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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 01052)

CONNECTED TRANSACTIONS: LEASE AGREEMENTS

LEASE AGREEMENTS

On 31 December 2020, the subsidiaries of the Company (as tenants) and YX IFC (as landlord), entered into the Lease Agreements in respect of certain properties located in Guangzhou IFC, an office building located in Guangzhou, the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of the financial position for the accounting period on or after 1 January 2019. Accordingly, the entering into of each Lease Agreement will be regarded as a one-off acquisition of assets of the Group for the purposes of the Listing Rules. Since YX IFC is a connected person of the Company under the Listing Rules, each Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Each of (i) Lease Agreement A and (ii) Lease Agreement E, on a standalone basis, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Under the Listing Rules, the Lease Agreements are required to be aggregated as if they were one transaction. The Lease Agreements, on an aggregate basis, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the shareholders' approval requirement.

1. BACKGROUND

On 28 December 2017, the Company entered into the 2017 Framework Lease Agreement with YX IFC in relation to the leasing of properties located at Guangzhou IFC, an office building located in Guangzhou, the PRC, to the Group as tenant for a term of three years which will expire on 31 December 2020. For the reasons disclosed in section 5 of this announcement, the subsidiaries of the Company (as tenants) and YX IFC (as landlord) entered into the Lease Agreements in respect of certain properties located in Guangzhou IFC.

2. PRINCIPAL TERMS OF THE LEASE AGREEMENTS

2.1 Common terms

Each Lease Agreement has the following common terms:

- (a) the lease term is three years commencing on 1 January 2021 (except for Lease Agreement G the term of which is one year commencing on 1 January 2021);
- (b) the monthly rent is RMB262 per square metre (except for (i) Lease Agreement F under which the monthly rent is RMB231 per square metre and (ii) Lease Agreement G under which the monthly rent is RMB202 per square metre);
- (c) the rental is payable on a quarterly basis; and
- (d) subject to the tenant having complied with the terms of the relevant Lease Agreement, the rents for each of the first month and the thirteenth month will be waived (except for Lease Agreement G which does not provide for waiver of rents).

Summaries of other principal terms of the Lease Agreements are set out in sections 2.2 to 2.8 below.

2.2 Lease Agreement A

Tenant	Guangzhou Yue Da
Premises in the Guangzhou IFC	Unit 1701A
Total monthly rent	RMB415,769.55 (VAT of RMB19,798.55 inclusive)
Deposit	RMB831,539.10 (VAT of RMB39,597.10 inclusive)

2.3 Lease Agreement B

Tenant	Guangzhou Yue Tong
Premises in the Guangzhou IFC	Unit 1701B
Total monthly rent	RMB68,536.65 (VAT of RMB3,263.65 inclusive)
Deposit	RMB137,073.30 (VAT of RMB6,527.30 inclusive)

2.4 Lease Agreement C

Tenant	Guangzhou Yue Peng
Premises in the Guangzhou IFC	Unit 1701C
Total monthly rent	RMB69,997.20 (VAT of RMB3,333.20 inclusive)
Deposit	RMB139,994.40 (VAT of RMB6,666.40 inclusive)

2.5 Lease Agreement D

Tenant	Guangzhou Suiqiao
Premises in the Guangzhou IFC	Unit 1701D
Total monthly rent	RMB52,719.45 (VAT of RMB2,510.45 inclusive)
Deposit	RMB105,438.90 (VAT of RMB5,020.90 inclusive)

2.6 Lease Agreement E

Tenant	Guangzhou Yue Da
Premises in the Guangzhou IFC	Unit 1701E
Total monthly rent	RMB224,518.35 (VAT of RMB10,691.35 inclusive)
Deposit	RMB449,036.70 (VAT of RMB21,382.70 inclusive)

2.7 Lease Agreement F

Tenant	Guangzhou Yue Da
Premises in the Guangzhou IFC	Unit 601F
Total monthly rent	RMB29,296.05 (VAT of RMB1,395.05 inclusive)
Deposit	RMB66,618.30 (VAT of RMB3,172.30 inclusive)

2.8 Lease Agreement G

Tenant	Yuexiu (China) Transport
Premises in the Guangzhou IFC	Unit 440A of the Extension Portion (附樓)
Total monthly rent	RMB42,070.35 (VAT of RMB2,003.35 inclusive)
Deposit	RMB84,140.70 (VAT of RMB4,006.70 inclusive)

3. BASIS FOR THE DETERMINATION OF THE TERMS OF THE LEASE AGREEMENTS

The terms (including the rent) of each Lease Agreement was determined after arm's length negotiations between the Group and YX IFC and with reference to the prevailing market rental for properties of similar type, age and location. The rent payable under each Lease Agreement will be funded by the internal resources of the Group.

4. RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of the financial position for the accounting period on or after 1 January 2019. Accordingly, the entering into of each Lease Agreement will be regarded as a one-off acquisition of assets of the Group for the purposes of the Listing Rules.

The estimated value of the right-of-use assets (unaudited) to be recognised by the Company under each Lease Agreement is set out below:

Lease Agreement	Estimated value of the right-of-use assets (RMB'000)
Lease Agreement A	13,245
Lease Agreement B	2,183
Lease Agreement C	2,230
Lease Agreement D	1,680
Lease Agreement E	7,153
Lease Agreement F	933
Lease Agreement G	472

The estimated value of the right-of-use assets disclosed above represents the present value of the aggregate lease payments under the relevant Lease Agreement using the rate applicable at the commencement date of the relevant Lease Agreement in accordance to HKFRS 16. The discount rate of approximately 4.35% is applied to compute the present value of the aggregate lease payments under the Lease Agreements.

5. REASONS FOR AND BENEFITS OF THE LEASE AGREEMENTS

Due to the operation needs of the Group, it is necessary for the Group to rent offices in Guangzhou. Guangzhou IFC is conveniently located in a prime location in Guangzhou and the rentals payable under each Lease Agreement are at prevailing market rates. The Group has occupied certain premises in Guangzhou IFC as offices since 2012. Except for the premises leased under Lease Agreement G which will be used as staff canteen, all the premises leased under the Lease Agreements will be occupied by the Group as offices. Hence, renting the Lease Properties as premises for the on-going business operations and development of the Group is a suitable choice.

Having considered the above factors, the Directors (including the independent non-executive Directors) consider that the terms of each Lease Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

6. INFORMATION ON THE PARTIES TO THE LEASE AGREEMENTS

6.1 The Group and the tenants under the Lease Agreements

The Group is principally engaged in investment in, operation and management of toll expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

All the tenants under the Lease Agreements are the wholly-owned subsidiaries of the Company established in the PRC, the principal activities of which are set out below:

Company	Principal activity
Guangzhou Suiqiao	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Da	Investment holding
Guangzhou Yue Peng	Investment holding
Guangzhou Yue Tong	Investment holding in Guangdong Qinglian Highway Development Company Limited
Yuexiu (China) Transport	Investment holding

6.2 YX IFC

YX IFC is a company established in the PRC and is principally engaged in the investment in and holding of Guangzhou IFC. YX IFC is an associate of Yue Xiu Enterprises (Holdings) Limited** (越秀企業(集團)有限公司) which is the controlling shareholder of the Company, therefore YX IFC is a connected person of the Company. YX IFC is indirectly owned as to approximately 98.99% by Yuexiu Real Estate Investment Trust (Stock Code: 00405), the issued units of which is ultimately and beneficially owned as to approximately 40.20% by Guangzhou Yue Xiu Holdings Limited**(廣州越秀集團股份有限公司), the ultimate holding company of the Company which is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC.

7. IMPLICATIONS UNDER THE LISTING RULES

7.1 Connected transactions

As disclosed in section 4 of this announcement, the entering into of each Lease Agreement will be regarded as a one-off acquisition of assets of the Group. Since YX IFC is a connected person of the Company as disclosed in section 6.2 of this announcement, each Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

7.2 Each Lease Agreement on a standalone basis

Given that the highest of the applicable percentage ratios in respect of each of Lease Agreement B, Lease Agreement C, Lease Agreement D, Lease Agreement F and Lease Agreement G based on the value of right-of-use assets recognised by the Group pursuant to HKFRS 16 is less than 0.1% on a standalone basis and each of these lease agreements is on normal commercial terms or better, each of these lease agreements, on a standalone basis, is fully exempt from the shareholders' approval requirement and all disclosure requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

Given that the highest of the applicable percentage ratios in respect of each of (i) Lease Agreement A and (ii) Lease Agreement E based on the value of right-of-use assets recognised by the Group pursuant to HKFRS 16 equal to 0.1% or exceeds 0.1% but less than 5%, and each of these lease agreements is on normal commercial terms or better, each of these lease agreements, on a standalone basis, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

7.3 The Lease Agreements on an aggregate basis

Pursuant to Rule 14A.81 of the Listing Rules, the Lease Agreements are required to be aggregated as if they were one transaction. Given that the highest of the applicable percentage ratios in respect of the Lease Agreements based on the value of right-of-use assets recognised by the Group pursuant to HKFRS 16 exceeds 0.1% but less than 5% and each Lease Agreement is on normal commercial terms or better, the Lease Agreements, on an aggregate basis, constitute a connected transaction of the Company under Chapter 14A of the Listing Rules which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

7.4 No Director required to abstain from voting at Board meeting

None of the Directors have any material interest in any Lease Agreement. Accordingly, no Director was required to abstain from voting on the relevant Board resolutions of the Company in respect of the Lease Agreements.

8. DEFINITIONS

In this announcement, the following terms and expressions shall, unless the context requires otherwise, have the following meanings:

“2017 Framework Lease Agreement”	the framework lease agreement dated 28 December 2017 entered into between the Company and YX IFC in respect of the rental and leasing of certain properties located in Guangzhou IFC as disclosed in the announcement of the Company dated 28 December 2017
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01052)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Guangzhou IFC”	the real property known as “Guangzhou International Finance Center (廣州國際金融中心)” located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, the PRC

“Guangzhou Suiqiao”	Guangzhou Suiqiao Development Company Limited** (廣州穗橋發展有限公司), a company established in the PRC
“Guangzhou Yue Da”	Guangzhou Yue Da Investment Company Limited** (廣州越達投資有限責任公司), a company established in the PRC
“Guangzhou Yue Peng”	Guangzhou Yue Peng Information Limited** (廣州越鵬信息有限公司), a company established in the PRC
“Guangzhou Yue Tong”	Guangzhou Yue Tong Expressway Operations and Management Company Limited** (廣州越通公路運營管理有限公司), a company established in the PRC
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreement A”	the lease agreement in respect of Unit 1701A of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Yue Da (as tenant) and dated 31 December 2020
“Lease Agreement B”	the lease agreement in respect of Unit 1701B of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Yue Tong (as tenant) and dated 31 December 2020
“Lease Agreement C”	the lease agreement in respect of Unit 1701C of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Yue Peng (as tenant) and dated 31 December 2020
“Lease Agreement D”	the lease agreement in respect of Unit 1701D of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Suiqiao (as tenant) and dated 31 December 2020

“Lease Agreement E”	the lease agreement in respect of Unit 1701E of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Yue Da (as tenant) and dated 31 December 2020
“Lease Agreement F”	the lease agreement in respect of Unit 601F of Guangzhou IFC between YX IFC (as landlord) and Guangzhou Yue Da (as tenant) and dated 31 December 2020
“Lease Agreement G”	the lease agreement in respect of Unit 440A of the Extension Portion (附樓) of Guangzhou IFC between YX IFC (as landlord) and Yuexiu (China) Transport (as tenant) and dated 31 December 2020
“Lease Agreements”	collectively, Lease Agreement A, Lease Agreement B, Lease Agreement C, Lease Agreement D, Lease Agreement E, Lease Agreement F and Lease Agreement G
“Lease Properties”	those spaces, units and/or premises of Guangzhou IFC leased by YX IFC to the Group pursuant to the Lease Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“Yuexiu (China) Transport”	Yuexiu (China) Transport Infrastructure Investment Company Limited** (越秀(中國)交通基建投資有限公司), a company established in the PRC

“YX IFC”

Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd.* (廣州越秀城建國際金融中心有限公司), a company established in the PRC which developed and owns Guangzhou IFC

By order of the Board
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

Hong Kong, 31 December 2020

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

Executive Directors : LI Feng (Chairman), HE Baiqing, CHEN Jing and XIE Yanhui

Independent non-executive Directors : FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu

* *For identification purposes only*

** *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*