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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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).

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00123)**

- (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**



**SOMERLEY CAPITAL LIMITED**

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A notice convening the General Meeting (as defined herein) of Yuexiu Property Company Limited to be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 22 October 2019 at 3:30 p.m. (or as soon as practicable immediately after the conclusion or adjournment of the general meeting of the Company to be held at 3:00 p.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 54, 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.

27 September 2019

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## DEFINITIONS

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

“2017 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in this Circular
“2017 Bank Deposits Agreement”	the master agreement dated 16 May 2017 entered into between the Company and CHB in relation to Bank Deposits
“2017 Circular”	has the meaning ascribed to it under the section headed “Introduction” in this Circular
“2020 Bank Deposits Agreement”	the master agreement dated 23 September 2019 entered into between the Company and CHB in relation to Bank Deposits
“Announcement”	the announcement of the Company dated 23 September 2019 in relation to the renewal of the renewals of continuing connected transactions of the Company in relation to the Bank Deposits
“Annual Cap”	the maximum daily outstanding balance of the Bank Deposits allowed to be placed by the Group with the CHB Group on any given day
“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
“Board”	the board of Directors
“Cash Holdings”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits – New Annual Caps” in this Circular

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## DEFINITIONS

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“Charged Deposits”	certain amounts of presale proceeds of properties as guarantee deposits for constructions of related properties that certain property development companies of the Group are required to be placed in designated bank accounts in accordance with relevant documents issued by local State-Owned Land and Resource Bureau as part of the Group’s sale process in its ordinary course of business
“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
“Circular”	this circular in relation to the Bank Deposits issued by the Company in accordance with the Listing Rules
“Company”	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, to approve the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“Group”	the Company and its subsidiaries
“GZYY”	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

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## DEFINITIONS

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“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising only 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 “Somerley Capital Limited”	Somerley Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders, other than YXE and its associate(s) and Mr. Li Feng, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph
“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
“Latest Practicable Date”	26 September 2019, 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 which, for the purpose of this Circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“New Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions and Major Transaction in relation to Bank Deposits – New Annual Caps” in this Circular
“PBOC”	The People’s Bank of China

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of Mainland China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary share(s) of the Company
“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 2020 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 2020 Bank Deposits Agreement
“US\$”	US dollar, the lawful currency of the United States of America
“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*

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## LETTER FROM THE BOARD

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# 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:*

LIN Zhaoyuan (*Chairman*)

LIN Feng

LI Feng

CHEN Jing

LIU Yan

*Registered office:*

26th Floor, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

*Non-executive Director:*

OUYANG Changcheng

*Independent non-executive Directors:*

YU Lup Fat Joseph

LEE Ka Lun

LAU Hon Chuen Ambrose

27 September 2019

*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

Reference is made to the announcement of the Company dated 17 May 2017 (the “**2017 Announcement**”), the circular of the Company dated 19 May 2017 (the “**2017 Circular**”) and the Announcement regarding the renewals of continuing connected transactions of the Company in relation to the Bank Deposits with the CHB Group.

The purpose of this Circular is to provide you with, among other things: (i) further information on 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.

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO BANK DEPOSITS

#### Background

As disclosed in the 2017 Announcement and the 2017 Circular, the Company entered into the 2017 Bank Deposits Agreement with CHB on 16 May 2017, the term of which will expire on 31 December 2019.

On 23 September 2019, the Company entered into the 2020 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2017 Bank Deposits Agreement.

Pursuant to the 2020 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 2020 Bank Deposits Agreement, and the placing and maintenance of any such Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers of similar size to the Group from time to time.

#### Duration

Subject to the approval by the Independent Shareholders at the General Meeting, the term of the 2020 Bank Deposits Agreement shall commence on 1 January 2020 and shall continue up to and including 31 December 2022. Subject to compliance with the Listing Rules, the 2020 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

#### Conditions Precedent

The 2020 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the General Meeting. If that condition is not fulfilled on or before 31 December 2019 or such later date as agreed between the Company and CHB, the 2020 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

#### Pricing Policy

The 2020 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 the CHB Group and at least two other independent 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 interest rates published by the PBOC and interest rates and other terms offered by the CHB Group and at least two other independent banks in Mainland China to the Group.



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## LETTER FROM THE BOARD

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In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may be executed in order to facilitate the Transactions.

### Historical Annual Caps and Amounts

The Annual Caps in respect of the Bank Deposits under the 2017 Bank Deposits Agreement for the years ended 31 December 2017 and 2018 and for the year ending 31 December 2019 were RMB4,000,000,000, RMB5,500,000,000 and RMB7,000,000,000 respectively.

The highest daily outstanding balance of the Bank Deposits actually placed by the Group with the CHB Group on any given day during each of the years ended 31 December 2017 and 31 December 2018 and the period of six months ended 30 June 2019 were as follows:

	For the year ended 31 December 2017 <i>(approximately)</i>	For the year ended 31 December 2018 <i>(approximately)</i>	For the six months ended 30 June 2019 <i>(approximately)</i>
Highest daily outstanding balance of the Bank Deposits on any given day during the year/period	RMB3,568,000,000	RMB2,398,000,000	RMB5,381,000,000

### New Annual Caps

As the scale of the Group's business and operation continues to grow, it is expected that its total assets, and the level of cash and cash equivalents as well as Charged Deposits (collectively, "**Cash Holdings**") held or maintained by it from time to time, may increase correspondingly. By way of illustration, the total assets of the Group grew from approximately RMB133.1 billion as at 31 December 2017 to approximately RMB168.8 billion as at 31 December 2018, and further to approximately RMB208.3 billion as at 30 June 2019; and the level of its Cash Holdings grew from approximately RMB20.79 billion (comprising cash and cash equivalents of approximately RMB16.65 billion and Charged Deposits of approximately RMB4.14 billion) as at 31 December 2017 to approximately RMB27.16 billion (comprising cash and cash equivalents of approximately RMB21.99 billion and Charged Deposits of approximately RMB5.17 billion) as at 31 December 2018, and further to approximately RMB31.58 billion (comprising cash and cash equivalents of approximately RMB24.50 billion and Charged Deposits of approximately RMB7.08 billion) at 30 June 2019.

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## LETTER FROM THE BOARD

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A higher Annual Cap would allow the Group to benefit more from a healthy competition amongst the CHB Group and the other banks. By way of illustration, the amounts of bank deposits required to be made by the Group would be particularly high when the Group receives proceeds from a major fund raising exercise (e.g. bond issue and issue of Shares) and when the Group is engaged in a significant acquisition or disposal. For example, the Company received cash proceeds of approximately US\$1.195 billion from its US\$ bonds issue (equivalent to approximately RMB7.517 billion based on the then prevailing exchange rate) in April 2018, and the Company received cash proceeds of approximately HK\$6.2 billion (equivalent to approximately RMB5.30 billion based on the then prevailing exchange rate) from the subscription of Shares by its strategic investor in the first half of 2019. The Group would not be in a position to invite the CHB Group to provide quotations and compete with the other banks for this type of sizable deposits if the relevant Annual Cap does not allow enough room for the Group to do so.

Having considered the above, the Company proposes to set the Annual Caps at RMB8,500,000,000, RMB10,000,000,000 and RMB12,000,000,000 for the years ending 31 December 2020, 2021 and 2022, respectively (the “**New Annual Caps**”). The Company considers that the level of increments in such New Annual Caps is reasonable taking into account the business development of the Group.

### INTERNAL CONTROL PROCEDURES

The Group has established internal control procedures as follows:

- (1) Bank Deposits will only be placed with the CHB Group by the Group on a non-exclusive basis. In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, each time before placing any Bank Deposits, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.
- (2) The Group will monitor the highest daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the New Annual Caps.
- (3) The Group will prepare a continuing connected transaction report once every six months on Bank Deposits with the CHB Group which will be submitted to the Group’s audit committee for consideration. Such a report will cover (among other things) the status of compliance with the New Annual Caps and utilization of the New Annual Caps.

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## LETTER FROM THE BOARD

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- (4) The Group's audit committee will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits) at least twice a year.
- (5) The auditors of the Group will, in addition to its interim review and year-end audit, issue a letter to the Board in relation to, among others, the Transactions 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 Transactions: (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 2020 Bank Deposits Agreement; and (iv) have exceeded the New Annual Caps. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Company.

The Company is satisfied that it has an adequate system of controls to safeguard the Transactions, and to provide information for the independent non-executive Directors and auditors to properly review the Transactions annually.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in property development and investment. The Group has to maintain deposits with banks, primarily in Hong Kong and Mainland China, 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 a reputable and long-established authorized institution in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities. The Company believes that it would be in the interest of the Group to engage the services of the CHB Group, being the placing of Bank Deposits with the CHB Group in this case, on a non-exclusive basis subject always to the Group's internal control procedures and the applicable Annual Caps. For the reasons discussed in the sub-section headed "New Annual Caps" under the section headed "Continuing Connected Transactions and Major Transaction in relation to Bank Deposits" above, the Company considers that the New Annual Caps have been reasonably determined taking into account the business development of the Group.

The Directors (excluding the Directors who have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2020 Bank Deposits Agreement have been entered into on normal commercial terms and in the ordinary and usual course of the Group's business, and that the transactions contemplated thereunder (together with the New Annual Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, provided that the independent non-executive Director's view is subject to the advice of Somerley Capital Limited, the independent financial adviser appointed by the Company, and the opinion of the Independent Board Committee will be set forth in the circular to be despatched to the Shareholders.

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## LETTER FROM THE BOARD

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### 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 Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2020 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions constitute a major transaction of the Company and are subject to 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. LI Feng and Ms. CHEN Jing, the executive Directors, and Mr. LEE Ka Lun and Mr. YU Lup Fat Joseph, the independent non-executive Directors, are also serving as directors of CHB, each of them is regarded as having a material interest in the transactions contemplated under the 2020 Bank Deposits Agreement and has abstained from voting on the relevant board resolutions of the Company.

### INFORMATION ON THE COMPANY AND CHB

#### The Company

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

#### 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.

### 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 Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph are regarded as having a material interest in the transactions contemplated under the 2020 Bank Deposits Agreement, an independent board committee comprising only Mr. Lau Hon Chuen Ambrose has been established to advise the Independent Shareholders in connection with the 2020 Bank Deposits Agreement and the transactions contemplated thereunder.

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## **LETTER FROM THE BOARD**

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Somerley Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 18 October 2019 to Tuesday, 22 October 2019 (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 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 the Company's Hong Kong share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 17 October 2019.

### **GENERAL MEETING**

The General Meeting will be held at 3:30 p.m. (or as soon as practicable immediately after the conclusion or adjournment of the general meeting of the Company to be held at 3:00 p.m. on the same date and at the same place) on Tuesday, 22 October 2019 at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolution 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 54, 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 resolution 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 and who have a material interest in the Transactions, will abstain from voting at the General Meeting in respect of the proposed resolution to approve the proposed Transactions. 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 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps), therefore no other Shareholder would be required to abstain from voting on the relevant resolution to be proposed at the General Meeting.

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## LETTER FROM THE BOARD

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You can vote at the General Meeting if you are an Independent Shareholder on Tuesday, 22 October 2019, 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

The resolution 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 <http://www.hkexnews.hk> and the website of the Company at <http://www.yuexiuproperty.com>.

### RECOMMENDATION

The Directors (excluding the two 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 Bank Deposits 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 two 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**  
**Lin Zhaoyuan**  
*Chairman*



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

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 00123)**

27 September 2019

*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 27 September 2019 (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. Somerley Capital Limited has been appointed to advise the Independent Shareholders and us in this regard. 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 14 to 23 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 2020 Bank Deposits Agreement 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in the Circular.*



**SOMERLEY CAPITAL LIMITED**

**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

27 September 2019

*To: The Independent Board Committee and the Independent Shareholders of Yuexiu Property Company Limited*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the entering into of the 2020 Bank Deposits Agreement between the Company and CHB in relation to deposits maintained by the Group with the CHB Group, and the transactions contemplated thereunder (including the New Annual Caps) (the “**Transactions**”). Details of the 2020 Bank Deposits Agreement and Bank Deposits are contained in the circular to the Shareholders dated 27 September 2019, of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company. In addition, as the applicable percentage ratios under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2020 Bank Deposits Agreement exceed 25% but are below 100%, the Transactions also constitute a major transaction of the Company. Thus, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

Since the Transactions constitute continuing connected transactions and require Independent Shareholders' approval, an independent board committee has been set up to advise the Independent Shareholders on the Transactions and how to vote at the General Meeting.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As stated in the letter from the Board, as Mr. Li Feng and Ms. Chen Jing, the executive Directors, and Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, the independent non-executive Directors, are also serving as directors of CHB, each of them is regarded as having a material interest in the Transactions and has abstained from voting on the relevant board resolutions of the Company and thus the Independent Board Committee only comprises Mr. Lau Hon Chuen Ambrose.

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 and who have a material interest in the Transactions, will abstain from voting at the General Meeting in respect of the relevant resolution to approve the Transactions.

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the Transactions, therefore no other Shareholder would be required to abstain from voting on the relevant resolution to be proposed at the General Meeting.

We, Somerley Capital Limited, are not associated with the Company, YXE, their respective substantial shareholders or associates, and accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us by the Company in connection with this engagement, no arrangement exists whereby we will receive any other fees or benefits from the Company, YXE, their substantial shareholders or associates.

During the past two years, we acted as the independent financial adviser and issued an opinion letter regarding (i) the Company's continuing connected transactions relating to tenancy agreements entered into on 10 July 2018 and 31 May 2019 and foreign exchange transactions entered into on 21 August 2019; (ii) Yuexiu Transport Infrastructure Limited's continuing connected transactions relating to bank deposits as contained in its circular dated 14 May 2018; connected transactions relating to foreign exchange forward contracts as announced on 20 June 2019; and a major and connected transaction relating to the acquisition of interests in companies operating three expressways in Hubei Province, the PRC as announced on 12 September 2019; and (iii) Yuexiu Real Estate Investment Trust's discloseable and connected party transactions relating to the acquisition of 67% of a commercial property in Wuhan, and certain continuing connected transactions; and the waiver in respect of ordinary banking and financial services, as contained in its circulars dated 15 November 2017 and 10 May 2019, respectively. The past engagements were limited to providing independent advisory services to the independent board committee of the Company, Yuexiu Transport Infrastructure Limited, Yuexiu REIT Asset Management Limited and their respective independent shareholders/unitholders pursuant to the Listing Rules and Code on Real Estate Investment Trusts (as the case may be). Under the past engagements, Somerley Capital Limited received normal professional fees from the Company, Yuexiu Transport Infrastructure Limited and Yuexiu REIT Asset Management Limited. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Company, YXE, and their respective substantial shareholders

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and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Transactions.

In formulating our opinion and recommendation, we have reviewed, among other things, the 2017 Bank Deposits Agreement and 2020 Bank Deposits Agreement, the annual report of the Company for year ended 31 December 2018 (the “**2018 Annual Report**”), the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) and the information set out in the Circular. We have also discussed with the management of the Group regarding the businesses of and the commercial implications of the Transactions on the Group.

In addition, we have relied on the information and facts supplied, and the opinions and intention expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete and will remain true, accurate and complete up to the time of the General Meeting. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

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

#### **2. Information on 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.

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### 3. Reasons for and benefits of the Transactions

As stated in the letter from the Board, the Group has to maintain deposits with banks, primarily in Hong Kong and Mainland China, 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 a reputable and long-established authorized institution in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities. The management of the Group considers that it would be in the interest of the Group to adopt the New Annual Caps and maintain its relationship with CHB. The management of the Group believes that the Group benefits from healthy competition among CHB and other banks resulting in better deposit rates (or other terms) being offered to the Group by any of the banks. Therefore, the management of the Group considers that it would be beneficial to the Company to renew its existing arrangements with CHB under the 2017 Bank Deposits Agreement by entering into the 2020 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 2020 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 2020 Bank Deposits Agreement would be no less favourable than the terms offered by other independent banks to the Group.

As at 31 December 2018, the Group's cash and cash equivalents (including charged deposits) amounted to approximately RMB27.16 billion, as compared to approximately RMB20.79 billion as at 31 December 2017, representing a year-on-year growth of approximately 30.6% and as at 30 June 2019, it further increased to approximately RMB31.58 billion. We have reviewed eight fixed deposit advices issued by CHB for the Company's deposit placement for 1-day to 1-month since the beginning of 2017 and each of which has been supported by two quotations from independent banks and noted that deposit rates offered by CHB were no less favourable than and sometimes compared favourably with those by independent banks. We have also reviewed 15 sets of sampled deposit rate quotations from both CHB and independent banks given to the Group since the beginning of 2018 and noted that deposit rates (both saving and time deposits) offered by CHB compared favourably with those by independent banks. In view of the increasing positive cashflow from the operations of the Group and the favourable terms sometimes offered by CHB, the entering into of the 2020 Bank Deposits Agreement, which is on a voluntary and non-exclusive basis, and the adoption of the New Annual Caps would allow flexibility to the Group's overall cashflow management and help secure the best terms from the banks (including CHB) from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Based on the above, we concur with the Directors' view that the 2020 Bank Deposits Agreement has been entered into in the ordinary and usual course of the Group's business and is in the interests of the Company and its Shareholders as a whole.

#### **4. Principal terms of the 2020 Bank Deposits Agreement**

As the term of the 2017 Bank Deposits Agreement and the relevant annual caps therefor are due to expire by the end of December 2019 and based on the reasons set out in the section headed "3. Reasons for and benefits of the Transactions" above, the Company entered into the 2020 Bank Deposits Agreement with CHB on 23 September 2019 for the purpose of renewing the term of the agreement for a further three years and proposing the annual caps in respect of the Bank Deposits for the three years ending 31 December 2022. Subject to the approval by the Independent Shareholders, the term of the 2020 Bank Deposits Agreement shall commence on 1 January 2020.

Pursuant to the 2020 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 2020 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 of similar size to the Group from time to time.

The 2020 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 the CHB Group and at least two other independent 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 interest rates published by the PBOC and interest rates and other terms offered by the CHB Group and at least two other independent banks in Mainland China to the Group.

In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account other factors (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

We have reviewed the 2017 Bank Deposits Agreement and the 2020 Bank Deposits Agreement and noted that the terms of the two agreements are substantially the same. We have also reviewed samples of (i) fixed deposit advices issued by CHB to the Company for the term deposits placed with CHB since the beginning of 2017 and each of which have been supported by two quotations from independent banks; and (ii) quotations from other independent banks since the beginning of 2018, and noted that the interest rates offered for Bank Deposits with CHB is no less favourable than those offered by other independent banks.

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In view of the above and having also considered (i) the terms of the 2020 Bank Deposits Agreement are substantially the same as the 2017 Bank Deposits Agreement; and (ii) the internal control procedures in place to monitor the transactions under the 2020 Bank Deposits Agreement as set out in the section headed “5. Internal control procedures” below, we consider the terms of the 2020 Bank Deposits Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### **5. Internal control procedures**

Once the Group has evaluated its business needs at the time and decided to place its cash as bank deposits, in order to ensure that the pricing mechanism and terms of the Transactions under the 2020 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) Bank Deposits will only be placed with the CHB Group by the Group on a non-exclusive basis. In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, each time before placing any Bank Deposits, the Group will compare the quotations offered by the CHB Group with those of at least two other independent banks. The Group may also take into account factors, including (among others) quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.
- (2) The Group will monitor the highest daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the New Annual Caps.
- (3) The Group will prepare a continuing connected transaction report once every six months on Bank Deposits with the CHB Group which will be submitted to the Group’s audit committee for consideration. Such a report will cover (among other things) the status of compliance with the New Annual Caps and utilization of the New Annual Caps.
- (4) The Group’s audit committee will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits) at least twice a year.
- (5) The auditors of the Group will, in addition to its interim review and year-end audit, issue a letter to the Board in relation to, among others, the Transactions 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 Transactions: (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

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transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the 2020 Bank Deposits Agreement; and (iv) have exceeded the New Annual Caps. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Company.

We have reviewed samples of quotation documents and records maintained by the Group in 2017, 2018 and the first half of 2019, and noted that the Group has obtained quotations for deposit rates offered by at least two independent banks and compared them with that offered by CHB before placing any Bank Deposits, which is in line with the item (1) of the internal control procedures as stated above and has ensured that the interest rates for Bank Deposits placed with CHB are no less favourable than those provided by any Independent Third Party. We have also reviewed the continuing connected transaction report as mentioned in item (3) above and we are of the view that nothing material has led us to cast doubt on the effectiveness of the Company's internal control measures to ensure the transactions contemplated under the 2020 Bank Deposits Agreement to be conducted in accordance with the pricing policies under the 2020 Bank Deposits Agreement and on normal commercial terms.

In view of the above, we concur with the Company's view 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 2020 Bank Deposits Agreement.

### 6. The New Annual Caps

Set out below are the New Annual Caps for each of the three years ending 31 December 2020, 2021 and 2022:

	For the financial year ending 31 December		
	2020	2021	2022
Highest daily outstanding balance of the Bank Deposits on any given day	RMB8,500 million	RMB10,000 million	RMB12,000 million

We have discussed with the management of the Group the main factors considered and basis of determining the New Annual Caps, which are set out as follows:

#### (i) Cash balances of the Group

As discussed with the management of the Group, the issuance of offshore bonds in 2018 and new Shares upon subscription by a strategic investor in the first half of 2019 for strengthening the financial position of the Group as well as the Group's business expansion had increased the demand for bank services (including deposit services). Moreover, the cash and cash equivalents (including charged deposits) of the Group grew from approximately

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RMB20.79 billion as at 31 December 2017 to approximately RMB27.16 billion as at 31 December 2018, and further to approximately RMB31.58 billion as at 30 June 2019, representing a year-on-year increase of approximately 30.6% and an increase of approximately 16.3% in 6-month period, respectively (the cash and cash equivalent level (including charged deposits) in the first half of 2019 was around 1.52 times as compared to 2017). As the Group's business and scale of operation continue to grow, it is expected that the level of its cash and cash equivalents will continue to increase and so will its needs for deposit services.

### (ii) Historical deposit balances with CHB

The highest daily outstanding balance of the Bank Deposits for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 and the 2017 Bank Deposits Annual Caps, which has been extracted from the letter from the Board and the circular of the Company dated 19 May 2017 are set out as follows:

	For the financial year		For the six
	ended 31 December		months
	2017	2018	ended 30
			June
			2019
Highest daily outstanding balance of the Bank Deposits on any given day during the year/period	RMB3,568 million	RMB2,398 million	RMB5,381 million
2017 Bank Deposits Annual Caps	RMB4,000 million	RMB5,500 million	RMB7,000 million

As shown in the above table, the highest daily outstanding balance of the Bank Deposits on any given day increased from RMB3,568 million in 2017 to RMB5,381 million in the first half of 2019, representing a compound annual growth of approximately 31.5% and the actual highest outstanding balance of Bank Deposits in the first half of 2019 already accounted for approximately 76.9% of the annual cap for 2019 of RMB7,000 million. In view of the increasing cash level of the Group, we are of the view that it is reasonable to make an adjustment to the New Annual Caps to cater for the Group's deposits needs.

### (iii) Basis of the New Annual Caps

We are advised by the management of the Group that a higher Annual Cap would allow the Group to compare quotations from not only independent banks but also the CHB Group for sizeable deposits and thus benefit more from a healthy competition amongst the CHB Group and the other banks.

As advised by the management of the Group, the Company has had financing or acquisitions involving relatively large amounts, for example, the issuance of 1.2 billion USD-denominated bonds in April 2018, the financing of over HK\$6 billion from the issuance

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of the Company's shares to Guangzhou Metro Group Co., Ltd ("Guangzhou Metro") and the acquisition of a real estate project from GZYX and Guangzhou Metro for the consideration of approximately RMB14 billion in the first half of 2019 and these actions would trigger a short-term increase in the balance of deposits from time to time.

We have been provided with the daily balances of the Bank Deposits for the six-month period ended 30 June 2019 and noted that (i) the Bank Deposits balance ranged from approximately RMB0.1 billion to RMB5.4 billion, both recorded in April 2019; and (ii) the balance of the Bank Deposits was more than RMB1.0 billion in 110 days out of a total of 181 days. As advised by the management of the Group, the significant changes in the balances of Bank Deposit in April 2019 was due to completion of the acquisition of property projects in Guangzhou by the Group (the consideration of which amounted to about RMB14.1 billion) and completion of subscription of new shares of the Company by Guangzhou Metro (the proceeds of which amounted to about HK\$6.2 billion or RMB5.3 billion (the "**Subscription Money**")). Hence, the Group, in view of the annual cap for 2019 of RMB7 billion, has carefully managed the Bank Deposits and allowed sufficient room before reaching the annual cap at that time. Given the aggregate amount of (i) the average balance of the Bank Deposits in April 2019 being approximately RMB1.6 billion and (ii) the Subscription Money being approximately RMB5.3 billion is close to the annual cap for 2019, the management of the Group considers the setting of the annual caps for the three years ending 31 December 2022 based on the utilization of the annual cap for 2019 to be appropriate.

In terms of the projected increase in the New Annual Caps for the three years ending 31 December 2022, reference has been made to the total assets of the Group which grew from approximately RMB168.8 billion as at 31 December 2018 to approximately RMB208.3 billion as at 30 June 2019, representing an increase of about 23.4%. The management of the Group has also taken into the account of the Group's normal business growth and the financing, acquisitions or other capital operation projects conducted and to be conducted by the Group which often requires Bank Deposits services from time to time and thus has adopted an annual increase of 20% to project the annual caps for 2020 – 2022.

Having considered the above and also the internal control procedures in place to monitor the transactions under the 2020 Bank Deposits Agreement as set out in the section headed "5. Internal Control Procedures" above, we consider the basis for determining the New Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the 2020 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore



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advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the Transactions.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
Jenny Leung  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the SFO and have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2016 and 2017 and 2018, the unaudited consolidated financial information of the Group for the six months ended 30 June 2019, and the audited consolidated financial statements of companies acquired since 31 December 2018 (being the date of the last published audited accounts of the Group) in respect of which an accountants' report has already been submitted to Shareholders for the period from the date of incorporation of the relevant company to 31 December 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.yuexiuproperty.com/>):

- Annual report for the year ended 31 December 2016 (pages 87 to 169):  
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN20170426238.pdf>
- Annual report for the year ended 31 December 2017 (pages 86 to 172):  
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0404/LTN20180404003.pdf>
- Annual report for the year ended 31 December 2018 (pages 89 to 190):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418666.pdf>
- Interim report for the six months ended 30 June 2019 (pages 25 to 66):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0925/ltn20190925299.pdf>
- The circular of the Company dated 18 March 2019 in relation to the GH Subscription and GH Acquisitions (in each case as defined in Appendix II to this circular) (pages IIA-1 to IIB-24):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0318/ltn20190318043.pdf>

## 2. INDEBTEDNESS

### Borrowings

At the close of business on 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings, bank overdraft and lease liabilities of approximately RMB67.51 billion, comprising: (1) secured bank borrowings and other borrowings of approximately RMB17.16 billion; (2) unsecured bank borrowings of approximately RMB16.06 billion; (3) unsecured other borrowings and overdraft of approximately RMB33.92 billion; and (4) unsecured lease liabilities of approximately RMB0.37 billion.

The bank and other borrowings 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 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, 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. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be liable for repaying the outstanding mortgage principals 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. As at 2 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the total contingent liabilities relating to these guarantees amounted to approximately RMB11.62 billion; and
- (2) certain subsidiaries of the Group provided guarantee up to a limit of approximately RMB2.14 billion in respect of loans borrowed by joint ventures and associated entities of the Group, among which, guarantee of approximately RMB1.50 billion was utilised and guarantee of approximately RMB0.64 billion was not utilised yet.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 2 August 2019, 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 2 August 2019 up to and including the Latest Practicable Date.

**3. WORKING CAPITAL SUFFICIENCY**

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 for at least the next 12 months from the date of this Circular in the absence of unforeseen circumstances.

#### **4. EFFECT OF THE 2020 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 deposit amount the Group will deposit with the CHB Group will be RMB8,500,000,000, RMB10,000,000,000 and RMB12,000,000,000 respectively for the next three years, there is no material effect on the Group's earnings as the interest income to be derived from the bank deposits at 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 the similar amount of deposits at banks other than the CHB Group.

#### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Looking forward to the second half of 2019, the global economy will still face many risk factors such as the China-US trade conflicts, British hard Brexit and geopolitical risks that will pose enormous uncertainties to the growth in the global economy. Therefore, it is expected that the development of the global economy will slow down. Meanwhile, in response to the slow-down in the global economy and support for economic growth, major developed economies and developing economies will adopt looser policies, and also the Federal Reserve has cut interest rates, which will be conducive to the stabilization and recovery of the global economy in the second half of the year. China's economy as well will face a number of external environmental challenges. In particular, the prospect of China-US trade conflicts will bring certain uncertainties to China's economic growth. Thus macroeconomy will face more significant downward pressure in the second half of the year. However, in response to the uncertainties from the external factors of the country's economic growth, the Chinese government is expected to continue to increase its supporting macroeconomic growth and continue to implement a proactive fiscal policy and a moderately prudent monetary policy. Besides, it will continue to deepen supply-side reforms and strengthen drive from innovation to accelerate the upgrading of industries and consumption structure. As Chinese market is enormous with huge potential for industrial upgrading, the country will speed up the pace of reform and opening up continuously. With the support of the policy "Six Stabilities" and favorable measures, China's macroeconomy is expected to maintain a steady growth trend as a whole in the second half of 2019.

In 2019, as an essential pillar of the national economy, the real estate industry is expected to remain stable as a whole. The control policies on the property market will continue to remain stable, adhering to the keynote of "housing for living in rather than for speculation", focusing on city-specific policies and categorized control, speeding up the long-term mechanism of the property market, and ensuring the steady and healthy development of the real estate industry. The property market is expected to remain stable in general supply and the space for price increases will be limited with continuous market differentiation. The market development of the tier-1 and key tier-2 cities will be steady, while the market demand in tier-3 and tier-4 cities is relatively weak. Therefore, the downward pressure is relatively high. However, firsthome buyers and upgraders will still dominate the overall market demand. On the one hand, the

government will implement the categorized control over “city-specific policies” for the land market of different cities, continue to increase the supply of land in overheating cities to lower the premium of land and control housing prices. On the other hand, the government will stabilize housing prices in falling property markets by reducing land supply and optimizing land structure. Supply of credit fund will remain moderate in general in response to the economic downturn. The financing environment of property developers will be steady and tight, and the government will strengthen the supervision of real estate financing to control the industry risks effectively.

## 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 2018, being the date to which the latest published audited consolidated financial statements of the Company 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 2018, being the date to which the latest published audited financial statements of the Company were made up, the Company has made the following acquisitions 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 2019. 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.

On 27 February 2019, the Company entered into a conditional subscription agreement with the Guangzhou Metro Investment Finance (HK) Limited (a wholly-owned subsidiary of 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*) (“**Guangzhou Metro**”)) relating to the proposed subscription by the Guangzhou Metro Investment Finance (HK) Limited of 3,080,973,807 Shares of the Company (“**Subscription Shares**”) at the subscription price of HK\$2.00 per Subscription Share, i.e. a total consideration of HK\$6,162 million (equivalent to approximately RMB5,276 million). The Subscription Shares represent approximately 19.9% of the enlarged issued Shares after the allotment and issuance of the Subscription Shares. Simultaneously with the entering into of the Subscription Agreement above, 廣州雲湖房地產開發有限公司 (Guangzhou Yunhu Real Estate Development Co., Ltd.\*) (“**Yunhu Company**”) (an indirectly non-wholly owned subsidiary of the Company) entered into a set of acquisitions agreements (“**GH Acquisitions Agreements**”) with 東緯有限公司 (Easyway Incorporation Limited\*) (“**Easyway**”), a wholly-owned subsidiary of GZYX, and Guangzhou Metro respectively, pursuant to which Yunhu Company has conditionally agreed to acquire, directly or indirectly, an aggregate of 86% of the equity interest in 廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited\*) (“**Pinxiu Company**”) together with the related balances due to GZYX and Guangzhou Metro. The total consideration

for the GH Acquisitions Agreements was approximately RMB14.08 million in aggregate. Yunhu Company obtained control of Pinxiu Company on 11 April 2019. Upon such date of acquisition, Pinxiu Company became an indirect non-wholly owned subsidiary of the Company.

On 26 April 2019, Guangzhou Yingsheng Investment Co., Ltd. (“**Yingsheng Company**”) (an indirectly non-wholly owned subsidiary of the Company) and Guangzhou Greenland Property Development Co., Ltd. (“**Greenland Company**”), an Independent Third Party, entered into the voting right transfer agreement under which Greenland Company agreed to transfer 1% of shareholder’s voting right in Guangzhou Huibang Property Co., Ltd. (“**Huibang Company**”) to Yingsheng Company at nil consideration. The transaction was completed on 30 April 2019. Upon completion of the transaction, Yingsheng Company’s voting right in Huibang Company was increased from 50% to 51% such that Yingsheng Company has control on the shareholder’s meeting and board of directors in Huibang Company. Accordingly, Huibang Company became an indirect non-wholly owned subsidiary of the Company.

On 28 May 2019, the Company entered into two option deeds (the “**YXP Option Deeds**”) with its ultimate controlling shareholder, GZYX, to secure the right to acquire a 51% interest in each of the New Metro Property Projects (as defined below) (the “**YXP Options**”): (a) the Luogang Project (the “**Luogang Project**”), being a parcel of land located adjacent to the Xiangxue Station of the No. 6 subway line on which a mixed-use property complex comprising residential buildings and educational facilities can be developed; and (b) the Chen Tougang Project (the “**Chen Tougang Project**”, together with Luogang Project, the “**New Metro Property Projects**”), being a parcel of land located east of Chen Tougang Station on the No. 22 subway line which is a residential-only property development project.

On 10 September 2019, the Company exercised the YXP Options pursuant to the YXP Option Deeds. In order to effect the transfer of the interests under the relevant YXP Option, the Company nominated 廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.\*), which is in turn indirectly owned as to 95.48% by the Company (“**Nansha**”), to enter into a set of acquisition agreements (“**LC Acquisitions Agreements**”) with Easyway, pursuant to which Nansha has agreed to acquire, directly or indirectly, an aggregate of 51% of the equity interest in 廣州市品悅房地產開發有限公司 (Guangzhou City Pinyue Property Development Company Limited\*) (the “**Luogang Target Company**”) and 廣州市品薈房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited\*) (“**Chen Tougang Target Company**”), together with the related balances due to GZYX. For illustrative purpose, assuming completion of the transactions takes place on 15 November 2019 (being the date by which the Company targets to complete such transactions), the total consideration payable by Nansha for such transactions would be approximately RMB89.11 billion in aggregate. Completion of the transactions are subject to, among others, approval from independent Shareholders at a general meeting of the Company. Upon completion of the transactions, the Luogang Target Company and Chen Tougang Target Company will become indirect non-wholly owned subsidiaries of the Company.

Save as disclosed above, since 31 December 2018 (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 Acquisitions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

*Long positions in the Shares and underlying Shares*

<b>Name of Director</b>	<b>Capacity in which interests are held</b>	<b>Number of Shares</b>	<b>% of the issued share capital of the Company as at the Latest Practicable Date</b>
Lin Zhaoyuan ( <i>Note 1</i> )	Beneficial Owner/ Beneficiary of a trust	2,917,343	0.019%
Lin Feng ( <i>Note 2</i> )	Beneficial Owner/ Beneficiary of a trust/Spouse interest	5,043,901	0.033%
Li Feng	Beneficial Owner	172,900	0.001%
Liu Yan	Beneficial Owner	17,000	0.0001%
Yu Lup Fat Joseph	Beneficial Owner	4,000,000	0.026%
Lee Ka Lun	Beneficial Owner	3,200,000	0.021%
Lau Hon Chuen Ambrose	Beneficial Owner	4,841,200	0.031%



*Note 1:* Mr. Lin Zhaoyuan is an executive Director who is interested in 2,917,343 Shares, out of which 977,970 Shares are owned by him as beneficial owner, 1,939,373 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management.

*Note 2:* Mr. Lin Feng is an executive Director who is interested in 5,043,901 Shares, out of which 2,343,434 Shares are owned by him as beneficial owner, 2,600,467 Shares are held for him as a beneficiary of the Yuexiu Property Company Limited Share Incentive Scheme Trust For Directors and Senior Management and 100,000 Shares are held by his spouse.

***Long positions in the shares and underlying shares of associated corporations***

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity in which interests are held</b>	<b>Number of shares in associated corporation</b>	<b>% of the total number of issued shares of associated corporation as at the Latest Practicable Date</b>
Lin Zhaoyuan	Yuexiu Transport Infrastructure Limited	Beneficial Owner	120	0.00001%
Liu Yan	Yuexiu Transport Infrastructure Limited	Beneficial Owner	485	0.00003%
Lau Hon Chuen Ambrose	Yuexiu Transport Infrastructure Limited	Beneficial Owner	195,720	0.012%

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 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 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 and the chief executive (if any) of the Company, companies and/or persons (other than a Director or chief executive (if any) of the Company) 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 position in the shares and underlying shares*

Name of Shareholder	Capacity in which interests are held	Number of Shares	% of the total number of issued Shares as at the Latest Practicable Date
GZYYX ( <i>Note 1</i> )	Interests of controlled corporations	6,159,447,662	39.78%
Yue Xiu Enterprises (Holdings) Limited	Interests of controlled corporations	6,159,447,662	39.78%
廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.*) ( <i>Note 2</i> )	Interests of controlled corporations	3,080,973,807	19.90%

*Note 1:* Pursuant to the SFO, GZYYX 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. (“ <b>Excellence</b> ”)	5,749,874,187
Bosworth International Limited (“ <b>Bosworth</b> ”) ( <i>Note i</i> )	4,202,934,153
Sun Peak Enterprises Ltd. (“ <b>Sun Peak</b> ”)	978,065,907
Novena Pacific Limited (“ <b>Novena</b> ”) ( <i>Note ii</i> )	978,065,907
Shine Wah Worldwide Limited (“ <b>Shine Wah</b> ”)	273,266,721
Morrison Pacific Limited (“ <b>Morrison</b> ”) ( <i>Note iii</i> )	273,266,721
Perfect Goal Development Co., Ltd. (“ <b>Perfect Goal</b> ”)	234,689,273
Greenwood Pacific Limited (“ <b>Greenwood</b> ”) ( <i>Note iv</i> )	234,689,273
Seaport Development Limited (“ <b>Seaport</b> ”)	60,918,133
Goldstock International Limited (“ <b>Goldstock</b> ”) ( <i>Note v</i> )	60,918,133
Yue Xiu Finance Company Limited	7,583,855

- (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) 273,266,271 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.

*Note 2:* 3,080,973,807 Shares were held by Guangzhou Metro Investment Finance (HK) Limited, which was wholly-owned by 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*).

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 (if any) 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. Lin Zhaoyuan is a director of Excellence and Bosworth; (ii) Mr. Li Feng is a director of Excellence and Bosworth; and (iii) Ms. Chen Jing 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 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).

**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 2018, 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 close 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:

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding, directly or indirectly, in any member of the Group, nor did it 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 any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

Somerley Capital Limited has given 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 OF THE GROUP

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 2020 Bank Deposits Agreement;
- (ii) a set of agreements dated 10 September 2019 for the acquisitions of a 51% interest in two new metro projects (the “**LC Acquisitions**”), namely:
  - for the Luogang project:
    - (a) the equity transfer agreements entered into between 東緯有限公司 (Easyway Incorporation Limited) (a wholly-owned subsidiary of GZYX) (“**Easyway**”) (as seller) and 廣州城建開發南沙房地產有限公司 (Guangzhou City Construction & Development Group Nansha Co., Ltd.\*) (a company which is indirectly owned as to 95.48% by the Company) (“**Nansha**”) (as purchaser) for the acquisition of the entire equity interest in 廣州東越實業發展有限公司 (Guangzhou Dongyue Industrial Development Company Limited\*) (the “**Luogang Target Holding Company**”) (which holds the 51% equity interests in 廣州市品悅房地產開發有限公司 (Guangzhou City Pinyue Property Development Company Limited\*) (the “**Luogang Target Company**”)) for a consideration of RMB71,642,000;
    - (b) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Luogang Target Company (as debtor) in respect of:
      - (1) the interest bearing loan in the principal amount of RMB4,005,102,573 plus the accrued interest owed by Luogang Target Company to GZYX; and

- (2) the non-interest bearing loan owed by Luogang Target Company to GZYX in the principal amount of RMB85,707,785;
- (c) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Luogang Target Holding Company (as debtor) in respect of:
  - (1) the interest bearing loan in the principal amount of RMB579,770,856 plus the accrued interest owed by Luogang Target Holding Company to GZYX; and
  - (2) the non-interest bearing loan owed by Luogang Target Holding Company to GZYX in the principal amount of RMB590,063;
- for the Chen Tougang project:
  - (d) the equity transfer agreements entered into between Easyway (as seller) and Nansha (as purchaser) for the acquisition of the entire equity interest in 廣州緯信實業發展有限公司 (Guangzhou Weixin Industrial Development Company Limited\*) (the “**Chen Tougang Target Holding Company**”) (which holds the 51% equity interests in 廣州市品薈房地產開發有限公司 (Guangzhou City Pinhui Property Development Company Limited\*) (“**Chen Tougang Target Company**”)) for a consideration of RMB56,403,000;
  - (e) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Chen Tougang Target Company (as debtor) in respect of:
    - (1) the interest bearing loan in the principal amount of RMB3,248,026,800 plus the accrued interest owed by Chen Tougang Target Company to GZYX; and
    - (2) the non-interest bearing loan owed by Chen Tougang Target Company to GZYX in the principal amount of RMB70,596,771;
  - (f) the loan assignment agreements entered into among GZYX (as assignor), Nansha (as assignee) and Chen Tougang Target Holding Company (as debtor) in respect of:
    - (1) the interest bearing loan in the principal amount of RMB540,279,789 plus the accrued interest owed by Chen Tougang Target Holding Company to GZYX; and
    - (2) the non-interest bearing loan owed by Chen Tougang Target Holding Company to GZYX in the principal amount of RMB340,150;

- (iii) the foreign exchange framework Agreement dated 21 August 2019 entered into between the Company and Chong Hing Bank Limited governing the spot contracts to be entered into at the proposed annual caps of HK\$12,000,000, HK\$14,300,000 and HK\$17,200,000 and the forward contracts to be entered into at the proposed annual caps of HK\$51,000,000, HK\$61,000,000 and HK\$74,000,000 for each of the three years ending 31 December 2019, 2020 and 2021, respectively;
- (iv) the subscription agreement dated 27 February 2019 entered into between the Company and the Guangzhou Metro Investment Finance (HK) Limited, in relation to the subscription of 3,080,973,807 Shares by the Guangzhou Metro Investment Finance (HK) Limited (the “**GH Subscription**”);
- (v) a set of agreements dated 27 February 2019 for the acquisitions of an 86% interest in 廣州市品秀房地產開發有限公司 (Guangzhou City Pinxiu Property Development Company Limited\*) (“**Pinxiu Company**”) (the “**GH Acquisitions**”), namely,
  - (a) the 51% equity transfer agreement entered into among Easyway (as seller), GZYX, 廣州雲湖房地產開發有限公司 (Guangzhou Yunhu Real Estate Development Co., Ltd.\*) (a subsidiary of 廣州市城市建設開發有限公司 Guangzhou City Construction & Development Co. Ltd., a company indirectly owned as to 95% by the Company and 5% by GZYX) (“**Yunhu Company**”) (as purchaser) and Pinxiu Company (as the target company) in relation to the transfer of 51% equity interest in Pinxiu Company for a consideration of RMB10,413,000;
  - (b) the 51% loan assignment agreements entered into among GZYX (as assignor), Yunhu Company (as assignee) and each of: (i) 廣州東曉實業發展有限公司 (Guangzhou Dongxiao Industrial Development Company Limited\*) (“**GZ Dongxiao**”) (as debtor) in relation to the assignment of loan in the principal amount of RMB671,500,000; and (ii) Pinxiu Company (as debtor) in relation to the assignment loan in the principal amount of RMB6,954,780,801 and the refinancing of loans in the amount of RMB102,000,000 plus the accrued interest, respectively;
  - (c) the initial cost amount agreement entered into among Easyway, Yunhu Company (as payer) and GZYX (as payee) for a consideration of approximately RMB259,448,030 to cover the cost of capital attributable to the amount advanced by GZYX to Guangzhou Metro and other incidental costs;
  - (d) the 35% equity transfer agreement entered into among Guangzhou Metro (as seller), Yunhu Company (as purchaser), GZ Dongxiao and Pinxiu Company in relation to the transfer of 35% equity interest in Pinxiu Company for a consideration of RMB479,988,000;
  - (e) the 35% loan assignment agreement entered into among Guangzhou Metro (as assignor), Yunhu Company (as loan assignee) and Pinxiu Company (as debtor) in relation to the assignment of loan in the principal amount of RMB4,772,888,785 and the refinancing of loans in the amount of RMB70,000,000 plus the accrued interest;

- (vi) the equity transfer agreement dated 21 December 2018 entered into between 慶和投資有限公司 (Kingwell Investment Ltd.) (an indirectly wholly-owned subsidiary of the Company) as seller, and 廣州嘉創經濟信息諮詢有限公司 (Guangzhou Jiachuang Economic Information Consulting Co., Ltd.\*) (a wholly-owned subsidiary of 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No. I Business Investment Enterprise (Limited Partnership)\*, the general partner of which is 廣州越秀中聯 股權投資基金管理有限公司 (Guangzhou Yuexiu United Equity Investment Fund Management Company Limited\*), which is in turn indirectly owned as to 45% by the Company) as purchaser, in relation to the disposal of 77.79% equity interest in 廣州市越匯房地產有限公司 (Guangzhou Yuehui Property Co., Ltd.\*) at a consideration of RMB2,417,500,000;
- (vii) the equity transfer agreement dated 30 May 2018 entered into between 廣州明睿一號實業投資合夥企業(有限合夥) (Guangzhou Ming Rui No. I Business Investment Enterprise (Limited Partnership)\* (an Independent Third Party) as seller, and 廣州盈勝投資有限公司 (Guangzhou Yingsheng Investments Co., Ltd.\*) (a 95.48%-owned subsidiary of the Company) as purchaser, in relation to the acquisition of 100% of the equity interest in the 廣州雲秀房地產有限公司 (Guangzhou Yunxiu Real Estate Co., Ltd.\*) at a consideration of RMB116,000,000;
- (viii) the call option exercise agreement dated 14 February 2018 entered into between 廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited\*) (an indirectly wholly-owned subsidiary of the Company), and 廣州越秀仁達四號實業投資合夥企業(有限合夥) (Guangzhou Yuexiu Renda No. 4 Business Investment Enterprise (Limited Partnership)\* (the general partner of which is an entity of which GZYS is a majority shareholder)), in relation to the exercise of call option by 廣州力超經濟信息諮詢有限公司 (Guangzhou Superland Economic & Information Consulting Company Limited\*) at a consideration of RMB3,321,250,000; and
- (ix) the acquisition deed dated 14 November 2017 entered into between Guangzhou Construction & Development Holdings (China) Limited (a wholly-owned subsidiary of the Company) as seller, Yuexiu REIT 2017 Company Limited (a special purpose vehicle of Yuexiu Real Estate Investment Trust, which was owned as to approximately 35.3% by the Company as at the date of the acquisition deed) as purchaser, and the Company as guarantor in relation to (i) the sale of 67.0% of the Wuhan Property through the purchase of the entire equity interest of Fully Cheer Management Limited and (ii) the assignment of shareholder's loan from Guangzhou Construction & Development Holdings (China) Limited, at an aggregate consideration of RMB2,280,606,300.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (9:00 a.m. to 5:30 p.m.) from Monday to Friday (both days inclusive) 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 articles of association of the Company;
- (b) each of the material contracts referred to in the paragraph headed “Material Contracts of the Group” in this Appendix II;
- (c) the annual reports of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively;
- (d) the interim report of the Company for the six months ended 30 June 2019;
- (e) the circular of the Company dated 18 March 2019 in relation to the GH Subscription and GH Acquisitions;
- (f) the letter from the Board, the text of which is set out on pages 5 to 12 of this Circular;
- (g) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 13 of this Circular;
- (h) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 23 of this Circular;
- (i) the written consent referred to in the paragraph headed “Expert’s Qualifications and Consent” in this Appendix II; and
- (j) this Circular.

**10. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Yu Tat Fung, a Solicitor of the High Court of Hong Kong.
- (b) The registered office of the Company is located at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (c) The share registrar of the Company is, Tricor Abacus Limited, which is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The authorized representatives of the Company are Ms. Chen Jing, executive Director and Mr. Yu Tat Fung, company secretary.
- (e) The auditor of the Company is PricewaterhouseCoopers, which is located at 22/F, Prince's Building, Central, Hong Kong.
- (f) The English texts of this Circular shall prevail over the Chinese texts.

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## NOTICE OF GENERAL MEETING

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

*(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 I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 22 October 2019 at 3:30 p.m. (or as soon as practicable immediately after the conclusion or adjournment of the general meeting of the Company to be held at 3:00 p.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 shareholder circular to the shareholders of the Company dated 27 September 2019 (the “**Circular**”).

### ORDINARY RESOLUTION

**“THAT:**

- (a) the 2020 Bank Deposits Agreement and the consummation of transactions contemplated thereunder (including the New Annual Caps) as more particularly described in the Circular and on the terms and conditions set out in the 2020 Bank Deposits Agreement be hereby approved, ratified and confirmed; and
- (b) any one Director be and is hereby authorised, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) 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 2020 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, 27 September 2019

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## NOTICE OF GENERAL MEETING

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*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 54, 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 18 October 2019 to 22 October 2019, 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 22 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 17 October 2019.