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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

CONNECTED PARTY TRANSACTION RELATING TO THE ACQUISITION OF A COMMERCIAL PROPERTY IN HANGZHOU

The Acquisition

On 23 December 2018, Yuexiu REIT 2018 Company Limited (a special purpose vehicle of Yuexiu REIT) as the Purchaser entered into the Share Purchase Deed with Guangzhou Construction & Development Holdings (China) Limited as the Vendor and Yuexiu Property as the guarantor, pursuant to which the Purchaser agreed to: (i) acquire the Target Property (through the purchase of the Shares representing all the issued share capital of the Target Company, which indirectly holds the entire equity interest in the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property) from the Vendor; and (ii) accept the assignment of the Loan from the Vendor with the rights attached to it as at the Completion Date. Upon Completion, Yuexiu REIT will (through the Target Group) hold the Target Property known as “Hangzhou Victory Business Center Tower 2 (杭州維多利商務中心2幢)” located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC.

The consideration for the acquisition of the Shares and the assignment of the Loan is RMB590,000,000 (being the Agreed Acquisition Amount), subject to an adjustment being the Target Group Adjusted NAV as at Completion. The Agreed Acquisition Amount was arrived at after taking into account the valuation of the Target Property as at 30 September 2018 by the Independent Property Valuer (being the current principal valuer of Yuexiu REIT), and represents a discount of approximately 1.7% to the Appraised Value.

The Target Property comprises: (a) an 18-storey commercial building with a 16-storey office component and a 2-storey retail component; and (b) 315 underground carpark spaces.

Financing of the Acquisition

The Manager intends to finance the Consideration by drawing down on the New Bank Facility up to an amount not exceeding the HKD equivalent of RMB400,000,000 (based on the exchange rate set out in the New Bank Facility) and internal resources (including part of the net proceeds from the Neo Metropolis Plaza Property Disposal). The Manager expects the Gearing Ratio of Yuexiu REIT to increase from approximately 39.2% (being the expected Gearing Ratio immediately after: (i) the completion of the Neo Metropolis Plaza Property Disposal; (ii) the payment of the estimated Bulletin 7 tax amount in respect of the Neo Metropolis Plaza Property Disposal; and (iii) the payment of the deferred consideration for the acquisition of the Wuhan Property) to approximately 39.8% immediately following payment of the Initial Payment at Completion, assuming: (i) completion of the Acquisition; and (ii) the Consideration would be equal to the Initial Payment and financed as to approximately 65.0% thereof by the New Bank Facility and approximately 35.0% thereof by existing cash of Yuexiu REIT.

Reasons for and Benefits of the Acquisition

The Board (including all the INEDs) believes that the Acquisition is a good investment opportunity which will bring benefits to Yuexiu REIT and its Unitholders for the following reasons:

1. the Target Property is strategically located at the heart of Hangzhou's newly developed central business district;
2. the Acquisition diversifies Yuexiu REIT's portfolio and further reduces the risk of regional concentration for Yuexiu REIT; and
3. the Acquisition of a high quality asset is in line with the investment strategy of Yuexiu REIT.

Regulatory Implications

The Acquisition constitutes a connected party transaction for Yuexiu REIT under the REIT Code. Pursuant to paragraph 8.9 of the REIT Code, unitholders' prior approval is not required for connected party transactions of a REIT where the total consideration or value of the transaction is less than 5% of the latest net asset value of the REIT, as disclosed in the latest published audited accounts of the REIT.

Since the Agreed Acquisition Amount is less than 5% of the latest audited net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the financial year ended 31 December 2017 (as adjusted for subsequent transactions since the publication of such accounts, including the interim distribution paid by Yuexiu REIT, the Neo Metropolis Plaza Property Disposal and the payment of the deferred consideration for the acquisition of the Wuhan Property)), the Manager is therefore of the view that the Acquisition is not required to be approved by Unitholders and is only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

The Board (including the INEDs) is satisfied that the Acquisition and the transactions contemplated under the Share Purchase Deed are on terms which are normal commercial terms, are at arm's length, are fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole in accordance with the REIT Code. The Board is satisfied, and (based on and in sole reliance on the opinion of the Board and the information and confirmations provided by the Manager, and having taken into account its duties set out under the Trust Deed and the REIT Code), the Trustee is also satisfied, that no independent Unitholders' approval is required under the REIT Code and the Trust Deed for the Purchaser to enter into the Share Purchase Deed and the transactions contemplated thereunder.

As the Acquisition is subject to the satisfaction of the Conditions and, accordingly, may or may not proceed to Completion, Unitholders and prospective investors of Yuexiu REIT are advised to exercise caution when dealing in the Units.

A. THE ACQUISITION

1. Overview of the Acquisition

On 23 December 2018, Yuexiu REIT 2018 Company Limited (a special purpose vehicle of Yuexiu REIT) as the Purchaser entered into the Share Purchase Deed with Guangzhou Construction & Development Holdings (China) Limited as the Vendor and Yuexiu Property as the guarantor, pursuant to which the Purchaser

agreed to: (i) acquire the Target Property (through the purchase of the Shares representing all the issued share capital of the Target Company, which indirectly holds the entire equity interest in the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property) from the Vendor; and (ii) accept the assignment of the Loan from the Vendor with the rights attached to it as at the Completion Date.

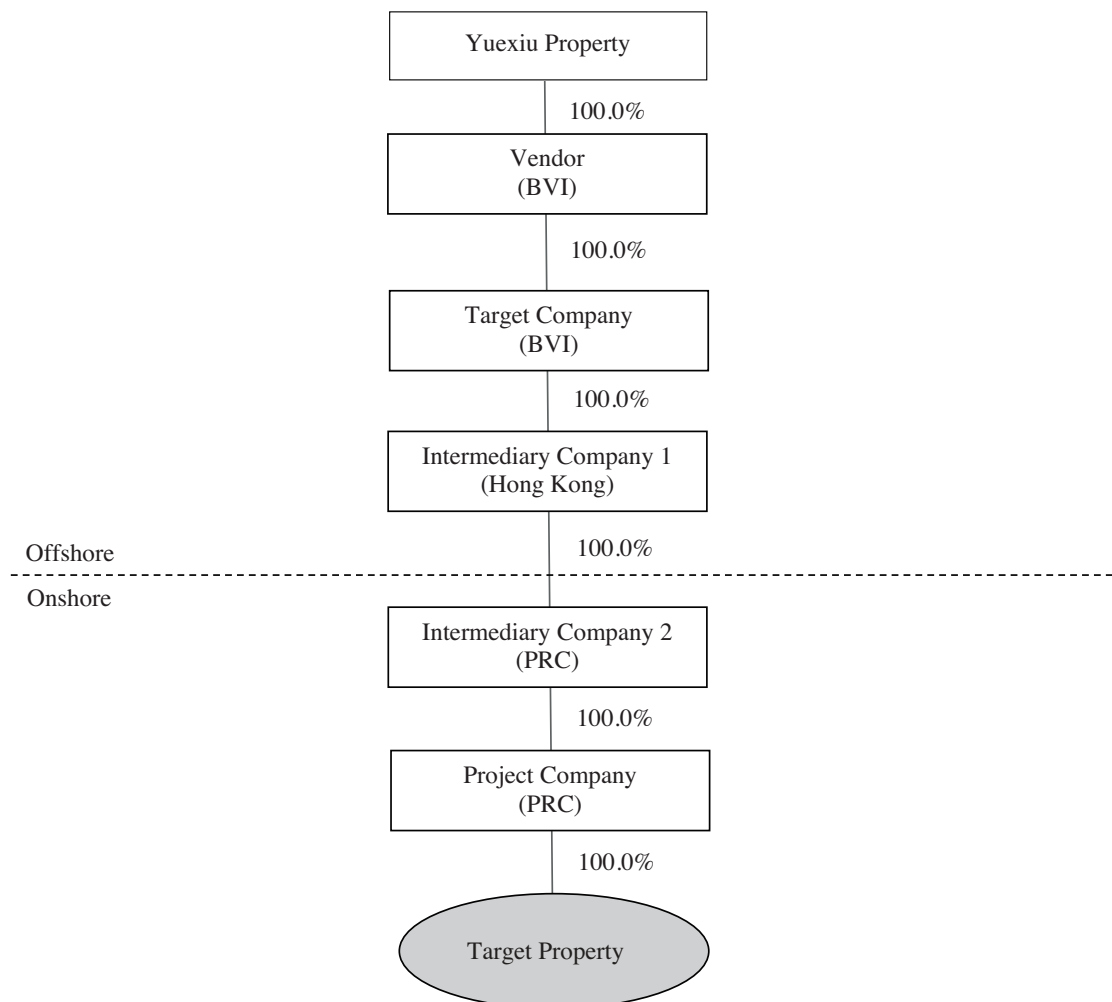
The total consideration for the acquisition of the Shares and the assignment of the Loan is RMB590,000,000 (the “**Agreed Acquisition Amount**”), subject to an adjustment being the Target Group Adjusted NAV as at Completion. For illustrative purposes, based on the management accounts of the Target Group as at 31 October 2018, the Target Group Adjusted NAV as at 31 October 2018 is approximately minus RMB32.6 million, and is mostly attributable to: (i) approximately RMB21.5 million of cash held by the Project Company; and (ii) the outstanding construction costs of the Project Company and the estimated land value-added tax payable by the Project Company (being approximately RMB27.2 million and RMB26.5 million, respectively, which would be taken into account in determining the Target Group Adjusted NAV as liabilities of the Project Company). The Manager does not expect there to be any other material assets and liabilities that are attributable to the Target Group Adjusted NAV save for the items disclosed above. The Agreed Acquisition Amount was arrived at after taking into account the valuation of the Target Property by the Independent Property Valuer (being the current principal valuer of Yuexiu REIT), and represents a discount of approximately 1.7% to the Appraised Value.

The Target Property comprises: (a) an 18-storey commercial building known as “Hangzhou Victory Business Center Tower 2 (杭州維多利商務中心2幢)” with a 16-storey office component and a 2-storey retail component; and (b) 315 underground carpark spaces (the “**Carpark Spaces**”). The Target Property is part of a larger integrated development project (the “**Development**”), which also includes another 18-storey commercial building and four blocks of detached villa-style office buildings.

As the Agreed Acquisition Amount (being RMB590,000,000) does not exceed 5.0% of the net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the financial year ended 31 December 2017 (as adjusted for subsequent transactions since the publication of such accounts, including the interim distribution paid by Yuexiu REIT, the Neo Metropolis Plaza Property Disposal and the payment of the deferred consideration for the acquisition of the Wuhan Property)), the Acquisition is not required to be approved by Unitholders and is only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

2. Holding structure of the Target Property before Completion

Below is a chart showing the holding structure of the Target Property as at the date of this announcement:



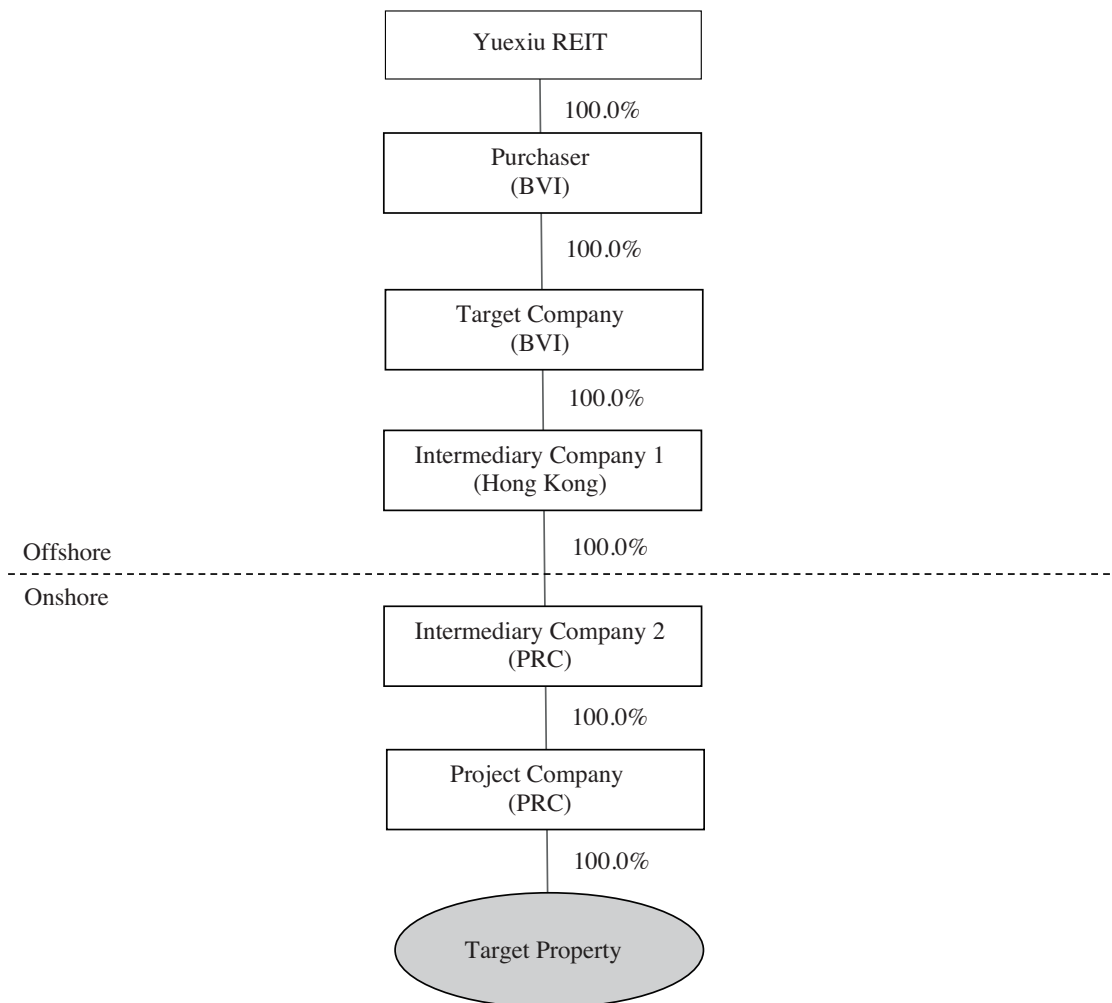
The Vendor is a BVI business company incorporated under the laws of the BVI, and holds all the issued share capital of the Target Company as at the date of this announcement. The Target Company is a BVI business company incorporated under the laws of the BVI and indirectly holds 100.0% of the Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Target Property. The principal business activity of the Vendor is the holding of investments.

To the best of the knowledge, information and belief of the Manager as at the date of this announcement: (i) the Target Company, Intermediary Company 1 and Intermediary Company 2 are existing indirect subsidiaries of Yuexiu Property; (ii) the principal business activities of the Target Company, Intermediary

Company 1 and Intermediary Company 2 are the holding of investments; (iii) the principal business activities of the Project Company is investment holding in, and property development of, the Target Property; and (iv) the Target Company, Intermediary Company 1, Intermediary Company 2 and the Project Company do not hold any other property investments other than the Target Property.

3. Expected holding structure of the Target Property

The simplified expected holding structure of Yuexiu REIT immediately after Completion is as follows:



4. Key terms of the Share Purchase Deed

The principal terms of the Share Purchase Deed are summarised as follows:

4.1 Acquisition of Shares

Pursuant to the Share Purchase Deed, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Shares representing all the issued share capital of the Target Company, which indirectly holds the entire equity interest of the Project Company, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property.

4.2 Assignment of the Loan

Pursuant to the Share Purchase Deed, the Vendor as assignor will assign the Loan to the Purchaser, with the rights attached to it as at the Completion Date.

4.3 Consideration and payment terms for the Acquisition

The total consideration for the acquisition of the Shares and the assignment of the Loan is RMB590,000,000 (being the Agreed Acquisition Amount), subject to an adjustment to either: (a) add the amount of the Target Group Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of the Target Group Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the Completion Statement (the “**Consideration**”).

The “**Target Group Adjusted NAV**” shall be equal to: (i) all assets of the Target Group (other than the value of the properties held for sale (including the Target Property) and deferred assets); minus (ii) all liabilities of the Target Group (other than the Loan and deferred tax liabilities), in each case as at Completion as shown in the Completion Statement. For illustrative purposes, based on the management accounts of the Target Group as at 31 October 2018, the Target Group Adjusted NAV as at 31 October 2018 is approximately minus RMB32.6 million, and is mostly attributable to: (i) approximately RMB21.5 million of cash held by the Project Company; and (ii) the outstanding construction costs of the Project Company and the estimated land value-added tax payable by Project Company (being approximately RMB27.2 million and RMB26.5 million, respectively, which would be taken into account in determining the Target Group Adjusted NAV as liabilities of the Project Company). No account has been taken of the deferred tax liabilities in agreeing the Consideration as the Manager

considers it unlikely that any such liabilities will crystallise. The Manager also considers such liabilities to be immaterial and does not expect the exclusion thereof from the Target Group Adjusted NAV would materially affect Yuexiu REIT.

The Consideration shall be applied: (i) firstly, as payment on a dollar-for-dollar basis for the assignment of the Loan to the Purchaser; and (ii) thereafter, as payment for the transfer of the Shares to the Purchaser. The Agreed Acquisition Amount was arrived at on a willing buyer/seller and arm's length basis after taking into account the valuation of the Target Property as at 30 September 2018 by the Independent Property Valuer (being the current principal valuer of Yuexiu REIT), and represents a discount of approximately 1.7% to the Appraised Value.

Pursuant to the Share Purchase Deed, the Consideration shall be paid in the following manner:

- (a) at Completion, the Purchaser shall pay, or procure the payment of, an amount in cash equal to:
 - (i) the “**Initial Payment**” of: (1) the Agreed Acquisition Amount of RMB590,000,000; plus/minus (2) the Target Group Adjusted NAV as set out in the Pro Forma Completion Statement;

minus
 - (ii) the EIT Withheld Amount of RMB732,570 and, if any, the Additional EIT Withheld Amount, both of which are to be retained by the Purchaser and deposited into the EIT Segregated Account;
- (b) within five business days after the agreement or determination of the Completion Statement (the draft of which will be prepared by the Manager based on the audited accounts of the Target Group as at the Completion Date audited by PricewaterhouseCoopers):
 - (i) if the Target Group Adjusted NAV (as set out in the Completion Statement) is higher than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Purchaser shall pay the difference to the Vendor, without prejudice to the Purchaser's right to retain and deposit any Additional EIT Withheld Amount into the EIT Segregated Account; and

- (ii) if the Target Group Adjusted NAV (as set out in the Completion Statement) is lower than the Target Group Adjusted NAV (as set out in the Pro Forma Completion Statement), the Vendor shall repay the difference to the Purchaser,

with such difference payable by the Purchaser or the Vendor being the **“True-up Payment”**.

The Manager shall publish further announcement(s) regarding the Initial Payment and the True-up Payment as soon as practicable after such amount has been determined.

4.4 EIT Segregated Account

On Completion, the Purchaser shall pay, or procure the payment of, the EIT Withheld Amount for credit to a segregated account in the name of the Purchaser or another subsidiary of Yuexiu REIT (the **“EIT Segregated Account”**). If the Purchaser reasonably expects that the amount of taxes payable by the Vendor arising out of or relating to the Acquisition may be greater than the EIT Withheld Amount, the Purchaser may pay the excess amount (the **“Additional EIT Withheld Amount”**) for credit to the EIT Segregated Account. The Share Purchase Deed specifies that the funds in the EIT Segregated Account will only be released to the Vendor after it has provided the Purchaser with evidence that it has paid that amount of taxes payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account is equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

4.5 Conditions precedent under the Share Purchase Deed

Completion of the Acquisition is subject to and conditional upon satisfaction of the following conditions (collectively, the **“Conditions”**):

- (a) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Share Purchase Deed and no statute, regulation or decision which would prohibit or materially delay the sale and purchase of the Shares, the assignment of the Loan or which would prohibit or materially restrict the operation of the Target Group or the Target Property having been enacted or taken by any governmental or official authority;

- (b) there being no material damage to the Target Property, no compulsory acquisition or resumption of the Target Property and no notice of such intention received from any governmental authority; and
- (c) the warranties of the Vendor under the Share Purchase Deed remaining true and accurate in all material respects and not misleading in any material respect at Completion as if repeated at Completion (by reference to the facts and circumstances existing at Completion).

Condition (a) may not be waived by either the Vendor or the Purchaser. Conditions (b) and (c) may be waived by the Purchaser by notice in writing to the Vendor.

If any of the Conditions has not been fulfilled (or waived, if applicable) on or before the Long Stop Date, being 31 January 2019 (or such other date as the Purchaser and the Vendor may agree), and the parties have not agreed to postpone the date by which the Conditions must be fulfilled (or waived, if applicable), then neither the Purchaser nor the Vendor shall be bound to proceed with the Acquisition and the Share Purchase Deed shall terminate without prejudice to any other right or remedy which either party to the Share Purchase Deed may have.

4.6 Completion of the Acquisition

Pursuant to the terms of the Share Purchase Deed, Completion shall take place within 10 business days after the date on which all the Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by the Purchaser and the Vendor. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred.

4.7 Termination of the Share Purchase Deed

If Completion has not taken place within 10 business days after the date on which all the Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by the Purchaser and the Vendor, due to the breach of one party to the Share Purchase Deed, the other party may by written notice terminate the Share Purchase Deed without prejudice to the parties' rights and remedies under law.

In addition, the Purchaser or the Vendor may by written notice to the other party terminate the Share Purchase Deed upon the occurrence of any fact, matter or event which would constitute a material breach by that party under the Share

Purchase Deed, in accordance with the terms of the Share Purchase Deed. The Purchaser may also by written notice to the Vendor terminate the Share Purchase Deed upon the occurrence of any fact, matter or event which would be likely to affect the business or financial position of any member of the Target Group in a materially adverse manner, in accordance with the terms of the Share Purchase Deed.

4.8 Representations, warranties and indemnities in the Share Purchase Deed

The Share Purchase Deed contains customary warranties (including warranties relating to title to the Shares, to the Target Property and to the Loan, tax and compliance with all applicable laws and regulations by the members of the Target Group in conducting their respective businesses) to be made by the Vendor in respect of the members of the Target Group and the Target Property.

The maximum aggregate liability of the Vendor in respect of claims under the warranties and claims under the indemnities arising out of a fact or circumstance which may also give rise to a claim under any warranty (“**Relevant Indemnity Claims**”) shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB300,000. Such claims shall only be recoverable from the Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB600,000 and the Vendor will be liable for the entire amount. The Share Purchase Deed also provides for a limitation period of three years from the Completion Date for claims under the warranties and Relevant Indemnity Claims (other than those claims relating to tax warranties and the Relevant Indemnity Claims which pertain to tax warranties, in which case the limitation period is seven years from the Completion Date). The Manager considers that the liability cap and limitation period are acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders’ interests are sufficiently protected notwithstanding these limitations.

Further, the Share Purchase Deed contains customary indemnities and in particular, the Vendor has irrevocably undertaken to indemnify Yuexiu REIT, the Trustee, the Manager, the Purchaser and each member of the Target Group, to the fullest extent permissible by law, for any liability, losses, damages, fines, fees and costs (on a full indemnity basis) which Yuexiu REIT, the Trustee, the Manager, the Purchaser and/or any member of the Target Group may suffer (insofar as attributable to Yuexiu REIT’s entire equity interest in the Project Company) in respect of certain matters, including as a result of or in connection with:

- (a) any property held by the Project Company on or prior to Completion, other than the Target Property; and

- (b) the actual outstanding construction costs payable by the Project Company in excess of the outstanding construction costs reflected in the Completion Statement of the Project Company for the purpose of calculating the Target Group Adjusted NAV.

In addition, the Share Purchase Deed contains tax covenants in respect of events occurring on or before Completion and PRC Enterprise Income Tax payable for the Acquisition.

For the avoidance of doubt, save for a Relevant Indemnity Claim, the Vendor's liability in respect of any claim made against any indemnity or tax covenants shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Completion Date would apply to claims under the tax covenants, Relevant Indemnity Claims which pertain to the tax warranties, and the indemnities (save for the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the relevant limitation period of three years shall apply). The Manager considers that the limitation period is acceptable as it is in line with normal commercial terms expected of similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding such limitation.

4.9 Guarantee of the Vendor's obligations under the Share Purchase Deed

Yuexiu Property (as guarantor) has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by the Vendor under the Share Purchase Deed and due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Share Purchase Deed.

4.10 Vendor's tax obligations

As advised by the Manager's tax adviser, PricewaterhouseCoopers Limited, the obligation to pay PRC Enterprise Income Tax under Bulletin 7 for the Acquisition is borne by the Vendor with the Purchaser only having a withholding obligation.

The Manager understands from its tax adviser that in respect of the Acquisition: (a) the Vendor will first make its tax filing to the relevant PRC tax authority; and (b) the relevant PRC tax authority will then review the figures submitted by the Vendor and inform the Vendor of the amount of tax payable thereafter.

Pursuant to the Share Purchase Deed, the Vendor shall, at its own expense, as soon as possible and in any event no later than 30 days after the date of the Share Purchase Deed, report the entry into of the Share Purchase Deed to the relevant PRC tax authority. The Vendor shall, at its own expense: (a) as soon as possible and in any event no later than seven days after the Completion Date, inform the relevant PRC tax authority that Completion has occurred; and (b) truly, accurately and completely report all relevant information with respect to the Acquisition to the relevant PRC tax authority. The Vendor shall provide the Purchaser with a copy of any and all of its written submissions to the relevant PRC tax authority in respect of the Acquisition, and a receipt in writing (受理單/回執) issued by the relevant PRC tax authority evidencing the submission, as soon as practicable after the relevant submission has been made. The Vendor shall promptly follow up with the relevant PRC tax authority in respect of its assessments to and payment of PRC tax on the Acquisition, submit all documents supplementally requested by the relevant PRC tax authority in connection with the Acquisition, and promptly keep the Purchaser informed of the foregoing.

The Vendor has also covenanted and undertaken in the Share Purchase Deed to, among other things, settle and pay in full the PRC Enterprise Income Tax payable by it arising out of or relating to the Acquisition within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority, even if the amount of PRC Enterprise Income Tax payable by the Vendor arising out of or relating to the Acquisition is greater than the EIT Withheld Amount and any Additional EIT Withheld Amount. The Share Purchase Deed specifies that the funds in the EIT Segregated Account will only be released to the Vendor after it has provided the Purchaser with evidence that it has paid that amount of taxes payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account is equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

The Vendor's liability under this section shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out in section A.4.8 of this announcement.

PricewaterhouseCoopers Limited, the Manager's tax adviser, has provided advice to the Manager in respect of the estimated amount of tax payable under PRC Enterprise Income Tax Law and Bulletin 7 in respect of the Acquisition. In view of the above and the advice from its tax adviser, the Manager is of the view that the protection provided by the Vendor in respect of tax obligations under PRC Enterprise Income Tax Law and Bulletin 7, including the EIT Withheld

Amount and any Additional EIT Withheld Amount, the Vendor's covenant to pay for any shortfall and the unconditional and irrevocable guarantee from Yuexiu Property, is sufficient and that the interests of the Unitholders are adequately protected.

5. Key information on the Target Property

5.1 Description

The Target Property comprises: (a) an 18-storey commercial building known as “Hangzhou Victory Business Center Tower 2 (杭州維多利商務中心2幢)” with a 16-storey office component and a 2-storey retail component; and (b) 315 underground Carpark Spaces. The Target Property is part of a larger integrated development project that includes another 18-storey commercial building (Tower 1) and four blocks of detached villa-style office buildings (Towers 3 to 6), all of which are owned by independent third parties of Yuexiu REIT.

5.2 Location

The Target Property is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC. The Target Property is located within walking distance of two metro stations, Sanbao station and Yudao station, at which two metro lines (line 6 and line 9) and one airport express line will intersect when these lines commence operation as planned in the next few years. It is expected that the Target Property will enjoy greater accessibility from and to the Xiaoshan International Airport, Asian Games Village and other main metro stations in the future.

Hangzhou is the capital city of Zhejiang Province and one of the most important e-commerce centres in the PRC. Having a total area of 16,596 square kilometres and a resident population of 9.5 million, Hangzhou is one of the largest and fastest-growing urban economies in the PRC, with a GDP of RMB1.26 trillion, representing an increase of 8% in 2017 and accounting for about 1.5% of GDP of the PRC. Since 2013, Hangzhou's GDP has grown at an annual growth rate of about 8.8%, higher than the national average of 7.1%. The tertiary sector accounts for approximately 63% of city's GDP in 2017 and more than 50% for six consecutive years since 2012.

Enterprises in Hangzhou continue to lead the private economy in the PRC. In 2017, Hangzhou's private economy accounted for 60.2% of the city's total GDP, and 44 private enterprises in Hangzhou were shortlisted among China's top 500 private enterprises by revenue, ranking Hangzhou first in the country by the number of private enterprises shortlisted for the past 15 consecutive years.

Some of the world's most influential companies, such as Alibaba Group (阿里巴巴集團), Geely Holdings (吉利控股), WZ Group (物產中大集團), were born and based in Hangzhou. Emerging industries such as culture and creative, finance, fashion and biomedical industries have rapidly developed and contributed significantly to Hangzhou's vibrant economy. On the other hand, many of the world's top 500 enterprises are also attracted to Hangzhou, and among those that set up their offices in Hangzhou include General Motors, Microsoft, The Hongkong and Shanghai Banking Corporation Limited and Coca-Cola.

Hangzhou is an important transportation hub in east China with developed transportation facilities. The maturing road and transportation network create a one-hour commuting radius within Hangzhou metropolitan area, which is expected to be shortened to 45 minutes before the Asian Games in 2022. High-speed rail supports a two-hour railway transport network which reaches other major cities within Yangtze River Delta area. Furthermore, Xiaoshan International Airport is one of the PRC's top 10 airport in terms of annual passenger throughput. Hangzhou port is one of the country's main river hub port with annual cargo throughput of more than 100 million tonnes.

In April 2017, Hangzhou was ranked third among the "Top Ten Most Attractive Chinese Cities For Foreigners", after only Beijing and Shanghai, by the Conference on International Exchange of Professionals.

Qianjiang New Town, located on the northern shore of Qiantang River with a general planned area of some 20 square kilometres, is a newly developed key central business district and the municipal centre to where the Hangzhou city municipal government office has been relocated in 2016. Qianjiang New Town integrates function of administration, finance, trade, information, commerce, tourism and residence. As the new centre of urban Hangzhou, it is also the financial centre of Zhejiang Province and venue of Year 2016 B20 Summit. With the advantages of efficient transportation network, high-quality facilities and close proximity to traditional city centres, Qianjiang New Town has become one of the most successful new central business districts in the PRC. A number of office buildings have opened in Qianjiang New Town in last decade which, although intensifying the competition among prime office properties in the area, has further strengthened Qianjiang New Town as the new central business district in east China. Qianjiang New Town has also become a popular location for financial institutions to set up offices, attracting more than 50 well-known enterprises to set up their provincial headquarters.

5.3 Key information

The table below sets out a summary of selected information on the Target Property as at 30 September 2018 (unless otherwise indicated).

Address:	No. 9 Jiangxiu Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC.
Year and month of completion:	January 2017
Term of land use rights⁽¹⁾:	The period commencing on 2 August 2014 and ending on 3 July 2054
Operating term of the Project Company:	Long term ⁽²⁾
Real property ownership certificates (不動產權證):	Obtained on 4 June 2018 and 14 September 2018 ⁽³⁾
Gross floor area:	Office: 20,131.62 sq.m. Retail: 2,353.21 sq.m. Carpark Spaces: 17,663.58 sq.m.
Gross rentable area:	Office: 20,131.62 sq.m. Retail: 2,353.21 sq.m.
Net lettable area:	Office: 14,208.45 sq.m. Retail: 1,609.86 sq.m.
Number of Carpark Spaces:	315
Number of tenants:	18
Average rent (RMB/sq.m.) (excluding Carpark Spaces) for the month of September 2018⁽⁴⁾:	Office: RMB113.86/sq.m. (based on gross rentable area) Retail: RMB89.60/sq.m. (based on gross rentable area)
Percentage of gross rented area leased to top 10 tenants⁽⁵⁾:	83.86%

Percentage of total monthly rent from top 10 tenants:	84.48%
Occupancy rate as at 30 September 2018⁽⁶⁾:	Office: 79.95% Retail: 92.82%
Net property income for the six months ended 30 June 2018⁽⁷⁾:	RMB6,921,000
Appraised value as at 30 September 2018 (being the Appraised Value)⁽⁸⁾:	RMB600,000,000

Notes:

- (1) As advised by the Manager's PRC legal adviser, King & Wood Mallesons, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. As such, as advised by the Manager's PRC legal adviser, unless the government plans to expropriate the land due to public interest, the land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.
- (2) As advised by the Manager's PRC legal adviser, King & Wood Mallesons, the Project Company's business licence (營業執照) states that its operating term is for long term and does not specify the expiry date of such term. Except in certain events such as where its business licence is revoked or cancelled due to certain breaches of laws and regulations or where its legal status is extinguished under circumstances permitted by laws and regulations, the Project Company may continue to exist and operate validly.
- (3) The real property ownership certificates in respect of all units of the Target Property (other than Unit 201) was obtained on 4 June 2018. The real property ownership certificate in respect of Unit 201 was obtained on 14 September 2018.
- (4) Average rent per leased sq.m. is based on current gross (base) rent.
- (5) Top 10 tenants by gross rented area. Please refer to section A.5.6 for further details.

- (6) Occupancy rate calculated based on leased gross rentable area excluding the Carpark Spaces.
- (7) Calculated by deducting property operating expenses from gross revenue based on information provided by the Vendor. Gross revenue consists of gross rental income (net of value added tax) and all income accruing or resulting from the operation of the Target Property, including advertising revenue and other revenues. Property operating expenses include direct property related expenses incurred by the Project Company, including, without limitation, tenancy agency fee, utilities expenses, insurance expenses, tax related expenses and expenses related to repairs and maintenance.
- (8) In arriving at the Appraised Value in respect of the Target Property, the Independent Property Valuer (being the current principal valuer of Yuexiu REIT) has considered the relevant general and economic factors and in particular have investigated recent sales and leasing transactions and/or offerings of comparable properties. Both the income capitalisation approach and discounted cash flow analysis counter-checked by the direct comparison approach have been adopted in the course of the valuation. The income capitalisation approach is an approach of valuation whereby the existing rental incomes of all lettable units of the Target Property are capitalised for the respective unexpired terms of contractual tenancies. The reversionary market rentals after the expiry of tenancies in capitalisation are also taken into account. The discounted cash flow analysis is an approach where a discount rate is applied to a series of cash flows over an investment horizon including a terminal value to discount them to a present value. In preparing the analysis, the income and expenses over the coming 10 years from the valuation date are itemised and projected annually taking into account the contractual tenancies, and the expected growth of income and expenses. The net cash flows from the 11th year onwards are capitalised at appropriate terminal capitalisation rates for the Target Property until the expiry of the respective land use term. The terminal value is then discounted at the Independent Property Valuer's adopted rate that reflect the rate of return that adequately compensate the investors for the risks taken. The direct comparison approach is a supporting approach and a reference check for the valuation arrived from the income capitalisation approach and the discounted cash flow analysis whereby comparable sales transactions and/or listings of comparable properties as available in the market are collected and analysed. Appropriate adjustments are applied to the comparable properties to adjust for the discrepancies between the Target Property and the comparables.

5.4 Tenant profile and details of tenancy mix

The table below sets out details of the overall tenant diversification of the Target Property, in terms of trade sub-sector by reference to total gross rented area as at 30 September 2018 and total gross rental income for the month ended 30 September 2018:

Office & Retail:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Commercial service	3.7%	3.6%
Real estate	29.6%	33.5%
Culture, Sports and Entertainment	1.9%	1.5%
Information technology	11.9%	11.4%
Finance	10.1%	7.7%
Other	<u>42.8%</u>	<u>42.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

5.5 Schedule of tenancy expirations

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Target Property as at 30 September 2018, which are scheduled to take place during the periods indicated below:

Office & Retail:

Period	Gross rented area of tenancies expiring as a percentage of total gross rented area⁽¹⁾	Gross rental income of tenancies expiring as a percentage of total gross rental income⁽²⁾
1 October 2018 to 31 December 2018	1.9%	1.8%
Year ending 31 December 2019	1.9%	1.4%
Year ending 31 December 2020	46.3%	46.1%
Year ending 31 December 2021	24.5%	28.9%
Year ending 31 December 2022 and beyond	<u>25.4%</u>	<u>21.8%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Notes:

- (1) Based on total gross rental area and total gross rental income as at and for the month ended 30 September 2018.
- (2) The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies terminate after their fixed lease terms.

5.6 Top 10 tenants by gross floor area as at 30 September 2018 based on signed leases

The following table sets forth details of the top 10 tenants by gross floor area as at 30 September 2018 based on signed leases:

Office & Retail:

No.	Trade sector	Tenancy expiry	Gross floor area (sq.m.)	Proportion of gross area (sq.m.)	Monthly Rent (RMB)	Proportion of monthly rent
1	Other	30 June 2024	3,601.91	19.7%	348,662	17.2%
2	Other	31 March 2020	3,191.61	17.5%	416,049	20.5%
3	Real estate ⁽¹⁾	30 September 2021	2,311.55	12.6%	310,231	15.3%
4	Information technology	31 December 2020	1,257.18	6.9%	138,390	6.8%
5	Finance	30 September 2020	1,257.18	6.9%	109,255	5.4%
6	Other	31 August 2023	1,052.22	5.8%	93,122	4.6%
7	Real estate	31 May 2021	916.58	5.0%	95,586	4.7%
8	Real estate	30 September 2021	579.93	3.2%	88,149	4.3%
9	Real estate	31 October 2020	579.93	3.2%	67,198	3.3%
10	Finance	30 September 2020	579.93	3.2%	47,039	2.3%

Note:

- (1) The tenant of this lease, Hangzhou Yuexiu Property Development Co., Ltd.* 杭州越秀房地產開發有限公司, is a connected person of Yuexiu REIT.

5.7 Delinquency rates

No provision was made for unpaid rents for the year ended 31 December 2017 (being the year in which leasing of the Target Property commenced) and the six months ended 30 June 2018, in respect of the Target Property.

6. Due diligence review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Target Property and the Target Group, and no material irregularities or non-compliance issues have been noted as at the date of this announcement. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual. Immediately after Completion, Yuexiu REIT will hold good and marketable legal and beneficial title in the Target Property.

The building consultant to the Manager, Savills Project Consultancy Limited has also carried out a visual inspection and a survey of the Target Property. Such visual inspection revealed that both the building and structural fabrics and the building services installations of the Target Property have been maintained in good condition with only minor rectification works required to be carried out. Although the Manager intends that certain improvement and rectification works be carried out on the Target Property in the five years after Completion, it does not expect the costs of such works to be material to Yuexiu REIT.

7. Ownership

Yuexiu REIT's interest in the Target Property will be held on trust for the Unitholders by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through the Purchaser, hold the Target Company which indirectly owns the entire equity interest in the Project Company, which in turn is the legal and registered owner of the land use rights and current ownership rights underlying the Target Property.

The PRC legal adviser of the Manager, King & Wood Mallesons, has advised that the Project Company has legally obtained the state-owned land use rights and is the sole user of the land use rights in respect of the Target Property. The PRC legal adviser of the Manager has also advised that the Project Company is the sole owner of the real property ownership certificates (不動產權證) issued in respect of the Target Property, and that the real property ownership certificates have been issued in respect of the entire Target Property save in respect of the Carpark Spaces, for which real property ownership certificates cannot be obtained due to the practice of the local land authorities in Hangzhou.

Regarding the absence of real property ownership certificates in respect of the Carpark Spaces, the PRC legal adviser of the Manager has advised that this would not adversely affect the Project Company's right to legally own, occupy, transfer (via the disposal of the Project Company, as described below) and lease out the Carpark Spaces in accordance with the relevant PRC laws. According to the Manager's PRC legal adviser, under the relevant laws of the PRC, the Carpark Spaces planned for parking cars should first meet the needs of the owners of the premises within the Development and those owners shall therefore have the right of first refusal over the disposal of the Carpark Spaces.

Under the real property ownership certificates issued in respect of the Target Property, the Target Property can only be owned by the Project Company, and the Project Company cannot sell or transfer the Target Property to any party. The PRC legal adviser of the Manager has advised that there are no prohibitions or restrictions which would prevent or limit any change of shareholding or control of the Project Company, and that the shares of the Project Company may be freely disposed of by Yuexiu REIT. Based on the foregoing advice of its PRC legal adviser, the Manager is of the view that the Target Group can legally own, occupy, transfer and lease out the Target Property free from encumbrances, and that Yuexiu REIT will immediately after Completion hold good and marketable legal and beneficial title in the Target Property, as Yuexiu REIT would (subject to the relevant provisions in the REIT Code and the Trust Deed) still have the ability to freely dispose of its interest in the Target Property via the disposal of the Project Company, any other member of the Target Group or the Purchaser.

According to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term (being 3 July 2054 in respect of the Target Property), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. For the reasons above, the PRC legal adviser of the Manager has advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.

8. Tenancy agreements

8.1 Overview of the tenancy agreements

The tenancy agreements entered into for the Target Property are generally for terms ranging from three to six years, depending on factors such as the size of the lease premises, expiry and tenant profile of the Target Property. The PRC legal adviser of the Manager, King & Wood Mallesons, has confirmed that all the tenancy agreements in respect of the Target Property that are legally binding, with rights and obligations that are valid and enforceable on and by each party in accordance with currently applicable PRC laws and regulations.

8.2 Lease CCTs

On Completion, the tenancy agreements entered into by the Project Company will be assumed by Yuexiu REIT by virtue of its acquisition of the entire equity interest in the Project Company. As at the date of this announcement, certain tenants to the Target Property (the “**Relevant Tenants**”) are, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, associated companies of a significant holder of Yuexiu REIT (being Dragon Yield), by virtue of Yuexiu Property owning more than 20% of the voting rights of Dragon Yield and each of the Relevant Tenants respectively. Accordingly, the Relevant Tenants are connected persons of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and on Completion, the tenancy agreements entered into by the Project Company with them in respect of certain premises within the Target Property (the “**Lease CCTs**”) will constitute continuing connected party transactions of Yuexiu REIT. However, as the Lease CCTs and the transactions contemplated thereunder fall within the scope of the “Connected Leasing Transactions” described in the 2017 Extended Waiver and the annual values thereof, when aggregated with the existing continuing connected party transactions that fall within the scope of the 2017 Extended Waiver, do not exceed the relevant annual caps amounts under the 2017 Extended Waiver, the Lease CCTs are not subject to independent Unitholders’ approval but only subject to the terms and conditions of the 2017 Extended Waiver (including disclosure in semi-annual and annual reports and annual review by the Audit Committee and the INEDs).

Details of the Lease CCTs subsisting as at the date of this announcement are provided in the table below:

Relevant Tenant	Premises	Gross floor area (sq.m.)	Commencement date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Term (years)
Hangzhou Yuexiu Property Development Co., Ltd.* (杭州越秀房地產開發有限公司)	Unit 202-2	398.09	20 September 2018	34,276	82	3.03
Hangzhou Yuexiu Property Development Co., Ltd.* (杭州越秀房地產開發有限公司)	Unit 301-1	166.06	20 September 2018	19,180	110	3.03
Hangzhou Yuexiu Property Development Co., Ltd.* (杭州越秀房地產開發有限公司)	Unit 302-2	149.62	20 September 2018	17,281	110	3.03
Guangzhou Chengjian Property Development Agency Co., Ltd.* (Hangzhou branch) (廣州城建開發興業房地產中介有限公司杭州分公司)	Unit 601	188.25	20 December 2018	22,590	120	3
Hangzhou Shengyin Property Development Co., Ltd.* (杭州盛寅房地產開發有限公司)	Unit 801	336.65	1 September 2018	42,418	120	3.08
Hangzhou Yuerong Property Development Co., Ltd.* (杭州越榮房地產開發有限公司)	Unit 1701	336.65	20 September 2018	53,729	152	3.03
Hangzhou Fengsheng Property Development Co., Ltd.* (杭州豐勝房地產開發有限公司)	Unit 1702	579.93	20 September 2018	92,557	152	3.03
Hangzhou Yuexiu Property Development Co., Ltd.* (杭州越秀房地產開發有限公司)	Unit 1703	340.60	20 September 2018	54,360	152	3.03
Hangzhou Yuexiu Property Development Co., Ltd.* (杭州越秀房地產開發有限公司)	Unit 1801-1803	1,257.18	20 September 2018	200,646	152	3.03
Total (RMB):				537,037		

Rent payable by the Relevant Tenants would increase over their respective lease terms in accordance with the terms of the Lease CCTs, with increases of up to 6.0% depending on the year of the lease. Further details of the Lease CCTs (including, the monthly rent and the rental income received by Yuexiu REIT for that reporting period) will be disclosed in Yuexiu REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

The Independent Property Valuer (being the current principal valuer of Yuexiu REIT), Savills Valuation and Professional Services Limited, has confirmed that the rental fees in respect of the Lease CCTs were at prevailing market levels as at their respective agreement dates, and that the other commercial terms in the Lease CCTs such as tenure, rental deposits and break clauses were normal commercial terms.

9. Management of the Target Property

Upon Completion, the Manager will have the general power of management over the Target Property, and its main responsibility is to manage the Target Property for the benefit of the Unitholders, subject to the arrangements below.

9.1 Property Management Agreement

Yicheng Hangzhou Branch (being the current property manager of the Target Property) and the Project Company entered into a property management agreement dated 31 August 2017 (the "**Property Management Agreement**") pursuant to which Yicheng Hangzhou Branch has agreed to act as the property manager of the Target Property and provide property management services in respect of the Target Property for a term expiring on 31 August 2020.

Under the Property Management Agreement, Yicheng Hangzhou Branch is entitled to collect a property management fee from the tenants at a rate of RMB12.5 per sq.m. per month (for office premises) and RMB 13.0 per sq.m. per month (for retail premises).

The fees are payable by the tenants directly to Yicheng Hangzhou Branch. The property management fees so collected by Yicheng Hangzhou Branch will be used for payment of, amongst other things, the reimbursement of Yicheng Hangzhou Branch's staff costs, common space maintenance expenses, cleaning and landscaping expenses, insurance expenses, relevant taxes as well as Yicheng Hangzhou Branch's remuneration.

The services provided by Yicheng Hangzhou Branch under the Property Management Agreement include, among other things, upkeep, repair and maintenance services of the common areas and facilities of the Target Property, monitoring and security services, obtaining the relevant insurances required for the Target Property, drawing up a user manual and establishing local rules for the Target Property (which is subject to the approval of the Project Company), as well as producing annual property management plans (for the review and approval by the Project Company). Yicheng Hangzhou Branch may appoint specialised service providers to carry out specialised property management functions, but may not delegate the whole of its property management responsibilities under this agreement to another person.

The Property Management Agreement and the transactions contemplated thereunder fall within the scope of the “Connected PMAs” described in the 2017 Extended Waiver.

9.2 Tenancy Services Agreement

Yicheng Hangzhou Branch and the Project Company shall enter into a tenancy services agreement (the “**Tenancy Services Agreement**”) on Completion pursuant to which Yicheng Hangzhou Branch will provide tenancy services to all tenants of the Target Property for a term commencing from Completion to 31 December 2020 and as consideration for such services, an annual leasing agents’ fee of 4.0% of the gross annual revenue for the Target Property will be charged. The annual leasing agents’ fee payable under the Tenancy Services Agreement is determined by reference to the fees which Yuexiu REIT is charged under the other tenancy services agreements in respect of its other properties. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the “Connected TSAs” described in the 2017 Extended Waiver.

The Manager confirms that the Tenancy Services Agreement will be made on normal commercial terms and will not be prejudicial to the interests of Yuexiu REIT and the Unitholders.

9.3 Carpark Master Lease Agreement

Yicheng Hangzhou Branch and the Project Company shall enter into a carpark master lease agreement (the “**Carpark Master Lease Agreement**”) on Completion, pursuant to which the Carpark Spaces as a whole will be master-leased to Yicheng Hangzhou Branch for the period commencing from Completion to 31 December 2020 for RMB2,250,000 per year. The Carpark Master Lease Agreement may be renewed at the option of the Project Company

after expiry of the initial term, subject to agreement between the parties thereto. The Carpark Master Lease Agreement and the transactions contemplated thereunder fall within the scope of the “Connected Leasing Transactions” described in the 2017 Extended Waiver.

The Independent Property Valuer (being the current principal valuer of Yuexiu REIT), Savills Valuation and Professional Services Limited, has confirmed that the rental fees in respect of the agreed form Carpark Master Lease Agreement are at prevailing market levels as at the date of this announcement, and that the other commercial terms in the agreed form Carpark Master Lease Agreement such as tenure, rental deposits and break clauses are normal commercial terms.

9.4 Regulatory considerations

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Yicheng Hangzhou Branch is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being 99.28% indirectly owned by Yuexiu Property.

Accordingly, the Property Management Agreement, the Tenancy Services Agreement and the Carpark Master Lease Agreement and the respective transactions contemplated thereunder will, upon Completion, constitute continuing connected party transactions of Yuexiu REIT. However, as: (i) the abovementioned transactions fall within the scope of the 2017 Extended Waiver; and (ii) the annual values thereof (save for the Property Management Agreement under which fees are payable by the relevant tenants rather than Yuexiu REIT or its property holding companies), when aggregated with the existing continuing connected party transactions that fall within the scope of the 2017 Extended Waiver, do not exceed the relevant annual caps amounts under the 2017 Extended Waiver, these transactions are not subject to independent Unitholders’ approval but only subject to the terms and conditions of the 2017 Extended Waiver (including disclosure in semi-annual and annual reports and annual review by the Audit Committee and the INEDs).

Other than the Share Purchase Deed, the Lease CCTs, the Property Management Agreement, the Tenancy Services Agreement and the Carpark Master Lease Agreement and the respective transactions contemplated thereunder, there are no connected party transactions of Yuexiu REIT which will be entered into as a result of or in connection with the Acquisition.

B. FINANCING OF THE ACQUISITION

The Manager intends to finance the Consideration and the One-off Fees and Charges by internal resources (including part of the net proceeds from the Neo Metropolis Plaza Property Disposal) and drawing down on the New Bank Facility, details of which are set out below.

1. New Bank Facility

Yuexiu REIT Secure Shell Limited, being a wholly-owned special purpose vehicle of Yuexiu REIT, has entered into a facility agreement dated 21 December 2018 with a lender bank for the provision of a Hong Kong dollar denominated unsecured term loan facility up to an amount equivalent to RMB400,000,000 (the “**New Bank Facility**”), which is intended to be drawn down in full or in part to partly finance the Consideration. The lender bank is an independent third party and not a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code. The New Bank Facility will bear interest at a margin of 1.2% per annum over HIBOR, and will mature and become repayable in 36 months from the date on which the New Bank Facility is drawn down. The Trustee will provide an unconditional and irrevocable guarantee in favour of the lender in respect of the New Bank Facility. The terms and conditions of the New Bank Facility described in this announcement do not represent the complete set of the actual terms and conditions.

2. Expected Gearing Ratio

The Manager expects the Gearing Ratio of Yuexiu REIT to increase from approximately 39.2% (being the expected Gearing Ratio immediately after: (i) the completion of the Neo Metropolis Plaza Property Disposal; (ii) the payment of the estimated Bulletin 7 tax amount in respect of the Neo Metropolis Plaza Property Disposal; and (iii) the payment of the deferred consideration for the acquisition of the Wuhan Property) to approximately 39.8% immediately following payment of the Initial Payment at Completion, assuming: (i) completion of the Acquisition; and (ii) the Consideration would be equal to the Initial Payment and financed as to approximately 65.0% thereof by the New Bank Facility and approximately 35.0% thereof by existing cash of Yuexiu REIT.

C. FEES AND CHARGES IN RELATION TO THE ACQUISITION

1. Fees and charges payable in relation to the Acquisition

As the Target Company of the Acquisition is purchased from a connected person of Yuexiu REIT through the Manager, no acquisition fee is payable to the Manager under the Trust Deed in connection with the Acquisition.

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee in connection with the Acquisition which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Yuexiu REIT's day-to-day business operations. The Trustee has agreed with the Manager that it will charge Yuexiu REIT a one-time additional fee of HK\$300,000 for duties undertaken by it in connection with the Acquisition (the "**Trustee's Acquisition Additional Fees**").

The total fees and charges payable in relation to the Acquisition including the Trustee's Acquisition Additional Fees, advisory fees, professional fees, origination fees and expenses (the "**One-Off Fees and Charges**") are estimated to amount to approximately RMB10,000,000. The One-Off Fees and Charges are one-off transaction expenses for the Acquisition which are of a non-recurring nature.

2. Ongoing fees and charges following completion of the Acquisition

Pursuant to the Trust Deed:

- (a) the Manager will receive from the Deposited Property: (i) a base fee of 0.3% per annum of the value of the Deposited Property as calculated and adjusted in accordance with the Trust Deed; and (ii) a service fee of 3.0% per annum of the net property income as shown in the latest published annual financial statements of Yuexiu REIT, subject to adjustment as calculated in accordance with the Trust Deed pro-rated on a time basis; and
- (b) the Trustee will receive a trustee fee which is currently of 0.03% per annum of the value of the Deposited Property calculated and adjusted in accordance with the Trust Deed, subject to a minimum amount of HK\$50,000 per month.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the current investment strategies of Yuexiu REIT is to continuously optimise its asset portfolio and returns by capturing acquisition opportunities in first and second-tier PRC cities with greater development potential. The Manager believes that the Acquisition is consistent with this strategy. Benefiting from innovation driven by the private sector and the growth of e-commerce technology enterprises in the past decade, Hangzhou has become one of the leading and most competitive cities for innovation economies. At the same time, the successful hosting of the G20 summit in 2016 and the upcoming hosting of the Asian Games in 2022 have further promoted the city's image and caused more resources to be injected into projects that facilitate the city's future development, such as public infrastructure and amenities upgrades. The Manager believes that the Acquisition is a good investment opportunity which will bring benefits to Yuexiu REIT and its Unitholders for the following reasons:

1. The Target Property is strategically located at Hangzhou's newly developed central business district

The Target Property is located in Qianjiang New Town, which is the bridgehead for Hangzhou's strategy of "development along the River and across the River" ("沿江開發、跨江發展"). Qianjiang New Town has emerged as one of the nation's well-known central business district as well as the core area of Qiantang River Financial Harbour within the last few years, and its increasing popularity with the business community has led to rapid development of commercial buildings in the area. The construction of Qianjiang New Town Phase II has commenced in 2018. The Manager believes the Target Property is well-placed to benefit from the future growth of Qianjiang New Town, which is expected to bring upon great potential for rising income and capital appreciation.

2. The Acquisition diversifies Yuexiu REIT's portfolio and further reduces the risk of regional concentration for Yuexiu REIT

The Acquisition will diversify Yuexiu REIT's asset portfolio geographically, further reducing Yuexiu REIT's reliance on Guangzhou and concentration risk. Upon Completion, the proportion of Guangzhou properties in Yuexiu REIT's overall property portfolio will reduce from 79.6% to 78.2% based on the fair value disclosed in Yuexiu REIT's interim report for the six months ended 30 June 2018 and the Appraised Value of the Target Property as at 30 September 2018 (adjusted for the Neo Metropolis Plaza Property Disposal).

3. The Acquisition of a high quality asset is in line with the investment strategy of Yuexiu REIT

The Target Property is a high quality asset. It enjoys an unobstructed 270-degree view of the Qiantang River and has obtained “Green Building Two-Star Design Certification” (綠色建築二星認證) awarded by PRC’s Ministry of Housing and Urban-Rural Development (中國住房和城鄉建設部). The Target Property is located within walking distance of two metro stations, Sanbao station and Yudao station. Two metro lines (line 6 and line 9) scheduled to commence operation in 2020 and an airport express line scheduled to commence operation in 2022 will connect the Target Property (via the abovementioned metro stations) to Qianjiang New Town’s core area, East Railway Station, Asian Games Village and Hangzhou Xiaoshan International Airport. The Target Property has reached a weighted average occupancy rate for the retail and office areas of 81.30% as at 30 September 2018 within one and a half year since the commencement of its operation in April 2017. The quality of the Target Property has attracted a number of high profile enterprises as tenants, providing a stable source of rental income for the Project Company. It is expected that the maturing of neighbouring support facilities together with ongoing asset enhancement plans will further increase the Target Property’s competitiveness in the future, driving growth for Yuexiu REIT and generating long-term stable rental returns for its Unitholders.

E. RISK FACTORS

The Acquisition is generally in line with the risk profile of Yuexiu REIT as a unit trust that invests primarily in income-producing real estate assets. However, an investment in real estate involves risks, and the Acquisition is subject to the following risks:

1. Risks relating to investments in Hangzhou

- (a) *The Target Property is located in Hangzhou. The Manager does not have prior experience with owning, operating and managing properties in Hangzhou.*

The Acquisition represents Yuexiu REIT’s first acquisition of a property outside of Guangzhou, Shanghai and Wuhan. Notwithstanding the Manager’s experience in property management in Guangzhou, Shanghai and Wuhan and the proximity between Shanghai and Hangzhou, the Manager has no operating history in Hangzhou and the Manager’s experience in property management in Guangzhou, Shanghai and Wuhan may not be applicable in Hangzhou. Given the differences in the economic conditions, local property market conditions and property values and rental rates in Hangzhou, there can be no assurance that the Manager will be

successful in managing the Target Property. Furthermore, although the Manager might be familiar with the laws, rules, regulations and policies applicable in Guangzhou, Shanghai and Wuhan, this familiarity may not be applicable in Hangzhou.

- (b) *The Target Property is exposed to the risk of tenant delinquency and default in the overall retail and offices markets in Hangzhou.*

The operating income of the Target Company may be adversely affected by the insolvency or downturn in the business of retail and office tenants of the Target Property. The property values and rental rates for office properties in the major cities in the PRC are cyclical and volatile in nature. Property values and rental rates in Hangzhou have been affected by, among other facts, supply and demand dynamics, economic conditions, interest rates, inflation and political developments in the PRC. The value of the Target Property may be adversely affected by these and a number of local property market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for commercial space. Furthermore, if the financial performance of any tenants of the Target Property decline significantly, these tenants may be unable to pay their minimum rents or expense recovery charges and Yuexiu REIT may experience delays and costs in enforcing its rights as landlord, as well as finding replacement tenants.

- (c) *The construction of the Sanbao and Yudao stations may not be completed as planned and could adversely impact the accessibility of the Target Property*

The Target Property is located near two stations: (i) Sanbao station, at which metro line 6 and line 9 are planned to intersect; and (ii) Yudao station, at which metro line 9 and the airport express line are planned to intersect. Metro lines 6 and 9 are expected to commence operation in 2020, and the airport express line is expected to commence operation in 2022. Although the commencement in operation of the these lines can benefit the Target Property in terms of accessibility, there is no assurance that the construction of these lines may complete on time or at all. If such event occurs, it could reduce the accessibility of the Target Property and the attractiveness and marketability of the Target Property to prospective tenants. This may have an adverse impact on the demand and rental rates of the Target Property and hence the income generated by the Target Property for Yuexiu REIT.

2. Risks relating to the Acquisition

- (a) *Failure by the Vendor or Yuexiu Property to fulfil their respective obligations under the Share Purchase Deed may have a material adverse effect on Yuexiu REIT's operations*

Under the Share Purchase Deed, the Vendor and Yuexiu Property are subject to certain obligations in favour of Yuexiu REIT which will continue after Completion, including, among others, the obligation to compensate the Purchaser in the event of any warranty or indemnity claims against the Vendor and/or Yuexiu Property under the Share Purchase Deed. Failure by the Vendor or Yuexiu Property to fulfil any of their respective continuing obligations may have a material adverse effect on Yuexiu REIT's operations. In addition, claims under the Share Purchase Deed are subject to various limitations, and there is also no assurance that the Manager will be successful in making a claim against the Vendor or Yuexiu Property under the Share Purchase Deed.

- (b) *Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space as Target Property leases expire*

The Manager cannot assure that leases will be renewed or that new leases will be entered into for the vacant spaces at rental equal to or above the current rental upon or promptly after the expiry of the current leases. If the occupancy rate and/or rental for the Target Property decreases, Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations could be materially adversely affected.

- (c) *The Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights*

The term of land use rights for the Target Property will expire in July 2054. It is expected that the Project Company will, prior to this date, submit an application for extension of the land use rights. Under the current applicable PRC laws and regulations, the application for extension of non-residential land use rights will typically be approved except for public interest considerations concerning the land. Where the application for extension of land use rights is granted, a new land grant contract must be executed and a premium must be paid by the Project Company in respect of the relevant land use rights and additional conditions may also be imposed. The current PRC laws and regulations do not specify the terms and conditions of such new land grant contract or the amount of such premium. In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term.

In the event that Yuexiu REIT's application for extension of the land use right for the Target Property is not approved, the land use rights, together with the buildings and auxiliaries thereon, must be returned to the PRC government for no consideration when the land use rights expire and Yuexiu REIT would lose its interest in the Target Property. In that case, the business operations of the Project Company, and in turn Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations, could be materially adversely affected. On the other hand, in the event that such application is granted, but the terms and conditions of the new land grant contracts are less favourable than the existing land grant contracts, or there is a significant increase in the premium payable by the Project Company, Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations could also be materially adversely affected.

- (d) *The Target Property may be compulsorily acquired or expropriated by the PRC government*

The PRC government has the power to compulsorily acquire any land in the PRC to meet the demand of public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in the PRC, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the Target Property is compulsorily acquired by the PRC government, the level of compensation paid to Yuexiu REIT pursuant to this basis of calculation may be less than Consideration and/or the fair value of Yuexiu REIT's interest in the Target Property as shown in Yuexiu REIT's financial statements.

- (e) *The due diligence survey on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies*

Notwithstanding that the Manager instructed a third party consultant to conduct a physical and technical inspection of the Target Property, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Yuexiu REIT's business, financial condition and results of operations. Design, construction or other latent property or equipment defects may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Yuexiu REIT's earnings and cash flows.

3. RISKS RELATING TO YUEXIU REIT

- (a) *There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of the Project Company to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government*

The Project Company receives almost all of its revenue in RMB, and RMB is not freely convertible at present. As advised by the Manager's tax adviser, PricewaterhouseCoopers Limited, the unremitted retained earnings of the Project Company will be subject to a withholding tax at the rate of 10% or 5% (in the case that preferential tax treatment could be applied successfully pursuant to the China-Hong Kong Double Tax Treaty) based on the business nature of the Intermediary Company 1. The PRC legal adviser of the Manager, King & Wood Mallesons, has further advised that, there is no legal impediment on the remittance of dividends on retained earnings of the Project Company through Intermediary Company 2 out of the PRC to the Target Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC foreign investment, tax and foreign exchange laws and regulations. However, there is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittance in the future or that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If, due to the relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB indirectly from the Project Company to Yuexiu REIT and/or the conversion of RMB to Hong Kong dollars, there could be a delay in the timing of payment of distributions to the Unitholders. Further, if the Project Company is not able to repatriate funds out of the PRC in RMB, Yuexiu REIT's ability to pay distributions to the Unitholders will be affected.

F. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition is not expected to have any material impact on the financial position of Yuexiu REIT as compared to that as at 30 June 2018 (as disclosed in the 2018 interim report of Yuexiu REIT). For details regarding the effects of the Acquisition on the Gearing Ratio of Yuexiu REIT, please refer to section B.2.

Based on the audited accounts of the Project Company for the year ended 31 December 2016, the net asset value of the Project Company as at 31 December 2016 was RMB179,357,000 and the net loss of the Project Company for the year ended 31 December 2016 was RMB9,097,000 (before taxation) and RMB6,860,000 (after tax credit) since the construction site was under

development. Based on the management accounts of the Project Company for the year ended 31 December 2017 and for the six months ended 30 June 2018 provided by the Vendor: (a) the net asset value of the Project Company as at 31 December 2017 and 30 June 2018 was RMB297,521,000 and RMB353,671,000, respectively; and (b) the net profit of the Project Company derived from the Target Property for the year ended 31 December 2017 was RMB2,903,000 (before taxation) and RMB2,177,000 (after taxation), and the net profit of the Project Company derived from the Target Property for the six months ended 30 June 2018 was RMB5,497,000 (before taxation) and RMB4,122,000 (after taxation).

Based on the historical accounts of the other companies within the Target Group (other than Intermediary Company 2 which was only incorporated in late 2018), the financial information relating to those entities are as follows:

	For the year ended 31 December 2016 (RMB'000) (unaudited)	For the year ended 31 December 2017 (RMB'000) (unaudited)	For the six months ended 30 June 2018 (RMB'000) (unaudited)
Target Company			
Net asset value	(26)	(48)	(52)
Net loss	4	22	4
	For the year ended 31 December 2016 (RMB'000) (audited)	For the year ended 31 December 2017 (RMB'000) (audited)	For the six months ended 30 June 2018 (RMB'000) (unaudited)
Intermediary Company 1			
Net asset value	(54)	(58)	(60)
Net loss	7	4	2

G. OPINIONS

1. Opinions of the Board and the Audit Committee

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Acquisition as described in this announcement, the Board (including the INEDs) and the Audit Committee are satisfied that the Acquisition and the transactions contemplated under the Share Purchase Deed are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole in accordance with the REIT Code, notwithstanding that the Acquisition is a connected party transaction under the REIT Code. The Board is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Purchaser to enter into the Share Purchase Deed and the transactions contemplated thereunder.

The Board (including the INEDs) and the Audit Committee are satisfied that each of the continuing connected party transactions to be assumed or entered into by Yuexiu REIT (through the Project Company) as described in sections A.8.2, A.9.1, A.9.2 and A.9.3 of this announcement will be assumed or entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interest of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

2. Opinion of the Trustee

Based and in sole reliance on: (i) the opinions of the Board and the Audit Committee after taking into account the advice received by the Audit Committee; (ii) the information in this announcement and the other information and confirmations provided by the Manager; and (iii) the Appraised Value and the related property valuation report of the Independent Property Valuer, and having taken into account its duties set out under the Trust Deed and the REIT Code, the Trustee has no objection to the Acquisition. Further, the Trustee is satisfied that:

- (a) the Acquisition is: (i) consistent with Yuexiu REIT's investment objectives and strategy; and (ii) fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and

- (b) no independent Unitholders' approval is required under the REIT Code and the Trust Deed for the Purchaser to enter into the Share Purchase Deed and the transactions contemplated thereunder.

H. REGULATORY IMPLICATIONS

1. The Acquisition

Clause 31.1 of the Trust Deed requires any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any conditions (including conditions of any waivers or exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under paragraph 8.1 of the REIT Code, connected persons of Yuexiu REIT include, among others, a significant holder (that is, a holder of 10.0% or more of the outstanding Units) and its associated companies.

As at the date of this announcement, Yuexiu Property is an associated company of a significant holder of Yuexiu REIT (being Dragon Yield), by virtue of Yuexiu Property owning more than 20% of the voting rights of Dragon Yield. The Vendor, being a wholly-owned subsidiary of Yuexiu Property, is an associated company of Dragon Yield. As a result, Yuexiu Property and the Vendor are each a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code.

Accordingly, the Acquisition and the consummation of the transactions contemplated under the Share Purchase Deed constitute a connected party transaction of Yuexiu REIT under paragraph 8.5 of the REIT Code. However, pursuant to paragraph 8.9 of the REIT Code, unitholders' prior approval is not required for connected party transactions of a REIT where the total consideration or value of the transaction is less than 5% of the latest net asset value of the REIT, as disclosed in the latest published audited accounts of the REIT. Since the Agreed Acquisition Amount 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 financial year ended 31 December 2017 (as adjusted for subsequent transactions since the publication of such accounts, including the interim distribution paid by Yuexiu REIT, the Neo Metropol is Plaza Property Disposal and the payment of the deferred consideration for the acquisition of the Wuhan Property)), the Manager is therefore of the view that the Acquisition is not required to be approved by the Unitholders but is only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

For the regulatory implications in respect of the continuing connected party transactions to be assumed or entered into by Yuexiu REIT (through the Project Company) on Completion, please refer to sections A.8.2 and A.9.4.

2. Submission to the SFC

2.1 Submission for more than two layers of SPVs in respect of the Target Property

Paragraph 7.5(d) of the REIT Code provides that the scheme shall have no more than two layers of SPVs through which real estate is held. As indicated in the note to paragraph 7.5(d) of the REIT Code, the SFC has the discretion to allow a scheme to have additional layer(s) of SPVs if justified by the particular circumstances.

As set out in section A.3 of this announcement, the holding structure of the Target Property immediately before Completion involves five layers of SPVs and upon Completion, Yuexiu REIT would hold the interest in the Target Property through five layers of SPVs.

For the purpose of facilitating future group reorganisation and disposal of property interests through an intermediate holding company (for example, to achieve savings in transaction costs), the Manager has made a submission to the SFC for the use of no more than five layers of SPVs in relation to the holding of Yuexiu REIT's interest in the Target Property, subject to the condition that there will be no change to the maximum number of five layers of SPVs used by Yuexiu REIT without further approval of the SFC.

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in section A.4.5 of this announcement). Accordingly, the Acquisition may or may not complete. Unitholders, as well as any prospective investors of Yuexiu REIT, are therefore advised to exercise caution when dealing in the Units.

I. DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, those defined terms are not included in the table below:

2017 Extended Waiver	the extension to the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC, which is more fully described in the circular dated 15 November 2017 issued by Yuexiu REIT to the Unitholders
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Acquisition	the proposed acquisition by the Purchaser from the Vendor of the Shares pursuant to the Share Purchase Deed
Additional EIT Withheld Amount	has the meaning ascribed to this term in section A.4.4
Agreed Acquisition Amount	has the meaning ascribed to this term in section A.1
Appraised Value	RMB600,000,000, being the value of the Target Property as at 30 September 2018 as appraised by the Independent Property Valuer (being the current principal valuer of Yuexiu REIT)
associated company	has the meaning ascribed to this term in the REIT Code
Audit Committee	the audit committee of the Manager
Board	the board of Directors
BVI	British Virgin Islands
Carpark Master Lease Agreement	has the meaning ascribed to this term in section A.9.3
Carpark Spaces	has the meaning ascribed to this term in section A.1
Completion	completion of the Acquisition
Completion Date	the date on which Completion takes place
Completion Statement	the statement to be used to calculate the Target Group Adjusted NAV as at Completion Date and to be prepared based on the balance sheet of the Target Group as at the close of business on Completion Date audited by PricewaterhouseCoopers
Conditions	has the meaning ascribed to this term in section A.4.5
connected person	has the meaning ascribed to this term in the REIT Code

Consideration	has the meaning ascribed to this term in section A.4.3
Deposited Property	all the assets of Yuexiu REIT held in Yuexiu REIT's portfolio and the assets of the Target Group after Completion
Development	has the meaning ascribed to this term in section A.1
Director(s)	director(s) of the Manager
DPU	distribution per Unit
Dragon Yield	Dragon Yield Holding Limited, a BVI business company incorporated under the laws of the BVI and which is directly wholly-owned by Yuexiu Property
EIT Segregated Account	has the meaning ascribed to this term in section A.4.4
EIT Withheld Amount	RMB732,570
Gearing Ratio	at the time of a new borrowing, the aggregate of the existing borrowings of Yuexiu REIT and such new borrowing as a percentage of the total asset value of the Deposited Property as set out in Yuexiu REIT's latest published audited accounts immediately prior to such new borrowing being effected (as adjusted in accordance with the Trust Deed).
HK\$, HKD or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
Independent Property Valuer	Savills Valuation and Professional Services Limited, being the current principal valuer of Yuexiu REIT
INED(s)	independent non-executive Director(s)

Initial Payment	has the meaning ascribed to this term in section A.4.3
Intermediary Company 1	Prime Glory Group Holdings Limited (栢榮控股有限公司), a company incorporated in Hong Kong which is the indirect owner of the entire equity interest in the Project Company, which in turn owns the Target Property
Intermediary Company 2	Guangzhou Xiujiang Industries Development Co., Ltd.* (廣州秀江實業發展有限公司), a company incorporated in the PRC which is the direct owner of the entire equity interest in the Project Company, which in turn owns the Target Property
Lease CCTs	has the meaning ascribed to this term in section A.8.2
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Loan	a shareholder loan of approximately RMB550,104,716.73 owing from the Target Company to the Vendor
Long Stop Date	31 January 2019, or such other date as agreed by the Purchaser and the Vendor in writing
Manager	Yuexiu REIT Asset Management Limited (in its capacity as manager of Yuexiu REIT), a company incorporated under the laws of Hong Kong
NAV	net asset value
Neo Metropolis Plaza Property Disposal	the disposal of the property then known as Yue Xiu Neo Metropolis Plaza (formerly known as Yue Xiu New Metropolis), located at Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258, Zhongshanliu Road, Yue Xiu District, Guangzhou City, Guangdong Province, the PRC, by Yuexiu REIT, which was completed on 21 December 2018

New Bank Facility	has the meaning ascribed to this term in section B.1
One-Off Fees and Charges	has the meaning ascribed to this term in section C.1
PRC	The People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macau Special Administrative Region
Pro Forma Completion Statement	the pro forma Completion Statement to be delivered by the Vendor at least four business days (or such other period of time as the Vendor and Purchaser may agree in writing) prior to the Completion Date
Project Company	Hangzhou Yuehui Real Estate Development Co., Ltd.* (杭州越輝房地產開發有限公司), a company incorporated in the PRC and the direct owner of the Target Property
Property Management Agreement	has the meaning ascribed to this term in section A.9.1
Purchaser	Yuexiu REIT 2018 Company Limited, a BVI business company incorporated under the laws of the BVI and a SPV of Yuexiu REIT wholly-owned by the Trustee and which will directly hold the Shares and Loan at Completion
REIT	Real Estate Investment Trust
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
Relevant Indemnity Claims	has the meaning ascribed to this term in section A.4.8
Relevant Tenants	has the meaning ascribed to this term in section A.8.2
RMB	Renminbi, the official currency of the PRC

SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share Purchase Deed	the deed in respect of the Acquisition dated 23 December 2018 and entered into between the Purchaser, the Vendor and Yuexiu Property
Shares	all of the issued shares of the Target Company, representing all the issued share capital of the Target Company
significant holder	has the meaning ascribed to this term in the REIT Code
SPV	a special purpose vehicle that is owned and controlled by Yuexiu REIT in accordance with the REIT Code and the Trust Deed
sq.m.	square metre
Stock Exchange	The Stock Exchange of Hong Kong Limited
Target Company	Wealthy Reach Holdings Ltd. (達富控股有限公司), a BVI business company incorporated under the laws of the BVI and the indirect owner of the entire equity interest in the Project Company, which in turn owns the Target Property
Target Group	collectively, the Target Company, Intermediary Company 1, Intermediary Company 2 and the Project Company
Target Group Adjusted NAV	has the meaning ascribed to this term in section A.4.3
Target Property	the property subject of the Acquisition, particulars of which have been provided in section A.5
Tenancy Services Agreement	has the meaning ascribed to this term in section A.9.2

True-up Payment	has the meaning ascribed to this term in section A.4.3
Trustee’s Acquisition Additional Fees	has the meaning ascribed to this term in section C.1
Trust Deed	the trust deed constituting Yuexiu REIT dated 7 December 2005 and entered into between the Trustee and the Manager, as may be amended and supplemented from time to time
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Yuexiu REIT. All references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the Manager
Unit	one undivided unit in Yuexiu REIT
Unitholder	any person registered as holding a Unit on the register of Unitholders
Vendor	Guangzhou Construction & Development Holdings (China) Limited (城市建設開發集團(中國)有限公司), a BVI business company incorporated under the laws of the BVI and a wholly-owned subsidiary of Yuexiu Property
Wuhan Property	the property located in Wuhan, Hubei, the PRC, which comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire five-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a one-storey basement); (c) the 1,134 carpark spaces designated as spaces supporting the retail and office portions of the Wuhan Property; and (d) the 375 carpark spaces designated as spaces supporting the residential development known as “Starry Winking (星匯雲錦)”

**Yicheng Hangzhou
Branch**

Guangzhou Yuexiu Yicheng Business Operations Management Co., Ltd., Hangzhou Branch* (廣州越秀怡城商業運營管理有限公司杭州分公司), which is a limited liability company established in the PRC indirectly owned as to 99.28% by Yuexiu Property

Yuexiu Property

Yuexiu Property Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 123)

Yuexiu REIT

Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Stock Exchange) and the companies controlled by it, as the context requires

%

per cent or percentage

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 December 2018

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

Executive Directors: Mr. LIN Deliang (Chairman) and Mr. CHENG Jiuzhou

Non-executive Directors: Mr. LI Feng and Mr. Liang Danqing

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

** for identification purposes only*