenue	—
Net loss before taxation	444,815
Net loss after taxation	340,632

The audited consolidated total assets and the audited consolidated net asset value of the Target Holding Company as at 31 December 2018 were RMB15,649,681,000 (*Note*) and RMB313,972,000 (*Note*), respectively as stated in the audited consolidated accounts of the Target Holding Company from 23 January 2018 (being the date of incorporation of the Target Holding Company) to 31 December 2018.

The Target Company

The audited financial information of the Target Company from 5 December 2017 (being date of incorporation of the Target Company) to 31 December 2017 and for the financial year ended 31 December 2018, is as follows:

	From 5 December 2017 (date of incorporation of the Target Company) to 31 December 2017 RMB'000	For the financial year ended 31 December 2018 RMB'000
Revenue	—	—
Net loss before taxation	19	424,194
Net loss after taxation	14	318,145

The audited total assets and the audited net liabilities of the Target Company as at 31 December 2018 were RMB14,328,284,000 (*Note*) and RMB308,159,000 (*Note*), respectively as stated in the audited accounts of the Target Company for the year ended 31 December 2018.

Note: Such respective book value of total assets or net asset value as shown in the audited consolidated accounts of the Target Holding Company or the audited accounts of the Target Company (as the case may be) as at 31 December 2018 has not yet reflected the latest valuation of the Project.

INFORMATION OF THE PARTIES TO THE TRANSACTIONS AND THE PROJECT

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.

The GZ Metro Subscriber

The GZ Metro Subscriber is a company incorporated in Hong Kong and is principally engaged in financing and investment holding. It is a wholly-owned subsidiary of Guangzhou Metro.

The Target Holding Company

The Target Holding Company is currently an investment holding company whose sole asset (other than cash) is a 51% equity interest in the Target Company.

The Target Company

The Target Company is a limited liability company incorporated in the PRC and is the sole registered owner of the Land.

Easyway

Easyway is an investment holding company which is wholly-owned by GZYX.

The Purchaser

The Purchaser is a subsidiary of GCCD (which is in turn indirectly owned as to 95% by the Company and 5% by GZYX) and is currently an investment holding company.

GZYX

GZYX is a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC. GZYX, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure and construction.

Guangzhou Metro

Guangzhou Metro is a wholly State-owned company under the Guangzhou Municipal Government of the PRC. Established in 1992, Guangzhou Metro is responsible for the financing, investment, construction, operation, property development and expansion of Guangzhou's urban rail transportation. As at the date of this announcement, Guangzhou Metro indirectly owns approximately 7.21% shareholding in Chong Hing Bank Limited, a subsidiary of GZYX.

The Project

The Project under construction on the Land is a mixed-use residential, commercial and public utilities project with a total gross floor area of approximately 1,331,448 sq.m., out of which the total saleable area is approximately 940,179 sq.m.. Approximately 41,000 sq.m. saleable area of the Project has begun its pre-sale phase as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The strategic value

The Company believes that its poised business strategy of “Railway + Property” could be substantiated and realised with the introduction of Guangzhou Metro as a strategic shareholder. The Company believes that if Guangzhou Metro (through its subsidiary) were to become one of its strategic shareholders, the Company would be better placed (vis-à-vis its competitors) to gain the rights to participate in different new metro station property development projects the bid of which is won by Guangzhou Metro. The Project is the first of such projects. The Company believes that the business synergies created between the Company and Guangzhou Metro would allow the Company to stand in a good position despite the current uncertainties in the PRC property market.

The Subscription

The Subscription is beneficial to the Company from a financial perspective, given the subscription price represents a substantial premium to the current market price of the Shares and the Subscription would strengthen the Company’s financial position (as relative to its position if the Acquisitions were to proceed without the Subscription). The Company also believes that the introduction of Guangzhou Metro as a new shareholder by itself would strengthen the Company’s shareholder base. Based on available public information, as at 31 December 2017, Guangzhou Metro has a total asset of approximately RMB266.467 billion with total revenue of approximately RMB9.117 billion. This demonstrates Guangzhou Metro’s strong financial position and the significance of its business operations.

The Project

The Project, “Yue Galaxy” (晶秀星圖), is in close proximity to Guanhu Station of Line 13 of the Guangzhou Metro network which has been in operation since December 2017. It is expected that the Project will be a mixed-use residential, commercial and public utilities project with a total gross floor area of approximately 1,331,448 sq.m. and conveniently located with good transportation facilities. The

large-scaled residential complex, expected to be equipped with community facilities (such as educational, commercial, cultural facilities), will help to increase the Company's high-quality project reserve in Guangzhou. The Xintang area, where the Project is located, is an important transportation hub which connects Guangzhou and Dongguan and provides good development prospects for the Project. It is also expected that, given its large scale, the Project would contribute significantly to the sales and cash flow of the Group.

The view of the Board

Taking into account the reasons and benefits described above, the Board considers that the terms of the Transactions, comprising the Subscription and the Acquisitions, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, provided that the independent non-executive Directors' view is subject to the advice of the Independent Financial Adviser and the opinion of the Independent Board Committee will be set forth in the circular to be despatched to the Shareholders.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, GZYZ and parties acting in concert or presumed to be acting in concert (as named below) with it were interested in, and controlled or were entitled to exercise control over, the voting rights in respect of, directly and indirectly, an aggregate of 6,166,240,299 Shares, representing approximately 49.72% of the voting rights of the Company. Parties presumed to be acting in concert with GZYZ under the Takeovers Code comprise: (i) Guangzhou Metro (including the GZ Metro Subscriber); (ii) Mr. Lin Zhaoyuan and Mr. Li Feng (each being a director of certain Relevant YXE Subsidiaries, an executive Director and a Shareholder); (iii) Ms. Chen Jing (being a director of certain Relevant YXE Subsidiaries and an executive Director); and (iv) all of the other Director (other than the independent non-executive Directors) (namely, Mr. Lin Feng and Ms. Liu Yan, each of whom is an executive Director and therefore presumed to be acting in concert with GZYZ by virtue of class (6) presumption under the definition of "acting in concert" under the Takeovers Code). The aforesaid class (6) presumption will cease upon completion of the Subscription.

As the Subscription will increase the aggregate voting rights held by them by more than 2% from approximately 49.72% to approximately 59.73% (assuming there being no change in the total number of issued Shares from the date of this announcement to the date of completion of the Subscription save for the issuance of the Subscription Shares) within a 12-month period, the Subscription will give rise to

an obligation on the part of GZYG and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless a waiver is granted by the Executive.

Accordingly, GZYG will apply for a waiver from such obligation pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription at the GM by way of poll. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription (and the entire Transactions) will not proceed.

Pursuant to the Takeovers Code, any Shareholder who is interested or involved in the Subscription (including the Specific Mandate), the 51% Acquisition, 35% Acquisition and/or the Whitewash Waiver other than its interest as a Shareholder shall abstain from voting on the relevant resolutions to approve the same to be proposed at the GM. Given the relevant resolutions to approve the Subscription and the Whitewash Waiver are non-waivable conditions to the 51% Acquisition Agreements to which GZYG is a party, the Relevant YXE Subsidiaries (all being wholly-owned subsidiaries of YXE, which in turn is a wholly-owned subsidiary of GZYG and hence, parties acting in concert with GZYG under the Takeovers Code) are considered to be interested in the Subscription and the Whitewash Waiver. Each of them shall abstain from voting on all the relevant resolutions to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver to be proposed at the GM. Further, each of Mr. Lin Zhaoyuan, Mr. Li Feng (each being a director of certain Relevant YXE Subsidiaries and presumed to be acting in concert with GZYG) is also an executive Director and a Shareholder who, together, were interested in 2,359,885 Shares, in aggregate (representing not more than 0.02% of the total issued Shares). All of the other Directors (other than the independent non-executive Directors) (namely, Mr. Lin Feng and Ms. Liu Yan) are presumed to be acting in concert with GZYG solely by virtue of class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription. Accordingly, all Directors (other than the independent non-executive Directors) will abstain from voting on all the relevant resolutions to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver to be proposed at the GM. In addition, none of the independent non-executive Directors are required to abstain from voting under

the Takeovers Code, each of them have elected to abstain from voting on all the relevant resolutions to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver to be proposed at the GM.

Save as disclosed above, to the best of the information and knowledge of GZYZ and the GZ Metro Subscriber, no other existing Shareholder is required to, or will otherwise, abstain from voting on the relevant resolutions to approve the Subscription and the Whitewash Waiver for the purpose of the Takeovers Code. Completion of the Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and the Subscription (including the Specific Mandate), and the Whitewash Waiver being approved by the Independent Shareholders.

Dealing and Interest of the GZ Metro Subscriber and GZYZ, Guangzhou Metro and parties acting in concert with them in the relevant Securities of the Company

As at the date of this announcement, the GZ Metro Subscriber confirms in respect of itself and parties acting in concert with it (other than GZYZ and parties acting in concert with it); and GZYZ confirms in respect of itself and parties acting in concert with it (other than the GZ Metro Subscriber and parties acting in concert with it):

- (i) save as disclosed under the section headed “Effect on Shareholding Structure of the Company” above in this announcement, it does not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, nor have received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the GM to approve the Subscription and/or the Whitewash Waiver;
- (ii) there is no outstanding derivative in respect of securities in the Company entered into by it;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Company or the GZ Metro Subscriber, which might be material to the Subscription and/or the Whitewash Waiver;

save for the Subscription Agreement, there is no agreement or arrangement to which it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver;

- (iv) it has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (v) it had not acquired any Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of this announcement and up to the date of this announcement.

If the Whitewash Waiver is approved by the Independent Shareholders, the potential holding of voting rights of the Company held by GZYZ and parties acting in concert with it (including the GZ Metro Subscriber) resulting from the Subscription will exceed 50% of the voting rights of the Company. GZYZ and parties acting in concert with it (including the GZ Metro Subscriber) may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the date of this announcement, the Company does not believe that the Transactions give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Transactions do not comply with other applicable rules and regulations.

IMPLICATIONS UNDER LISTING RULES

As at the date of this announcement, GZYZ wholly owns YXE (the controlling shareholder of the Company) and is therefore an associate of YXE and hence, a connected person of the Company. As such, the 51% Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Guangzhou Metro is wholly-owned by the Guangzhou Municipal People's Government of the PRC, which is a PRC Governmental Body as defined in the Listing Rules. Accordingly, Guangzhou Metro is not a connected person of the Company by virtue of its relationship with the Guangzhou Municipal People's Government of the PRC.

As YXE is the controlling shareholder of the Company, it is a "controller" as defined under Rule 14A.28 of the Listing Rules. The Target Holding Company is a substantial shareholder of the Target Company and an associate of YXE (by virtue of it and YXE

both being wholly-owned subsidiaries of GZYYX). Pursuant to Rule 14A.28 of the Listing Rules, although Guangzhou Metro is not a connected person of the Company as at the date of this announcement, the 35% Acquisition is a connected transaction of the Company as the 35% Acquisition involves the Purchaser (a subsidiary of the Company) acquiring from Guangzhou Metro the 35% equity interest in the Target Company, the substantial shareholder of whom (i.e. the Target Holding Company) is an associate of YXE (the controller).

The Subscription itself is not a connected transaction under the Listing Rules. Since its completion is a non-waivable condition for, among others, the Acquisitions to become effective and that the subscriber under the Subscription and the seller of the 35% Acquisition are under the Guangzhou Metro group, the Company takes a prudent view and treats the Subscription as if it were a connected transaction of the Company and will comply with the requirements under Chapter 14A of the Listing Rules accordingly.

As the highest applicable percentage ratio in respect of the 51% Acquisition and the 35% Acquisition, on an aggregated basis, exceeds 25% but is less than 100%, the Acquisitions and the transactions contemplated thereunder, on an aggregated basis, constitute major and connected transactions of the Company. Accordingly, the transactions contemplated under the Acquisitions are subject to the reporting, announcement, circular and the approval of the Independent Shareholders at the GM under Chapters 14 and 14A of the Listing Rules.

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate, which is subject to the approval of the Independent Shareholders at the GM. Upon completion of the Transactions, the GZ Metro Subscriber will become a connected person of the Company under the Listing Rules.

Pursuant to the Listing Rules, any Shareholder who has a material interest in any of the Acquisitions and the transactions contemplated thereunder other than its interest as a Shareholder, and such Shareholder's close associates shall abstain from voting on the resolutions to approve the same to be proposed at the GM. The Relevant YXE Subsidiaries (all being wholly-owned subsidiaries of YXE (a wholly-owned subsidiary of GZYYX), and hence, associates of GZYYX (who is having a material interest in the Transactions) are being considered to have a material interest in the Transactions) shall abstain from voting on the relevant resolutions to approve the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver to be proposed at the GM. In addition, although none of Mr. Li Feng, Mr. Lin Zhaoyuan, Mr. Lin Feng, Ms. Liu Yan and the independent non-executive Directors (each being also a Shareholder) are required to abstain from voting under the Listing

Rules, each of them will abstain from voting on all the relevant resolutions approving the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver to be proposed at the GM.

Save as disclosed above, to the best of the information and knowledge of GZYZ and the GZ Metro Subscriber, no other existing Shareholder is required to, or will otherwise, abstain from voting on the relevant resolutions to approve the Transactions for the purpose of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Transactions and the Whitewash Waiver.

Yu Ming Investment Management Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the Whitewash Waiver, such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code and the Listing Rules, respectively.

GM AND CIRCULAR

The GM will be convened and held by the Company to consider and, if thought fit, to approve, among other things, the Transaction Documents and the transactions contemplated thereunder (namely, the Subscription (including the Specific Mandate) and the Acquisitions) and the Whitewash Waiver. Given the passing of the resolutions approving all the aforesaid matters is a non-waivable condition in each of the Transaction Documents, if any such resolution is not passed at the GM, the Transactions will not proceed.

The circular containing, among other things: (i) further information on the Transactions and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in relation to the Transactions and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Transactions and the Whitewash Waiver; (iv) the application for the Whitewash Waiver; (v) financial information of the Group and the Target Holding Group; and (vi) a notice of the GM, is expected to be despatched to the Shareholders on or before 20 March 2019.

Shareholders and potential investors of the Company should be aware that the Transactions are subject to certain conditions being satisfied (or waived, if applicable), therefore the completion of the Transactions may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In addition to the expressions defined in the content of this announcement, the following expressions have the following meanings:

“Acquisitions”	collectively, the 51% Acquisition and the 35% Acquisition
“Appraised Value”	the value of the Project as at 31 December 2018 as determined by the Independent Valuer. For more details, please refer to the copy of the valuation report in relation to the Project as set out in the Appendix to this announcement.
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Yuxiu Property Company Limited, a company 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)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Easyway”	東緯有限公司 (Easyway Incorporation Limited*), a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of GZYX
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director

“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 and which is indirectly owned as to 95% by the Company and 5% by GZYZ
“GM”	the general meeting of the Company to be convened to consider and, if thought fit, approve the Transactions and the Whitewash Waiver
“Group”	the Company and its subsidiaries
“Guangzhou Metro”	廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*), a directly wholly-owned subsidiary of the Guangzhou Municipal People’s Government of the PRC
“GZ Metro Subscriber”	Guangzhou Metro Investment Finance (HK) Limited (廣州地鐵投融資(香港)有限公司), a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of Guangzhou Metro
“GZYZ”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a company incorporated in the PRC with limited liability, which is beneficially and directly wholly-owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, established to advise the Independent Shareholders in respect of whether the Transactions and the Whitewash Waiver are fair and reasonable and as to voting

**“Independent
Financial Adviser”**

Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the Transactions and the Whitewash Waiver are fair and reasonable and as to voting

**“Independent
Shareholders”**

- (a) for the purpose of the 51% Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the 51% Acquisition other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (a)(i);
- (b) for the purpose of the 35% Acquisition, Shareholders other than (i) any Shareholder who has a material interest in the 35% Acquisition other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (b)(i);
- (c) for the purpose of the Subscription (including the Specific Mandate), Shareholders other than (i) any Shareholder who has a material interest in the Subscription (including the Specific Mandate) other than its interest as a Shareholder; and (ii) any close associate of such Shareholder referred to in (c)(i); and (iii) any Shareholder who is interested or involved in the Subscription (including the Specific Mandate), the 51% Acquisition, the 35% Acquisition and/or the Whitewash Waiver other than its interest as a Shareholder, which includes any person acting in concert with such Shareholder referred to in (c)(iii); and
- (d) for the purpose of the Whitewash Waiver, Shareholders other than any Shareholder who is interested or involved in the Whitewash Waiver, the 51% Acquisition, the 35% Acquisition and/or the Subscription other than its interest as a Shareholder, which includes any person acting in concert with such Shareholder.

in each case, other than GZYX and parties acting in concert with it (including, the Relevant YXE Subsidiaries) and/or presumed to be acting in concert with it (namely: (i) Guangzhou Metro (including the GZ Metro Subscriber) and (ii) the Directors (other than the independent non-executive Directors)).

“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Land”	the parcel of land for commercial and residential use of the Guanhu depot (官湖車輛段) and structure located on the No. 13 subway line of Xintang Town (新塘鎮), Zengcheng District (增城區), Guangzhou, Guangdong Province, the PRC where a new metro terminal is to be constructed and operated by Guangzhou Metro
“Last Trading Day”	26 February 2019, being the last day of trading in the Shares on the Stock Exchange preceding the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2019 or such other date as the Company and the GZ Metro Subscriber may agree in writing
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	廣州雲湖房地產開發有限公司 (Guangzhou Yunhu Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability and which is a subsidiary of GCCD (which is in turn indirectly owned as to 95% by the Company and 5% by GZYX)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares

”Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the GM to allot and issue the Subscription Shares in accordance with the Subscription Agreement
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the GZ Metro Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 February 2019 and entered into between the Company and the GZ Metro Subscriber in relation to the subscription of 3,080,973,807 Shares
“Subscription Price”	the subscription price of HK\$2.00 per Subscription Share
“Subscription Share(s)”	3,080,973,807 new Shares to be subscribed by the GZ Metro Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-Backs
“Target Company”	廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited*), a company incorporated in the PRC with limited liability
“Target Group”	collectively, the Target Company and the Target Holding Company
“Target Holding Company”	廣州東曉實業發展有限公司 (Guangzhou Dongxiao Industrial Development Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of GZYX as at the date of this announcement, which in turn owns 51% of equity interest in the Target Company
“Transactions”	collectively, the Subscription and the Acquisitions

“Transaction Documents”	collectively, the Subscription Agreement, the 51% Equity Transfer Agreement, the 51% Loan Assignment Agreements, the 35% Equity Transfer Agreement, the 35% Loan Assignment Agreement and the Initial Cost Amount Agreement
“Whitewash Waiver”	a waiver by the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of GZYZ, Guangzhou Metro and parties acting in concert with them to make a mandatory general offer for all of the issued Shares and other securities (if any) of the Company not already owned or agreed to be acquired by GZYZ, Guangzhou Metro and parties acting in concert with them which would otherwise arise as a result of completion of the Subscription
“YXE”	Yue Xiu Enterprises (Holdings) Limited
“%”	per cent.

For and on behalf of the Board
Yuexiu Property Company Limited
Yu Tat Fung
Company Secretary

Hong Kong, 27 February 2019

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to GZYZ, Guangzhou Metro and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of GZYX, ZHANG Zhaoxing (張招興), ZHU Chunxiu (朱春秀), WU Shanghui (伍尚輝), ZENG Yun (曾昀), LI Xinchun (李新春), HUANG Benjian (黃本堅), CHEN Shu (陳舒), CHEN Ping (陳平) and TAN Yue (譚躍) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Company, the GZ Metro Subscriber and Guangzhou Metro) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of the GZ Metro Subscriber, WANG Ping (王蘋) and WANG Xiaobin (王曉斌) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Company, Guangzhou Metro and GZYX) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of Guangzhou Metro, DING Jianlong (丁建隆), HE Lin (何霖), MO Dongcheng (莫東成), ZHU Weibin (竺維彬), MA Renhong (馬仁洪), XING Yiqiang (邢益強), TAN Yue (譚躍) and ZHONG Xuejun (鐘學軍) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Company and GZYX) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

For illustrative purpose only, RMB is converted into HK\$ at an exchange rate of RMB 1 = HK\$0.86074 in this announcement.

** For identification purpose only*

Appendix

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this announcement received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the property interest held by the Project Company.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Tel +852 2846 5000 Fax+ 852 2169 6001
Licence No.: C-030171

27 February 2019

The Board of Directors
Yuexiu Property Company Limited
26/Floor, Yue Xiu Building,
160 Lockhart Road, Wanchai,
Hong Kong

Dear Sirs,

In accordance with the instructions of Yuexiu Property Company Limited (the “**Company**”) to value the property interest held by Guangzhou City Pinxiu Property Development Co., Ltd. (廣州市品秀房地產開發有限公司, the “**Project Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interest as at 31 December 2018 (the “**Valuation Date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion” in accordance with the HKIS Valuation Standards.

In valuing the property interest in Group I which was held under development by the Project Company as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Project Company. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Company and the Project Company according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

We have valued the property interest in Group II which was held for future development by the Project Company as at the valuation date by the comparison approach assuming sale of the property interest in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for

variable factors.

For the purpose of our valuation, real estate developments under development are those for which the Construction Works Commencement Permit(s) has (have) been issued while the Construction Work Completion and Inspection Certificate(s)/Table(s) of the building(s) have not been issued. Real estate developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates/Real Estate Title Certificates (Land) have been obtained.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Project Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have summarized the major certificates/approvals of the properties in the notes of each valuation certificate. In these summaries, we state “no” if the Project Company has not obtained such certificates/approvals which are not required for the current construction stages, and we state “portion” if the Project Company has not yet obtained some of such certificates/approvals of the properties as these properties consist of different groups mentioned above/construction stages (different certificates/approvals are required for different groups/construction stages). We have relied considerably on the advice given by the Company’s PRC legal adviser – Guangdong Horizon Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any

other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in November 2018 by Mr. Legend Zhan, Mr. Ross Tan and Mr. Jayden Gu. Mr. Ross Tan is a China Real Estate Appraiser in the PRC and these staff have more than 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Project Company. We have also sought confirmation from the Company and the Project Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificate are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Properties held under development by the Project Company in the PRC

Group II: Properties held for future development by the Project Company in the PRC

Property	Market value in existing state as at the valuation date <i>RMB</i>	Market value in existing state as at the valuation date <i>RMB</i>	The total market value in existing state as at the valuation date <i>RMB</i>
	Group I:	Group II:	Total:
Yue Galaxy located at the junction of Shixin Road and 107 National Highway Zengcheng District Guangzhou City Guangdong Province The PRC (品秀星圖)	4,475,000,000	11,705,000,000	16,180,000,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
<p>Yue Galaxy located at the junction of Shixin Road and 107 National Highway Zengcheng District Guangzhou City Guangdong Province The PRC (品秀星圖)</p>	<p>The project known as Yue Galaxy is located at the junction of Shixin Road and 107 National Highway. The subject area of this project is newly developed where public facilities such as municipal facilities and amenities are still under development.</p> <p>The project occupies a parcel of land with a site area of approximately 313,356.59 sq.m. which is being developed into a residential and commercial development. Portions of the project were under construction (the “CIP”) as at the valuation date and are scheduled to be completed in July 2021. As advised by the Project Company, upon completion, the CIP will have a planned gross floor area of approximately 367,349.00 sq.m. The construction of the remaining portion of the project (the “bare land”) had not been commenced as at the valuation date.</p> <p>As at the valuation date, the property comprised the whole project of Yue Galaxy with a total planned gross floor area of approximately 1,461,549.00 sq.m. The classification, usage and gross floor area details of the property were set out in note 7.</p> <p>As advised by the Project Company, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB 5,605,100,000, of which approximately RMB3,600,300,000 had been incurred as at the valuation date.</p> <p>The land use rights of the property have been granted for terms of 70 years expiring on 7 December 2087 for residential use, 40 years expiring on 7 December 2057 for commercial use and 50 years expiring on 7 December 2067 for other use.</p>	<p>As at the valuation date, portions of the property were under construction and the remaining portion of the property was bare land.</p>	<p>16,180,000,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No. 440183-2017-000043 dated 8 December 2017 and a Revision Contract dated 29 December 2017, the land use rights of a parcel of land with a site area of approximately 323,348.30 sq.m. were granted to the Project Company. The total land premium was RMB13,155,170,000.
2. Pursuant to a Construction Land Planning Permit – Sui Guo Tu Gui Hua Di Zheng (2018) No. 256, permission towards the planning of the property with a site area of approximately 313,356.59 sq.m. has been granted to the Project Company.
3. Pursuant to a Real Estate Title Certificate (Land Part) – Yue (2018) Guang Zhou Shi Bu Dong Chan Quan No. 10800114, the land use rights of the property with a site area of approximately 313,356.59 sq.m. have been granted to the Project Company for terms of 70 years expiring on 7 December 2087 for residential use, 40 years expiring on 7 December 2057 for commercial use and 50 years expiring on 7 December 2067 for other use.
4. Pursuant to 30 Construction Work Planning Permits – Sui Gui Jian Zheng (2018) Nos. 2081, 2082, 2084, 2085, 2088, 2090, 2091, 2092, 3011, 3200, 3202 to 3209, 3302, 3303, 4000, 4239 to 4241, 4785 to 4787, 4790, 4791 and 4792 in favour of the Project Company, portions of Yue Galaxy with a total gross floor area of approximately 601,946.00 sq.m. have been approved for construction.
5. Pursuant to 8 Construction Work Commencement Permits – No. 440183-20180712-0101, 440183-20180920-0501, 440183-20181009-0101, 440183-20181119-0301, 440183-20181221-0101, 440183-20181123-0101, 440183-20181224-0101 and 440183-20181226-0101 in favour of the Project Company, permissions by the relevant local authority were given to commence portions of the construction of Yue Galaxy with a gross floor area of approximately 367,349.00 sq.m.
6. Pursuant to 2 Pre-sale Permits – Zeng Cheng Fang Yu (Wang) Zi Di Nos 20181087 and 20181256 in favour of the Project Company, the Project Company is entitled to sell portions of Yue Galaxy (representing a total gross floor area of approximately 81,576.52 sq.m.) to purchasers.
7. According to the information provided by the Project Company, the planned gross floor area of the property is set out as below:

Group	Usage	Planned Gross Floor Area (sq.m.)	Nos. of car parking space
Group I – held under development by the Project Company	Residential	228,459.00	
	Ancillary	19,986.00	
	Underground retail	4,202.00	
	Basement (inclusive of car parking spaces but exclusive underground retail)	114,702.00	2,193
	Sub-total:	367,349.00	2,193
Group II – held for future development by the Project Company	Residential	567,499.00	
	Retail	21,269.00	
	Ancillary	135,115.00	
	Basement (inclusive of car parking spaces)	370,317.00	7,083
	Sub-total:	1,094,200.00	7,083
Total:		<u>1,461,549.00</u>	<u>9,276</u>

8. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB6,931,500,000.
9. Our valuation has been made on the following basis and analysis:

For portions of the property in Group I, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property such as nature, use, size, layout and

accessibility of the property. The selected comparables are residential units and car parking spaces within the same development of the subject property and other to be completed developments located in the area close to the subject property with similar building conditions and facilities as the subject property, which were transacted in 2018. The unit price of these comparable properties ranges from RMB25,000 to RMB31,000 per sq.m. for residential units, RMB35,000 to RMB42,000 per sq.m. for retail units on the first floor and RMB190,000 to RMB230,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of physical characteristics like age, size and layout, etc. and location such as accessibility is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition at the transaction date is considered; and

For the remaining portion of the property in Group II, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are residential land in Guangzhou City which were transacted between 2017 to 2018. The accommodation value of these comparable land sites ranges from RMB13,800 to RMB20,200 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, plot ratio, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

10. Based on the current tax laws and regulations in the PRC, if the property subject to this valuation is sold by the Project Company, the following China taxes will be payable: value-added tax at the rate of 10%, stamp duty at the rate of 0.05% of the contract price and land appreciation tax at progressive rates ranging from 30% to 60% on the appreciated amount (being the proceeds of sales of the property less deductible expenditure including costs of land, development and construction). (Note: Enterprise income tax may also be payable depending on the Project Company's profit and loss situation at the relevant time)
11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. The Project Company is legally and validly in possession of the land use rights of the property. The Project Company has the rights to occupy, use, lease and dispose of the land of the property;
 - b. The Project Company has obtained all requisite construction work approvals in respect of the actual development progress; and
 - c. The Project Company has the rights to legally pre-sell the portions of the property mentioned in note 6 according to the obtained Pre-sale Permits.
12. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. Real Estate Title Certificate (Land Part)	Yes
c. Building Ownership Certificate	No
d. Construction Land Planning Permit	Yes
e. Construction Work Planning Permit	Portion
f. Construction Work Commencement Permit	Portion
g. Pre-sale Permit	Portion
h. Construction Work Completion and Inspection Certificate/Table/Report	No
13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its

existing state is set out as below:

Group	Market value in existing state as at the valuation date (RMB)
Group I – held under development by the Project Company	4,475,000,000
Group II – held for future development by the Project Company	11,705,000,000
Total:	<u>16,180,000,000</u>