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## **CONNECTED TRANSACTION**

### **ASSIGNMENT OF RIGHT TO RECEIVE THE 2020 DEFERRED UNITS IN THE REIT**

#### **ASSIGNMENT AGREEMENT**

On 23 December 2020, the Company (as assignor) entered into the Assignment Agreement with Yuexiu Capital (as assignee), pursuant to which the Company agreed to assign and transfer absolutely as beneficial owner to Yuexiu Capital, and Yuexiu Capital agreed to accept, all of the Company's rights, title, interest and benefits in and to the 2020 Deferred Units for a maximum consideration of HK\$223.82 million, being an amount equal to the product obtained by multiplying HK\$3.61 by the total number of 2020 Deferred Units.

#### **LISTING RULES IMPLICATIONS**

As Yuexiu Capital is a wholly-owned subsidiary of YXE, which is in turn the controlling shareholder of the Company, the entering into of the Assignment Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Assignment Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Assignment Agreement is subject to the reporting and announcement requirements but is 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 Assignment Agreement, no Director has abstained from voting on the relevant board resolutions.

#### **INTRODUCTION**

Reference is made to: (i) the circular of the Company dated 30 June 2012 in relation to the Company's disposal of the Guangzhou International Finance Center to the REIT (the "**Circular**"); and (ii) the announcement of the Company dated 8 October 2012 in relation to the completion of such disposal (the "**2012 Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as defined in the Circular and the 2012 Announcement.

As disclosed in the 2012 Announcement, pursuant to the Indebtedness Agreement, the balance of the consideration for the Assignment (being HK\$2,933,121,976 as at the date of the 2012 Announcement) would be satisfied by the issuance of Units to YXP Nominee on 31 December of each year, commencing from 31 December 2016, as Deferred Units. As at the date of this announcement, the balance of the consideration for the Assignment is HK\$1,845,605,976. As disclosed in the Circular, pursuant to the Indebtedness Agreement, the number of Deferred Units to be issued on 31 December of each year commencing from 31 December 2016 shall be equal to the maximum number of Units that may be issued to the Company (or YXP Nominee) which, when aggregated with the Manager Fee Units that are issuable during the period of 12 months after the relevant Issue Date, will not trigger an obligation on the part of the Company (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. Accordingly, the maximum number of Units issuable by the REIT to the Company (or, if it so elects, the YXP Nominee) on 31 December 2020 is 62,000,000.

On 23 December 2020, the Company (as assignor) entered into the Assignment Agreement with Yuexiu Capital (as assignee), pursuant to which the Company agreed to assign and transfer absolutely as beneficial owner to Yuexiu Capital, and Yuexiu Capital agreed to accept, all of the Company's rights, title, interest and benefits in and to the 2020 Deferred Units for a maximum consideration HK\$223.82 million, being an amount equal to the product obtained by multiplying HK\$3.61 by the total number of 2020 Deferred Units.

## **ASSIGNMENT AGREEMENT**

The principal terms of the Assignment Agreement are as follows:

### **Date**

23 December 2020

### **Parties**

Company (as assignor)

Yuexiu Capital (as assignee)

### **Subject matter**

Pursuant to the Assignment Agreement, the Company agreed to assign and transfer absolutely as beneficial owner to Yuexiu Capital, and Yuexiu Capital agreed to accept, all of the Company's rights, title, interest and benefits in and to the 2020 Deferred Units. The Company has obtained the prior written consent of the Trustee for the Units Assignment.

## **Consideration**

The consideration payable by Yuexiu Capital to the Company for the Units Assignment shall be an amount equal to the product obtained by multiplying HK\$3.61 by the total number of 2020 Deferred Units, which shall be paid by Yuexiu Capital to the Company in cash on or before 31 December 2020.

The price of HK\$3.61 per Unit represents:

- (i) a discount of approximately 3.2% to the average closing price of the Units as quoted on the Stock Exchange on the last trading day preceding the date of this announcement;
- (ii) a discount of approximately 4.0% to the average closing price of the Units as quoted on the Stock Exchange over the five (5) consecutive trading days up to and including the last trading day preceding the date of this announcement;
- (iii) a discount of approximately 4.0% to the average closing price of the Units as quoted on the Stock Exchange over the ten (10) consecutive trading days up to and including the last trading day preceding the date of this announcement; and
- (iv) a discount of approximately 4.5% to the average closing price of the Units as quoted on the Stock Exchange over the thirty (30) consecutive trading days up to and including the last trading day preceding the date of this announcement.

The price of HK\$3.61 per Unit for the Units Assignment was determined based on arm's length negotiations between Yuexiu Capital and the Company with reference to prevailing market price of the Units as well as the historical performance of the trading price of the Units, which is more favourable than the discount rate in most recent placings and subscriptions of shares carried out by companies listed on the Main Board of the Stock Exchange from 1 January 2020 up to and including the last trading day preceding the date of this announcement with a transaction size between HK\$100 million and HK\$400 million and less than 10% of their then existing issued share capital.

## **YXE'S IRREVOCABLE UNDERTAKING TO THE REIT**

The Company has been informed that on 23 December 2020, YXE executed an irrevocable undertaking in favour of the Trustee and the REIT Manager pursuant to which YXE agreed and undertook to, with effect from 31 December 2020, irrevocably waive its right to exercise any voting rights attaching to the 2020 Deferred Units and all existing Units that it holds as at the date of the Deed of Undertaking and to procure that its subsidiaries shall waive their right to exercise any voting rights attaching to the same. The Deed of Undertaking does not apply to the Units which are held or owned by the Company and/or any of its subsidiaries.

## **REASONS FOR AND BENEFITS OF THE UNITS ASSIGNMENT**

As at the date of this announcement, the Company's unitholding in the REIT is approximately 38.63% and the REIT is currently accounted for as an associated entity of the Company. The assignment and transfer of the 2020 Deferred Units to Yuexiu Capital will enable the Company to maintain its unitholding in the REIT at the same level as its current unitholding of the REIT. The Company is advised that as a result of such unitholding and the Deed of Undertaking, among other reasons, the REIT will continue to be accounted for as an associated entity of the Company upon completion of the Units Assignment.

The Company will receive maximum proceeds of HK\$223.82 million from the Units Assignment.

Based on the cost of RMB2.90 per Deferred Unit (which is equivalent to the closing price of the Units as quoted on the Stock Exchange at completion of the Company's disposal and related arrangements in respect of Guangzhou International Finance Center to the REIT in October 2012), the Units Assignment at HK\$3.61 per Unit will enable the Group to realise a one-off gain of approximately RMB9.58 million (HK\$11.27 million), subject to audit. Taking into account the dilution to the net assets attributable to Unitholders per Unit upon the issuance of the 2020 Deferred Units which will affect all Unitholders including the Group, it is estimated that the Group's existing interest in the REIT will recognise a loss of approximately RMB22.94 million (HK\$26.99 million), subject to audit, from such dilution effect. The overall impact to the Group will therefore be a loss of approximately RMB13.36 million (HK\$15.72 million) upon the issuance of the 2020 Deferred Units (assuming the Group shall receive gross proceeds of HK\$223.82 million from the Units Assignment).

Nonetheless, the Units Assignment will enhance the cash position of the Group with maximum net cash inflow of approximately HK\$223.11 million, after deducting expenses. The proceeds from the Units Assignment will be used by the Group for future potential investments and general working capital purposes.

Taking into account the above reasons and benefits and having considered and compared the rate of discounts in recent placing and subscription of shares transactions of other listed issuers in the market, the Directors (including the independent non-executive Directors) are of the view that terms of the Assignment Agreement (including the discount rate) and the transactions contemplated thereunder are normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE COMPANY, REIT AND YUEXIU CAPITAL**

### ***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 China Region, Central China Region, Northern China Region and Western China Region.

## ***REIT***

The REIT is a Hong Kong collective investment scheme. The REIT and its subsidiaries are mainly engaged in the leasing of commercial properties in Mainland China.

## ***Yuexiu Capital***

Yuexiu Capital is a wholly-owned subsidiary of YXE. Yuexiu Capital is an investment holding Company.

## ***YXE***

YXE holds approximately 39.78% of the total number of issued shares of the Company and is the controlling shareholder 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**

As Yuexiu Capital is a wholly-owned subsidiary of YXE, which is in turn the controlling shareholder of the Company, the entering into of the Assignment Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Assignment Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Assignment Agreement is subject to the reporting and announcement requirements but is 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 Assignment 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:

- “2020 Deferred Units”
- (i) such number of Deferred Units that are issuable by the REIT to the Company (or if it so elects, YXP Nominee) on 31 December 2020 pursuant to the terms of the Indebtedness Agreement; or
  - (ii) in the event that the number of Deferred Units that are issuable by the REIT to the Company (or if it so elects, YXP Nominee) on 31 December 2020 pursuant to the terms of the Indebtedness Agreement shall exceed 62,000,000, 62,000,000 Units.

“Assignment Agreement”	the assignment agreement entered into between the Company (as assignor) and Yuexiu Capital (as assignee) dated 23 December 2020
“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)
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Deed of Undertaking”	the deed of irrevocable undertaking executed by YXE in favour of the Trustee and the REIT Manager dated 23 December 2020
“Director”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“REIT”	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time (whose Units are listed on the Stock Exchange), and the companies controlled by it, as the context requires
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Units Assignment”	the absolute assignment and transfer of the Company’s right, title, interest and benefits in and to the 2020 Deferred Units to Yuexiu Capital and Yuexiu Capital’s acceptance thereof pursuant to the terms in the Assignment Agreement
“Yuexiu Capital”	Yuexiu Capital Holdings Limited (越秀資本控股有限公司), a wholly-owned subsidiary of YXE

“YXE” Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability

“YXP Nominee” a wholly-owned subsidiary of the Company which it elects to designate to receive the Deferred Units. In respect of the Deferred Units issued prior to the date of this announcement, such subsidiary was Dragon Yield Holding Limited

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

Hong Kong, 23 December 2020

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$0.85 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.*

*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*