

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong 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.*



## **CONTINUING CONNECTED TRANSACTIONS 2019 FRAMEWORK LEASE AGREEMENT**

### **2019 FRAMEWORK LEASE AGREEMENT**

On 17 January 2019, GCCD (an indirect 95%-owned subsidiary of the Company) and GZYX entered into the 2019 Framework Lease Agreement for a term of three years commencing with retrospective effect from 1 January 2019 to govern the leasing of the Lease Properties by the GCCD Landlords to the GZYX Entities.

### **PROPOSED ANNUAL CAPS**

The Annual Caps for the Lease Transactions are RMB75,000,000 for each of the years ending 31 December 2019, 2020 and 2021, respectively.

### **LISTING RULES IMPLICATIONS**

GZYX is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As such, the Lease Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the Annual Caps is more than 0.1% but less than 5%, the Lease Transactions are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) considers that: (i) the terms of the 2019 Framework Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the Lease Transactions are in the ordinary and usual course of business of the Group; (iii) the entering into of the 2019 Framework Lease Agreement by GCCD is in the interest of the Company and its shareholders as a whole; and (iv) the Annual Caps (including the basis of determination thereof) are fair and reasonable.

## **2019 FRAMEWORK LEASE AGREEMENT**

Reference is made to the announcement of the Company dated 30 November 2015 in relation to the 2015 Framework Lease Agreement. As the 2015 Framework Lease Agreement has expired on 31 December 2018, on 17 January 2019, GCCD (an indirect 95%-owned subsidiary of the Company) and GZYZ entered into the 2019 Framework Lease Agreement to renew the term of the 2015 Framework Lease Agreement.

### **Term and Termination**

The Term is three years commencing with retrospective effect from 1 January 2019 up to and including 31 December 2021.

Subject to compliance with the relevant requirements under the Listing Rules, GCCD and GZYZ may within three months before the end of the Term agree to renew the 2019 Framework Lease Agreement on such terms and conditions as may be mutually agreed.

Either party to the 2019 Framework Lease Agreement may terminate the 2019 Framework Lease Agreement by giving not less than 30 days' prior written notice to the other party.

### **SPECIFIC LEASE AGREEMENT**

Subject to compliance with the terms and conditions of the 2019 Framework Lease Agreement, any GZYZ Entity that is willing to take up a lease in respect of the Lease Properties shall enter into a Specific Lease Agreement with the relevant GCCD Landlord (as landlord) in relation to the Lease Properties which must satisfy the following requirements:

- (i) the term of the Specific Lease Agreement must be for a fixed term of not more than three years;
- (ii) the terms and conditions of the Specific Lease Agreement must be no less favourable than the terms and conditions of lease agreements entered into by independent third parties for similar or comparable premises;
- (iii) the aggregate annual rental payable under all of the Specific Lease Agreements for any given year during the Term shall not exceed the corresponding Annual Cap for the relevant year; and

(iv) the annual rental payable under the Specific Lease Agreement shall be negotiated and determined in accordance with the following principles to ensure that the relevant pricing terms are fair and reasonable:

(a) based on the respective interests of the relevant parties; and

(b) with reference to the then prevailing market conditions and the market rental value as appraised by an independent valuer which should reflect the rental rate of similar or comparable spaces and/or units offered to independent third parties.

Pursuant to the 2019 Framework Lease Agreement, any lease agreement entered into between any GZYX Entity and any GCCD Landlord in respect of any of the Lease Properties prior to and remaining in effect as at the effective date of the 2019 Framework Lease Agreement is deemed to be a Specific Lease Agreement for the purposes of calculating the relevant Annual Cap.

In the event that: (i) the term of any Specific Lease Agreement will end after the end of the Term, and the 2019 Framework Lease Agreement is not extended or renewed; or (ii) the 2019 Framework Lease Agreement is terminated in accordance with its terms prior to the end of the term of any Specific Lease Agreement, such Specific Lease Agreement shall remain in effect and the Company shall comply in full with the applicable requirements under the Listing Rules for such Specific Lease Agreement in respect of the period for which the term of such Specific Lease Agreement exceeds the Term.

## **PROPOSED ANNUAL CAPS**

As at the date of this announcement, 66 units, with total gross floor area of approximately 13,133.22 sq. m., and some other spaces are being leased under a total of 12 Existing Leases. The total monthly rental amounts payable by the GZYX Entities to the GCCD Landlords under the Existing Leases for the year ended 31 December 2018 was on average approximately RMB3.3 million.

The Annual Caps are determined with reference to: (i) the estimated total annual rental amount payable by the GZYX Entities to the GCCD Landlords under the Existing Leases; (ii) the rental amount received by the GCCD Landlords from the GZYX Entities for the leasing of the Lease Properties under the 2015 Framework

Lease Agreement for the years ended 31 December 2016, 2017 and 2018 being RMB6.7 million, RMB17.2 million and RMB39.6 million, respectively; (iii) the estimated aggregated annual rental payable by the GZYX Entities to the GCCD Landlords under the Specific Lease Agreements which are estimated to be entered into by the GZYX Entities and the GCCD Landlords during the Term, and after providing for a buffer to cater for possible increases in the number of the Lease Transactions due to, among other things, demand for office space in a location where Yuexiu Financial Tower is situated and in the amount of rental payable.

The Annual Caps are set out below:

<b>For the year ending 31 December 2019</b>	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
75,000,000	75,000,000	75,000,000

In the event that the entering into or amendment of any Specific Lease Agreement will result in the aggregate annual rental payable by the GZYX Entities to the GCCD Landlords exceeding the Annual Cap for the relevant year, the Company shall take all necessary procedures to comply with the Listing Rules, including to make announcement(s) if appropriate and to seek independent shareholders' approval if necessary. Unless such compliance is made in full by the Company, no such Specific Lease Agreement shall be entered into or amended.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the terms of the 2019 Framework Lease Agreement are complied with, the Group has established a series of internal control procedures and external supervision measures, which are summarized below:

1. The Group will monitor the rental amount payable by the GZYX Entities to the GCCD Landlords on a monthly basis to ensure that the aggregate amount of the annual rental payable by the GZYX Entities to the GCCD Landlords under the Specific Lease Agreements do not exceed the Annual Caps.

2. The Group will prepare a continuing connected transaction report (“**CCT Report**”) once every six months on the Specific Lease Agreement(s) and the transactions contemplated thereunder which will be submitted to the Group’s audit committee for consideration. The content of the CCT Report includes (i) the aggregate rental amount payable by GZYG Entities to the GCCD Landlords under the Specific Lease Agreement(s); (ii) a summary and comparison of the annual rental of the Lease Properties payable by the relevant GZYG Entity to the relevant GCCD Landlord under each Specific Lease Agreement with reference to the then prevailing market conditions and the market rental value as appraised by an independent valuer which should reflect the rental rate of similar or comparable spaces and/or units offered to independent third parties; and (iii) the status of compliance with the Annual Caps.
3. The Group’s audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (including the transactions contemplated under the 2019 Framework Lease Agreement).
4. The external auditors of the Group will conduct a review of interim financial information of the Group for six months ending 30 June of each financial year, and an audit of consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to the external auditors’ attention that causes them to believe that the continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap. In addition, with respect to the transactions contemplated under the 2019 Framework Lease Agreement, the independent non-executive Directors will conduct an annual review and give the relevant confirmation in each annual report of the Group in accordance with the Listing Rules.

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the transactions contemplated under the Specific Lease Agreements will comply with the relevant regulatory guidelines and the terms of the 2019 Framework Lease Agreement.

## **REASONS FOR AND BENEFITS OF THE 2019 FRAMEWORK LEASE AGREEMENT**

The Yuexiu Financial Tower is conveniently located in the central axis of the Zhujiang New Town of the central business district in Guangzhou, and is positioned as an international grade-A office building. Given the sizeable and established operations of different GZYX Entities, in particular that certain GZYX Entities are engaged in financial businesses, the Directors consider that the GZYX Entities match the target tenant profiles of the Yuexiu Financial Tower, and that the continual leasing of the Lease Properties to the GZYX Entities would provide the Group with a group of reliable tenants and a stable source of rental income on normal commercial terms.

In addition, the Directors consider that the 2019 Framework Lease Agreement can set out a framework and streamline the leasing processes in respect of the Lease Properties between the GZYX Entities and the GCCD Landlords. The 2019 Framework Lease Agreement will also provide a single basis on which the Company will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the Listing Rules and thereby enhances administrative efficiency and saves costs for the Company in complying with such requirements.

Having considered the above factors and the basis of determination of the Annual Caps, the Board (including the independent non-executive Directors) considers that: (i) the terms of the 2019 Framework Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the Lease Transactions are in the ordinary and usual course of business of the Group; (iii) the entering into of the 2019 Framework Lease Agreement by GCCD is in the interest of the Company and its shareholders as a whole; and (iv) the Annual Caps (including the basis of determination thereof) are fair and reasonable.

## **INFORMATION OF 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.

## **INFORMATION OF GCCD**

GCCD is principally engaged in the development, operation, leasing and management of properties. GCCD developed the Yuexiu Financial Tower and currently owns the Yuexiu Financial Tower through its four wholly-owned subsidiaries.

## **INFORMATION OF GZYX**

GZYX is a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC. GZYX, through its various subsidiaries, associates and affiliates, engages in various businesses including (among others) financial business, property development, infrastructure and construction.

## **LISTING RULES IMPLICATIONS**

GZYX is the controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As such, the Lease Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio for the Annual Caps is more than 0.1% but less than 5%, the Lease Transactions are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the Lease Transactions.

## **DEFINITIONS**

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

“2015 Framework Lease Agreement”	the framework lease agreement dated 30 November 2015 entered into between GCCD and GZYX to govern the rental and leasing of the Lease Properties for the period between 1 January 2016 to 31 December 2018
“2019 Framework Lease Agreement”	the framework lease agreement dated 17 January 2019 entered into between GCCD and GZYX to renew the rental and leasing of the Lease Properties for the Term
“Annual Caps”	the annual aggregate maximum amount payable by the GZYX Entities to the GCCD Landlords under the Lease Transactions for the Term as set out in the section headed “Proposed Annual Caps” of this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Existing Leases”	collectively (or individually) the specific lease agreement(s) that have been entered into between the relevant GZYX Entities and the relevant GCCD Landlords pursuant to the 2015 Framework Lease Agreement and the remaining term of such lease(s) shall continue from 1 January 2019
“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
“GCCD Landlords”	the four wholly-owned subsidiaries of GCCD which directly own respective spaces and units of the Yuexiu Financial Tower, and “GCCD Landlord” means any one of them
“Group”	the Company and its subsidiaries, and “member of the Group” means any one of them
“GZYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*)
“GZYX Entities”	collectively, GZYX, its subsidiaries and its associates (in each case excluding the Company and its subsidiaries), and “GZYX Entity” means any one of them
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lease Properties”	certain spaces and units of the Yuexiu Financial Tower agreed to be leased by the GCCD Landlords to the relevant GZYX Entity(ies) after consideration of the reasonable request made by GZYX from time to time



“Lease Transactions”	the leasing of the Lease Properties under any Specific Lease Agreement(s)
“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”	means Renminbi, the lawful currency of the PRC
“Specific Lease Agreement(s)”	the specific lease agreement(s) (in the prescribed form as set out in the 2019 Framework Lease Agreement or as otherwise agreed between the relevant GZYX Entity(ies) and the relevant GCCD Landlord(s)) to be or to be deemed to have been entered into between the relevant GZYX Entity(ies) (as tenant) and the relevant GCCD Landlord(s) (as landlord) pursuant to the 2019 Framework Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the three-year period commencing with retrospective effect from 1 January 2019 up to and including 31 December 2021
“Yuexiu Financial Tower”	the real property known as “Yuexiu Financial Tower” (越秀金融大廈), located at No. 28 Zhujiang East Road, Guangzhou, PRC

*\* for identification purposes only*

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

Hong Kong, 17 January 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

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