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

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF FURTHER INDIRECT EFFECTIVE INTEREST IN PROJECT COMPANY AND CHANGE OF JOINT VENTURE PARTNERS**

On 27 February 2017, the Original JV Partners, the Purchaser and China Merchants Property entered into the Cooperation Agreement pursuant to which, among others, the Purchaser and China Merchants Property shall acquire from the Transferors 31% and 69% of the equity interests in the Target Company, respectively, as a result of which: (i) the Purchaser and China Merchants Property will indirectly acquire an effective 17.98% and 40.02% interest in the Project Company, respectively; (ii) the Company's aggregate indirect effective interest in the Project Company will increase from 31.95% to 49.03%; (iii) China Merchants Property will become an indirect joint venture partner of the Project Company; and (iv) the Transferors will cease to have any interest in the Project Company after completion of the Equity Transfer.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Cooperation Agreement (including the Equity Transfer) is more than 5% but less than 25%, such transactions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

### **BACKGROUND**

On 28 November 2016, Hangzhou Songju, Mega Glory, QCJ and the Target Company successfully won, on a joint basis, the bid for the ownership of the Land Parcel. Upon successful bidding of the Land Parcel, the Land Bureau issued the Bid Confirmation on 28 November 2016 to confirm such successful bidding, and Hangzhou Songju entered into the Land Transfer Agreement on 5 December 2016. On 12 December 2016, the Original JV Partners established the Project Company with a registered capital of US\$322,600,000 for the purpose of developing the Land Parcel. As at the date of this announcement, the Project Company is owned as to 1%, 31%, 58% and 10% by Hangzhou Songju, Mega Glory, the Target Company and QCJ, respectively. The registered capital of the Project Company payable by each of the Original JV Partners were proportionate to their respective equity interests in the Project

Company. As at the date of this announcement, US\$100,006,000 and US\$32,260,000 of the total registered capital of the Project Company had been paid by Mega Glory and QCJ, respectively. The remaining US\$3,226,000 and US\$187,108,000 of the total registered capital of the Project Company are payable by Hangzhou Songju and the Target Company, respectively, before 5 August 2017. Pursuant to the Supplemental Land Transfer Agreement, all of the rights and obligations of Hangzhou Songju under the Land Transfer Agreement were assigned and novated to the Project Company.

On 27 February 2017, the Original JV Partners, the Purchaser and China Merchants Property entered into the Cooperation Agreement, details of which are set out in the section headed “PRINCIPAL TERMS OF THE COOPERATION AGREEMENT” in this announcement.

### **THE LAND PARCEL**

The Land Parcel has a site area of approximately 108,400 sq.m. and a total gross floor area of approximately 333,260 sq.m., of which the permissible gross floor area amounts to approximately 233,060 sq.m. and the underground gross floor area amounts to approximately 100,200 sq.m. The Land Parcel is to be used for residential and commercial service industry facilities. As of the date of this announcement, the Company’s total land bank amounted to approximately 14.62 million sq.m. In terms of the attributable interest, the Company’s land bank amounted to approximately 9.72 million sq.m.

The Land Parcel is located at Genbei New Town, Jianggan District, Hangzhou City, Zhejiang Province, PRC and is connected to the planned No. 5 Port Road to its East, Xingjian Road to its South, the planned Sanguantang Road to its West and Jianhua Road to its North. The Board believes that there are rich educational resources surrounding the Land Parcel and the adjacent planned park provides good leisure landscape resources for the Land Parcel. The Land Parcel is situated in the central business district of Genbei New Town under the key construction of the Hangzhou Municipal People’s Government of the PRC, hence possessing good locality advantages. The Board considers that Genbei New Town is an important area for eastward urban expansion of the Hangzhou City and will be developed into a new business centre and a large residential area in Jianggan District with great potential for future development.

### **PRINCIPAL TERMS OF THE COOPERATION AGREEMENT**

The principal terms of the Cooperation Agreement are as follows.

#### **Date**

27 February 2017

## **Parties**

The Original JV Partners, the Purchaser and China Merchants Property

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of China Merchants Property, QCJ and their respective ultimate beneficial owners are Independent Third Parties.

## **Acquisition of further indirect effective interest in the Project Company**

The Purchaser and China Merchants Property shall acquire from the Transferors 31% and 69% of the equity interests in the Target Company, respectively, as a result of which the Purchaser and China Merchants Property will indirectly acquire an effective 17.98% and 40.02% interest in the Project Company, respectively. After completion of the Equity Transfer, China Merchants Property will become an indirect joint venture partner of the Project Company and the Transferors will cease to have any interest in the Project Company. The equity interests in the Project Company shall be held by (i) the Company indirectly through Mega Glory, Hangzhou Songju and the Purchaser's interest in the Target Company; (ii) China Merchants Property (through the Target Company); and (iii) QCJ as to 49.03%, 40.02% and 10%, respectively. The Project Company is not and will not become a subsidiary of the Company upon completion of the Equity Transfer, and the accounts of the Project Company are not and will not be consolidated into the accounts of the Company.

The Equity Transfer shall be effected at cost. The Purchaser and China Merchants Property shall enter into an equity transfer agreement in respect of the Equity Transfer on or before 30 March 2017. Subject to the cooperation of all Parties, the Parties shall be responsible for completing the registration of the Equity Transfer with the State Administration for Industry and Commerce of the PRC or its relevant local counterpart on or before 15 April 2017.

## **Capital commitments and shareholders' loans**

Pursuant to the Land Transfer Agreement, 50% of the land premium (i.e., RMB3,005,000,000) had been paid by Hangzhou Songju and the Project Company, and as at the date of the Cooperation Agreement, Hangzhou Songju (together with its related companies) had already provided to the Project Company shareholders' loan in the total amount of RMB 2,085,568,397, of which the amount of RMB 1,277,101,000 was provided by Hangzhou Songju on behalf of China Merchants Property and QCJ as advance payment of the shareholder's loans (which include the capital commitments) required to be provided by such parties ("**Advanced Payments**"). The Parties have agreed that each of China Merchants Property and QCJ

shall pay to the Project Company its attributable portion of the Advance Payments within five business days after the Cooperation Agreement has been signed. Upon receipt of the above payments, the Project Company shall pay the same to Hangzhou Songju.

In respect of the balance of the land premium in the amount of RMB 3,005,000,000 (the “**Unpaid Land Premium**”), the Parties have agreed that such amount shall be paid to the Project Company by the Yuexiu Partners, QCJ and China Merchants Property in proportion to their respective effective interests in the Project Company before 5 August 2017. The Parties have further agreed that the registered capital of the Project Company payable by the Target Company shall be financed by the Purchaser and China Merchants Property paying into the Target Company the registered capital of the Target Company in proportion to their respective equity interest held in the Target Company, and the Target Company shall in turn pay such amount into the Project Company as registered capital of the Project Company. Thereafter, any shareholders’ loans to be provided by the Target Company to the Project Company pursuant to the Cooperation Agreement shall be advanced to the Project Company directly by the Purchaser and China Merchants Property (as holders of the equity interests in the Target Company) in proportion to their respective equity interests in the Target Company.

As such, the total amount payable by the Purchaser in respect of its acquisition of a 17.98% indirect effective interest in the Project Company pursuant to the Cooperation Agreement (which includes capital commitments, shareholders’ loans and consideration for the Equity Transfer) is RMB1,080,598,000.

If either China Merchants Property or QCJ fails to pay its attributable portion of the Advance Payments to the Project Company as stipulated above (otherwise than as a result of government policy), the other Parties shall have the right to make such payments on behalf of the defaulting Party in proportion to their respective equity interests. Thereafter, the Parties’ equity interests shall, subject to compliance with the relevant Listing Rules and SZ Listing Rules, be adjusted to reflect the actual amount of capital contribution made. In addition, the non-defaulting Parties shall have the right to require the defaulting Party to pay damages in accordance with the Cooperation Agreement.

### **Profit distribution arrangements**

Save as otherwise provided in the Cooperation Agreement, the profits of the Project Company shall be shared, and the losses of the Project Company shall be borne, by the Yuexiu Partners, China Merchants Property and QCJ in proportion to their respective equity interests in the Project Company.

## **Subsequent funding injection and additional shareholder's loans**

In the event that the Project Company needs additional funds to satisfy its funding needs, the Project Company shall first arrange for external financing. To the extent that the Project Company is unable to obtain such external financing, the Yuexiu Partners, China Merchants Property and QCJ shall provide additional shareholder's loans in proportion to their respective equity interests in the Project Company.

## **Termination**

The Cooperation Agreement may be terminated in the event of force majeure or material adverse change or upon the occurrence of, among others, any of the following events:

- a) China Merchants Property not being able to complete the Equity Transfer and the corresponding registration with the State Administration for Industry and Commerce of the PRC or its relevant local counterpart by 15 April 2017 due to the fault of one or more of the other Parties or otherwise;
- b) a Party failing to pay its capital contribution, shareholder's loan or other funds required by the Project Company for the development of the Land Parcel within the time specified in the Cooperation Agreement; or
- c) any fundamental breach of the Cooperation Agreement caused by a Party.

If the Cooperation Agreement is terminated due to the situation described in (a) above, the Project Company shall refund in full the amounts paid to it by China Merchants Property plus interest within five business days after the date of notice of termination issued by the non-defaulting party. Furthermore, if the inability to complete the Equity Transfer or the registration with the State Administration for Industry and Commerce of the PRC or its relevant local counterpart is due to the fault of China Merchants Property or the Yuexiu Partners, the Yuexiu Partners or China Merchants Property (as the case may be) shall have the right to demand for payment of damages in accordance with the Cooperation Agreement.

If the Cooperation Agreement is terminated due to the situation described in (b) above, the non-defaulting Party shall have the right to: (i) require the defaulting Party to acquire the non-defaulting Party's equity interest in the Project Company and its shareholder's loans to the Project Company; or (ii) purchase the defaulting Party's equity interest in the Project Company and its shareholder's loan to the Project Company, in each case pursuant to the terms of the Cooperation Agreement. In addition, the defaulting Party shall pay damages to each non-defaulting Party.

In the event that the non-defaulting Party does not elect to terminate the Cooperation Agreement in the situation described in (b) above but rather elects to advance the amount which the defaulting Party should have paid on its behalf, after the relevant

advance has been made, the respective Parties' equity interests in the Project Company shall be adjusted accordingly (subject to compliance with the Listing Rules and the SZ Listing Rules). In addition, the defaulting Party shall pay damages to each non-defaulting Parties in accordance with the Cooperation Agreement.

If the Cooperation Agreement is terminated due to the situation described in (c) above, the defaulting Party shall: (i) upon the request of the non-defaulting Parties and subject to compliance with the Listing Rules and/or SZ Listing Rules (as the case may be) and relevant laws and regulations, acquire all of their equity interests and shareholders' loans to the Project Company or the Target Company (as the case may be) at the time; and (ii) pay damages to each of the non-defaulting Parties and (to the extent that the actual amount of loss suffered by the non-defaulting Party is more than RMB10,000,000) an additional amount to cover the loss suffered by the relevant non-defaulting Party in accordance with the Cooperation Agreement.

In any event, if the defaulting Party fails to pay its capital contribution, shareholder's loan or other funds required by the Project Company for the development of the Land Parcel and such amount is overdue for 30 days or more, the defaulting Party shall make a default payment to the non-defaulting Parties at a daily specified rate until it has paid the amounts due in full.

## **Management of the Project Company and the Target Company**

### *Board composition*

The Target Company shall have three directors, one of whom shall be appointed by the Purchaser, and the remaining two directors shall be appointed by China Merchants Property. The chairman of the board (who shall also be the legal representative of the Target Company) shall be a director appointed by China Merchants Property. The board resolutions of the Target Company shall be passed by way of simple majority.

The Project Company shall have five directors, three of whom shall be appointed by China Merchants Property through the Target Company, one of whom shall be appointed by Mega Glory, and one of whom shall be appointed by QCJ. The chairman of the board (who shall also be the legal representative of the Project Company) shall be a director appointed by China Merchants Property.

Save for the following matters which require unanimous board approval, board resolutions of the Project Company shall be passed by way of simple majority: (i) increase or reduction of the registered equity capital of the Project Company; (ii) issuance of debt securities by the Project Company; (iii) matters relating to the merger, division, dissolution, liquidation, suspension, reorganisation, restructuring or other changes to the Project Company's structure; and (iv) amendment of the Project Company's articles of association.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Land Parcel is being acquired by the Group for the purpose of absorbing quality land bank pursuant to the Group's strategy of focusing on three core regions, namely Greater Guangzhou, Central Region and Yangtze River Delta, with Greater Guangzhou as the center, Wuhan and Hangzhou as pillars for growth. As of the date of this announcement, the Group's land bank in the Yangtze River Delta region has reached 3.12 million sq.m., which further expanded the Group's development scale in the Yangtze River Delta region and was conducive to replenishing the land bank in the downtown of Hangzhou in a timely manner. Both the Land Parcel and the Hangzhou Jianggan Niutian land parcel acquired by the Group in July 2016 are located in Genbei New Town and will be developed in a synergy in the future, which facilitates the Group to better leverage the brand advantage and synergy in the region.

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

## **INFORMATION OF THE TARGET COMPANY AND THE PROJECT COMPANY**

### **The Target Company**

The Target Company is principally engaged in real estate development operations and corporate investments. As the development of the Land Parcel has not yet commenced, the Target Company has not recorded any profits since its date of incorporation (i.e., 24 November 2016) and its net asset value as at 31 December 2016 is zero.

### **The Project Company**

The Project Company is a joint venture entity established solely for the purpose of owning and developing the Land Parcel. As the development of the Land Parcel has not yet commenced, the Project Company has not recorded any profits since its date of incorporation (i.e., 12 December 2016).

As at 31 December 2016, the total assets and net asset value of the Project Company were approximately RMB2,212,432,000 and RMB917,506,000, respectively.

## **INFORMATION OF THE COMPANY, QCJ, THE PURCHASER AND CHINA MERCHANTS PROPERTY**

### **The Company**

The Company is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

### **The Purchaser**

The Purchaser is principally engaged in real estate development operations, property management, property rental, and interior and exterior decoration engineering.

### **QCJ**

QCJ is principally engaged in real estate development, industrial and civil constructions, interior and exterior decorations, property management and wholesale of construction and decoration materials.

### **China Merchants Property**

China Merchants Property is a wholly-owned subsidiary of China Merchants Sheko Industrial Zone Holdings Co., Ltd.\* (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC whose A shares are listed on the Shenzhen Stock Exchange (stock code: 001979.SZ). China Merchants Property is principally engaged in real estate development operations and property management.

## **IMPLICATIONS OF THE LISTING RULES**

As the highest applicable percentage ratio in respect of the transactions contemplated under the Cooperation Agreement (including the Equity Transfer) is more than 5% but less than 25%, such transactions constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As none of the Directors had a material interest in the Cooperation Agreement or the transactions contemplated thereunder, no Director abstained from voting on the relevant board resolutions of the Company.



## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

|                            |   |
|----------------------------|---|
| “Bid Confirmation”         | the bid confirmation notice (杭州市國有建設用地使用權掛牌競買成交通知書) issued by the Land Bureau on 28 November 2016 confirming the successful bidding of the land use right of the Land Parcel  |
| “Board”                    | the board of Directors of the Company   |
| “China Merchants Property” | 招商局地產(杭州)有限公司 (China Merchants Property (Hangzhou) Ltd.*), a limited liability company incorporated under the laws of PRC   |
| “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)  |
| “Cooperation Agreement”    | the cooperation agreement dated 27 February 2017 entered into between the Parties   |
| “Directors”                | the directors of the Company  |
| “Equity Transfer”          | the transfer of the 31% and 69% of equity interests in the Target Company held by the Transferors to the Purchaser and China Merchants Property, respectively, as a result of which the Purchaser and China Merchants Property will indirectly acquire an effective 17.98% and 40.02% interest in the Project Company, respectively   |
| “GCCD”                     | 廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), a limited liability company incorporated under the laws of the PRC and which is indirectly owned as to 95% by the Company and as to 5% by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*) (a limited liability company incorporated in 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) |

|                                |   |
|--------------------------------|---|
| “Group”                        | the Company and its subsidiaries  |
| “Hangzhou Songju”              | 杭州松炬實業投資有限公司 (Hangzhou Songju Shiye Investment Ltd.*), a limited liability company incorporated under the laws of the PRC and which is beneficially owned by GCCD, a subsidiary of the Company  |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules |
| “Land Bureau”                  | 杭州市國土資源局 (Hangzhou Municipal Bureau of Land Resources)  |
| “Land Parcel”                  | the Hangzhou Jianggan Genbei New Town East* land parcel situated in the Jianggang District, Hangzhou City, Zhejiang Province of the PRC with a site area of approximately 108,400 sq.m. to be acquired by the Project Company under the Land Transfer Agreement and Supplemental Land Transfer Agreement                                    |
| “Land Transfer Agreement”      | the land use right transfer agreement entered into between Hangzhou Songju and the Land Bureau in relation to the acquisition of the Land Parcel  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mega Glory”                   | Mega Glory Enterprise Limited (大榮企業有限公司), a limited liability company incorporated under the laws of Hong Kong and which is an indirect wholly-owned subsidiary of the Company  |
| “Original JV Partners”         | collectively QCJ, Mega Glory, Hangzhou Songju and the Target Company  |

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| “Parties”                              | the parties to the Cooperation Agreement, being the Original JV Partners, the Purchaser and China Merchants Property, and each a “Party”  |
| “PRC”                                  | the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan   |
| “Project Company”                      | 杭州星日房地產開發有限公司 (Hangzhou Xingri Real Estate Development Ltd.*), the joint venture company established by the Original JV Partners  |
| “Purchaser”                            | 杭州東雄房地產開發有限公司 (Hangzhou Dongxiong Real Estate Development Ltd.*), a limited liability company incorporated under the laws of PRC and which is indirectly owned by GCCD, a subsidiary of the Company   |
| “QCJ”                                  | 杭州江幹區城市建設綜合開發有限公司 (Hangzhou Jiangan District City Construction Integrated Development Ltd.*), a limited liability company incorporated under the laws of PRC  |
| “RMB”                                  | Renminbi, the lawful currency of the PRC  |
| “SZ Listing Rules”                     | the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange  |
| “Stock Exchange”                       | The Stock Exchange of Hong Kong Limited   |
| “subsidiary”                           | has the meaning ascribed to it under the Listing Rules  |
| “Supplemental Land Transfer Agreement” | the supplemental agreement dated 26 December 2016 entered into between Hangzhou Songju, the Project Company and the Land Bureau in relation to the assignment and novation of all of the rights and obligations of Hangzhou Songju to the Project Company under the Land Transfer Agreement |
| “Target Company”                       | 廣州匯企房地產開發有限公司 (Guangzhou Huiqi Real Estate Development Ltd.*), a limited liability company incorporated under the laws of the PRC and which, as at the date of this announcement, is wholly owned by the Transferors  |

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|-----------------------|---|
| “Transferors”         | 廣州越秀仁達六號實業投資合夥企業(有限合夥)(Guangzhou Yuexiu Renda No.6 Business Investment Enterprise (Limited Partnership)*) and Mr. Lai Jiajun (賴嘉俊), a PRC citizen, who hold 99.9% and 0.1% respectively of the equity interests in the Target Company as at the date of this announcement, and each of whom is an Independent Third Party |
| “Unpaid Land Premium” | has the meaning ascribed to it under the section headed “Principal terms of the Cooperation Agreement - Capital commitments and shareholders’ loans”  |
| “US\$”                | United States Dollar(s), the lawful currency of the United States   |
| “Yuexiu Partners”     | collectively, Mega Glory, Hangzhou Songju and the Purchaser, and each a “Yuexiu Partner”  |

*\* For identification purpose only*

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

Hong Kong, 27 February 2017

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

*Executive Directors:* ZHANG Zhaoxing (Chairman), ZHU Chunxiu, LIN Zhaoyuan, LI Feng and OU Junming

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