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CONNECTED TRANSACTION PROVISION OF HOTEL REDEVELOPMENT SERVICES

On 13 March 2020, Crown Smart, an indirect wholly-owned subsidiary of the Company and Techcon, an indirect wholly-owned subsidiary of YXE, entered into the Hotel Redevelopment Agreement pursuant to which Crown Smart shall be engaged by Techcon as the project manager for the redevelopment of the South China Hotel in North Point of Hong Kong.

IMPLICATIONS UNDER THE LISTING RULES

Techcon is an indirect wholly-owned subsidiary of YXE, the controlling shareholder of the Company and therefore, Techcon is connected person of the Company and the Hotel Redevelopment Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Hotel Redevelopment Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Hotel Redevelopment Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 13 March 2020, Crown Smart, an indirect wholly-owned subsidiary of the Company, and Techcon, an indirect wholly-owned subsidiary of YXE, entered into the Hotel Redevelopment Agreement in relation to the Project.

PRINCIPAL TERMS OF THE HOTEL REDEVELOPMENT AGREEMENT

The principal terms of the Hotel Redevelopment Agreement are set out below:

Date: 13 March 2020

Parties: (1) Techcon, as the owner of the Hotel; and
(2) Crown Smart, as the project manager for the Project

Services to be provided

Techcon shall engage Crown Smart as the project manager for the Project and Crown Smart shall be entrusted with the authority to participate in all negotiations of the relevant contracts with all consultants and construction contractors involved in the Project (the “**Contracts**”) on behalf of Techcon. Crown Smart shall assist Techcon to perform its obligations under such Contracts, and supervise each of the consultants and construction contractors who are parties to such Contracts to ensure that they execute the works in relation to the Project in accordance with the requirements of the relevant Contracts. In addition to the above, the services to be provided by Crown Smart under the Hotel Redevelopment Agreement shall include but are not limited to the following:

1. coordinate, manage and supervise consultants and developers engaged during the design and development stages of the Project;
2. conduct feasibility studies, prepare work progress reports and provide advice to Techcon based on Techcon’s budget, needs, functions and requirements as to the design;
3. be responsible for all construction management required under the Project, including but not limited to organizing tenders, targeting, negotiations and approvals of prices etc.;
4. submit declarations to relevant governmental departments in respect of the relevant construction work under the Project and obtain relevant approvals;
5. advise and assist in Techcon’s applications for permits and licenses relating to the Project and its future operations; and
6. conduct quality check on the Hotel upon completion of the Project.

Crown Smart will not be a party to the Contracts and it will be entitled to be indemnified against any losses, damages, claims, costs and expenses that may be incurred or suffered by it in the course of, or in connection with the performance of the services under the Hotel Redevelopment Agreement.

The Hotel Redevelopment Agreement shall commence on the date of the agreement until the fourth anniversary of such date, unless either party terminates the agreement by serving a seven-day written notice to the other party. The Hotel has already ceased operation and will be available for Crown Smart to carry out any work relating to the Project immediately.

Service fees and payment terms

The service fee payable by Techcon to Crown Smart shall be 15% of the final total construction and consultancy cost of the Project, which is currently estimated to be HK\$370,000,000, but such service fee shall in any event not exceed HK\$56,000,000.

Techcon shall transmit funds into a designated account (the “**Designated Account**”) and will authorise Crown Smart to manage the Designated Account, and Crown Smart shall arrange for the payment of the (i) fees payable under the Contracts; and (ii) service fees payable to Crown Smart under the Hotel Redevelopment Agreement (which is calculated at 15% of the amount actually paid under the relevant Contracts in the previous month).

Crown Smart shall, before the 20th day of each month, submit to Techcon the budget of the fees payable under the relevant Contracts for the next month. On completion of the Project, the balance of the service fee payable to Crown Smart (the total amount of which shall be calculated according to the final total cost of the Project) shall be paid within seven days after such amount has been confirmed.

The service fee payable to Crown Smart under the Hotel Redevelopment Agreement was arrived at after arm's length negotiations between Crown Smart and Techcon taking into account factors including the anticipated resources and manpower of Crown Smart to be allocated to the Project and the expected timetable of the Project.

REASONS FOR AND BENEFITS OF THE HOTEL REDEVELOPMENT AGREEMENT

The Board considers that the arrangements contemplated under the Hotel Redevelopment Agreement will enable the Group to generate stable income without additional capital input, by utilizing existing capacity and leveraging its expertise and experience in property redevelopment and project management.

Taking into account the above reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that terms of the Hotel Redevelopment Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable, and that the entering into of the Hotel Redevelopment Agreement are in the interests of the Company and its shareholders as a whole.

INFORMATION OF CROWN SMART AND THE COMPANY

Crown Smart is principally engaged in property development and investment.

The Company is principally engaged in property development and investment, focusing on property development in Guangdong-Hong Kong-Macau Greater Bay Area, Eastern Region, Central Region and Northern Region.

INFORMATION OF TECHCON AND YXE

Techcon is principally an investment holding company.

YXE is a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company. It is a wholly-owned subsidiary of Guangzhou Yue Xiu Holdings Limited. It indirectly holds approximately 39.78% of the total issued share capital of the Company as at the date of this announcement. YXE, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure, construction and others.

LISTING RULES IMPLICATIONS

Techcon is an indirect wholly-owned subsidiary of YXE, the controlling shareholder of the Company. Therefore, Techcon is a connected person of the Company and the transactions contemplated under the Hotel Redevelopment Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The total service fee payable by Techcon to Crown Smart under the Hotel Redevelopment Agreement shall in any event not exceed HK\$56,000,000. As the highest applicable percentage ratio in respect of the transactions contemplated under the Hotel Redevelopment Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Hotel Redevelopment Agreement are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As none of the Directors has a material interest in the transactions contemplated under the Hotel Redevelopment Agreement, no Director has abstained from voting on the relevant board resolutions.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Board”	the board of the Directors
“Company”	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contracts”	has the meaning ascribed to it in the section headed “Principal Terms of the Hotel Redevelopment Agreement – Services to be provided” of this announcement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Crown Smart”	Crown Smart Investment Limited (盈俊投資有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Designated Account”	has the meaning ascribed to it in the section headed “Principal Terms of the Hotel Redevelopment Agreement – Service fees and payment terms” of this announcement
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Hotel”	The South China Hotel, which is located at Nos. 67-75 Java Road, North Point, Hong Kong

“Hotel Redevelopment Agreement”	the agreement entitled “The South China Hotel Redevelopment Agreement” dated 13 March 2020 entered into between Techcon and Crown Smart in relation to the Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Project”	the redevelopment of the Hotel including refurbishment of the building and upgrade of electrical and mechanical equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Techcon”	Techcon Investment Limited (迪康投資有限公司), a company incorporated in Hong Kong with limited liability and which is an indirect wholly-owned subsidiary of YXE
“YXE”	Yue Xiu Enterprises (Holdings) Limited, a limited company incorporated under the laws of Hong Kong and the controlling shareholder of the Company

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

Hong Kong, 13 March 2020

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

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

Non-Executive Directors: OUYANG Changcheng

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