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(Stock Code: 00405)

Managed by



ANNOUNCEMENT

FURTHER TEMPORARY RENTAL CONCESSIONS IN SUPPORT OF TENANTS IMPACTED BY COVID-19 AND OTHER BUSINESS UPDATES

This announcement is made by Yuexiu REIT Asset Management Limited (the “**Manager**”) as the manager of Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”) pursuant to 10.3 of the REIT Code.

Reference is made to the announcement of Yuexiu REIT dated 10 June 2022 (“**June Rental Concession Announcement**”) regarding the temporary rental concessions offered by Yuexiu REIT at the time. Unless the context requires otherwise, terms used in this announcement shall have the same meaning as those defined in the June Rental Concession Announcement.

Since the June Rental Concession Announcement, Yuexiu REIT’s properties have continued to be affected by the continued implementation of the COVID-19 Measures to curb the spread of COVID-19. Accordingly, the Manager expects that the financial results of Yuexiu REIT for the second half of 2022 will be adversely impacted due to: (i) further temporary rental concessions being offered to certain small and medium-sized enterprises and individual tenants; (ii) the expected termination of leases by a number of tenants of White Horse Building (白馬大廈); and (iii) the continued impact of the COVID-19 Measures on the operating performance of Four Seasons Hotel Guangzhou.

FURTHER TEMPORARY RENTAL CONCESSIONS

As noted in the June Rental Concession Announcement, the Manager regards all of Yuexiu REIT's tenants as its long-term business partners. As such, having considered various factors, including (i) Yuexiu REIT's corporate social responsibility; (ii) the Rental Concession Guidelines; (iii) the relevant profiles of Yuexiu REIT's tenants; and (iv) the local market conditions and actual operation suspensions of different industries which were and may continue to be adversely affected by the outbreak and the COVID-19 Measures, Yuexiu REIT will offer further temporary rental concessions to certain small and medium enterprises and individual tenants (excluding connected persons of Yuexiu REIT) in particularly affected industries.

Based on the present circumstances, it is estimated that the total amount of these further temporary rental concessions will be approximately RMB66 million.

TERMINATION OF LEASES OF WHITE HORSE BUILDING

Given current economic and local market conditions as a result of COVID-19, the Manager expects that a number of tenants of White Horse Building (白馬大廈) (being Yuexiu REIT's wholesale mall in Guangzhou) will terminate their leases by the end of 2022. Consistent with the accounting treatment of Yuexiu REIT, the termination of these leases will result in the reversal of deferred assets. Based on indications from the tenants, the Manager expects that such reversals could amount to up to RMB40 million.

While the Manager endeavours to renegotiate the lease terms with the tenants terminating their leases, the Manager expects that a certain proportion of the tenants may choose to vacate the property. As part of its leasing strategy, the Manager will continue to seek new tenants to refill the vacancies at White Horse Building. Based on lease expiry profiles and negotiations with the tenants to date, the Manager expects the occupancy rate for White Horse Building to remain above 80%.

HOTEL BUSINESS UPDATE

The hotel industry in the PRC continues to be adversely affected by COVID-19. Four Seasons Hotel Guangzhou, being the only hotel in Yuexiu REIT's property portfolio, recorded a moderate drop in its average occupancy rate during the second half of 2022 (as compared to the corresponding period in 2021), which is in turn expected to have a negative impact on the gross revenue generated from Four Seasons Hotel Guangzhou for the second half of 2022. As a mitigating measure, the Manager has continued to implement stringent cost control measures to optimise cost savings.

MEASURES TO TACKLE AND MITIGATE BUSINESS DISRUPTION CAUSED BY COVID-19

The Manager remains committed to the continued prevention of outbreak of COVID-19 within its properties, and has continually implemented various measures to strengthen the standards of hygiene in all properties held by Yuexiu REIT, whilst also addressing the needs of its current tenant base. For details, please refer to the June Rental Concession Announcement.

Given Yuexiu REIT's proactive asset management strategy, and its historical track record in terms of its business and financial performance, with the expected easing of the COVID-19 Measures, the Board remains optimistic that occupancy rates and rental income of the properties held by Yuexiu REIT will improve and stabilize for the first half of 2023.

The Board will continue to closely monitor the development of the COVID-19 situation and assess its impact on Yuexiu REIT's operations and financial performance, and will make further announcement(s) as and when appropriate or if there is any further material update as to the impact of the COVID-19 situation on Yuexiu REIT.

The information contained in this announcement is only based on the assessment made by the Board with reference to information currently available, which has neither been reviewed nor audited by Yuexiu REIT's auditors. Unitholders and potential investors of Yuexiu REIT are advised to exercise caution when dealing in the units of Yuexiu REIT.

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

Hong Kong, 20 December 2022

As at the date of this notice, the board of Directors of the Manager is comprised as follows:

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 Xiaoou