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 **越秀房地產投資信託基金**
YUEXIU REAL ESTATE INVESTMENT TRUST

(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

 **越秀房託資產管理有限公司**
YUEXIU REIT ASSET MANAGEMENT LIMITED

ANNOUNCEMENT

**PROPOSED ISSUE OF US\$400,000,000 4.75% GUARANTEED NOTES DUE 2021
UNDER THE US\$1,500,000,000 GUARANTEED MEDIUM TERM NOTE
PROGRAMME**

This announcement is made pursuant to paragraph 10.3 of the REIT Code.

The Board wishes to announce that on 20 April 2018 the Issuer, the REIT Manager and the Notes Managers entered into the Subscription Agreement, and the Issuer and the REIT Manager have executed the pricing supplement, pursuant to which the Notes Managers have agreed severally and not jointly to subscribe for the aggregate principal amount of US\$400,000,000 4.75% guaranteed Notes due 2021 and to pay for the net subscription moneys for the 2018 Notes. The 2018 Notes will be issued at 99.29% of their aggregate nominal amount. The gross proceeds of the 2018 Notes to be issued are expected to be approximately US\$397,100,000.

The 2018 Notes will be offered and issued only to professional investors within the definition of “professional investor” under the SFO. Application will be made for the listing of, and permission to deal in, the 2018 Notes on the Stock Exchange by way of debt issues to professional investors only.

The transactions under the Subscription Agreement, which comprise: (i) the payment of Underwriting Fees and Expenses to HSBC and the Yuexiu Arrangers; and (ii) the subscription of 2018 Notes by HSBC and the Yuexiu Arrangers, constitute connected party transactions of Yuexiu REIT under the REIT Code. The Relevant CPTs with HSBC constitute “corporate finance transactions” between Yuexiu REIT and the HSBC group, and are covered by the waivers granted by the Securities and Futures Commission to Yuexiu REIT on 8 December 2005 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee. As the Relevant CPTs with the Yuexiu Arrangers is less than 5% of the latest net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the year ending 31 December 2017), the Relevant CPTs with the Yuexiu Arrangers do not require approval from independent Unitholders under paragraph 8.9 of the REIT Code.

The net proceeds from the issue of 2018 Notes are expected to be approximately US\$394,300,000, and are intended to be used by Yuexiu REIT for: (a) repayment of the outstanding aggregate principal amount of the 2013 Notes (being US\$350,000,000); and (b) the purposes of refinancing Yuexiu REIT’s existing facilities and funding the general corporate purposes of Yuexiu REIT and its subsidiaries.

Immediately after the issue of the 2018 Notes and the Notes Repayment, the gearing ratio of Yuexiu REIT is expected to increase from 36.0% (as disclosed in the latest audited financial statements of Yuexiu REIT as at 31 December 2017) to approximately 36.5%, which falls within the 45% threshold permitted under paragraph 7.9 of the REIT Code.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issuance of the 2018 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

This announcement is made pursuant to paragraph 10.3 of the Code on Real Estate Investment Trusts (the “REIT Code”).

Reference is made to the announcement dated 16 April 2018 made by Yuexiu REIT Asset Management Limited (as manager of Yuexiu Real Estate Investment Trust) (the “**REIT Manager**”) pursuant to paragraph 10.3 of the REIT Code regarding the application for increase in size and listing of the US\$1,500,000,000 Guaranteed Medium Term Note Programme (the “**Programme Increase Announcement**”). Unless otherwise stated, terms defined in the Programme Increase Announcement shall have the same meaning when used herein.

SUBSCRIPTION AGREEMENT

Date: 20 April 2018

Parties:

- (1) the Issuer
- (2) the REIT Manager
- (3) Bank of China (Hong Kong) Limited, Chong Hing Bank Limited, CMBC Securities Company Limited, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Nomura International (Hong Kong) Limited and Yue Xiu Securities Company Limited (together, the “**Lead Managers**”)
- (4) China Everbright Bank Co., Ltd., Hong Kong Branch, Oversea-Chinese Banking Corporation Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (together with the Lead Managers, the “**Notes Managers**”)

Subject to and in accordance with the provisions of the subscription agreement as described above (the “**Subscription Agreement**”), the Notes Managers have agreed severally and not jointly to subscribe for the aggregate principal amount of US\$400,000,000 4.75% guaranteed Notes due 2021 (the “**2018 Notes**”) under the Updated Programme and to pay for the net subscription moneys for the 2018 Notes. The Issuer has agreed to issue the 2018 Notes on 27 April 2018 (the “**Issue Date**”) to the Notes Managers (or as the Lead Managers may direct). The 2018 Notes will be issued at 99.29% of their aggregate nominal amount.

The Issuer, failing whom the REIT Manager, has agreed to pay, to each Notes Manager a combined management and underwriting commission and certain of their expenses in connection with the issue of the 2018 Notes (“**Underwriting Fees and Expenses**”). Such commission(s) will be deducted by the Notes Managers from the subscription moneys prior to payment to the Issuer. The Issuer, failing whom the REIT Manager, will reimburse the Notes Managers for their expenses in connection with the issue of the 2018 Notes.

The 2018 Notes will be offered and issued only to professional investors within the definition of “professional investor” under the SFO. The 2018 Notes will be offered and sold only outside the US in reliance on Regulation S under the Securities Act.

Conditions Precedent in the Subscription Agreement

The obligations of the Notes Managers to subscribe and pay for the 2018 Notes are conditional upon, among other things:

- (a) the Issuer and the REIT Manager having performed all of their respective obligations under the Amended and Restated Dealer Agreement to be performed on or before the Issue Date of the 2018 Notes and upon the accuracy, on the Issue Date of the 2018 Notes, of the representations and warranties of the Issuer and the REIT Manager;
- (b) the REIT Trustee having performed all of its obligations under the letter agreement from the REIT Trustee to the REIT Manager and the dealers named in the Amended and Restated Dealer Agreement (the “**REIT Trustee Letter**”) to be performed on or before the Issue Date of the 2018 Notes and upon the accuracy, on the Issue Date of the 2018 Notes, of the representations and warranties of the REIT Trustee in the REIT Trustee Letter; and
- (c) the Stock Exchange having agreed to list the 2018 Notes, subject only to their issue.

To the best of the knowledge, information and belief of the directors of the REIT Manager, having made all reasonable enquiries, save for HSBC and the Yuexiu Arrangers, the Notes Managers are not connected persons of Yuexiu REIT under the REIT Code and are independent third parties.

PRICING SUPPLEMENT

The Issuer and the REIT Manager have executed the pricing supplement dated 20 April 2018 recording the final terms of the 2018 Notes.

A summary of the principal terms of the 2018 Notes is as follows:

Issuer: Yuexiu REIT MTN Company Limited, a company incorporated in the British Virgin Islands with limited liability.

(The Issuer is a special purpose vehicle wholly-owned and controlled by Yuexiu REIT.)

Guarantor: HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT)

Rating: “Baa3” by Moody’s Investors Service Inc., a subsidiary of Moody’s Investors Service, Inc., and “BBB-” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc..

Aggregate nominal amount: US\$400,000,000

Issue price: 99.29% of the aggregate nominal amount

Gross proceeds: US\$397,100,000, being the aggregate nominal amount multiplied by the issue price

Issue date and interest commencement date: 27 April 2018

Maturity date: 27 April 2021

Interest: 4.75% per annum, payable semi-annually in arrear

Redemption amount: 100% of the aggregate nominal amount

Listing: Application will be made to the Stock Exchange for the listing of, and permission to deal in, the 2018 Notes on the Stock Exchange by way of “debt issues to professional investors only”, in accordance with Chapter 37 of the Listing Rules. Such investors will fall within the definition of “professional investor” under the SFO. The listing of, and permission to deal in, the 2018 Notes is expected to become effective on or about 30 April 2018.

Based on the issue price and interest payable on the 2018 Notes, the yield to maturity of the 2018 Notes is 5.008%.

REDEMPTION RIGHTS

The holders of the 2018 Notes (the “**Noteholders**”) are entitled to certain redemption rights under the terms and conditions of the Updated Programme (the “**Terms and Conditions**”) contained in the offering circular of the Issuer dated 13 April 2018, including (among others) the Change of Control Put Option (as defined below).

If, at any time while any of the 2018 Notes remain outstanding, one of the Change of Control Put Events (as defined in the Terms and Conditions) occurs, then the holder of each such Note will have the option (a “**Change of Control Put Option**”), subject to certain conditions, to require the Issuer to redeem that Note at US\$1,010 per US\$1,000 (being the calculation amount) of the 2018 Notes.

A “**Change of Control Put Event**” includes, among others, if:

- (i) the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People’s Government, Guangzhou Yuexiu Holdings Limited (“**GZYX**”) (being the ultimate controlling unitholder of Yuexiu REIT), Yuexiu Property Company Limited or their respective successors (together, the “**Permitted Holders**”) cease to have control of more than 30% of the voting rights of the issued share capital of the REIT Manager or any subsequent manager of Yuexiu REIT, or the right to appoint and/or remove all or the majority of the members of the Board or the board of any subsequent manager of Yuexiu REIT;
- (ii) the percentage ownership of units of Yuexiu REIT (“**Units**”) by the Permitted Holders is reduced below 15% of the total number of Units in issue from time to time; or
- (iii) the Permitted Holders in aggregate cease to be the single largest owner of the Units.

Accordingly, the condition described above imposes obligations on GZYX to maintain a minimum holding in the share capital of the REIT Manager and in the Units of Yuexiu REIT, which constitutes specific performance obligations on a controlling shareholder, the breach of which would entitle the Noteholders to exercise their Change of Control Put Options pursuant to the Terms and Conditions.

The aggregate amount of Notes that may be affected if the Noteholders exercise their Change of Control Put Options is US\$400,000,000, being the aggregate nominal amount of the 2018 Notes. The tenor of the 2018 Notes is three years.

CONNECTED PARTY TRANSACTIONS

For the reasons set out in the Programme Increase Announcement, each of HSBC and the Yuexiu Arrangers (being CHB and Yue Xiu Securities) is a connected person of Yuexiu REIT under the REIT Code. Accordingly, any transactions with HSBC or the Yuexiu Arrangers which result from the Amended and Restated Dealer Agreement, including the entering into of the Subscription Agreement and the transactions thereunder, would constitute connected party transactions of Yuexiu REIT under the REIT Code. Such transactions under the Subscription Agreement comprise: (i) the payment of Underwriting Fees and Expenses to HSBC and the Yuexiu Arrangers; and (ii) the subscription of 2018 Notes by HSBC and the Yuexiu Arrangers (the “**Relevant CPTs**”).

The Relevant CPTs with HSBC constitute “corporate finance transactions” between Yuexiu REIT and the HSBC group, and are covered by the waivers granted by the Securities and Futures Commission to Yuexiu REIT on 8 December 2005 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee. Details of the Relevant CPTs with HSBC will be disclosed in Yuexiu REIT’s annual report for the year ended 31 December 2018, as required under the terms of the above waivers.

The total value of the Relevant CPTs with the Yuexiu Arrangers is US\$20,040,000, which represents 0.88% of the latest net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the year ending 31 December 2017). As the value of the Relevant CPTs with the Yuexiu Arrangers is less than 5% of the latest net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the year ending 31 December 2017), the Relevant CPTs with the Yuexiu Arrangers do not require approval from independent Unitholders under paragraph 8.9 of the REIT Code, and are only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

All applicable reporting and announcement requirements under the REIT Code regarding the Relevant CPTs with the Yuexiu Arrangers have been or will be complied with, including the requirement for: (i) this announcement to be issued pursuant to paragraphs 8.14 and 8.16 of the REIT Code; and (ii) summary disclosure pursuant to paragraphs 8.15 and 8.16 of the REIT Code.

After due consideration of the terms of the Subscription Agreement and other relevant factors in connection with the refinancing needs of Yuexiu REIT, the board of directors of the REIT Manager (including the independent non-executive directors) are satisfied that: (i) the Subscription Agreement and the transactions contemplated thereunder are at arm’s length, on normal commercial terms, and are fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders

and the Unitholders as a whole notwithstanding that the Relevant CPTs with the Yuexiu Arrangers constitute connected party transactions under the REIT Code; and (ii) the Subscription Agreement and transactions thereunder are consistent with the investment objectives and strategy of Yuexiu REIT.

OTHER INFORMATION

Use of net proceeds and gearing ratio

The net proceeds from the issue of 2018 Notes are expected to be approximately US\$394,300,000, and are intended to be used by Yuexiu REIT for: (a) repayment of the outstanding aggregate principal amount of the notes issued by the Issuer on 7 May 2013 due on 14 May 2018 (the “**2013 Notes**”) being US\$350,000,000 (the “**Notes Repayment**”); and (b) the purposes of refinancing Yuexiu REIT’s existing facilities and funding the general corporate purposes of Yuexiu REIT and its subsidiaries.

Immediately after the issue of the 2018 Notes and the Notes Repayment, the gearing ratio of Yuexiu REIT is expected to increase from 36.0% (as disclosed in the latest audited financial statements of Yuexiu REIT as at 31 December 2017) to approximately 36.5%, which falls within the 45% threshold permitted under paragraph 7.9 of the REIT Code.

Further announcements

The REIT Manager will make further announcements when the 2018 Notes are issued and in the event of any change or update in relation to the Updated Programme or any issue of the Notes in the future (and also publish a formal notice where the Notes are to be issued and listed on the Stock Exchange in accordance with the Listing Rules).

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issue of the 2018 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

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

Hong Kong, 23 April 2018

As at the date of this announcement, the board of directors of the REIT Manager is comprised as follows:

Executive Directors: Mr. LIN Deliang and Mr. CHENG Jiuzhou

Non-executive Directors: Mr. LIN Zhaoyuan (Chairman) and Mr. LI Feng

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