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If you have sold or transferred all your shares in Yuexiu Property Company Limited you should at once hand this Circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



- (1) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS;**
(2) NOTICE OF GENERAL MEETING; AND
(3) CLOSURE OF REGISTER OF MEMBERS

**Independent Financial Adviser to the Independent Board Committee
and
the Independent Shareholders**



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

A notice convening the General Meeting (as defined herein) of Yuexiu Property Company Limited to be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 6 June 2017 at 11 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of Yuexiu Property Company Limited, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so wish.

19 May 2017

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DEFINITIONS

In this Circular, unless the context requires otherwise, the following expressions have the following meanings:

“2016 Announcement”	the announcement of the Company dated 29 November 2016 regarding the renewal of the continuing connected transactions of the Company in relation to, among other things, the Bank Deposits
“2016 Bank Deposits Agreement”	the master agreement dated 29 November 2016 entered into between the Company and CHB in relation to Bank Deposits
“2017 Bank Deposits Agreement”	the master agreement dated 16 May 2017 entered into between the Company and CHB in relation to Bank Deposits
“Announcement”	the announcement of the Company dated 17 May 2017 in relation to the Bank Deposits
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Bank Deposits”	deposits of whatever duration and nature and any other bank balances maintained by the Group (or any member of the Group) with the CHB Group from time to time
“Bank Deposits Annual Caps”	the aggregate maximum balance of the Bank Deposits on any given day set out in the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits”
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong and the PRC
“CCT Report”	has the meaning ascribed to it under the section headed “Internal Control Procedures”
“Circular”	this circular in relation to the Bank Deposits issued by the Company in accordance with the Listing Rules
“CHB”	Chong Hing Bank 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: 01111)
“CHB Group”	CHB and its subsidiaries
“Company”	Yuexiu 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

DEFINITIONS

“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	6 June 2017, being the date of the General Meeting
“Existing Major Bank”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits — Revised Bank Deposits Annual Caps”
“General Meeting”	the general meeting of the Company to be held on Tuesday, 6 June 2017 to consider and, if thought fit, approve the 2017 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps)
“Group”	the Company and its subsidiaries
“GZYX”	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團有限公司), a limited liability company incorporated under the laws of the PRC, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and which is the ultimate controlling shareholder of the Company
“HK\$”	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 Mr. LAU Hon Chuen Ambrose, the independent non-executive Director who does not have a material interest in the Transactions, established to advise the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser” or “Yu Ming”	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	means the Shareholders, other than: (i) YXE and its associate(s); and (ii) Mr. Li Feng, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, being Directors who are also Shareholders
“Independent Third Party(ies)”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Company and its connected persons in accordance with the Listing Rules

DEFINITIONS

“Internal Control Procedures”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits - Revised Bank Deposits Annual Caps”
“Latest Practicable Date”	12 May 2017, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mainland China”	the People’s Republic of China and for the purpose of this Circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Original Bank Deposits Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits - Revised Bank Deposits Annual Caps”
“PBOC”	The People’s Bank of China
“Revised Bank Deposits Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits — Revised Bank Deposits Annual Caps”
“RMB”	Renminbi, the lawful currency of Mainland China
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	holders of Shares
“Standard Documentation”	any standard documentation, as prescribed by the CHB Group in compliance with applicable legal and regulatory requirements and in accordance with usual banking practices in Hong Kong, applicable to the transactions contemplated under the 2017 Bank Deposits Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the transactions contemplated under the 2017 Bank Deposits Agreement
“YXE”	Yue Xiu Enterprises (Holdings) Limited, a limited company incorporated under the laws of Hong Kong and the controlling shareholder of each of the Company and CHB
“%”	per cent.

** For identification purpose only*

LETTER FROM THE BOARD



越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

Executive Directors:

ZHANG Zhaoxing (*Chairman*)

ZHU Chunxiu

LIN Zhaoyuan

LI Feng

OU Junming

Registered office:

26th Floor, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Director:

YU Lup Fat Joseph

LEE Ka Lun

LAU Hon Chuen Ambrose

19 May 2017

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS AND MAJOR
TRANSACTION IN RELATION TO BANK DEPOSITS;**

(2) NOTICE OF GENERAL MEETING; AND

(3) CLOSURE OF REGISTER OF MEMBERS

INTRODUCTION

References are made to the 2016 Announcement and the Announcement in relation to, amongst others, the continuing connected transactions of the Company in relation to, among other things, the Bank Deposits.

With a view to increasing the annual caps in relation to the Bank Deposits, the Company entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017 to, among others, increase the annual caps in respect of the Bank Deposits.

The purpose of this Circular is to provide you with, among other things: (i) further information regarding the Transactions; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) other information as required by the Listing Rules; and (v) the notice of the General Meeting.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

Background

The Company entered into the 2016 Bank Deposits Agreement with CHB on 29 November 2016, and the Original Bank Deposits Annual Caps for the year ended 31 December 2016 and each of the years ending 31 December 2017 and 31 December 2018 were as disclosed in the 2016 Announcement, and reproduced under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits — Revised Bank Deposits Annual Caps” below. As the Company would like to expand the size of its Bank Deposits with the CHB Group, the Company entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017 for the purpose of increasing the annual caps in respect of the Bank Deposits for the years ending 31 December 2017, 31 December 2018 and 31 December 2019. Upon the approval by the Independent Shareholders, the 2017 Bank Deposits Agreement will replace and supersede the 2016 Bank Deposits Agreement in its entirety and all amendments thereto with effect from the Effective Date.

Pursuant to the 2017 Bank Deposits Agreement, the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group on normal commercial terms from time to time during the term of the 2017 Bank Deposits Agreement, and the placing and maintenance of any Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time.

Duration

Subject to the approval by the Independent Shareholders, the term of the 2017 Bank Deposits Agreement shall commence on the Effective Date and shall continue up to and including 31 December 2019. Subject to compliance with the Listing Rules, the 2017 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

Conditions Precedent

The 2017 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2017 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) at the General Meeting. If the above condition is not fulfilled on or before the Effective Date or such later date as agreed between the Company and CHB, the 2017 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

Pricing Policy

The 2017 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on: (1) in the case of deposits in Hong Kong, interest rates and other terms offered by or obtained from the other banks in Hong Kong to the Group; and (2) in the case of deposits in Mainland China, interest rates for deposits in Mainland China set with reference to the standard published by the PBOC and interest rates and other terms offered by or obtained from the other banks in Mainland China to the Group.

LETTER FROM THE BOARD

The Group will also take into account other factors, including among others, quality of services, safety of deposits, bank reputation and cooperation history when deposits are placed with the banks.

In order to ensure that the interest rates and other terms of the Bank Deposits (both saving and time deposits) are on normal commercial terms and no less favourable to the Group, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account the above other factors and make the selection decision in accordance with the Listing Rules.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may further be entered into between the relevant members of the Group and the CHB Group in order to give effect to, or facilitate, the Transactions.

Historical Amounts

The historical aggregate balance of the Bank Deposits placed by the Group with the CHB Group as at the end of each of the years ended 31 December 2015 and 31 December 2016, and the period for the four months ended 30 April 2017, and the maximum daily outstanding balance of the Bank Deposits placed by the Group with the CHB Group on any given day during each of the same periods were as follows:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the four months ended 30 April 2017
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Aggregate balance of the Bank Deposits as at the year/period end	HK\$263,076,562 (equivalent to RMB220,036,000)	HK\$263,947,226 (equivalent to RMB236,063,000)	HK\$639,452,548 (equivalent to RMB566,452,651)
Maximum daily outstanding balance of the Bank Deposits on any given day during the year/period	HK\$269,851,712 (equivalent to RMB213,690,174)	HK\$290,953,131 (equivalent to RMB250,501,917)	HK\$648,195,677 (equivalent to RMB575,461,640)

As at the Latest Practicable Date, the aggregate balance of the Bank Deposits was approximately HK\$639,526,065 (equivalent to approximately RMB566,517,775).

Revised Bank Deposits Annual Caps

The aggregate maximum balance of the Bank Deposits on any given day was RMB580,000,000 (equivalent to approximately HK\$665,000,000) for each of the three years ending 31 December 2017, 2018 and 2019 under the 2016 Bank Deposits Agreement (the “**Original Bank Deposits Annual Caps**”), respectively. Pursuant to the 2017 Bank Deposits Agreement, such aggregate maximum

LETTER FROM THE BOARD

balance of the Bank Deposits on any given day shall increase to amounts not exceeding RMB4,000,000,000, RMB5,500,000,000 and RMB7,000,000,000 (equivalent to approximately HK\$4,515,488,124, HK\$6,208,796,171 and HK\$7,902,104,217, respectively) for the years ending 31 December 2017, 2018 and 2019, respectively (the “**Revised Bank Deposits Annual Caps**”).

In determining the Revised Bank Deposits Annual Caps, the Directors (excluding the three executive Directors and two independent non-executive Directors who have a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) have taken into consideration the following:

The overall level of cash and cash equivalents of the Group has been increasing (as illustrated by the increase of its level of cash and cash equivalents from approximately RMB9.55 billion as at 31 December 2015 to approximately RMB17.69 billion as at 31 December 2016), and it is expected that, as the Group’s business continues to grow, the level of its cash and cash equivalents would continue to increase and so would its overall deposits needs. So far, the Group has been placing a very significant amount of its deposits with one single bank (the “**Existing Major Bank**”) (based on records available to the Company, in 2016, the Group had been placing deposits with the Existing Major Bank with a total daily balance of up to around RMB4 billion and the level of such deposits has further increased in 2017). The Group, on the other hand, has not been in a position to place such a significant amount of deposits with CHB given the limit of the Original Bank Deposits Annual Caps (in the amount of only RMB580 million). The Board considers that, from a strategic standpoint, it would be in the interest of the Company to adopt the Revised Bank Deposit Annual Caps and further its relationship with CHB so that CHB will become another major banker of the Group.

- i. *If CHB becomes another major banker of the Group, the Group may benefit from any healthy competition that may develop between its two major bankers and a lower concentration risk in the longer run*

CHB is keen to further its relationship with the Company, and it has undertaken to offer the best interest rate and other terms to the Group which are no less favourable than the interest rate and other terms that the CHB Group will offer to its other independent customers of similar scale and size for bank deposits of comparable tenure and amount at or about the time of placement, subject to the prevailing market conditions. The Board considers that, from a strategic standpoint, it would be in the interest of the Company to take this opportunity to further its relationship with CHB so that CHB will become another major banker of the Group. The Board believes that if CHB does become another major banker of the Group, healthy competition may develop between CHB and the Existing Major Banker, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by either bank.

By way of illustration, with the limit of the Original Bank Deposits Annual Caps, the total amount of deposits that may be placed by the Group with the CHB Group would be limited to RMB580,000,000, meaning the CHB Group would not be in a position to compete with the Existing Major Bank for any deposits above such amount. However, once the Revised Bank Deposit Annual Caps are approved, the CHB Group would be in a position to compete with the Existing Major Bank for the Group’s deposits up to the amount of such caps, and the Existing Major Bank may need to consider offering even better deposit interest rates (or other terms) to

LETTER FROM THE BOARD

the Group so as not to lose deposits from the Group to the CHB Group. In the longer run, the net result of this type of healthy competition between the two major bankers of the Group may be overall better deposit interest rates (or other terms) for the Group. By way of further illustration, assuming a deposit amount of RMB10 billion, should the competition between the two major bankers result in a higher average deposit interest rate to the Group, for every 10 basis point of an increase in such deposit interest rate, the Group would receive RMB10 million more of deposit interest per year.

The Board also believes that in the longer run, if CHB does become another major banker of the Group, it would also help to lower any concentration risk that may arise if the Group is to continue to place reliance on one single major banker.

- ii. *Subject always to its Internal Control Procedures, the Group may significantly increase the amount of deposits placed with the CHB Group*

From time to time, the Group will go through its internal control procedures (as set out in section headed “Internal Control Procedures”) (the “**Internal Control Procedures**”) before deciding to place deposits with the CHB Group. At the same time, CHB also has the discretion to decide whether or not to offer quotations to the Group in respect of, for example, deposits which do not align with CHB’s business demands. Once it is shown, pursuant to the Internal Control Procedures, that the terms offered by the CHB Group are no less favourable than those offered by the other banks, the Group may significantly increase the total amount of deposits that it places with the CHB Group. It is expected that, subject always to the Internal Control Procedures, the amount of deposits to be placed by the Group with the CHB Group could reach a level close to the amount of deposits currently placed by the Group with its Existing Major Bank (i.e. with a total daily balance of up to around RMB4 billion, and further increasing as the Group’s business continues to grow). In such event, the Original Bank Deposits Annual Caps in the amount of only RMB580,000,000 would be entirely insufficient. The Revised Bank Deposits Annual Caps, on the other hand, would provide room for the Group to place a significantly higher amount of deposits with the CHB Group, subject always to the Internal Control Procedures, and thereby develop a major banker relationship with CHB, which (as discussed in paragraph i above) would benefit the Group in the longer run.

INFORMATION ON THE COMPANY AND CHB

The Company

The Company is 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). The Group 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.

CHB

CHB is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01111). CHB and its subsidiaries are principally engaged in the provision of banking and related financial services.

LETTER FROM THE BOARD

INTERNAL CONTROL PROCEDURES

In order to ensure that the pricing mechanism and terms of the Transactions under the 2017 Bank Deposits Agreement are fair and reasonable and no less favourable than the terms provided by any Independent Third Party to the Group, the Group has established and has been continually implementing a series of internal control procedures and external supervision measures as follows:

- 1) The Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. Each time before placing any Bank Deposits, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account a number of other factors and make the selection decision in accordance with the Listing Rules.
- 2) The Group will monitor the maximum daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the Revised Bank Deposits Annual Caps.
- 3) The Group will prepare a continuing connected transaction report (“**CCT Report**”) once every six months on Bank Deposits with the CHB Group which will be submitted to the Group’s audit committee for consideration. The content of the CCT Report includes, amongst others: (i) the aggregate balance and maximum daily outstanding balance of the Bank Deposits; (ii) a summary and comparison of the interest rates of the bank deposits with the CHB Group and the other independent banks during the relevant reporting period; and (iii) the status of compliance with the Revised Bank Deposits Annual Caps and utilization of the Revised Bank Deposits Annual Caps.
- 4) The Group’s audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits).
- 5) The external auditors of the Group will conduct a review of the interim financial information of the Group for six months ending 30 June of each financial year, and an audit of the consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to the Directors’ attention that causes them to believe that the continuing connected transactions (which include, among others, the Bank Deposits): (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the relevant cap (which, in the case of the Bank Deposits, is the Revised Bank Deposits Annual Caps). In addition, according to the Listing Rules, the independent non-executive Directors (or, in the case of the Bank Deposits, the independent non-executive Directors who do not have a material interest in the Bank Deposits) will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the Bank Deposits) throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

LETTER FROM THE BOARD

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the Transactions will comply with the relevant regulatory guidelines and the terms of the 2017 Bank Deposits Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in property development and investment. The Group has to maintain deposits and other bank balances from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

CHB, as one of the most reputable and long-established authorized institutions in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities in the long term.

As set out under the section headed "Continuing Connected Transactions and Major Transaction in relation to Bank Deposits - Revised Bank Deposits Annual Caps", the Board considers that, from a strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposits Annual Caps and further its relationship with CHB so that CHB will become another major banker of the Group. The Board believes that if CHB does become another major banker of the Group, healthy competition may develop between CHB and the Existing Major Banker, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by either bank. In order to do so, it is necessary to adopt the Revised Bank Deposits Annual Caps pursuant to the 2017 Bank Deposits Agreement.

Further, the Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2017 Bank Deposits Agreement on the Group's ability to source the services from other banks and the Group is at its sole discretion to make its selection according to the relevant rates being offered and quality of services being delivered by the banks.

The Group will take appropriate steps to ensure that: (1) there will be sufficient comparable market data for interest rate quotes available for the same term of deposit in the same period and the interest rate offered by the CHB Group; and (2) that the terms of the 2017 Bank Deposits Agreement would be no less favourable than the terms offered by other independent banks to the Group.

For the above reasons and the reasons set out under the section headed "Continuing Connected Transactions and Major Transaction in relation to Bank Deposits - Revised Bank Deposits Annual Caps", the Directors (excluding the three executive Directors and two independent non-executive Directors who have a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2017 Bank Deposits Agreement has been entered into on normal commercial terms or better and in the ordinary and usual course of the Group's business, and that the transactions contemplated thereunder (together with the Revised Bank Deposits Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Transactions therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Bank Deposits Annual Caps under the 2017 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions constitute a major transaction of the Company and are subject Shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Zhang Zhaoxing, Mr. Zhu Chunxiu and Mr. Li Feng, the executive Directors, and Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun, the independent non-executive Directors, are also serving as directors of CHB, the Company is of the view that each of Mr. Zhang Zhaoxing, Mr. Zhu Chunxiu, Mr. Li Feng, Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun is regarded as having a material interest in the 2017 Bank Deposits Agreement and the transactions contemplated thereunder. As such, each of Mr. Zhang Zhaoxing, Mr. Zhu Chunxiu, Mr. Li Feng, Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun has abstained from voting on the relevant board resolutions of the Company.

Save as disclosed above, no other Directors had a material interest in the Transactions and no other Director has abstained from voting on the relevant board resolutions of the Company.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 13.39(6)(c), the independent board committee shall not consist of any independent non-executive Directors who have a material interest in the relevant transaction or arrangement. As the Company is of the view that Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun are regarded as having a material interest in the 2017 Bank Deposits Agreement and the transactions contemplated thereunder, an independent board committee comprising only Mr. Lau Hon Chuen Ambrose has been established to advise the Independent Shareholders in connection with the 2017 Bank Deposits Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the 2017 Bank Deposits Agreement and the transactions contemplated thereunder.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate in the General Meeting. For Shareholders not already on the register of the members of the Company, in order to qualify to attend and vote at the General Meeting, all transfer(s) of Share(s) (together with the relevant Share certificate(s)) must be lodged with Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Wednesday, 31 May 2017.

LETTER FROM THE BOARD

General Meeting

The General Meeting will be held at 11 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) on Tuesday, 6 June 2017 at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the General Meeting, which is set out on pages GM-1 to GM-2 of this Circular. Whether or not you are able or intend to attend and vote at the General Meeting in person, you are requested to complete and return the enclosed form of proxy to the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

The voting in respect of the resolutions to be proposed at the General Meeting will be conducted by way of a poll.

YXE and its associates, and each of Mr. Li Feng, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, being Directors who are also shareholders of the Company, will abstain from voting at the General Meeting in respect of the proposed resolutions to approve the 2017 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2017 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps), therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the General Meeting.

You can vote at the General Meeting if you are an Independent Shareholder on Tuesday, 6 June 2017, which is referred to in this Circular as the record date. You will find enclosed with this Circular the notice of the General Meeting (please refer to pages GM-1 to GM-2 in this Circular) and a form of proxy for use for the General Meeting.

VOTING BY POLL

All the resolutions set out in the notice of the General Meeting would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every Independent Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. An Independent Shareholder present in person (or, in the case of an Independent Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all of his/its votes or cast all of his/its votes in the same way. After the conclusion of the General Meeting, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://www.yuexiuproperty.com>.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (excluding the three executive Directors and two independent non-executive Directors who have a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the three executive Directors and two independent non-executive Directors who have a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) recommend all Independent Shareholders to vote in favour of the relevant resolution in relation thereof to be proposed at the General Meeting.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular.

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.

Your faithfully,
For and on behalf of the Board of
Yuexiu Property Company Limited
Zhang Zhaoxing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

19 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION AND MAJOR
TRANSACTION IN RELATION TO BANK DEPOSITS**

I refer to the circular issued by the Company to its shareholders dated 19 May 2017 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

I have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Transactions, details of which are set out in the letter from the Board contained in the Circular. Yu Ming Investment Management Limited has been appointed to advise the Independent Shareholders and us in respect of the terms of the Transactions. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 15 to 25 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Transactions, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, I am of the opinion that the terms of the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. I, therefore, recommend that you vote in favour of the resolution to be proposed at the General Meeting to approve the Transactions.

Yours faithfully
Independent Board Committee of
Yuexiu Property Company Limited
LAU Hon Chuen Ambrose
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders in relation to the 2017 Bank Deposits Agreement, which has been prepared for the purpose of inclusion in this circular.



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

19 May 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

INTRODUCTION

Reference is made to the announcement of the Company dated 17 May 2017 in connection with the 2017 Bank Deposits Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the circular of the Company dated 19 May 2017 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company entered into the 2016 Bank Deposits Agreement with CHB on 29 November 2016, under which the aggregate maximum balance of the Bank Deposits on any given day were the Original Bank Deposits Annual Caps. As the Company would like to expand the size of its Bank Deposits with the CHB Group, the Company entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017 to, among others, increase the annual caps in respect of the Bank Deposits for the years ending 31 December 2017, 2018 and 2019.

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Transactions therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Bank Deposits Annual Caps under the 2017 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions constitute a major transaction of the Company and are subject to the Shareholders’ approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent non-executive Directors includes Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose. As Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun are also serving as directors of CHB, the Company is of the view that Mr. Yu Lup Fat Joseph and Mr. Lee Ka Lun are regarded as having a material interest in the 2017 Bank Deposits Agreement and the transactions contemplated under.

Accordingly, an independent board committee comprising only Mr. Lau Hon Chuen Ambrose has been established to advise the Independent Shareholders as to whether the terms of the 2017 Bank Deposits Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolutions in the General Meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Company (“**Relevant Information**”). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any fact or circumstance which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

We acted as the independent financial adviser to advise the independent board committee of the Company in respect of the connected transactions of the Company (details of the connected transactions were set out in the announcement of the Company dated 31 August 2015 and the circular of the Company dated 23 November 2016). These previous engagements had been completed after the issue of the respective announcement and circular of the Company. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the terms of the 2017 Bank Deposits Agreement and transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

(a) Background and Reasons for the Transactions

The Company is 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). The Group 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 Group has to maintain deposits and other bank balances from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

CHB is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1111). CHB and its subsidiaries are principally engaged in the provision of banking and related financial services.

Pursuant to public information of CHB, CHB offers a wide range of retail and wholesale financial banking products which include HK\$ & foreign currency deposits, remittances, safe deposit boxes, credit cards, mortgages, wealth management, Capital Investment Entrant Scheme, mandatory provident fund service, trade finance, corporate banking and syndicated loans. Through its subsidiaries, it also offers securities trading, financial management and insurance services. CHB currently operates a network of 41 local branches in Hong Kong as well as branches in Guangzhou, Shenzhen, Shantou and Macau, sub-branches in Guangzhou Tianhe, Foshan, Nansha and Hengqin and representative offices in Shanghai and San Francisco.

The Company entered into the 2016 Bank Deposits Agreement with CHB on 29 November 2016, under which the aggregate maximum balance of the Bank Deposits on any given day were the Original Bank Deposits Annual Caps. For the reasons mentioned below, the Company would like to expand the size of its Bank Deposits with the CHB Group and entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017 to, among others, increase the annual caps in respect of the Bank Deposits for the years ending 31 December 2017, 2018 and 2019. Upon the approval by the Independent Shareholders, the 2017 Bank Deposits Agreement replaces and supersedes the 2016 Bank Deposits Agreement in its entirety and all amendments thereto with effect from the Effective Date.

Pursuant to the 2017 Bank Deposits Agreement, the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group on normal commercial terms from time to time during the term of the 2017 Bank Deposits Agreement, and the placing and maintenance of any Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for the Revision of the Bank Deposits Annual Caps

As set out under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits — Revised Bank Deposits Annual Caps” in the Letter, the Board considers that, from a strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposits Annual Caps and further its relationship with CHB so that CHB will become another major banker of the Group. The Board believes that if CHB does become another major banker of the Group, healthy competition may develop between CHB and the Existing Major Banker, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by either bank. In order to do so, it is necessary to adopt the Revised Bank Deposits Annual Caps pursuant to the 2017 Bank Deposits Agreement.

Further, the Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2017 Bank Deposits Agreement on the Group’s ability to source the services from other banks and the Group is at its sole discretion to make its selection according to the relevant rates being offered and quality of services being delivered by the banks.

The Group will take appropriate steps to ensure that: (1) there will be sufficient comparable market data for interest rate quotes available for the same term of deposit in the same period and the interest rate offered by the CHB Group; and (2) that the terms of the 2017 Bank Deposits Agreement would be no less favourable than the terms offered by other independent banks to the Group.

(b) Duration

Subject to the approval by the Independent Shareholders, the term of the 2017 Bank Deposits Agreement shall commence on the Effective Date and shall continue up to and including 31 December 2019. Subject to compliance with the Listing Rules, the 2017 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

(c) Pricing Policy

The 2017 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on: (1) in the case of deposits in Hong Kong, interest rates and other terms offered by or obtained from the other banks in Hong Kong to the Group; and (2) in the case of deposits in Mainland China, interest rates for deposits in Mainland China set with reference to the standard published by the PBOC and interest rates and other terms offered by or obtained from the other banks in Mainland China to the Group.

The Group will also take into account other factors, including among others, quality of services, safety of deposits, bank reputation and cooperation history when deposits are placed with the banks.

In order to ensure that the interest rates and other terms of the Bank Deposits (both saving and time deposits) are on normal commercial terms and no less favourable to the Group, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account the above other factors and make the selection decision in accordance with the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Standard Documentation, in such form acceptable to CHB Group and the Group, may further be entered into between the relevant members of the Group and CHB Group in order to give effect to, or facilitate, the Transactions.

(d) Historical Amounts

The historical aggregate balance of the Bank Deposits placed by the Group with the CHB Group as at the end of each of the years ended 31 December 2015 and 31 December 2016, and the period for the four months ended 30 April 2017, and the maximum daily outstanding balance of the Bank Deposits placed by the Group with the CHB Group on any given day during each of the same periods were as follows:

	For the year ended 31 December 2015 <i>(approximately)</i>	For the year ended 31 December 2016 <i>(approximately)</i>	For the four months ended 30 April 2017 <i>(approximately)</i>
Aggregate balance of the Bank Deposits as at the year/period end	HK\$263,076,562 (equivalent to RMB220,036,000)	HK\$263,947,226 (equivalent to RMB236,063,000)	HK\$639,452,548 (equivalent to RMB566,452,651)
Maximum daily outstanding balance of the Bank Deposits on any given day during the year/period	HK\$269,851,712 (equivalent to RMB213,690,174)	HK\$290,953,131 (equivalent to RMB250,501,917)	HK\$648,195,677 (equivalent to RMB575,461,640)

As at the Latest Practicable Date, the aggregate balance of the Bank Deposits was approximately HK\$639,526,065 (equivalent to approximately RMB566,517,775).

(e) Revised Bank Deposits Annual Caps

The aggregate maximum balance of the Bank Deposits on any given day was RMB580,000,000 (equivalent to approximately HK\$665,000,000) for each of the three years ending 31 December 2017, 2018 and 2019 under the 2016 Bank Deposits Agreement, respectively. Pursuant to the 2017 Bank Deposits Agreement, such aggregate maximum balance of the Bank Deposits on any given day shall increase to amounts not exceeding RMB4.0 billion, RMB5.5 billion and RMB7.0 billion (equivalent to approximately HK\$4,515,488,124, HK\$6,208,796,171 and HK\$7,902,104,217 respectively) for the years ending 31 December 2017, 2018 and 2019 respectively.

In determining the Revised Bank Deposits Annual Caps, the Directors (excluding the three executive Directors and two independent non-executive Directors who have a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) have taken into consideration the following:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The overall level of cash and cash equivalents of the Group has been increasing (as illustrated by the increase of its level of cash and cash equivalents from approximately RMB9.55 billion as at 31 December 2015 to approximately RMB17.69 billion as at 31 December 2016), and it is expected that, as the Group's business continues to grow, the level of its cash and cash equivalents would continue to increase and so would its overall deposits needs. So far, the Group has been placing a very significant amount of its deposits with one single bank (the "Existing Major Bank") (based on records available to the Company, in 2016, the Group had been placing deposits with the Existing Major Bank with a total daily balance of up to around RMB4 billion and the level of such deposits has further increased in 2017). The Group, on the other hand, has not been in a position to place such a significant amount of deposits with CHB given the limit of the Original Bank Deposits Annual Caps (in the amount of only RMB580 million). The Board considers that, from a strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposit Annual Caps and further its relationship with CHB so that CHB will become another major banker of the Group.

- (i) *If CHB becomes another major banker of the Group, the Group may benefit from any healthy competition that may develop between its two major bankers and a lower concentration risk in the longer run*

CHB is keen to further its relationship with the Company, and it is prepared to offer the best interest rate and other terms to the Group which are no less favourable than the interest rate and other terms that the CHB Group will offer to its other independent customers of similar scale and size for bank deposits of comparable tenure and amount at or about the time of placement, subject to the prevailing market conditions. The Board considers that, from a strategic standpoint, it would be in the interest of the Company to take this opportunity to further its relationship with CHB so that CHB will become another major banker of the Group. The Board believes that if CHB does become another major banker of the Group, healthy competition may develop between CHB and the Existing Major Banker, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by either bank.

By way of illustration, with the limit of the Original Bank Deposits Annual Caps, the total amount of deposits that may be placed by the Group with the CHB Group would be limited to RMB580,000,000, meaning the CHB Group would not be in a position to compete with the Existing Major Bank for any deposits above such amount. However, once the Revised Bank Deposit Annual Caps are approved, the CHB Group would be in a position to compete with the Existing Major Bank for the Group's deposits up to the amount of such caps, and the Existing Major Bank may need to consider offering even better deposit interest rates (or other terms) to the Group so as not to lose deposits from the Group to the CHB Group. In the longer run, the net result of this type of healthy competition between the two major bankers of the Group may be overall better deposit interest rates (or other terms) for the Group. By way of further illustration, assuming a deposit amount of RMB10 billion, should the competition between the two major bankers do result in a higher average deposit interest rate to the Group, for every 10 basis point of an increase in such deposit interest rate, the Group would receive RMB10 million more of deposit interests per year.

The Board also believes that in the longer run, if CHB does become another major banker of the Group, it would also help to lower any concentration risk that may arise if the Group is to continue to place reliance on one single major banker.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) *Subject always to its Internal Control Procedures, the Group may significantly increase the amount of deposits placed with the CHB Group*

From time to time, the Group will go through its internal control procedures (as set out in the section headed “Internal Control Procedures” in the Letter) (the “Internal Control Procedures”) before deciding to place deposits with the CHB Group. At the time, CHB also has the discretion to decide whether or not to offer quotations to the Group in respect of, for example, in respect of deposits which do not align with CHB’s business demands. Once it is shown, pursuant to the Internal Control Procedures, that the terms offered by the CHB Group are no less favourable than those offered by the other banks, the Group may significantly increase the total amount of deposits that it places with the CHB Group. It is expected that, subject always to the Internal Control Procedures, the amount of deposits to be placed by the Group with the CHB Group could reach a level close to the amount of deposits currently placed by the Group with its Existing Major Bank (i.e. with a total daily balance of up to around RMB4 billion, and further increasing as the Group’s business continues to grow). In such event, the Original Bank Deposits Annual Caps in the amount of only RMB580,000,000 would be entirely insufficient. The Revised Bank Deposits Annual Caps, on the other hand, would provide room for the Group to place a significantly higher amount of deposits with the CHB Group, subject always to the Internal Control Procedures, and thereby develop a major banker relationship with CHB, which as discussed in paragraph i above) would benefit the Group in the longer run.

According to the annual reports of the Group, the Group had cash and cash equivalents of approximately RMB7.88 billion, RMB9.55 billion and RMB17.69 billion as at 31 December 2014, 2015 and 2016, representing a year on year increase of approximately 55.9%, 21.1% and 85.3% respectively. The Revised Bank Deposits Annual Caps represents approximately 22.6%, 31.1% and 39.6% of total cash and cash equivalents of the Group for the year ended 31 December 2016.

We have reviewed, inter alia:

- (i) bank deposit balances of the Group at different banks in certain period of 2016, and noted that bank balances at different banks fluctuates from time to time according to business needs of the Group, and the Group has maintained cash balance with certain individual bank of RMB4 billion;
- (ii) bank deposit allocations of the Group at certain dates in 2016 and noted that the Group had cash deposit relationship with about 40 banks, from traditional giant national banks to smaller asset sized banks, and understand that such deposits were made pursuant to factors such as terms and services offered, operational requirement and business convenience; and
- (iii) certain deposit agreements entered into between the Group and CHB and between the Group and other independent banks which the Group placed similar amount of cash deposits, interest rates statements and calculations relating to interests offered and actually paid by CHB and other independent banks in 2016 and the first quarter of 2017 (“Sample Interest Rate Comparable Documents”) and noted that terms offered by CHB is no less favourable than the terms offered by third party banks.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above factors, in particular:

- (i) background and reasons and pricing policy of the Transactions, historical amount and factors the Directors have taken into consideration in order to determine the Revised Bank Deposits Annual Caps;
- (ii) the Group has utilized nearly all of its Original Bank Deposits Annual Caps for deposits at CHB;
- (iii) the fact that the Group has placed deposit of over RMB4 billion in certain bank at certain point of time depending on the financial management of the Group; CHB is only one of the banks that the Group will consider to place deposits at the amount of the Revised Bank Deposits Annual Caps at certain point in time according to its operational requirement; and the Group will only place deposit at CHB only if the terms offered by CHB is no less favourable than third parties banks;
- (iv) the Group needs flexibility in placing deposit with different banks (including CHB) which offers it terms commensurate with its business and cash management requirement and the Group has no obligation to place deposit at CHB;
- (v) the Revised Bank Deposits Annual Caps would only represent the maximum amount of deposit balance at CHB at certain point of time (i.e. it is not intended to be fixed deposit over a long period of time) to provide flexibility for the Group's operation requirement;
- (vi) the Original Bank Deposits Annual Caps if not revised would restrict the Company from accepting better deposit terms from CHB from time to time, if any; and
- (vii) cash balances of the Group as at 31 December 2014, 2015 and 2016 were RMB7.88 billion, RMB9.55 billion and RMB17.69 billion, representing a year on year increase of approximately 55.9%, 21.1% and 85.3% according to annual reports of the Company. The Revised Bank Deposits Annual Caps in 2018 and 2019 will increase at about 38% and 27% respectively, which is below the cash balance growth of the Group in the past three years. Based on the historical growth rate of cash balance of the Group and the property projects in the pipeline, the Company estimates that cash balance of the Group will continue to grow in 2017, 2018 and 2019 and the maximum amount of deposits to be placed by the Group in relevant banks (including CHB) will grow alongside with the growth in cash balances of the Group.

We concur with the Director's view that the Revised Bank Deposits Annual Caps are fair and reasonable and in the interest of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(f) Internal Control Procedures

In order to ensure that the pricing mechanism and terms of the Transactions under the 2017 Bank Deposits Agreement are fair and reasonable and no less favourable than the terms provided by any Independent Third Party to the Group, the Group has established and has been continually implementing a series of internal control procedures and external supervision measures as follows:

- 1) The Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. Each time before placing any Bank Deposits, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account a number of other factors and make the selection decision in accordance with the Listing Rules.
- 2) The Group will monitor the maximum daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the Revised Bank Deposits Annual Caps.
- 3) The Group will prepare a continuing connected transaction report (“CCT Report”) once every six months on Bank Deposits with the CHB Group which will be submitted to the Group’s audit committee for consideration. The content of the CCT Report includes, amongst others: (i) the aggregate balance and maximum daily outstanding balance of the Bank Deposits; (ii) a summary and comparison of the interest rates of the bank deposits with the CHB Group and the other independent banks during the relevant reporting period; and (iii) the status of compliance with the Revised Bank Deposits Annual Caps and utilization of the Revised Bank Deposits Annual Caps.
- 4) The Group’s audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits).
- 5) The external auditors of the Group will conduct a review of the interim financial information of the Group for six months ending 30 June of each financial year, and an audit of the consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to the Directors’ attention that causes them to believe that the continuing connected transactions (which include, among others, the Bank Deposits): (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the relevant cap (which, in the case of the Bank Deposits, is the Revised Bank Deposits Annual Caps). In addition, according to the Listing Rules, the independent non-executive Directors (or, in the case of the Bank Deposits, the independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

non-executive Directors who do not have a material interest in the Bank Deposits) will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the Bank Deposits) throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

As advised by the management of the Company, the aforesaid internal control policy of the Group has been implemented after the effective date of the 2016 Bank Deposits Agreement.

We have reviewed the Sample Interest Rate Comparable Documents for deposit placed by the Group in CHB and other third party commercial banks in 2016 and the first quarter of 2017. We noted that the Group obtained and compared interest rate of relevant deposits of similar size offered by at least two independent banks with that offered by CHB, and the interest rates of the relevant deposits the Group maintained with CHB of similar size were not less favourable than those offered by independent commercial banks.

After discussion with the management and finance department of the Group, which is responsible for the management of the cash balances of the Group including placing deposits into CHB for its subsidiaries, we were further advised that the finance department of the Group has, in the past 5 months after the effective date of the 2016 Bank Deposits Agreement, closely monitored the maximum daily outstanding balance of the Bank Deposits with the following procedures (“Monitoring Procedures”):

- (i) the finance department of the Group maintains an internal master control list on the aggregate deposits of the Group with CHB (“Master Control List”) on a daily basis;
- (ii) designated staff of the treasury unit of finance department of the Group (“Designated Finance Staff”) would confirm with CHB the deposit balances before any proposal for making additional deposits at CHB to ensure relevant deposit amount will not exceed the relevant annual caps (“CHB Confirmation”);
- (iii) the general manager of the finance department of the Group will approve, as appropriate, the proposed deposit with CHB after reviewing the documents prepared by the Designated Finance Staff and the proposed amount of additional deposit before actual placing of such additional deposits (“Approval Document”); and
- (iv) the Designated Finance Staff will update the Master Control List when there are changes to the Master Control List, such as after the deposits are placed with or withdrawn from CHB, or when new bank accounts are opened with CHB.

We have reviewed sample documents of the Monitoring Procedures, including the Master Control List, CHB Confirmation and Approval Document, and considered that such Monitoring Procedures are in place to ensure the Bank Deposits will not exceed the relevant annual caps.

In addition, the Company confirms to us that it will strictly implement the internal control procedures (3) to (5) above at the relevant time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, we concur with the Directors that the Company has put in place proper internal control procedures to ensure that the interest rate offered by the CHB Group for relevant deposits of the Group will be on no less favourable than that offered to the Group by independent commercial banks in compliance with the terms of the 2017 Bank Deposits Agreement and the Listing Rules.

RECOMMENDATION

Having considered the principal factors analysed above, we concur with Directors that (i) the transactions under the 2017 Bank Deposits Agreement are in the ordinary and usual course of business of the Company and on normal commercial terms; (ii) the terms of the 2017 Bank Deposits Agreement including the Revised Bank Deposits Annual Caps are fair and reasonable; and (iii) the entering into of the 2017 Bank Deposits Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution at the General Meeting to approve the 2017 Bank Deposits Agreement and the transactions contemplated thereunder.

The undersigned is a responsible officer of Yu Ming Investment Management Limited licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

Yours faithfully,

For and on behalf of

YU MING INVESTMENT MANAGEMENT LIMITED

Warren Lee

Managing Director

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016, respectively. These annual reports are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.yuexiuproperty.com>):

- annual report of the Company for the year ended 31 December 2014 published on 27 February 2015, pages 75 to 164;
- annual report of the Company for the year ended 31 December 2015 published on 27 February 2016, pages 80 to 164; and
- annual report of the Company for the year ended 31 December 2016 published on 23 February 2017, pages 87 to 169.

2. INDEBTEDNESS**Borrowings**

At the close of business on 31 March 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings and bank overdraft of approximately RMB42,377 million, comprising: (1) secured bank borrowings of approximately RMB12,585 million; (2) unsecured bank borrowings of approximately RMB15,767 million; and (3) unsecured other borrowings and overdraft of approximately RMB14,025 million.

The secured bank borrowings of the Group are secured by certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment and land use rights.

Contingent Liabilities

As at 31 March 2017, the Group had the following material contingent liabilities:

- (1) the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties amounting to approximately RMB11,298 million. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be liable for repaying the outstanding amount of principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group will be entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates; and

- (2) certain subsidiaries of the Group jointly and severally provided guarantee in respect of loans facilities amounting to approximately RMB3,026 million granted to certain associated entities and a jointly controlled entity of the Company, including, among others, a syndicated loan amounting to approximately RMB2,360 million borrowed by Yuexiu Real Estate Investment Trust with an effective period expiring on the date two years after the full repayment of the syndicated loan. The syndicated loan was fully repaid in 2016. As at 31 March 2017, the utilised amounts of these loan facilities amount to RMB138 million.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 March 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group did not have any other debt securities, any outstanding loan capital, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 March 2017 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations and the present facilities available, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this Circular in the absence of unforeseen circumstances.

4. EFFECT OF THE 2017 BANK DEPOSITS AGREEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The CHB Group in general offers interest rate no less than those offered by the other banks and financial institutions. The Company estimates that, if the maximum aggregate amount of deposits that the Group will place with the CHB Group will be RMB4,000,000,000, RMB5,500,000,000 and RMB7,000,000,000 respectively for the three years ending 31 December 2017, 2018 and 2019 respectively, there is no material effect on the Group's earnings as the interest income to be derived from the bank deposits placed with the CHB Group will be more or less the same as compared with that of other local banks. Similarly, there is also no material effect on the Group's assets as the Group can place similar amounts of deposits at banks other than the CHB Group.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2016, the revenue of the Group was approximately RMB20.87 billion, representing a year-on-year decrease of 5.6%. Profit attributable to equity holders was approximately RMB1.54 billion, representing a year-on-year increase of 52.1%. Core net profit (profit attributable to equity holders excluding fair value (losses)/gains on revaluation of investment properties and the related tax effect and net exchange (loss)/gain recognized in the consolidated income statement) was approximately RMB1.72 billion, representing a year-on-year increase of 38.6%.

In 2016, the Group recorded satisfactory sales performance and an increase in overall sales price by fully capitalizing opportunities of strong sales growth in the market resulting from favorable government policies of “eliminate inventory and stabilize growth” and implementing various market-oriented sales strategies to meet strong rigid and upgrading demand.

In 2016, the Group recorded an aggregate contracted sales (including contracted sales by joint venture projects) of approximately RMB30.25 billion, and the gross floor area of the aggregate contracted sales was approximately 2.33 million sq.m., representing a year-on-year increase of 21.7% and 2.5%, respectively. The full year contracted sales hit a new record, achieving approximately 117.3% of the full year contracted sales target of RMB 25.8 billion.

Looking ahead in 2017, the global economy will continue its slow recovery pace, accompanied with growing uncertainties. The domestic economy of the PRC is still at the critical stage of restructuring and upgrading under the new economic normality and the real economy is still facing relatively considerable challenge. Despite the above, it is expected that China’s macro economy will remain stable generally in 2017 but with certain downside risks.

In 2017 the real estate industry will continue to play an important role in stabilizing the economy and promoting growth. The policies toward the property market will be tightened with the aim to restore the real estate’s positioning of living function. In line with the need to deflate housing bubble, the government will continue to maintain its policy keynote that exerts stringent control over the real estate market, although policy tightening will be city- and market- specific. Therefore, it is expected that the sales volume of properties in key cities of PRC may be curbed while sales prices tend to be stable because of the short supply in comparison with demand.

Amid the tightening policy environment in key cities in PRC, the Group continued to achieve growth of sales in the first four months of 2017. The Group recorded an aggregate contracted sales (including contracted sales by joint venture projects) of approximately RMB 12.9 billion, representing a year-on-year increase of approximately 13%, accounting for approximately 39% of the 2017 contracted sales target of RMB 33 billion.

Looking forward, the Group will focus development and growth on three core regions, namely the Pearl River Delta, the Yangtze River Delta and Central China and strive to strengthen and optimize the business of development and operation of residential and commercial properties, seeking sustainable and steady growth of its core businesses. The Group will implement the operation-oriented refined management system, build a product and service system in line with customers’ need and will leverage on advantage of its state-owned enterprise resources platform to pursue great opportunities and fast growth. The group aims to further improve its debt structure, reduce financing costs and ensure sufficient liquidity to strengthen the financial support for the development of the Group’s business. The Group targets to develop itself into an outstanding enterprise in the industry and constantly create value for shareholders.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date.

7. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, the Company has made the following acquisition whose profits or assets make or will make a material contribution to the figures in the next published financial statements of the Company for the year ending 31 December 2017. The aggregate of the remuneration payable to and benefits in kind received by the directors of the acquiring company will not be varied in consequence of the acquisition.

Pursuant to a cooperation agreement dated 27 February 2017, Hangzhou Dongxiong Real Estate Development Ltd.* (“**Hangzhou Dongxiong**”), an indirect non-wholly owned subsidiary of the Company, shall acquire 31% of the equity interests in Guangzhou Huiqi Real Estate Development Ltd.*, as a result of which, among others, the Company’s aggregate indirect effective interest in Hangzhou Xingri Real Estate Development Ltd.*, a joint venture company, will increase from 31.95% to 49.03%. The total amount payable by Hangzhou Dongxiong in respect of its abovementioned acquisition (which includes capital commitments, shareholders’ loans and consideration for the equity transfer) is RMB1,080,598,000. Hangzhou Dongxiong is principally engaged in real estate development operations, property management, property rental, and interior and exterior decoration engineering.

Save as disclosed above, since 31 December 2016 (the date to which the latest published audited accounts of the Company have been made up), no member of the Group has acquired or agreed to be acquired or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors’ report or next published accounts of the Company.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors/ chief executive of the Company

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive (if any) of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date
Lin Zhaoyuan	Beneficial owner	373,464	0.003%
Li Feng	Beneficial owner	172,900	0.001%
Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.032%
Lee Ka Lun	Beneficial owner	3,200,000	0.026%
Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039%

Long positions in the shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares in associated corporation	% of the issued share capital of associated corporation as at the Latest Practicable Date
Lau Hon Chuen Ambrose	Yuexiu Transport Infrastructure Limited	Beneficial owner	195,720	0.012%
Lin Zhaoyuan	Yuexiu Transport Infrastructure Limited	Beneficial owner	120	0.00001%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive (if any) of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) **Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive (if any) of the Company, companies and/or persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date
GZYX (<i>Note</i>)	Interests of controlled corporations	6,159,447,662	49.67%
Yue Xiu Enterprises (Holdings) Limited	Interests of controlled corporations	6,159,447,662	49.67%

Note:

Pursuant to the SFO, GZYX is deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which are set out below:

Name	Long position in Shares
Yue Xiu Enterprises (Holdings) Limited	6,159,447,662
Superb Master Ltd.	401,989,620
Excellence Enterprises Co., Ltd. (“ Excellence ”)	5,749,874,187
Bosworth International Limited (“ Bosworth ”) (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. (“ Sun Peak ”)	978,065,907
Novena Pacific Limited (“ Novena ”) (Note ii)	978,065,907
Shine Wah Worldwide Limited (“ Shine Wah ”)	273,266,721
Morrison Pacific Limited (“ Morrison ”) (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. (“ Perfect Goal ”)	234,689,273
Greenwood Pacific Limited (“ Greenwood ”) (Note iv)	234,689,273
Seaport Development Limited (“ Seaport ”)	60,918,133
Goldstock International Limited (“ Goldstock ”) (Note v)	60,918,133
Yue Xiu Finance Company Limited	7,583,855

Notes:

- (i) 4,202,934,153 Shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu Enterprises (Holdings) Limited.
- (ii) 978,065,907 Shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

- (iii) 273,266,721 Shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 234,689,273 Shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 60,918,133 Shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of the Company or any options in respect of such capital.

As at the Latest Practicable Date: (i) Mr. Zhang Zhaoxing is a director of GZYG, Yue Xiu Enterprises (Holdings) Limited, Bosworth and Novena; (ii) Mr. Zhu Chunxiu is a director of GZYG, Yue Xiu Enterprises (Holdings) Limited, Excellence and Bosworth; (iii) Mr. Lin Zhaoyuan is a director of Excellence and Bosworth; (iv) Mr. Li Feng is a director of Excellence and Bosworth; and (v) Mr. Ou Junming is a director of Excellence. Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors (including the Directors who are proposed to retire and be subject to re-election at the upcoming 2017 annual general meeting of the Company, i.e. Mr. Zhu Chunxiu, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose) had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors which: (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period. There was no earlier service contract with the Company or any of its subsidiaries or associated companies for the Directors which had been replaced or amended within six months before the Latest Practicable Date.

4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS**Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Interests in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, there was no litigation or claim of material importance pending or threatened by or against the Company or any member of the Group.

7. EXPERT'S QUALIFICATIONS AND CONSENT

The following are qualifications of the expert who has given its opinion or advice which is included in this Circular:

Name	Qualification
Yu Ming Investment Management Limited	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Yu Ming Investment Management Limited does not have any shareholding, directly or indirectly, in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities

in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

Yu Ming Investment Management Limited has given its written consent and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letters and/or reports and/or references to its name in the form and context in which they respectively appear.

8. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the 2017 Bank Deposits Agreement;
- (ii) the cooperation agreement dated 27 February 2017 entered into between Hangzhou Jiangan District City Construction Integrated Development Ltd.* (杭州江幹區城市建設綜合開發有限公司), Mega Glory Enterprise Limited, Hangzhou Songju Shiye Investment Ltd.* (杭州松炬實業投資有限公司), Guangzhou Huiqi Real Estate Development Ltd.* (廣州匯企房地產開發有限公司), Hangzhou Dongxiong Real Estate Development Ltd.* (杭州東雄房地產開發有限公司) and China Merchants Property (Hangzhou) Ltd* (招商局地產(杭州)有限公司) in relation to the transfer of equity interests in Guangzhou Huiqi Real Estate Development Ltd. * (廣州匯企房地產開發有限公司);
- (iii) the equity transfer agreement entered into between GZYX and Guangzhou Su Rong Industrial Development Co., Ltd.* (廣州速榮實業發展有限公司) dated 7 November 2016 regarding the transfer of the entire equity interest in Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd.* (廣州中璟慧富房地產開發有限公司) by GZYX to Guangzhou Su Rong Industrial Development Co., Ltd. * (廣州速榮實業發展有限公司) and the assignment of the entire amount owing from Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd.* (廣州中璟慧富房地產開發有限公司) to GZYX on a dollar-for-dollar basis by GZYX to Guangzhou Su Rong Industrial Development Co., Ltd.* (廣州速榮實業發展有限公司);
- (iv) the agreement for the sale and purchase of all the issued shares in the capital of the Talent Sky Enterprises Limited dated 7 November 2016 entered into between YXE and Top Million Group Ltd. regarding the sale and purchase of one share representing all of the issued shares in the capital of Talent Sky Enterprises Limited and the assignment of the net amount owing from Talent Sky Enterprises Limited to Top Million Group Ltd. on a dollar-for-dollar basis by Top Million Group Ltd. to YXE;

- (v) the equity transfer agreement entered into among Virtue Joy Development Limited, Zhoushan Hongzhi Economic Information Consulting Co., Ltd.* (舟山宏智經濟信息諮詢有限公司), Zhoushan Xinde Business Development Co., Ltd.* (舟山欣德商貿發展有限公司), and Suzhou Xiangdong Island Real Estate Development Co., Ltd.* (蘇州向東島房地產開發有限公司) dated 23 October 2016 regarding the transfer of 50% of the equity interest in Zhoushan Xinde Business Development Co., Ltd.* (舟山欣德商貿發展有限公司) by Virtue Joy Development Limited to Zhoushan Hongzhi Economic Information Consulting Co., Ltd.* (舟山宏智經濟信息諮詢有限公司), which corresponds to 50% interest in the undeveloped portion of the subject land parcel;
- (vi) the equity transfer agreement entered into between Prime Profit International Holdings Limited (“**Prime Profit**”), 廣州雲秀房地產有限公司 and Guangzhou Lianheng Real Estate Co., Ltd.* (廣州聯衡置業有限公司) (“**Guangzhou Lianheng**”) dated 28 May 2016 in relation to the transfer of 2% of the equity interest in Guangzhou Hong Sheng Property Development Co., Ltd.* (廣州宏勝房地產開發有限公司) (“**Guangzhou Hong Sheng**”) by Prime Profit to 廣州雲秀房地產有限公司;
- (vii) the loan assignment agreement entered into between Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) (“**GZCCD**”), 廣州雲秀房地產有限公司, Guangzhou Hong Sheng and Prime Profit dated 28 May 2016 in relation to the assignment of the 2% of the entire amount owing from Guangzhou Hong Sheng to GZCCD and its affiliates on a dollar-for-dollar basis by GZCCD to 廣州雲秀房地產有限公司;
- (viii) the equity transfer agreement entered into between Prime Profit, Guangzhou Lianheng and Guangzhou Hong Sheng dated 13 April 2016 in relation to the transfer of 49% of the equity interest in Guangzhou Hong Sheng by Prime Profit to Guangzhou Lianheng;
- (ix) the loan assignment agreement entered into between GZCCD, Guangzhou Lianheng, Guangzhou Hong Sheng and Prime Profit dated 13 April 2016 in relation to the assignment of the 49% of the entire amount owing from Guangzhou Hong Sheng to GZCCD and its affiliates on a dollar-for-dollar basis by GZCCD to Guangzhou Lianheng;
- (x) the call option exercise agreement dated 12 June 2015 entered into between Guangzhou Hongjing Property Development Co. Ltd. (an indirect 95.48% owned subsidiary of the Company) (“**GHPD**”) and Guangzhou Yuexiu Renda No.5 Business Investment Enterprise (Limited Partnership) (“**Renda No. 5 LLP**”) in relation to the exercise of the call option by GHPD to acquire 45% equity interest in Guangzhou Zhongyao Industrial Investment Co., Ltd.* (廣州中耀實業投資有限公司) from Renda No. 5 LLP; and
- (xi) the equity transfer agreement dated 12 June 2015 entered into between GHPD and Renda No. 5 LLP in relation to the acquisition by GHPD of 45% equity interest in Guangzhou Zhongyao Industrial Investment Co., Ltd.* (廣州中耀實業投資有限公司) from Renda No. 5 LLP.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of the General Meeting:

- a) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- b) the articles of association of the Company;
- c) the letter from the Board, the text of which is set out on pages 4 to 13 of this Circular;
- d) the written consent referred to in the paragraph headed “Expert’s Qualifications and Consent” in this appendix;
- e) the annual reports of the Company for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively;
- f) this Circular.

10. MISCELLANEOUS

- a) The registered office of the Company is located at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- b) The company secretary of the Company is Mr. Yu Tat Fung, a Solicitor of the High Court of the Hong Kong Special Administrative Region.
- c) The share registrar of the Company is, Tricor Abacus Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- d) The English texts of this Circular shall prevail over the Chinese texts.

NOTICE OF GENERAL MEETING



(Incorporated in Hong Kong with limited liability)

(Stock code: 00123)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “**Meeting**”) of Yuexiu Property Company Limited (the “**Company**”) will be held at Plaza III & IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 6 June 2017 at 11 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution. Words and expressions that are not expressly defined in this notice of general meeting shall bear the same meaning as that defined in the circular to the shareholders of the Company dated 19 May 2017 (the “**Circular**”).

ORDINARY RESOLUTION

“**THAT:**

- (a) the 2017 Bank Deposits Agreement and the consummation of transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) as more particularly described in the Circular and on the terms and conditions set out in the 2017 Bank Deposits Agreement be hereby approved, ratified and confirmed; and
- (b) authorization be granted to any one Director to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the 2017 Bank Deposits Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 19 May 2017

NOTICE OF GENERAL MEETING

Registered Office:

26th Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Notes:

- 1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- 2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- 3) In order to be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
- 4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- 5) Where there are joint registered holders of any share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.
- 6) The register of members of the Company will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the general meeting of the Company to be held on Tuesday, 6 June 2017, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 31 May 2017.

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

Executive Directors:

ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and
OU Junming

Independent non-executive Directors:

YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose