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(Incorporated in Hong Kong with limited liability)

(Stock Code: 00123)

CONNECTED TRANSACTION LEASE AGREEMENT RELATING TO ELDERLY-CARE BUSINESS OF THE GROUP

THE LEASE AGREEMENT

On 2 August 2019, Guangzhou Haiyuehui (a subsidiary of the Company) entered into the Lease Agreement with Guangzhou Yuezhan in relation to the leasing of the Lease Properties for a term of 12 years for the development of elderly-care business of the Group. In accordance with HKFRS 16, the Group is required to recognize (i) the Lease Properties as right-of-use-assets, and as a result, the entry into of the Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules; and (ii) the Variable Lease Payment as expenses incurred by the Group over the term of the Lease Agreement.

LISTING RULES IMPLICATIONS

Each of Guangzhou Yuezhan and the Landlord is a connected person of the Company under the Listing Rules as they are both subsidiaries of GZYY, the controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the transactions contemplated under the Lease Agreement and the Fixed Lease Payment constitute a one-off connected transaction of the Company, whereas the Variable Lease Payment will be regarded as a continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules.

As the highest applicable percentage ratio in respect of the value of the right-of-use assets under the Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the agreement and the Fixed Lease Payment thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the highest total amount of the Variable Lease Payment for a year during the lease term is less than 0.1%, the Variable Lease Payment under the Lease Agreement constitutes a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Lease Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain the reason for the longer tenor and to confirm that it is a normal business practice for agreement(s) of this type to be of such a duration.

INTRODUCTION

Since 2017, Yuexiu Property has been accelerating its blueprint in the elderly-care sector in response to national policy in China. The Group officially started to operate in the elderly-care industry with the establishment of Yuexiu Elderly-Care (越秀養老) in August 2017. Since then, the Group has explored new ways of delivering elderly-care and has launched a number of elderly-care projects. As part of its initiative to further develop and grow its elderly-care business, the Group is actively pursuing opportunities to secure quality locations for its elderly-care projects through different channels. The Group considers that the Lease Properties are situated in prime locations that are well-suited for conversion into elderly-care facilities.

The Board is pleased to announce that on 2 August 2019 Guangzhou Haiyuehui (a subsidiary of the Company) entered into the Lease Agreement with Guangzhou Yuezhan in relation to the leasing of the Lease Properties, the principal terms of which are as follows:

THE LEASE AGREEMENT

Premises & usage	:	The land, buildings(s), courtyard(s) and structure(s) situated at No. 148, Xiwan Road, Liwan District, Guangzhou, PRC (the “ Lease Properties ”), with a total construction area of 25,552.55 sq.m. and an above-ground floor area of 23,528 sq. m.; for elderly-care and medical services use only
Term	:	12 years commencing with effect from the Commencement Date
Rent-free Period	:	6 months period (the “ Rent-free Period ”) immediately preceding 1 September 2019
Rental and aggregate value of consideration payable	:	The annual rental payable (in each case including management service fees and other outgoing charges and expenses) is as follows: <i>First rental year (inclusive of the aforesaid Rent-free Period)</i> : RMB6,010,000 <i>Second rental year</i> : RMB12,020,000 <i>Third rental year</i> : at minimum RMB12,140,000 or at maximum RMB12,260,400 (if the Occupancy Rate is more than 60%) <i>Fourth rental year</i> : at minimum RMB12,380,000 or at maximum RMB12,628,212 (if the Occupancy Rate is more than 80%)

Fifth to 12th rental year : The higher of: (i) an increment of 3% from the previous year; or (ii) an increment which is equivalent to the weighted average annual rate of increase in the per-unit fee for nursing home bed, which in any event will not exceed an annual cap of RMB19,000,000.

The annual rental under the Lease Agreement is determined after arm's length negotiations between Guangzhou Yuezhan and Guangzhou Haiyuehui after taking into consideration the prevailing market rental for comparable premises in the vicinity of the Lease Properties.

In accordance with HKFRS, the Fixed Lease Payment is capital in nature and the Lease Properties will be recognised as right-of-use assets of the Group on 1 September 2019 for an amount of RMB119,808,094. The Variable Lease Payment, on the other hand, is linked to sales, and will be recognised as expenses of the Group over the term of the Lease Agreement. The rental payments under the Lease Agreement is expected to be satisfied by internal resources of the Group in its ordinary and usual course of business.

- Earnest Money & Security Deposit : RMB500,000 as earnest money, which is payable within one month of the date of the Lease Agreement. RMB1,250,000 as security deposit, which is payable within one month after the date of delivery of the Lease Properties as agreed between the relevant lessor and lessee pursuant to the Lease Agreement. The earnest money shall be automatically converted into security deposit when the latter is paid.
- Delivery of property : Guangzhou Yuezhan shall be responsible for vacating the existing tenants. However, any compensation that such existing tenants are entitled to shall be borne by Guangzhou Yuezhan and Guangzhou Haiyuehui in equal shares, provided that the maximum amount that shall be borne by Guangzhou Haiyuehui shall be RMB2,000,000. Guangzhou Haiyuehui shall be responsible for (among others) the fit-outs and renovations required for the operation of the Nursing Home Facilities at the Lease Properties.
- Payment Term : The rental shall be paid monthly, in each case within 10 business days after receipt of the rental invoice by Guangzhou Haiyuehui.

Termination : Guangzhou Yuezhan may unilaterally terminate the Lease Agreement by giving two years' prior written notice to Guangzhou Haiyuehui. However, Guangzhou Haiyuehui is entitled to only return the Lease Properties after it has relocated all of the elderly residents. Furthermore, Guangzhou Yuezhan shall (i) refund the security deposit; (ii) pay an amount equivalent to six month's rent (for the year in which the termination notice is issued) as penalty for breach of contract; and (iii) compensate Guangzhou Haiyuehui for its losses.

If Guangzhou Haiyuehui wishes to terminate the lease, Guangzhou Yuezhan shall be entitled to recover the Lease Properties and forfeit the security deposit. If rental payment has been overdue for more than three months, Guangzhou Yuezhan shall have the right to terminate the Lease Agreement, recover the Lease Properties and forfeit the security deposit.

Renewal : If Guangzhou Yuezhan decides not to renew the lease, it must give two years' written notice to Guangzhou Haiyuehui prior to the expiry of the term of the lease, in which case Guangzhou Haiyuehui will have a pre-emptive right to rent the premises on the same terms as those proposed to be offered to a third party tenant. In addition, Guangzhou Haiyuehui shall be entitled to reasonable compensation for its fit-out and renovation costs.

If Guangzhou Haiyuehui decides not to renew the lease, it must give 6 months' written notice to Guangzhou Yuezhan prior to the expiry of the term of the lease. If there has been no fundamental breach of the Lease Agreement on its part, the security deposit of RMB1,250,000 shall be refunded to Guangzhou Haiyuehui within 10 business days following the expiry of the lease.

If the parties are unable to agree on a renewed lease, Guangzhou Haiyuehui is entitled to a transitional period of two years after expiry of the lease to re-locate and settle the elderly residents. During the transitional period, both parties shall be subject to the terms of the Lease Agreement, which shall continue to apply.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Lease Properties are situated in prime locations being in the core old town district of Guangzhou city. Combined with comprehensive transportation network, commercial and medical facilities, the Group considers that the Lease Properties are well-suited for conversion into elderly-care facilities. The entering into of the Lease Agreement, which will be on normal commercial terms, will enable the Group to secure a sizable space in a suitable prime location for a reasonably long period of time for the operation of its elderly-care projects. Having considered the above factors, the basis of determination of the rental payable under the Lease Agreement and the view of the Independent Financial Adviser as set out in this announcement, the Board (including the independent non-executive Directors) considers that the Lease Agreement and the transactions contemplated thereunder are fair and reasonable; and the Lease Transactions are in the ordinary and usual course of business of the Group.

INFORMATION OF THE COMPANY, GUANGZHOU HAIYUEHUI, GUANGZHOU YUEZHAN AND GZYX

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.

Guangzhou Yuezhan

Guangzhou Yuezhan is principally engaged in asset management, property management, residential properties and commercial leasing and is solely responsible for sourcing tenants, negotiating lease agreement(s), and exercising rights and obligations for and on behalf of the Landlord during any lease period(s).

Guangzhou Haiyuehui

Guangzhou Haiyuehui is principally engaged in the provision of elderly-care and medical services.

GZYX

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

LISTING RULE IMPLICATIONS

In accordance with HKFRS 16, the Group is required to recognize (i) the Lease Properties as right-of-use-assets, and as a result, the entry into of the Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules; and (ii) the Variable Lease Payment as expenses incurred by the Group over the term of the Lease Agreement.

Each of Guangzhou Yuezhan and the Landlord is a connected person of the Company under the Listing Rules as they are both subsidiaries of GZYX, the controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the transactions contemplated under the Lease Agreement and the Fixed Lease Payment constitute a one-off connected transaction of the Company, whereas the Variable Lease Payment will be regarded as a continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules.

As the highest applicable percentage ratio in respect of the value of the right-of-use asset under the Lease Agreement exceeds 0.1% but is less than 5%; the transactions contemplated under the agreement and the Fixed Lease Payment thereunder are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the highest total amount of the Variable Lease Payment for a year during the lease term is less than 0.1%, the Variable Lease Payment under the Lease Agreement constitutes a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Lease Agreement is more than three years, the Company has appointed the Independent Financial Adviser to explain the reason for a longer tenor and to confirm that it is a normal business practice for agreement(s) of this type to be of such a duration. In assessing this point, the Independent Financial Adviser has discussed the principal reasons for a longer term under the Lease Agreement with the management of the Company and is of the view that:

- (i) in view of the increasing demand for elderly residential care services, it is normal and customary for the operators to enter into a long lease with the lessor to ensure smooth and stable operation and it enables the Group to optimize the potential return on its investments (which includes initial set up costs and interior decoration);
- (ii) a comparatively long duration will facilitate the Group's marketing initiatives and extend the period of income to be generated from the elderly residential care business, so that the Group could better plan the long-term strategy in relation to the business;
- (iii) a term of longer than 3 years is required for lease agreement(s) in respect of elderly residential care homes; and
- (iv) the 12-year tenure under the Lease Agreement is a normal commercial term for a transaction of this nature and it is normal business practice for an agreement of this type to be of such a duration.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Board”	the board of the Directors
“Company”	Yuexiu Property Company Limited, a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00123)
“Commencement Date”	the commencement date of the Lease Agreement, being the same day as the commencement date of the Rent-free Period
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fixed Lease Payment”	the amount payable by Guangzhou Haiyuehui (as lessee) to Guangzhou Yuezhan (as lessor) for the right to use the Lease Properties during the term of the Golden Ram Lease, excluding any variable lease payment

“Group”	the Company and its subsidiaries, and “member of the Group” means any one of them
“Lease Properties”	has the meaning ascribed to it in the section headed “The Lease Agreement” in this announcement
“GCCD”	廣州市城市建設開發有限公司(Guangzhou City Construction & Development Co. Ltd.), a company incorporated in the PRC, which is indirectly owned as to 95% by the Company
“Guangzhou Haiyuehui”	廣州越秀海樾薈健康管理有限公司(Guangzhou Yuexiu Haiyuehui Health Management Co., Ltd.*), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by GCCD
“Guangzhou Yuezhhan”	廣州越展資產經營管理有限公司(Guangzhou Yuezhhan Asset Management Co., Ltd.*), a company incorporated in the PRC with limited liability, which is indirectly wholly-owned by GZYX, and the company entrusted by the Landlord with the rights to operate and manage the Lease Properties
“GZYX”	廣州越秀集團有限公司(Guangzhou Yue Xiu Holdings Limited*), a company incorporated in the PRC with limited liability, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company
“Lease Agreement”	the property lease agreement dated 2 August 2019 entered into between Guangzhou Yuezhhan and Guangzhou Haiyuehui, as supplemented by the supplemental property lease agreement and the supplemental cooperation memorandum entered into by the parties on the same day
“Lease Properties”	has the meaning ascribed to it in the section headed “The Lease Agreement” in this announcement
“Lease Transactions”	the transactions contemplated under the Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Landlord”	廣州水泥股份有限公司(Guangzhou Cement Co., Ltd.*), the sole legal owner of all the property rights over the Lease Properties, which is a company incorporated in the PRC with limited liability and a subsidiary of GZYY
“Nursing Home Facilities”	the nursing home and medical institution which are to be operated by the Group at the Lease Properties
“Occupancy Rate”	the overall occupancy rate for the Nursing Home Facilities
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rent-free Period”	has the meaning ascribed to it in the section headed “The Lease Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.	“square metre(s)
“Variable Lease Payment”	the amounts payable by Guangzhou Haiyuehui to Guangzhou Yuezhuan for the right to use the Lease Properties during the term of the lease that varies due to changes in circumstances occurring after the Commencement Date
“Yuexiu Elderly-Care”	廣州越秀養老產業投資控股有限公司(Guangzhou Yuexiu Elderly-Care Industry Investment Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability, which is wholly-owned by GCCD

* for identification purposes only

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

Hong Kong, 2 August 2019

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

Executive Directors: **LIN Zhaoyuan (Chairman), LIN Feng, LI Feng, CHEN Jing and LIU Yan**

Non-executive Director: **OUYANG Changcheng**

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