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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock code: 00405)

Managed by



越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

ANNOUNCEMENT

PROPOSED ISSUE OF US\$400,000,000 2.65% GUARANTEED NOTES DUE 2026 UNDER THE US\$1,500,000,000 GUARANTEED MEDIUM TERM NOTE PROGRAMME

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

The Board wishes to announce that on 26 January 2021, the Issuer, the REIT Manager and the Notes Managers entered into the Subscription Agreement, and the Issuer and the REIT Manager have executed the pricing supplement, pursuant to which the Notes Managers have agreed severally and not jointly to subscribe for the aggregate principal amount of US\$400,000,000 2.65% guaranteed Notes due 2026 and to pay the net subscription moneys for the 2021 Notes. The 2021 Notes will be issued at 99.94% of their aggregate nominal amount. The gross proceeds of the 2021 Notes to be issued are expected to be approximately US\$399,760,000.

The 2021 Notes will be offered and issued only to professional investors (as defined in Chapter 37 of the Listing Rules). Application will be made for the listing of, and permission to deal in, the 2021 Notes on the Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only.

The transactions under the Subscription Agreement, which comprise: (i) the payment of Underwriting Fees and Expenses to Yue Xiu Securities; and (ii) the subscription of 2021 Notes by Yue Xiu Securities, constitute connected party transactions of Yuexiu REIT under the REIT Code. As Yue Xiu Securities will only subscribe for unsecured notes on the same terms as the other Notes Managers, the REIT Manager considers such transactions to be unsecured financial assistance received by Yuexiu REIT from a connected person on normal commercial terms, and accordingly, fully exempt from the REIT Code connected party transaction requirements (including reporting and announcement requirements) having regard to the exception under Rule 14A.90 of the Listing Rules. As the highest applicable percentage ratio for the Underwriting Fees and Expenses payable to Yue Xiu Securities under the Subscription Agreement, as calculated in accordance with Chapter 14 of the Listing Rules (as applied pursuant to paragraph 8.7A of the REIT Code) is less than 0.1%, such transactions will be regarded as de minimis connected transactions and are fully exempt from the announcement, reporting and independent unitholders' approval requirements under Chapter 8 of the REIT Code.

The net proceeds from the issue of 2021 Notes are expected to be approximately US\$397,890,000, and are solely intended to be used for the repayment of the outstanding aggregate principal amount of the 2018 Notes (being US\$400,000,000).

As the US\$400,000,000 aggregate principal amount of the 2021 Notes will effectively replace the outstanding US\$400,000,000 aggregate principal amount of the 2018 Notes following the Notes Repayment, the REIT Manager does not expect there to be any material change in Yuexiu REIT's gearing ratio immediately before and after the issue of the 2021 Notes and the Notes Repayment. Such gearing ratio shall fall within the 50% threshold permitted under paragraph 7.9 of the REIT Code. For reference, as disclosed in the latest published interim financial statements of Yuexiu REIT for the six months ended 30 June 2020, the gearing ratio of Yuexiu REIT was approximately 40.6% as at 30 June 2020.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issue of the 2021 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

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

Reference is made to the announcement dated 25 January 2021 made by Yuexiu REIT Asset Management Limited (as manager of Yuexiu Real Estate Investment Trust) (the "REIT Manager") pursuant to paragraph 10.3 of the REIT Code regarding the update and application for listing of the US\$1,500,000,000 Guaranteed Medium Term Note Programme (the "Programme Update Announcement"). Unless otherwise stated, terms defined in the Programme Update Announcement shall have the same meaning when used herein.

SUBSCRIPTION AGREEMENT

Date: 26 January 2021

Parties: (1) the Issuer

(2) the REIT Manager

(3) DBS Bank Ltd., CCB International Capital Limited, AMTD Global Markets Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CLSA Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Yue Xiu Securities Company Limited, The Bank of East Asia, Limited, China Securities (International) Corporate Finance Company Limited, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Mizuho Securities Asia Limited, BOCOM International Securities Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CEB International Capital Corporation Limited and Haitong International Securities Company Limited (together, the “**Notes Managers**”)

Subject to and in accordance with the subscription agreement as described above (the “**Subscription Agreement**”), the Notes Managers have agreed severally and not jointly to subscribe for the aggregate principal amount of US\$400,000,000 2.65% guaranteed Notes due 2026 (the “**2021 Notes**”) under the Updated Programme and to pay the net subscription moneys for the 2021 Notes. The Issuer has agreed to issue the 2021 Notes on 2 February 2021 (the “**Issue Date**”) to the Notes Managers (or as the Notes Managers may direct). The 2021 Notes will be issued at 99.94% of their aggregate nominal amount.

The Issuer, failing whom the REIT Manager, has agreed to pay to each Notes Manager a combined management and underwriting commission and reimburse certain of their expenses in connection with the issue of the 2021 Notes (“**Underwriting Fees and Expenses**”). Such Underwriting Fees and Expenses will be deducted by the Notes Managers from the subscription moneys prior to payment to the Issuer.

The 2021 Notes will be offered and issued only to professional investors (as defined in Chapter 37 of the Listing Rules). The 2021 Notes will be offered and sold only outside the US in reliance on Regulation S under the Securities Act.

Conditions Precedent in the Subscription Agreement

The obligations of the Notes Managers to subscribe and pay for the 2021 Notes are conditional upon, among other things:

(a) the Issuer and the REIT Manager having performed all of their respective obligations under the Amended and Restated Dealer Agreement to be performed on or before the Issue Date of the 2021 Notes and upon the accuracy, on the Issue Date of the 2021 Notes, of the representations and warranties of the Issuer and the REIT Manager;

- (b) the REIT Trustee having performed all of its obligations under the letter agreement from the REIT Trustee to the REIT Manager and the dealers named in the Amended and Restated Dealer Agreement (the “**REIT Trustee Letter**”) to be performed on or before the Issue Date of the 2021 Notes and upon the accuracy, on the Issue Date of the 2021 Notes, of the representations and warranties of the REIT Trustee in the REIT Trustee Letter; and
- (c) the Stock Exchange having agreed to list the 2021 Notes, subject only to their issue.

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

PRICING SUPPLEMENT

The Issuer and the REIT Manager have executed the pricing supplement dated 26 January 2021 recording the final terms of the 2021 Notes.

A summary of the principal terms of the 2021 Notes is as follows:

Issuer:	Yuexiu REIT MTN Company Limited, a company incorporated in the British Virgin Islands with limited liability. (The Issuer is a special purpose vehicle wholly-owned and controlled by Yuexiu REIT.)
Guarantor:	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT)
Rating:	“Baa3” by Moody’s Investors Service Inc., a subsidiary of Moody’s Investors Service, Inc..
Aggregate nominal amount:	US\$400,000,000
Issue price:	99.94% of the aggregate nominal amount
Gross proceeds:	US\$399,760,000, being the aggregate nominal amount multiplied by the issue price
Issue date and interest commencement date:	2 February 2021
Maturity date:	2 February 2026
Interest:	2.65% per annum, payable semi-annually in arrear
Redemption amount:	100% of the aggregate nominal amount
Issuer redemption right:	The Issuer may, on or at any time prior to the Maturity Date, on giving not less than 30 days’ nor more than 60 days’ notice to the holders of the 2021 Notes (the “ Noteholders ”), redeem all, but not some only, of the 2021 Notes at their “ Make Whole Redemption Price ” (calculated in accordance with the pricing supplement) together with interest accrued to the date fixed for redemption.

Noteholder redemption right: See below

Listing: Application will be made to the Stock Exchange for the listing of, and permission to deal in, the 2021 Notes on the Stock Exchange by way of “debt issues to professional investors only”, in accordance with Chapter 37 of the Listing Rules. The listing of, and permission to deal in, the 2021 Notes is expected to become effective on or about 3 February 2021.

Based on the issue price and interest payable on the 2021 Notes, the yield to maturity of the 2021 Notes is 2.663%.

NOTEHOLDER REDEMPTION RIGHTS

The Noteholders are entitled to certain redemption rights under the terms and conditions of the Updated Programme (the “**Terms and Conditions**”) contained in the offering circular of the Issuer dated 22 January 2021, including (among others) the Change of Control Put Option (as defined below).

If, at any time while any of the 2021 Notes remain outstanding, one of the Change of Control Put Events (as defined in the Terms and Conditions) occurs, then the holder of each such 2021 Note will have the option (a “**Change of Control Put Option**”), subject to certain conditions, to require the Issuer to redeem that Note at US\$1,010 per US\$1,000 (being the calculation amount) of the 2021 Notes.

A “**Change of Control Put Event**” includes:

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

Accordingly, the condition described above imposes obligations on GZYX to maintain a minimum holding in the share capital of the REIT Manager and in the Units of Yuexiu REIT, which constitutes specific performance obligations on a controlling unitholder under Rule 13.18 of the Listing Rules, the breach of which would entitle the Noteholders to exercise their Change of Control Put Options pursuant to the Terms and Conditions.

The aggregate amount of 2021 Notes that may be affected if the Noteholders exercise their Change of Control Put Options is US\$400,000,000, being the aggregate nominal amount of the 2021 Notes. The life of the facility for the purpose of Rule 13.18 of the Listing Rules in respect of the 2021 Notes is five years.

CONNECTED PARTY TRANSACTIONS

For the reasons set out in the Programme Update Announcement, each of the Yuexiu Arrangers (being Chong Hing Bank Limited and Yue Xiu Securities) is a connected person of Yuexiu REIT under the REIT Code. Accordingly, any transactions with the Yuexiu Arrangers which result from the Amended and Restated Dealer Agreement, including the entering into of the Subscription Agreement and the transactions thereunder, would constitute connected party transactions of Yuexiu REIT under the REIT Code. Yue Xiu Securities (but not Chong Hing Bank Limited) has entered into the Subscription Agreement and transactions thereunder comprise: (i) the payment of Underwriting Fees and Expenses to Yue Xiu Securities; and (ii) the subscription of 2021 Notes by Yue Xiu Securities (the “**Relevant CPTs**”).

As Yue Xiu Securities will only subscribe for unsecured notes on the same terms as the other Notes Managers, the REIT Manager considers such transactions to be unsecured financial assistance received by Yuexiu REIT from a connected person on normal commercial terms, and accordingly, fully exempt from the REIT Code connected party transaction requirements (including reporting and announcement requirements) having regard to the exception under Rule 14A.90 of the Listing Rules. As the highest applicable percentage ratio for the Underwriting Fees and Expenses payable to Yue Xiu Securities under the Subscription Agreement, as calculated in accordance with Chapter 14 of the Listing Rules (as applied pursuant to paragraph 8.7A of the REIT Code) is less than 0.1%, such transactions will be regarded as de minimis connected transactions and are fully exempt from the announcement, reporting and independent unitholders’ approval requirements under Chapter 8 of the REIT Code.

After due consideration of the terms of the Subscription Agreement and other relevant factors in connection with the refinancing needs of Yuexiu REIT, the board of directors of the REIT Manager (including the independent non-executive directors) are satisfied that: (i) the Subscription Agreement and the transactions contemplated thereunder are at arm’s length, on normal commercial terms, and are fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole notwithstanding that the Relevant CPTs with Yue Xiu Securities constitute connected party transactions under the REIT Code; and (ii) the Subscription Agreement and transactions thereunder are consistent with the investment objectives and strategy of Yuexiu REIT.

Based and in sole reliance on the information and assurances provided by the REIT Manager including in this announcement, and the opinion of the audit committee of the REIT Manager in respect of the terms of the Subscription Agreement, which is consistent with the opinion of the Board, the REIT Trustee, having taken into account its duties set out in the REIT Code and the trust deed constituting Yuexiu REIT (the “**Trust Deed**”), is of the view that: (i) the transactions contemplated under the Subscription Agreement include the subscription of Notes by, and payment by the Issuer of Underwriting Fees and Expenses to, Yue Xiu Securities which constitute “connected party transactions” of Yuexiu REIT under the REIT Code and the Trust Deed; (ii) the terms of such connected party transactions are: (a) consistent with Yuexiu REIT’s investment policy and in compliance with the REIT Code and the Trust Deed; (b) in the interests of the Unitholders as a whole; and (c) normal commercial terms which are fair and reasonable; and (iii) no Unitholders’ approval is required under the REIT Code and the Trust Deed for such connected party transactions. Accordingly, and on the above basis, the REIT Trustee has no objection to such connected party transactions.

OTHER INFORMATION

Use of net proceeds and gearing ratio

The net proceeds from the issue of 2021 Notes are expected to be approximately US\$397,890,000, and are solely intended to be used for the repayment of the outstanding aggregate principal amount of the notes issued by the Issuer on 27 April 2018 due on 27 April 2021 (the “**2018 Notes**”) being US\$400,000,000 (the “**Notes Repayment**”).

As the US\$400,000,000 aggregate principal amount of the 2021 Notes will effectively replace the outstanding US\$400,000,000 aggregate principal amount of the 2018 Notes following the Notes Repayment, the REIT Manager does not expect there to be any material change in Yuexiu REIT’s gearing ratio immediately before and after the issue of the 2021 Notes and the Notes Repayment. Such gearing ratio shall fall within the 50% threshold permitted under paragraph 7.9 of the REIT Code. For reference, as disclosed in the latest published interim financial statements of Yuexiu REIT for the six months ended 30 June 2020, the gearing ratio of Yuexiu REIT was approximately 40.6% as at 30 June 2020.

Further announcements

The REIT Manager will make further announcements when the 2021 Notes are issued and in the event of any change or update in relation to the Updated Programme or any issue of Notes in the future (and also publish a formal notice where the Notes are to be issued and listed on the Stock Exchange in accordance with the Listing Rules).

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issue of the 2021 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

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

Hong Kong, 27 January 2021

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

Executive Directors: Mr. LIN Deliang (Chairman), Mr. CHENG Jiuzhou and Ms. OU Haijing

Non-executive Director: Mr. LI Feng

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