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CONNECTED TRANSACTION IN RELATION TO FORMATION OF FUND

FORMATION OF THE PARTNERSHIP FUND

The Board is pleased to announce that on 22 November 2020, Yuexiu Kangyang and Jingyi Investment, both subsidiaries of the Company, GZYX Capital and GZYX Investment Management, both subsidiaries of GZYX, and Guoqi Innovative Fund, have entered into the Partnership Agreement in relation to the formation of the Partnership Fund.

The total committed investment amount of the parties into the registered capital of the Partnership Fund is RMB500,000,000, out of which an initial capital contribution in the amount of RMB285,000,000 is expected to be made by 31 December 2020 to fund the acquisition of interest in a potential target. Yuexiu Kangyang (as a limited partner) and Jingyi Investment (as a co-general partner) have agreed to subscribe for 54.8% and 0.2% respectively of the registered capital of the Partnership Fund.

The main purpose of the formation of the Partnership Fund is to invest in or acquire projects or companies in the elderly care sector. The Company considers that the formation of the Partnership Fund will enable the Group to further expand its footprint in the elderly-care business without significant initial investments and achieve further optimization of the Group's business structure.

IMPLICATIONS UNDER THE LISTING RULES

Each of GZYX Capital and GZYX Investment Management is a connected person of the Company under the Listing Rules as they are both subsidiaries of GZYX, the controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the formation of the Partnership Fund by the entering into of the Partnership Documents constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Partnership Documents exceeds 0.1% but is less than 5%, the transaction contemplated under the Partnership Documents 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 22 November 2020, Yuexiu Kangyang and Jingyi Investment, both subsidiaries of the Company, GZYG Capital and GZYG Investment Management, both subsidiaries of GZYG, and Guoqi Innovative Fund, have entered into the Partnership Agreement in relation to the formation of the Partnership Fund.

PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

Date: 22 November 2020

Parties: (1) GZYG Investment Management, as a co-general partner;

(2) Jingyi Investment, as a co-general partner;

(3) Yuexiu Kangyang, as a limited partner;

(4) GZYG Capital, as a limited partner; and

(5) Guoqi Innovative Fund, as a limited partner.

The principal terms of the Partnership Agreement are set out below:

Purpose of the formation of the Partnership Fund:

The scope of business of the Partnership Fund covers equity investments and acquisition activities within the PRC with a main purpose to invest in or acquire projects or companies in the elderly care sector.

It is expected that the Partnership Fund will invest into or acquire certain elderly care facilities and implement consolidation and transformation measures to such facilities with an aim to increase the value of such facilities and businesses.

Term:

Five years from the date of the first completion of the Partnership Fund (which is expected to be on or before 31 December 2020).

The first three years from the date of the first completion shall be the investment period (the “**Investment Period**”), while the fourth to fifth year shall be the divestment period (the “**Divestment Period**”), provided that if the Partnership Fund is still holding any investment upon expiration of the 5-year term, such term may be extended for another 2 years if approved by the partners’ meeting (the “**Extended Period**”).

Total committed investment amount of the Partnership Fund:

The total committed investment amount of the parties into the registered capital of the Partnership Fund is RMB500,000,000, out of which an initial capital contribution in the amount of RMB285,000,000 is expected to be made by 31 December 2020 to fund the acquisition of interest in a potential target. The percentage of capital contribution of each party based on the total committed investment amount is as follows:

For Co-General Partners:

GZYX Investment Management: 5%

Jingyi Investment: 0.2%

For Limited Partners:

Yuexiu Kangyang: 54.8%

GZYX Capital: 20%

Guoqi Innovative Fund: 20%

The total committed investment amount was determined after arm's length negotiations between the parties. The capital investment amounts of Yuexiu Kangyang and Jingyi Investment will be financed by the Group's internal resources.

Management of the Partnership Fund:

GZYX Investment Management, as a general partner, will also act as the executive partner and the fund manager to manage the investment and operation of the Partnership Fund.

An investment committee will be formed pursuant to the Partnership Agreement as the final decision-making body as to the investment and divestment decisions of the Partnership Fund. It will comprise five members, of which one member will be appointed by GZYX Investment Management, one member will be appointed by GZYX Capital, one member will be appointed by Yuexiu Kangyang and two members will be external experts.

Resolutions of the investment committee are subject to the approval by four-fifths of the committee members.

All proposals to be presented to the investment committee shall be subject to compliance review by Guoqi Innovative Fund.

Based on the above arrangements, the Partnership Fund will not, for accounting purposes, be accounted for as a subsidiary of the Company and its financial results will not be consolidated into the financial accounts of the Company.

**Management fees payable to
GZYX Investment Management:**

Pursuant to the Partnership Documents, taken as a whole, annual management fees are payable to GZYX Investment Management as the fund manager during the term of the Partnership Fund at the following rates: (a) 2% of paid-in capital contribution amount during the Investment Period; and (b) 1.5% of the outstanding paid-in capital contribution amount during the Divestment Period, provided that upon receipt of such management fees, GZYX Investment Management shall pay Jingyi Investment an amount equal to 50% of such management fees it received (after tax), provided that such amount shall not be less than the Relevant Amount. No management fee should be payable to GZYX Investment Management during the Extended Period, unless otherwise agreed by the partners.

Distribution:

Pursuant to the Partnership Documents, taken as a whole, the distributable cash of the Partnership Fund will be distributed in the following sequence:

- (i) First – to all partners in proportion to their paid-in capital contribution ratio in the Partnership Fund, until each partner recovers the funds corresponding to its paid-in capital contribution in the partnership;
- (ii) Second – if there is any remaining balance, each of the limited partners and Jingyi Investment shall receive an initial investment return calculated at 8% per annum (simple interest) based on their weighted paid-in capital contribution in the Partnership Fund;
- (iii) Third – if there is any further remaining balance, GZYX Investment Management shall receive a deferred catch-up return that amounts to 20% of the initial investment return distributed to the limited partners and Jingyi Investment under (ii) above; and
- (iv) Fourth – if there is any further remaining balance, 80% of such balance will be distributed to each partner in proportion to its paid-in capital contribution ratio in the Partnership Fund, and 20% of such balance will be distributed to GZYX Investment Management as a performance commission,

provided that upon GZYX Investment Management's receipt of any deferred catch-up return (under paragraph (iii) above) and performance commission (under paragraph (iv) above), it shall pay an amount equal to 50% of such amount (after tax) to Jingyi Investment.

REASONS FOR AND BENEFITS OF THE PARTNERSHIP DOCUMENTS AND THE FORMATION OF THE PARTNERSHIP FUND

The Group officially started to operate in the elderly-care industry with the establishment of Yuexiu Elderly-Care (越秀養老) line of business in August 2017. As part of its initiative to further develop its elderly-care line of business, the Group has since then been actively pursuing opportunities to further invest into quality elderly-care facilities through different channels.

By entering into the Partnership Documents, the Group can leverage on the resources from the parties and the experience of GZYS Investment Management to accelerate its penetration into the elderly-care line of business. The Company considers that the formation of the Partnership Fund will enable the Group to further expand its footprint in the elderly-care business without significant initial investments and achieve further optimization of the Group's business structure.

Having considered the above factors, the Board (including the independent non-executive Directors) considers that the Partnership Documents and the transactions contemplated thereunder are in the interests of the Company and the shareholders of the Company as a whole, are fair and reasonable and are in the ordinary and usual course of business of the Group.

INFORMATION OF THE COMPANY, YUEXIU KANGYANG AND JINGYI INVESTMENT

The Company

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.

Yuexiu Kangyang

Yuexiu Kangyang is a subsidiary of the Company and is principally engaged in the investment in of elderly-care and medical services businesses.

Jingyi Investment

Jingyi Investment is a subsidiary of the Company and is principally engaged in the commercial services businesses.

INFORMATION OF GZYS INVESTMENT MANAGEMENT, GZYS CAPITAL AND GZYS

GZYS INVESTMENT MANAGEMENT

GZYS Investment Management is an investment management firm registered with the Asset Management Association of China. GZYS Investment Management is a subsidiary of GZYS.

GZYS CAPITAL

Founded in Jan 2020, GZYS Capital is GZYS's core platform for strategic investment and investment management. GZYS Capital is a subsidiary of GZYS.

GZYS

GZYS, through its various subsidiaries, engages in various businesses including (among others) financial business, property development, infrastructure and construction.

INFORMATION OF GUOQI INNOVATIVE FUND

Guoqi Innovative Fund is principally engaged in the investment and capital market services business and is a wholly-owned subsidiary of 廣州金融控股集團有限公司 (Guangzhou Financial Holding Group Co., Ltd.*), which is in turn 100% held by the Guangzhou Municipal Government.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Guoqi Innovation Fund and its ultimate beneficial owner(s) is an Independent Third Party.

LISTING RULES IMPLICATIONS

Each of GZYG Capital and GZYG Investment Management is a connected person of the Company under the Listing Rules as they are both subsidiaries of GZYG, the controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the formation of the Partnership Fund by the entering into of the Partnership Documents constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Partnership Documents exceeds 0.1% but is less than 5%, the transactions contemplated under the Partnership Documents 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 Partnership Documents, 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Divestment Period”	has the meaning ascribed to it under the section headed “Principal terms of the Partnership Agreement” in this announcement
“Extended Period”	has the meaning ascribed to it under the section headed “Principal terms of the Partnership Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Guoqi Innovative Fund”	廣州國企創新基金有限公司 (Guangzhou Guoqi Innovative Fund Limited*), being the operating entity of 廣州市國企創新投資基金(Guangzhou Guoqi Innovative Fund*)
“GZYX”	廣州越秀集團股份有限公司 (Guangzhou Yuexiu Holdings Limited*), a company established in the PRC with limited liability, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“GZYX Capital”	廣州越秀資本管理有限公司 (Guangzhou Yuexiu Capital Management Limited*), a company established in the PRC with limited liability and a subsidiary of GZYX
“GZYX Investment Management”	廣州越秀產業投資基金管理股份有限公司 (Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of GZYX
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules
“Investment Period”	has the meaning ascribed to it under the section headed “Principal terms of the Partnership Agreement” in this announcement
“Jingyi Investment”	廣州靜頤投資發展有限公司 (Guangzhou Jingyi Investment Development Limited*), a company established in the PRC with limited liability and a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Agreement”	the partnership agreement relating to the Partnership Fund and entered into by GZYX Investment Management, Jingyi Investment, GZYX Capital, Yuexiu Kangyang and Guoqi Innovative Fund on 22 November 2020
“Partnership Documents”	collectively the Partnership Agreement and the Side Letter
“Partnership Fund”	廣州越秀康養投資合夥企業(有限合夥) (Guangzhou Yuexiu Kangyang Investment Fund (Limited Partnership)*), a limited partnership established in the PRC under the Partnership Agreement
“PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Relevant Amount”	based on the initial total paid-up capital contribution amount in the Partnership Fund of RMB285,000,000: <ul style="list-style-type: none"> (i) (for the Investment Period) RMB990,000 (for the first year) and RMB1,450,000 (for each of the second and third year); and (ii) (for the Divestment Period) RMB1,330,000 for each year, provided that the amounts in (i) and (ii) above shall be adjusted if the total paid up capital contribution amount is increased

“RMB”	Renminbi, the lawful currency of the PRC
“Side Letter”	the side letter relating to certain arrangements under the Partnership Agreement and entered into between GZYX Investment Management and Jingyi Investment on 22 November 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuexiu Kangyang”	廣州越秀康養產業投資控股有限公司 (Guangzhou Yuexiu Kangyang Property Investment Limited*), a company established in the PRC with limited liability and a subsidiary of the Company

* *The English name is a translation of its relevant Chinese name and is included for identification purposes only*

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

Hong Kong, 22 November 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