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*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 00123)**

## **CONNECTED TRANSACTION**

### **GUANGZHOU PAPER PROPERTY LEASE AGREEMENT RELATING TO ELDERLY-CARE BUSINESS OF THE GROUP**

#### **GUANGZHOU PAPER PROPERTY LEASE AGREEMENT**

On 9 December 2019, Guangzhou Haiyiyuan (an indirect non wholly-owned subsidiary of the Company, as lessee) entered into the Guangzhou Paper Property Lease Agreement with Guangzhou Paper (as lessor) in relation to the leasing of the Guangzhou Paper 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 the Guangzhou Paper Lease Properties as right-of-use assets, and as a result, the entry into of the Guangzhou Paper Property Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

#### **LISTING RULES IMPLICATIONS**

Guangzhou Paper is a subsidiary of GZYYX, which is the controlling shareholder of the Company, therefore Guangzhou Paper is a connected person of the Company under the Listing Rules. Accordingly, under Chapter 14A of the Listing Rules, the transactions contemplated under the Guangzhou Paper Property Lease Agreement constitute a one-off connected transaction of the Company.

As the highest applicable percentage ratio in respect of the value of the right-of-use assets under the Guangzhou Paper Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Guangzhou Paper Property Lease Agreement are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

## INTRODUCTION

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. 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 Guangzhou Paper 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 9 December 2019, Guangzhou Haiyiyuan (an indirect non wholly-owned subsidiary of the Company, as lessee) entered into the Guangzhou Paper Property Lease Agreement with Guangzhou Paper (as lessor) in relation to the leasing of the Guangzhou Paper Lease Properties, the principal terms of which are as follows:

### GUANGZHOU PAPER PROPERTY LEASE AGREEMENT

- Premises : The land, buildings(s), and structure(s) situated at (i) No. 1, 3, 5, 9, 11, 13 and 15 Guangzhi East Fifth Street; (ii) No. 3 (self-numbered) Guangzhi East Fifth Street; and (iii) No. 106 Guangzhi North First Road (the “**Guangzhou Paper Lease Properties**”), with a total construction area of 16,405.47 sq. m. and a total gross floor area is 3,860.53 sq. m..
- Term : 12 years commencing from 9 December 2019.
- Usage : For elderly-care and medical services use only
- Rental and aggregate value of consideration payable : The monthly rental payable (exclusive of management service fees and other outgoing charges and expenses) under the lease are as follows:
- (i) 9 December 2019 to 8 December 2022: RMB409,480
  - (ii) 9 December 2022 to 8 December 2025: RMB458,618
  - (iii) 9 December 2025 to 8 December 2028: RMB513,652
  - (iv) 9 December 2028 to 8 December 2031: RMB575,290

The outgoing utility charges and other expenses arising out of the operations of the elderly-care and provision of medical services at the Guangzhou Paper Lease Properties as referred to in the Lease Agreement shall be paid by Guangzhou Haiyiyuan.

Certain management services in respect of the Guangzhou Paper Lease Properties, including security, cleaning and greening, will be carried out by a service provider to be selected by Guangzhou Haiyiyuan through a tender process. Guangzhou Haiyiyuan will pay management service fees to such service provider. The Company will comply with the relevant Listing Rules requirements in respect of the above-mentioned management services and fees.

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

In accordance with HKFRS, the Lease Payment under the Guangzhou Paper Property Lease Agreement is capital in nature and therefore, the Guangzhou Paper Lease Properties will be recognised as right-of use assets of the Group on 9 December 2019 for an amount of RMB52,308,948. The rental payments under the Guangzhou Paper Property Lease Agreement is expected to be satisfied by internal resources of the Group in its ordinary and usual course of business.

- Security Deposit : RMB1,228,440 as security deposit, which shall be payable on or before 31 December 2019 or within three business days after the date of the notice issued by Guangzhou Paper.
- Delivery : The Guangzhou Paper Lease Properties shall be delivered by Guangzhou Paper to Guangzhou Haiyiyuan on 9 December 2019.
- Payment Term : The monthly rental for the Guangzhou Paper Lease Properties shall be paid by Guangzhou Haiyiyuan to Guangzhou Paper in advance on or before the 30th day of each calendar month.
- Termination : Either party to the Guangzhou Paper Property Lease Agreement may terminate the agreement by giving 10 days' of prior written notice to the other party in advance.

If either party unilaterally terminates the Guangzhou Paper Lease Agreement for any reason other than expiry of lease, a transitional period of not more than one year shall be allowed to re-locate and settle the elderly residents, during which both parties shall remain subject to the terms of the lease.

- Renewal : Subject to compliance with the applicable Listing Rules, Guangzhou Haiyiyuan has a pre-emptive right to renew the lease upon its expiry which shall be exercised by giving written notice to Guangzhou Paper six months prior to the expiry of the lease term. If Guangzhou Haiyiyuan decides not to renew the lease, it must vacate the Guangzhou Paper Lease Properties within 15 days of the expiry of the lease and settle all outstanding fees.

## **REASONS FOR AND BENEFITS OF THE GUANGZHOU PAPER PROPERTY LEASE AGREEMENTS**

The Guangzhou Paper Lease Properties are situated at Guangzhi East Fifth Street and Guangzhi North First Road, Haizhu District, Guangzhou City, which is a bustling location with many shops, convenient transportation network and readily available medical resources. The Group considers that the Guangzhou Paper Lease Properties are well-suited for conversion into elderly-care facilities. The entering into of the Guangzhou Paper Property Lease Agreement, which is 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 Lease Payment under the Guangzhou Paper Property 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 Guangzhou Paper Property Lease Agreement and the transactions contemplated thereunder are fair and reasonable and are in the ordinary and usual course of business of the Group.

## **INFORMATION OF THE COMPANY AND GUANGZHOU HAIYIYUAN**

### **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 Haiiyuan**

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

## **INFORMATION OF GZYX AND GUANGZHOU PAPER**

### **GZYX**

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

### **Guangzhou Paper**

Guangzhou Paper is principally engaged in the business of paper manufacturing.

## **LISTING RULES IMPLICATIONS**

In accordance with HKFRS 16, the Group is required to recognize the Guangzhou Paper Lease Properties as right-of-use-assets, and, as a result, the entry into of the Guangzhou Paper Property Lease Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules.

Guangzhou Paper is a subsidiary of GZYX, which is the controlling shareholder of the Company, therefore Guangzhou Paper is a connected person of the Company under the Listing Rules. As such, under Chapter 14A of the Listing Rules, the transactions contemplated under the Guangzhou Paper Property Lease Agreement constitute a one-off connected transaction of the Company.

Given that the highest applicable percentage ratio in respect of the value of the right-of-use assets under the Guangzhou Paper Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Guangzhou Paper Property Lease Agreement are subject to the reporting, and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As none of the Directors had a material interest in the Guangzhou Paper Property 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 Guangzhou Paper Property 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 Guangzhou Paper Property 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 decorations);
- (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 Guangzhou Paper Property Lease Agreement in respect of elderly residential care homes; and
- (iv) the 12-year tenure under the Guangzhou Paper Property 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company

“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 in the PRC and which is indirectly owned as to 95% by the Company and 5% by GZYY
“Group”	the Company and its subsidiaries, and “member of the Group” means any one of them
“Guangzhou Paper”	廣州造紙集團有限公司(Guangzhou Paper Group Ltd.*), a company incorporated in the PRC with limited liability, which is wholly owned by GZYY
“Guangzhou Paper Lease Properties”	has the meaning ascribed to it under the section headed “Guangzhou Paper Property Lease Agreement” in this announcement
“Guangzhou Paper Property Lease Agreement”	the property lease agreement dated 9 December 2019 entered into between Guangzhou Paper (as lessor) and Guangzhou Haiyiyuan (as lessee) to govern the rental and leasing of the Guangzhou Paper Lease Properties
“Guangzhou Haiyiyuan”	廣州越秀海頤苑健康管理有限公司(Guangzhou Yuexiu Haiyiyuan Health Management Co., Ltd.*), a company incorporated in the PRC with limited liability, which is indirectly owned as to 70% by GCCD and directly owned as to 30% by Guangzhou Paper
“GZYY”	廣州越秀集團股份有限公司(Guangzhou Yue Xiu Holdings Limited*), a joint stock limited company incorporated in the PRC, which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“GZYY Group”	GZYY and its subsidiaries (other than the Group), and “member of the GZYY Group” means any one of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS(s)”	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 Payment”	the amount payable by Guangzhou Haiyiyuan (as lessee) to Guangzhou Paper (as lessor) for the right to use the Guangzhou Paper Lease Properties during the term of the Guangzhou Paper Property Lease Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metre(s)
“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

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

Hong Kong, 9 December 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*

\* *for identification purposes only*