

The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 00405)

Managed by



ANNOUNCEMENT

CONNECTED PARTY TRANSACTION RENEWED STAFF QUARTERS SUBLEASE

On 22 November 2022, the Branch Company (being a branch company of a 98.99% owned subsidiary of Yuexiu REIT) entered into the Renewed Staff Quarters Sublease (as defined below) as the sub-lessee to renew the 2019 Staff Quarters Sublease with Yuexiu Property Subsidiary (a connected person of Yuexiu REIT) as the sub-lessor for a further term of three years with effect from 1 December 2022.

The Renewed Staff Quarters Sublease constitutes a connected party transaction of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

This announcement is made pursuant to 10.5A of the REIT Code.

Background

Reference is made to the announcement of Yuexiu REIT dated 29 November 2019 (the “**2019 Announcement**”) regarding a sublease entered into between Yuexiu Property Subsidiary and the Branch Company in respect of the Staff Quarters used as accommodation for some of the Hospitality Staff for a term of 3 years expiring on 30 November 2022 (the “**2019 Staff Quarters Sublease**”). Unless defined in this announcement, capitalised terms used in this announcement shall have the same meanings ascribed to them in the 2019 Announcement.

Pursuant to its pre-emptive right to renew the 2019 Staff Quarters Sublease (as disclosed in the 2019 Announcement), the Branch Company informed Yuexiu Property Subsidiary its intention to renew the 2019 Staff Quarters Sublease in August 2022 and entered into a renewal lease agreement with Yuexiu Property Subsidiary on 22 November 2022 for a further term of three years with effect from 1 December 2022 (the “**Renewed Staff Quarters Sublease**”).

Details of the Renewed Staff Quarters Sublease are as follows:

Sub-lessor	Guangzhou Yuexiu Star Apartment Management Co., Ltd.* (廣州越秀星寓公寓管理有限公司) (being the Yuexiu Property Subsidiary)
Sub-lessee	Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd., Four Seasons Hotel Branch* (廣州越秀城建國際金融中心有限公司四季酒店分公司) (being the Branch Company)
Staff Quarters	17/F-31/F, No. 2-1 Hua Cheng Road, Zhujiang New Town, Tianhe District, Guangzhou, PRC
Gross Floor Area of the Staff Quarters	7,411.05 sq.m.
Sublease commencement date	1 December 2022
Term	Three years, commencing from 1 December 2022 and expiring on 30 November 2025 (both dates inclusive)
Rental amount	<u>First year</u> : RMB930,161 (RMB125.5/sq.m.) per month and RMB11,161,932 per year <u>Second year</u> : RMB967,364 (RMB130.5/sq.m.) per month and RMB11,608,368 per year <u>Third year</u> : RMB1,006,050 (RMB135.8/sq.m.) per month and RMB12,072,600 per year (all figures above are approximate and exclusive of value-added tax and property management fee, which shall be borne by the Branch Company, and paid in the case of property management fees, to an independent third party property manager who is not a connected person of Yuexiu REIT))

Security Deposit	RMB1,970,000
Payment terms	Rental shall be paid monthly before the 10th day of each month, save for the rental for the first month which shall be paid within 10 business days upon execution of the Renewed Staff Quarters Sublease.
Termination	A party may unilaterally terminate the Renewed Staff Quarters Sublease where there are certain material breaches by the other party, such as failure to deliver the Staff Quarters or pay rent.
Renewal	The Branch Company will have a pre-emptive right to inform Yuexiu Property Subsidiary its intention to renew the Renewed Staff Quarters Sublease. Such renewed sublease shall be entered into no later than 90 days before the expiry of the Renewed Staff Quarters Sublease.

Reasons for and Benefits of Entering into the Renewed Staff Quarters Sublease

The rental amounts under the Renewed Staff Quarters Sublease were arrived at after arm's length negotiation between the parties with reference to the prevailing market conditions and the rental level for similar properties in the locality. The entering into of the Renewed Staff Quarters Sublease, which is on normal commercial terms, will continue to enable the Branch Company to secure a sizable space at a suitable location for a reasonably long period of time for the accommodation of the Hospitality Staff.

As noted below, the independent property valuer is of the opinion that the rental under the Renewed Staff Quarters Sublease is at the prevailing market level, and is considered as fair and reasonable.

Regulatory Implications

As Yuexiu Property wholly-owns the Manager and a substantial unitholder of Yuexiu REIT (being Dragon Yield), Yuexiu Property Subsidiary, being a subsidiary of Yuexiu Property, is a fellow subsidiary and hence an associate of the Manager and Dragon Yield, and therefore a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Accordingly, the Renewed Staff Quarters Sublease constitutes a connected party transaction of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

Pursuant to HKFRS 16, the Renewed Staff Quarters Sublease is recognised as right-of-use assets with a present value of approximately RMB34,979,000, which is regarded as an acquisition of assets by Yuexiu REIT under the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

As the highest applicable percentage ratio calculated in respect of the present value of the total rental amount payable under the Renewed Staff Quarters Sublease exceeds 0.1% but is less than 5%, the Renewed Staff Quarters Sublease is subject to the reporting and announcement requirements but is exempt from the independent Unitholders' approval requirement under Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Accordingly, the Manager is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Renewed Staff Quarters Sublease.

Opinion of the Board

Having considered the reasons set out in the above section headed "Reasons for and Benefits of Entering into the Renewed Staff Quarters Sublease", the basis of determination of the rental payable under the Renewed Staff Quarters Sublease, the opinion of the independent property valuer and the advice received, and having taken into account the duties of the Manager set out in the REIT Code and the Trust Deed, the Board (including the independent non-executive directors) is of the view that the Renewed Staff Quarters Sublease is: (a) being carried out at arm's length and on normal commercial terms; (b) consistent with the investment objectives and strategy of Yuexiu REIT; and (c) on terms that are fair and reasonable and in the best interests of Yuexiu REIT and the Unitholders as a whole.

As: (i) Mr. Zeng Zhizhao, a non-executive director of the Manager, holds senior management position with Yuexiu Property; and (ii) Mr. Li Feng, a non-executive director of the Manager, is the executive director of Yuexiu Property, each of them abstained from voting on the relevant board resolutions of the Manager in relation to the Renewed Staff Quarters Sublease. Save as disclosed above, none of the directors of the Manager has a material interest in the Renewed Staff Quarters Sublease and/or was required to abstain from voting on the board resolutions of the Manager to approve the Renewed Staff Quarters Sublease.

Opinion of the Independent Property Valuer

The Manager has also obtained an opinion from Colliers International (Hong Kong) Limited, an independent property valuer and the principal valuer of Yuexiu REIT, that the rental under the Renewed Staff Quarters Sublease is at the prevailing market level, and is considered as fair and reasonable.

Opinion of the Trustee

Based and in sole reliance on: (i) the opinion of the Board after taking into account the advice received by the Board; (ii) the opinion of the independent property valuer; and (iii) the other information in this announcement and confirmations provided by the Manager, the Trustee, having taken into account its duties set out under the REIT Code and the Trust Deed, is of the view that:

- (a) the Renewed Staff Quarters Sublease is consistent with the investment policy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed;
- (b) the Renewed Staff Quarters Sublease is on normal commercial terms, fair and reasonable and in the interests of the Unitholders as a whole;
- (c) Unitholders' approval is not required under the REIT Code or the Trust Deed for the Renewed Staff Quarters Sublease; and
- (d) it has no objection to the entry into of Renewed Staff Quarters Sublease.

Information of Yuexiu REIT, the Branch Company and the Yuexiu Property Subsidiary

Yuexiu REIT is a real estate investment trust authorised by the SFC, the units of which were first listed on The Stock Exchange of Hong Kong Limited on 21 December 2005. Yuexiu REIT's current portfolio consists of six commercial properties located in Guangzhou, one commercial property located in Shanghai, one commercial property located in Wuhan and one commercial property located in Hangzhou.

The Branch Company is a branch company of the Project Company, which is a limited liability company incorporated in the PRC and principally engages in the business of hospitality and catering services. As at the date of this announcement, the Project Company is indirectly owned as to 98.99% by Yuexiu REIT.

Yuexiu Property Subsidiary is a company incorporated in the PRC and principally engages in the business of residential and commercial property leasing and property management. As at the date of this announcement, Yuexiu Property Subsidiary is a wholly-owned subsidiary of Yuexiu Property, which is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 123).

This announcement is made pursuant to 10.5A of the REIT Code.

By order of the Board of
Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)
YU Tat Fung
Company Secretary

Hong Kong, 22 November 2022

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

Executive Directors: Mr. LIN Deliang (Chairman) and Ms. OU Haijing

Non-executive Directors: Mr. LI Feng and Mr. ZENG Zhizhao

*Independent Non-executive Directors: Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian,
Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou*

** For identification purposes only*