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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

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS RELATING TO ACQUISITION OF YUEXIU FINANCIAL TOWER IN GUANGZHOU;
- (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THIRTY SEVEN (37) UNITS FOR EVERY ONE HUNDRED (100) UNITS HELD ON RIGHTS ISSUE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER;
- (3) CONNECTED PARTY TRANSACTIONS IN RELATION TO UNDERWRITING AGREEMENT AND PLACING AGREEMENT;
- (4) MODIFICATION OF CONNECTED PARTY TRANSACTION;
- (5) CONTINUING CONNECTED PARTY TRANSACTIONS; AND
- (6) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Financial advisers to the Manager



Independent Financial Adviser to the Independent Board Committee,
the Independent Unitholders and the Trustee



The Acquisition

On 24 October 2021, Yuexiu REIT (through Yuexiu REIT 2018 Company Limited (the “**Purchaser**”)) entered into the Acquisition Deed with Guangzhou Construction & Development Holdings (China) Limited (the “**Vendor**”) (as seller) and Yuexiu Property Company Limited (“**Yuexiu Property**”) (as guarantor), pursuant to which the Purchaser agreed to purchase the Property (through the purchase of the Sale Shares representing the entire equity interest in the Target Company) from the Vendor. The Target Company indirectly holds 100% of the Project Companies (being the registered legal owners of the land use rights and ownership rights underlying the Property) through the Intermediary Entities.

The Property, known as “Yuexiu Financial Tower (越秀金融大厦)”, is an International Grade A office building and one of the ten tallest skyscrapers in Guangzhou and a landmark building strategically located in the Core Area of ZJNT at No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC. The Property has a total gross floor area of 210,282.94 sq.m. with a height of approximately 309 metres and comprises: (a) a 68-storey above-ground commercial building (comprising a 4-storey retail component and a 64-storey office component); and (b) a 4-storey basement with 827 underground Carpark Spaces. Further details regarding the Property are contained in section B.3 headed “The Property — Key information” in this Announcement.

The Acquisition Consideration is equal to the sum of: (1) the Share Consideration (for the acquisition of the Sale Shares); and (2) the Repayment Amounts (being the outstanding amount of the Intercompany Payables as at Acquisition Completion). The Share Consideration shall be paid by the Purchaser to the Vendor, and is equal to the sum of: (a) the Agreed Acquisition Amount (being RMB7,800,000,000, which was arrived at on an arm’s length basis after taking into account the Appraised Value as appraised by the Independent Property Valuer, and represents a discount of 2.9% to the Appraised Value); and (b) the Target Group Adjusted NAV as set out in the Completion Statement. Based on the illustrative Target Group Adjusted NAV (being approximately minus RMB7,825,383,000) and the Repayment Amount as at the date of this Announcement (being RMB7,800,000,000), the total illustrative Acquisition Consideration is approximately RMB7,774,617,000. Further details regarding the determination of the Acquisition Consideration are contained in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition” in this Announcement.

Reasons for and Benefits of the Acquisition

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

- Yuexiu Financial Tower, the Property, is a prime and rare landmark asset located in the Core Area of ZJNT in Guangzhou. It was completed in 2015 and is currently entering into its second lease cycle, implying potential room for unit rent adjustments. Furthermore, the Manager believes that the Property’s growth will be supported by the scarcity of office space in the Core Area of ZJNT in the near term and the robust economic growth under the Greater Bay Area and Belt and Road Initiative.
- The Property will be Yuexiu REIT’s second premium property in the Core Area of ZJNT, sixth office property and ninth property overall. The Property is expected to:
 - (i) provide an additional source of distributable income, which would have represented approximately 19.0% of the revenue of the Enlarged Portfolio for the six months ended 30 June 2021;

- (ii) reduce income reliance on Guangzhou IFC with its contribution to Yuexiu REIT's total portfolio in terms of property valuation expected to reduce from approximately 55% to approximately 44%;
- (iii) enhance and enlarge Yuexiu REIT's property portfolio by increasing its total gross rentable area by a further 170,196.81 sq.m. After the Acquisition, Yuexiu REIT's Enlarged Portfolio valuation is expected to be the largest among the PRC portfolio owned by Hong Kong and Singapore listed REITs.

The Acquisition may also create potential operating synergies and cross promotional opportunities between Guangzhou IFC and the Property.

- The Property is located in a strategic location within the Core Area of ZJNT with superior connectivity and accessibility to various existing and developing metro lines and automated people mover system. Given its International Grade A quality, prime location and advanced facilities, the Property has been attracting many high-quality tenants across various industries including Fortune Global 500 enterprises, achieving an average occupancy rate of 92.5% for the nine months ended 30 September 2021.
- The Acquisition is expected to be a DPU and DPU Yield accretive transaction with potential capital appreciation upside. The current Agreed Acquisition Amount implies a transaction price per sq.m. of RMB47,181, which is significantly lower than the transaction price per sq.m. of RMB61,511 from a recent comparable transaction (based on the respective valuation/gross rentable area of office and retail portion). This implies potential for capital appreciation and valuation enhancement to Yuexiu REIT's portfolio.
- As the Acquisition will be partly financed by the Rights Issue, the Acquisition is expected to increase Yuexiu REIT's market capitalization, and enhance the overall liquidity of the Units and Yuexiu REIT's ability to access funding through the public capital markets.
- The Market Consultant is expecting robust economic growth in Guangzhou supported by policies promoted by the Central People's Government of the PRC. The Manager believes that the International Grade A office market in the Core Area of ZJNT will benefit from such policies and the Property is well-positioned to capitalise the growth fundamentals.

Financing Structure and Gearing Ratio

The Manager intends to fund the Acquisition Consideration and the One-Off Fees and Charges in the following manner: (i) approximately HKD3,919 million (being equivalent to approximately RMB3,261 million) shall be paid from the net proceeds of the Rights Issue; (ii) up to HKD4,600 million (being equivalent to approximately RMB3,828 million) shall be paid from amounts drawn down under the New Bank Facility; and (iii) approximately HKD992 million (being equivalent to approximately RMB826 million) shall be paid from the internal resources of Yuexiu REIT. The One-Off Fees and Charges are approximately RMB64.5 million. The intended Financing Structure has been determined by the Manager, in consultation with its financial advisers, after taking into consideration, among other things, Yuexiu REIT's working capital sufficiency, optimal level of gearing, financing costs (for both debt and equity), tenors of various existing indebtedness and dilution of existing Unitholders' ownership interests in Yuexiu REIT as well as possible dilution effects on DPU and NAV per Unit. Additional factors considered by the Manager are summarised in the section headed "Key Considerations in Determining the Size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the Underwriting Arrangement" below.

In order to maintain the sustainable financing structure of Yuexiu REIT, which the Manager considers to be a key contributor to the low funding costs it has been enjoying, and to keep a comfortable headroom under the permitted borrowing limit under paragraph 7.9 of the REIT Code as a good risk management on liquidity and overall debt exposure, the Manager considers that the Financing Structure, which comprises mainly the Rights Issue and New Bank Facility, represents the optimal mix of debt and equity financing to fund the Acquisition.

The Gearing Ratio of Yuexiu REIT is expected to increase from approximately 38.8% as at 30 June 2021 (as disclosed in its interim report for the six months ended 30 June 2021) to a Gearing Ratio not exceeding 50.0%, being the borrowing limit as permitted under the REIT Code. Further details regarding the resultant Gearing Ratio will be set out in the Circular.

Proposed Rights Issue

Should the Transaction Matters Requiring Approval be approved by the Independent Unitholders at the EGM to be held on Monday, 6 December 2021, the Manager proposes to raise approximately HKD3,950 million (before expenses) by issuing up to 1,234,403,038 Rights Issue Units (on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date) at the Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit. The Rights Issue is only available to the Rights Issue Qualifying Unitholders and will not be extended to the Rights Issue Non-Qualifying Unitholders.

The purpose of the Rights Issue is to (i) finance the Acquisition without substantially increasing debt liabilities and resulting in a Gearing Ratio close to the borrowing limit as permitted under the REIT Code; and (ii) preserve the financial flexibility of Yuexiu REIT. The Rights Issue allows all Rights Issue Qualifying Unitholders to participate in the portfolio development of Yuexiu REIT on equal terms. For further details of the reasons for the Rights Issue, please also refer to section D.6 headed “Financing of the Acquisition — Reasons for the Rights Issue and the New Bank Facility and the use of proceeds” below.

The net proceeds of the Rights Issue are approximately HKD3,919 million after the deduction of all relevant expenses of up to approximately HKD31 million (including placing commission of up to approximately HKD29 million assuming 730,822,457 Placing Units are placed at the Rights Issue Subscription Price), will be applied towards the settlement of the Acquisition Consideration payable to the Vendor and the One-Off Fees and Charges.

The Rights Issue will be conditional upon (i) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition attached to the Whitewash Waiver; (ii) the obtaining of the Independent Unitholders’ approval for the Transaction Matters Requiring Approval; and (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

The Placing Agreement

Pursuant to Rule 7.21(2) of the Listing Rules, there will be Compensatory Arrangements for the Rights Issue and there will be no excess application arrangements in relation to the Rights Issue. On 24 October 2021, the Manager and DBS Asia Capital Limited, BOCI Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited (collectively, the “**Placing Agents**”) entered into the Placing Agreement, pursuant to which the Placing Agents have agreed, on a best effort basis, severally but not jointly, to procure Placee(s) to subscribe for the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units.

Any Net Gain (being the premium over the aggregate amount of the Rights Issue Subscription Price for those Rights Issue Units) that is realised from the Placing which is in the amount of HKD100 or more will be paid to the No-Action Unitholders on a pro-rata basis. For details of the Placing Agreement and the Compensatory Arrangements, please refer to the sections D.2.14 and D.2.16 headed “Financing of the Acquisition — Rights Issue — Procedures in respect of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units, unsold fractions of the Rights Issue Units and the Compensatory Arrangements” and “Financing of the Acquisition — Rights Issue — The Placing Agreement” in this Announcement, respectively.

The Underwriting Agreement

On 24 October 2021, the Manager entered into the Underwriting Agreement with Yue Xiu Enterprises (Holdings) Limited (the “**Underwriter**”), pursuant to which the Underwriter has agreed, at no underwriting commission, to fully underwrite the Rights Issue Units other than the Yue Xiu Entitlement Units and Yuexiu Property Entitlement Units (being the Maximum Untaken Rights Issue Units, amounting to 730,822,457 Rights Issue Units).

Key Considerations in Determining the Size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the Underwriting Arrangement

Size of Rights Issue and Rights Issue Subscription Price

In determining the combination of the size of the Rights Issue (on the basis of 37 Units for every 100 Units) and the Rights Issue Subscription Price of HKD3.20, the Manager adopted a combination that would be instrumental in minimizing possible NAV dilution and resulting both DPU/DPU Yield accretive, upon Acquisition Completion. In addition, the Manager considers that the Rights Issue Subscription Price of HKD3.20 represents a relatively small discount to the theoretical ex-rights price of the Units after the Rights Issue while offering an attractive cost basis for Unitholders to invest in Yuexiu REIT with potential for long-term growth.

Underwriting Arrangements

While the Manager had considered entering into underwriting arrangements with third parties, it was unable to identify independent third parties who were willing to underwrite the Rights Issue at the Rights Issue Subscription Price, which (together with the size of the Rights Issue) is a key metric to support the Acquisition being DPU and DPU Yield accretive.

Yue Xiu agreed to fully underwrite the Rights Issue without charging any underwriting commission. This (together with the provision of Irrevocable Undertakings by Yue Xiu and Yuexiu Property) signifies their strong support in the long-term growth of Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT.

Warning of the Risks of Dealing in the Rights Issue Units and Nil-paid Rights Issue Units

The Units will be dealt with on an ex-rights basis from Wednesday, 8 December 2021. Dealings in the nil-paid Rights Issue Units are expected to take place from Tuesday, 21 December 2021 to Friday, 31 December 2021 (both days inclusive). Unitholders and potential investors of Yuexiu REIT should note that if the conditions to the Rights Issue (please refer to section D.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” in this Announcement) are not satisfied, the Rights Issue will not proceed and consequently the Acquisition will not proceed.

Any Unitholders or potential investors dealing in the Units and/or the Rights Issue Units in their nil-paid form up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Unitholders and potential investors are advised to exercise caution when dealing in the Units and/or the Rights Issue Units in their nil-paid form. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Trading Arrangements

The last day of dealings in the Units on a cum-rights basis will be Tuesday, 7 December 2021. The Units will be dealt in on an ex-rights basis from Wednesday, 8 December 2021. The Rights Issue Units are expected to be dealt in their nil-paid form from Tuesday, 21 December 2021 to Friday, 31 December 2021 (both days inclusive). To qualify for the Rights Issue, a Unitholder must, at the close of business on the Rights Issue Record Date, (1) be registered as a Unitholder on the register of Unitholders; and (2) not be a Rights Issue Non-Qualifying Unitholder.

In order to qualify for the Rights Issue, all transfers of Units (together with the relevant Unit certificates) must be lodged with Yuexiu REIT’s Unit Registrar,

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen’s Road East, Hong Kong

for registration no later than 4:30 p.m. on Thursday, 9 December 2021.

The register of Unitholders will be closed from Friday, 10 December 2021 to Thursday, 16 December 2021 (both days inclusive) to determine the eligibility of the Unitholders to participate in the Rights Issue. No transfer of Units will be registered during this period.

The latest time for acceptance of and payment for the Rights Issue Units is expected to be 4:30 p.m. on Wednesday, 5 January 2022. Yuexiu REIT will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Issue Units in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

For details of the trading arrangements, please refer to the section O.3 headed “General — Indicative Timetable” below.

General

The Rights Issue Offering Documents containing, among other things, further details of the Rights Issue Units, are expected to be despatched by Yuexiu REIT to Rights Issue Qualifying Unitholders on Friday, 17 December 2021 and the Rights Issue Offering Circular will be despatched to the Rights Issue Non-Qualifying Unitholders for information only. A copy of the Rights Issue Offering Circular will also be made available on the respective websites of Yuexiu REIT (<http://www.yuexiureit.com>) and the Stock Exchange (www.hkexnews.hk).

Intended Declaration of Special Distribution

In light of the Acquisition and the Rights Issue, the Manager intends to, conditional upon Acquisition Completion, declare a Special Distribution to Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date (being Monday, 6 December 2021). The amount of the Special Distribution will be approximately RMB85 million, or RMB0.0255 per Unit, and will be distributed from the existing offshore cash balance of Yuexiu REIT. The Special Distribution will be declared and paid within 30 Business Days after Acquisition Completion. **As the Rights Issue Units and the 2021 Deferred Units will only be issued after the Special Distribution Record Date, they will not entitle their holders to the Special Distribution.**

Regulatory Implications

Connected and Major Transaction

As at the date of this Announcement, Yuexiu Property wholly-owns the Vendor, the Manager and Dragon Yield Holdings Limited (the last of these being a Substantial Unitholder of Yuexiu REIT which holds approximately 35.1% of the issued Units). Therefore, each of Yuexiu Property and the Vendor is an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Acquisition constitutes a connected party transaction of Yuexiu REIT and, since the highest applicable percentage ratio is expected to exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

As stated in the announcement dated 24 October 2021 made by Yuexiu Property, the Acquisition will also constitute a major transaction for Yuexiu Property, and as such, will require approval from YXP Shareholders in accordance with Chapter 14 of the Listing Rules.

Placing Agreement and Underwriting Agreement

As at the date of this Announcement, Yue Xiu is the indirect holding company of Yuexiu Property through its 39.8% interest in Yuexiu Property, which in turn indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT. As at the date of this Announcement, Yue Xiu also indirectly wholly-owns Yue Xiu Securities, making Yue Xiu Securities a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield, as well as a connected person of Yuexiu REIT. As Yue Xiu Securities is one of the Placing Agents under the Placing Agreement, and Yue Xiu is the Underwriter under the Underwriting Agreement, the transactions with these connected persons under each of these agreements constitute connected party transactions of Yuexiu REIT. For further details on the regulatory implications of these transactions, please refer to section D.3.1 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules” in this Announcement.

Whitewash Waiver

Under the circumstances as set out in section D.3.2 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the Takeovers Code and application for Whitewash Waiver” in this Announcement, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. Accordingly, Yue Xiu will apply to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things: (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM, and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or any of the other Transaction Matters Requiring Approval (which are inter-conditional with the approval of the Whitewash Waiver) is not approved by the Independent Unitholders, the Rights Issue (and the Acquisition) will not proceed.

Continuing Connected Party Transactions

Having regard to the additional continuing connected party transactions to be assumed and entered into from time to time by Yuexiu REIT after Acquisition Completion, Yuexiu REIT (through the Manager) entered into the following agreements on 24 October 2021: (i) the Yuexiu Leasing Framework Agreement with Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) (“GZYX”) which sets out the terms and conditions and pricing policy governing the Connected Leasing Transactions which are either in place or to be entered into or renewed from time to time for a term of two years from 1 January 2022 to 31 December 2023; (ii) the Yuexiu Tenancy Services Framework Agreement with Yuexiu Property which sets out the terms and conditions and pricing policy governing the Connected TSAs which are either in place or to be entered into or renewed from time to time for a term of two years from 1 January 2022 to 31 December 2023; and (iii) the Yuexiu Property Management Framework Agreement with GZYX which sets out the terms and conditions and pricing policy governing the Connected PMAs which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 and 31 December 2023.

As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Leasing Framework Agreement is, on an annual basis, expected to exceed 5%, the Yuexiu Leasing Framework Agreement will be subject to the reporting, annual review, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Tenancy Services Framework Agreement is, on an annual basis, expected to exceed 0.1% but be less than 5%, the Yuexiu Tenancy Services Framework Agreement will be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and the Independent Unitholders' approval requirements, but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). As the property management fees payable under the Connected PMAs will be paid by the relevant tenants and no property management fees will be paid by Yuexiu REIT, the transactions contemplated under the Yuexiu Property Management Framework Agreement will be within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules (modified as appropriate pursuant to the REIT Code) and be fully exempt from the reporting, annual review, announcement and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Although the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement do not require Independent Unitholders' approval, such agreements will automatically terminate pursuant to their respective terms if the requisite Independent Unitholders' approval for the Matters Requiring Approval (including those relating to the Yuexiu Leasing Framework Agreement) are not obtained.

The Manager proposes to seek Independent Unitholders' approval by way of Ordinary Resolution No. 2 at the EGM to approve the Yuexiu Leasing Framework Agreement and the proposed Revised Annual Caps applicable thereto. While only the Yuexiu Leasing Framework Agreement is subject to Unitholders' approval, for simplicity, the Manager has made all of the Yuexiu Framework Agreements conditional on Unitholders' approval for the Yuexiu Leasing Framework Agreement being obtained. Should such approval be obtained at the EGM, the Revised Annual Caps applicable to all Yuexiu Framework Agreements shall replace the corresponding existing annual caps for the Yuexiu Continuing CPTs under the 2020 Extended Waiver. Conversely, if such approval is not obtained at the EGM, all Yuexiu Framework Agreements shall automatically terminate pursuant to their terms and the 2020 Extended Waiver and the existing annual caps thereunder will continue to apply until 31 December 2023. In this case, the Manager will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules if any of the existing annual caps for any given year is exceeded as a result of the new Yuexiu Continuing CPTs being assumed or entered into or renewed from time to time after Acquisition Completion.

Independent Board Committee and Appointment of Independent Financial Adviser

The Independent Board Committee, comprising all of the INEDs, has been established in accordance with Rule 2.8 of the Takeovers Code and Rule 14A.41 of the Listing Rules to advise the Independent Unitholders on the Matters Requiring Approval. In respect of the Matters Requiring Approval that constitute connected party transactions, the Independent Board Committee will, pursuant to Rule 14A.40 of the Listing Rules and taking into account the recommendation of the Independent Financial Adviser, advise the Independent Unitholders: (A) whether such transactions are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) on terms which are normal commercial terms, are at arm's length and fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and (B) how to vote on the relevant EGM Resolutions. The Independent Board Committee's views on the Matters Requiring Approval will be set forth in the Circular.

In respect of the Connected TSAs under the Yuexiu Tenancy Services Framework Agreement and the Connected PMAs under the Yuexiu Property Management Framework Agreement and the annual caps thereof for the two years ending 31 December 2022 and 2023 which do not require Unitholders' approval, the Board (including the INEDs) is of the view that: (i) the terms of each such transactions are fair and reasonable; (ii) each such transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Yuexiu REIT Group; and (iii) each such transaction is in the interests of Yuexiu REIT and the Unitholders as a whole, is consistent with Yuexiu REIT's investment objectives and strategy, and in compliance with the REIT Code and the Trust Deed.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval.

EGM and Circular

The EGM will be held at on Monday, 6 December 2021, for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions set out in the EGM Notice.

The Circular containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Matters Requiring Approval; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the Matters Requiring Approval; (d) the Accountant's Reports of the Target Group; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer's property valuation reports; (g) the Market Consultant's Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on or before Saturday, 13 November 2021.

The completion of the Acquisition is subject to and conditional upon, among others, Unitholders' approval being obtained at the EGM and YXP Shareholders' approval being obtained at the Yuexiu Property GM, and accordingly, may or may not take place. Unitholders and prospective investors of Yuexiu REIT should note that: (1) the Rights Issue has not been launched and will only proceed if the above-mentioned approvals are obtained and other conditions for the Rights Issue are satisfied; and (2) the Special Distribution may or may not be paid as it is conditional upon Acquisition Completion. Accordingly, Unitholders and prospective investors should exercise caution when dealing in the Units prior to Acquisition Completion.

A. THE ACQUISITION

1. Overview of the Acquisition

On 24 October 2021, Yuexiu REIT (through the Purchaser) entered into the Acquisition Deed with the Vendor (as seller) and Yuexiu Property (as guarantor), pursuant to which the Purchaser agreed to purchase the Property (through the purchase of the Sale Shares representing the entire equity interest in the Target Company) from the Vendor. The Target Company indirectly holds 100% of the Project Companies (being the registered legal owners of the land use rights and ownership rights underlying the Property) through the Intermediary Entities.

The Property is an International Grade A office building, which is one of the ten tallest skyscrapers in Guangzhou and a landmark building strategically located in the Core Area of ZJNT. Further details regarding the Property are contained in section B.3 headed "The Property — Key information" in this Announcement.

As at the date of this Announcement, (i) Yuexiu Property wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) which holds approximately 35.1% of the issued Units, is an associate of the Manager and Dragon Yield, and therefore a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code); and (ii) the Vendor, being directly wholly-owned by Yuexiu Property, is an associate of the Manager and Dragon Yield, and therefore a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Acquisition is a connected party transaction of Yuexiu REIT and, since the highest applicable percentage ratio is expected to exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition (and the transactions contemplated thereunder) constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

As stated in the announcement dated 24 October 2021 made by Yuexiu Property, the Acquisition will also constitute a major transaction for Yuexiu Property, and as such, will require approval from YXP Shareholders in accordance with Chapter 14 of the Listing Rules.

2. Key terms of the Acquisition Deed

On 24 October 2021, Yuexiu REIT 2018 Company Limited (a SPV wholly-owned by Yuexiu REIT) as the Purchaser entered into the Acquisition Deed with Guangzhou Construction & Development Holdings (China) Limited as the Vendor and Yuexiu Property as the guarantor for the Acquisition.

Pursuant to the Acquisition Deed: (i) the Purchaser agreed to purchase, and the Vendor agreed to sell, the Sale Shares representing the entire equity interest in the Target Company, which through the Intermediary Entities indirectly holds 100% of the Project Companies, which are the registered legal owners of the land use rights and ownership rights underlying the Property; and (ii) the Purchaser agreed to repay or procure the repayment of the Intercompany Payables.

The principal terms of the Acquisition Deed are summarised as follows:

2.1 Consideration and Payment Terms for the Acquisition

The consideration for the acquisition of the Property (the “**Acquisition Consideration**”) is equal to the sum of: (1) the Share Consideration (for the acquisition of the Sale Shares); and (2) the Repayment Amounts (being the outstanding amount of the Intercompany Payables as at Acquisition Completion).

The “**Share Consideration**” shall be paid by the Purchaser to the Vendor, and is equal to the sum of: (a) the Agreed Acquisition Amount; and (b) the Target Group Adjusted NAV as set out in the Completion Statement.

The “**Agreed Acquisition Amount**” of RMB7,800 million was arrived at on an arm’s length basis after taking into account the Appraised Value of RMB8,030 million as at 31 August 2021 as appraised by the Independent Property Valuer. The Agreed Acquisition Amount represents a discount of 2.9% to the Appraised Value.

The “**Target Group Adjusted NAV**” shall be equal to: (i) all assets of the Target Group (other than the Property and deferred assets); minus (ii) all liabilities of the Target Group (including the Intercompany Payables but excluding the deferred tax liabilities arising from the revaluation of the Property and depreciation allowances given to the Property), in each case as at Acquisition Completion as shown in the Completion Statement. Since the Property will be acquired by Yuexiu REIT by way of acquisition of the Sale Shares, taking into account the present intention of the Manager for Yuexiu REIT to hold the Property for long-term investment purposes, the Manager’s Tax Advisers, PricewaterhouseCoopers Limited, considers that it is very unlikely that the abovementioned deferred tax liabilities will crystallise. Therefore, no account has been taken of such liabilities in the calculation of the Target Group Adjusted NAV.

For illustrative purposes only, based on the audited combined financial statements of the Target Group and the Intercompany Payables expected to be outstanding immediately before Acquisition Completion (being approximately RMB7,800,000,000), the illustrative Target Group Adjusted NAV is approximately minus RMB7,825,383,000, and is mostly attributable to: (i) cash and cash equivalents of approximately RMB110,061,000 as at 30 June 2021; and (ii) amounts due to related parties of RMB7,805,735,000, which consists mainly of the abovementioned approximately RMB7,800,000,000 Intercompany Payables that is expected to be outstanding immediately before Acquisition Completion. The Intercompany Payables represent the aggregate amounts outstanding under the

Offshore Payables owing from the Limited Partner to Yuexiu Property and the Onshore Payables owing from the General Partner to Yuexiu Property, which only became outstanding after 30 June 2021 as a result of the capital restructuring exercise of the Target Group by Yuexiu Property and therefore will not be reflected in the Accountant's Report to be set out in Appendix 2 to the Circular which shows the audited consolidated statement of financial position of the Target Group as at 30 June 2021.

Based on the illustrative Target Group Adjusted NAV (being approximately minus RMB7,825,383,000), the illustrative Share Consideration is approximately negative RMB25,383,000. Combined with the Purchaser's obligation to repay or procure the repayment of the Intercompany Payables (being approximately RMB7,800,000,000 as at the date of this Announcement), the total illustrative Acquisition Consideration is approximately RMB7,774,617,000.

Pursuant to the Acquisition Deed, the Acquisition Consideration shall be satisfied in the following manner:

- (A) at Acquisition Completion, the Purchaser shall pay to the Vendor an amount equal to:
 - (i) the “**Initial Payment**” of: (1) the Agreed Acquisition Amount of RMB7,800,000,000; plus/minus (2) the Target Group Adjusted NAV as set out in the Pro Forma Completion Statement; minus
 - (ii) the EIT Withheld Amount of RMB10,000,000 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 (see section A.2.2 headed “The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account” in this Announcement for details);
- (B) at Acquisition Completion, the Purchaser shall procure the repayment of the amount outstanding under the Onshore Payables in RMB as at the Acquisition Completion Date (the “**Onshore Repayment Amount**”);
- (C) at Acquisition Completion, the Purchaser shall pay to Yuexiu Property an amount equal to the amount outstanding under the Offshore Payables as at the Acquisition Completion Date (the “**Offshore Repayment Amount**”), provided that, if Rights Issue Completion has not taken place by Acquisition Completion, an amount equal to 50% of the Offshore Repayment Amount shall be deferred and paid to Yuexiu Property in accordance with paragraph (D) below (such deferred portion of the Offshore Repayment Amount being the “**Deferred Offshore Repayment Amount**”);
- (D) (if 50% of the Offshore Repayment Amount is deferred under paragraph (C) above) within ten Business Days after Rights Issue Completion, the Purchaser shall settle or procure the settlement of:
 - (i) the Deferred Offshore Repayment Amount; plus
 - (ii) interest on the amount under (D)(i) above accrued at a margin of 1.2% per annum over 1-month HIBOR from the Acquisition Completion Date to the date that such amount is paid; and

- (E) within ten Business Days after agreement or determination of the Completion Statement (the draft of which will be prepared based on the audited accounts of the Target Group as at Acquisition Completion Date as 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 (see section A.2.2 headed "The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account" in this Announcement for details); 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**".

With respect to paragraphs (B) and (C) above, the amounts of the Offshore Payables and the Onshore Payables shall not be such that they would cause the amount payable on the Acquisition Completion Date under paragraph (A) above to be negative.

The Manager shall publish further announcement(s) regarding the Initial Payment, the Repayment Amounts, the Deferred Offshore Repayment Amount (if any) and the True-up Payment as soon as practicable after such amounts have been determined.

2.2 EIT Segregated Account

On Acquisition 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 Acquisition 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 PRC Enterprises Income Tax payable by the Vendor in respect of the Acquisition, provided that the funds remaining in the EIT Segregated Account are equal to or greater than the amount of unpaid taxes the Vendor may be liable for arising out of or relating to the Acquisition.

2.3 Conditions Precedent under the Acquisition Deed

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

- (a) the resolutions approving the Transaction Matters Requiring Approval having been passed by Independent Unitholders at the EGM;

- (b) the resolutions approving the Acquisition and the Deferred Units Arrangement Modification having been passed by the YXP Independent Shareholders at the Yuexiu Property GM;
- (c) the posting of the Rights Issue Offering Documents to Unitholders and all other conditions to the Rights Issue having been fulfilled, save for the grant by the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Issue Units;
- (d) the New Bank Facility being in place and sufficient funds being available for drawdown under the New Bank Facility;
- (e) there being:
 - (i) no change or circumstance that has a material adverse effect on the Vendor's ability to perform its obligations under the Acquisition Deed before Acquisition Completion which is not covered by item (iv) below (other than any change: (1) that generally affects the real estate industry in the PRC; (2) in financial markets or general economic or political conditions; (3) of law or accounting principles applicable to the Target Group);
 - (ii) none of the following circumstances having occurred: (1) the entire Property or 30% or more of the above-ground lettable area ("**material part**") of the Property has been damaged or destroyed or has become a dangerous building according to the assessment by the relevant PRC government authority or has become inaccessible and the situation described above has not come to an end before Acquisition Completion; (2) the entire Property or a material part thereof has been closed down by or normal business operation therein has been prevented by the action of relevant PRC government authorities and the situation described above has not come to an end before Acquisition Completion; or (3) the entire Property or a material part thereof has been damaged or destroyed such that it is in a condition which renders it unable to generate rental income and the situation described above has not come to an end before Acquisition Completion;
 - (iii) no compulsory acquisition or resumption of the Property and no notice of such intention received from any government authority before Acquisition Completion; and
 - (iv) no statute, regulation or decision imposed on or affecting the Vendor, the Target Company, the Project Companies and/or the Property which would prohibit or materially delay the sale and purchase of the Sale Shares or the disposal of the Property or which would prohibit or materially restrict the operation of the Target Group or the Property having been enacted or taken by any PRC government authority;
- (f) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Acquisition Deed;
- (g) the warranties of the Purchaser under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Acquisition Completion as if repeated at Acquisition Completion (by reference to the facts and circumstances existing at Acquisition Completion); and

- (h) the warranties of the Vendor under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Acquisition Completion as if repeated at Acquisition Completion (by reference to the facts and circumstances existing at Acquisition Completion).

The Vendor and the Purchaser may not waive any of the Acquisition Conditions, except for Acquisition Condition (e) (which is only waivable to the extent such condition does not relate to PRC governmental authority), Acquisition Condition (h) (which may be waived by the Purchaser by notice in writing to the Vendor), and Acquisition Condition (g) (which may be waived by the Vendor by notice in writing to the Purchaser).

If any of the Acquisition Conditions have not been fulfilled or waived (if applicable) on or before the Long Stop Date (being 30 June 2022, or such other date as agreed by the Purchaser and the Vendor in writing), then neither the Purchaser nor the Vendor shall be bound to proceed with the Acquisition and the Acquisition Deed shall terminate without prejudice to any other right or remedy the parties to the Acquisition Deed may have.

2.4 Completion of the Acquisition

Pursuant to the terms of the Acquisition Deed, Acquisition Completion shall take place on a mutually agreed Business Day between the Purchaser and the Vendor falling within 10 Business Days after the date on which all the Acquisition 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 Acquisition Completion, the Manager will issue an announcement to inform Unitholders that Acquisition Completion has occurred.

2.5 Termination of the Acquisition Deed

If Acquisition Completion has not taken place due to one party's failure to satisfy its completion obligation under the Acquisition Deed, the other party may by written notice terminate the Acquisition Deed without prejudice to the parties' rights and remedies under law.

In addition, the Purchaser may by written notice to the Vendor terminate the Acquisition Deed if any fact, matter or event arises or occurs which constitutes a material breach by the Vendor of its covenants, obligations or warranties under the Acquisition Deed and is likely to affect the business or financial position of any member of the Target Group in a materially adverse manner, or if any change, event or circumstance occurs that is likely to have a material adverse effect on the financial position of the Target Group as a whole. The Vendor may by written notice to the Purchaser terminate the Acquisition Deed if any fact, matter or event arises or occurs which constitutes a material breach by the Purchaser of its covenants, obligations or warranties under the Acquisition Deed.

2.6 Representations, warranties and indemnities in the Acquisition Deed

2.6.1 Representations and warranties

The Acquisition Deed contains customary representations and warranties (including fundamental warranties relating to title to the Sale Shares and to the Property, and other warranties relating to 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 Property.

The maximum aggregate liability of the Vendor in respect of claims under the warranties and Relevant Indemnity Claims shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB3.2 million. Such claims shall only be recoverable from the Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB12 million and the Vendor will be liable for the entire amount. Such thresholds were determined based on the parties' commercial negotiation and with reference to past acquisitions and disposals of Yuexiu REIT. The Manager considers that the thresholds are fair and reasonable and in the interests of Yuexiu REIT and its Unitholders as a whole.

The Acquisition Deed also provides for a limitation period of three years from the Acquisition 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 Acquisition 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.

2.6.2 Indemnities

The Acquisition Deed also contains customary indemnities from the Vendor and Yuexiu Property, both of whom have irrevocably undertaken to indemnify, on a joint and several basis, Yuexiu REIT, the Trustee, the Manager, the Purchaser and each member of the Target Group, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of or in connection with the following:

- (i) any tax liability resulting from the Vendor's failure to fully comply with its tax obligations with respect to the Acquisition;
- (ii) any acts of, or transactions entered into by any member of the Target Group, before the Acquisition Completion Date (save to the extent that provision in respect thereof has been made in the management accounts of the Target Group or the Completion Statement); and
- (iii) the non-compliances as further described in sections B.6.1 to B.6.4 of this Announcement.

“**Relevant Indemnity Claim**” refers to a claim under (ii) above arising out of or in connection with a fact or circumstance which may also give rise to a claim under any warranty. For the avoidance of doubt, a Relevant Indemnity Claim does not include a claim under (i) or (iii) above.

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

The Vendor's liabilities in respect of any claim made against any indemnity (save for the Relevant Indemnity Claims) shall not be subject to the limitations on the minimum per claim threshold, the aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Acquisition Completion Date would apply to claims under the tax covenants, Relevant Indemnity Claims which pertain to the tax warranties and the indemnities, save for: (a) the Relevant Indemnity Claims that do not relate to tax warranties in respect of which the limitation period shall be three years; and (b) claims under the indemnities for the

non-compliances described in sections B.6.1 to B.6.4 of this Announcement, in respect of which the limitation period shall end upon the expiry of the land use rights pertaining to the relevant premises of the Property that such claims are concerned. The Manager considers that the limitation periods are acceptable as they are in line with normal commercial terms expected in similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding such limitations. The view of the Independent Financial Adviser in respect of the limitations on liability of the Vendor under the Acquisition Deed will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

2.7 Guarantee of the Vendor's obligations under the Acquisition 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 Acquisition 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 Acquisition Deed.

2.8 The Vendor's tax obligations

As advised by the Manager's Tax Advisers, 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 Advisers that in respect of the Acquisition: (i) the Vendor will first make its tax filing to the relevant PRC tax authority; and (ii) 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. As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, it generally takes one to three months for the relevant PRC tax authority to complete the Bulletin 7 tax filings.

Pursuant to the Acquisition 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 Acquisition Deed, truly, accurately and completely, report all relevant information on the entry into of the Acquisition Deed in accordance with Article 9 of Bulletin 7 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 Acquisition Completion Date, inform or procure to inform the relevant PRC tax authority that Acquisition Completion has occurred; and (b) as soon as possible and in any event no later than seven days after agreement or determination of the Completion Statement, inform the relevant PRC tax authority of the adjustment of the Acquisition Consideration and the amount of the True-up Payment.

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 submissions, as soon as practicable after the relevant submissions have 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 requested by the relevant PRC tax authority to be submitted by the Vendor in connection with the Acquisition, and promptly keep the Purchaser informed of the foregoing (including providing the Purchaser with copies of all correspondences with the relevant PRC tax authority and all documents issued by the relevant PRC tax authority).

The Vendor has also covenanted and undertaken in the Acquisition 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 Acquisition 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 are 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 for tax payable in respect of the Acquisition 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.2.6 headed "The Acquisition — Key terms of the Acquisition Deed — Representations, warranties and indemnities in the Acquisition Deed" in this Announcement above, but shall be subject to a limitation period of seven years from the Acquisition Completion Date.

As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, the estimated amount of tax payable under PRC Enterprise Income Tax Law and Bulletin 7 in respect of the Acquisition is within RMB10 million. In view of the above and the advice from its Tax Advisers, 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.

B. THE PROPERTY

1. Description

The Property, known as "Yuexiu Financial Tower (越秀金融大厦)", is located at No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC and has a total gross floor area of 210,282.94 sq.m. with a height of approximately 309 metres and comprises: (a) a 68-storey above-ground commercial building (comprising a 4-storey retail component and a 64-storey office component); and (b) a 4-storey basement with 827 underground carpark spaces (the "**Carpark Spaces**"). As an International Grade A office property, the Property has attracted multinational and reputable corporate tenants.

Upon Acquisition Completion, Yuexiu REIT will (through the Target Group) hold 100% of the Property. Simplified charts showing respectively: (i) current holding structure of the Property as at the date of this Announcement; (ii) expected holding structure of the Property as at Acquisition Completion; and (iii) the expected holding structure of the Property following completion of the Reverse Merger, are contained in sections C.1 to C.3 in this Announcement.

2. Location

The Property is located in the Core Area of ZJNT, a core central business district in Guangzhou. Guangzhou is the capital city of Guangdong province in Southern China and a key strategic location in the Greater Bay Area. Situated at a prime location, the Property also benefits from high levels of connectivity and accessibility. The Property is located at the central axis of the Core Area of ZJNT

and is within walking distance of Zhujiang New Town Station, where metro lines 3 and 5 interchange and also is 200 metres from Xiancun Station, where metro lines 13 and 18 will interchange. Metro line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and is expected to open in 2022. Metro line 18 will become the key vertical line connecting Tianhe District with Panyu District and Nansha District in Guangzhou from the north side to the south side, whereas metro line 13 will become the key horizontal line in the Guangzhou metro network spanning from the east side to the west side of the urban area in Guangzhou. Other than the metro lines, the Property is also near the automated people mover system, which operates from other parts of Tianhe District to Haizhu District.

3. Key information

The following table sets out certain key information relating to the Property as at 30 September 2021, except where otherwise specified:

Address:	No. 28, Zhujiang East Avenue, Tianhe District, Guangzhou, Guangdong Province, PRC
Year and month of completion:	August 2015
Term of land use rights⁽¹⁾:	The period commencing on 16 April 2007 and ending on 15 April 2057 in respect of the office portion and the Carpark Spaces
	The period commencing on 16 April 2007 and ending on 15 April 2047 in respect of the retail portion
Ownership certificates (不動產權證):	Obtained in 2017
Gross floor area:	Office: 166,378.62 sq.m. Retail: 3,818.19 sq.m. Carpark Spaces: 10,289.05 sq.m. Other: 29,797.08 sq.m. ⁽²⁾
Gross rentable area⁽³⁾:	Office: 166,378.62 sq.m. Retail: 3,818.19 sq.m.
Net lettable area⁽³⁾:	Office: 119,598.67 sq.m. Retail: 2,859.51 sq.m.
Number of Carpark Spaces:	827
Number of tenants (excluding Carpark Spaces):	191
Average rent (RMB/sq.m.) (excluding Carpark Spaces) for the month of September 2021⁽⁴⁾:	Office: RMB199.30 (based on gross rentable area) Retail: RMB223.32 (based on gross rentable area)

Percentage of gross rented area leased to top 10 tenants (excluding Carpark Spaces) ⁽⁵⁾:	43.9%
Percentage of total monthly rent from top 10 tenants (excluding Carpark Spaces):	43.0%
Occupancy rate (excluding Carpark Spaces) ⁽⁶⁾:	Office: 93.8% Retail: 100%
Revenue for the six months ended 30 June 2021:	RMB198.46 million
Appraised Value as at 31 August 2021:	RMB8,030 million

Notes:

- (1) As advised by the PRC Legal Advisers, 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 land may not be available when it 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 PRC Legal Advisers, 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) Includes public utility rooms, fire refuge floors, common area and the Citizens Passage. As set out in section B.6.2 headed "The Property — Due diligence review — Citizens Passage" below, no real estate certificate has ever been obtained in respect of the Citizens Passage.
- (3) Gross rentable area refers to the aggregate of the gross floor area for the individual office and retail units stated on their respective real estate ownership certificates, whereas net lettable area refers to the aggregate of the usable area stated on those real estate ownership certificates.
- (4) Average rent per leased sq.m. is based on current gross (base) rent.
- (5) Top 10 tenants by gross rented area. Approximately 16.3% of the office gross floor area (based on signed leases) is leased to members of Yuexiu Connected Persons Group, being connected persons of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Approximately 25.5% of the total monthly rent received by the Project Companies is attributable to tenants who are members of the Yuexiu Connected Persons Group. Please refer to section B.4.3 headed "The Property — Operating statistics — Top 10 tenants by gross floor area as at 30 September 2021 based on signed leases" in this Announcement for further details.
- (6) Occupancy rate is calculated based on gross rented area divided by total gross rentable area.

4. Operating statistics

4.1 Tenant profile and details of tenancy mix

The table below sets out details of the overall tenant diversification of the Property, in terms of trade sub-sector by reference to total gross rented area as at 30 September 2021 and total gross rental income for the month ended 30 September 2021:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Commercial services	27.6%	25.2%
Real estate	12.9%	15.0%
Manufacturing	13.4%	12.6%
Information technology	15.5%	14.3%
Finance	29.2%	31.7%
Cultural, sports and entertainment	0.5%	0.6%
Logistics services	0.7%	0.5%
Food and beverage services	0.2%	0.1%
Total	<u>100.0%</u>	<u>100.0%</u>

4.2 Schedule of tenancy expirations

The following table sets forth details of the percentage of expiries in respect of the leases of the Property as at 30 September 2021, which are scheduled to take place during the periods indicated below:

Period	Gross rented area of leases expiring as a percentage of total gross rented area ⁽¹⁾	Gross rental income of leases expiring as a percentage of total gross rental income ⁽²⁾
Year ending 31 December 2021 ⁽³⁾	17.4%	19.1%
Year ending 31 December 2022	10.5%	11.8%
Year ending 31 December 2023	24.8%	24.1%
Year ending 31 December 2024	14.6%	15.4%
Year ending 31 December 2025 and beyond	32.7%	29.6%
Total	<u>100.0%</u>	<u>100.0%</u>

Notes:

(1) Based on total gross rentable area as at 30 September 2021.

(2) Based on total gross rental income for the month ended 30 September 2021.

(3) As at 30 September 2021, approximately 80% of these expiring leases had already been renewed or the tenants are already in the process of negotiating renewal agreements.

- (4) The above figures were computed assuming no exercise of any lease renewal rights and that the leases terminate after their fixed lease terms.

4.3 Top 10 tenants by gross floor area as at 30 September 2021 based on signed leases

The following table sets forth details of the top 10 tenants by gross floor area as at 30 September 2021 based on signed leases:

No.	Trade sector	Tenancy expiry dates	Gross floor area (sq.m.)	Proportion of gross floor area	Monthly Rent (RMB)	Proportion of monthly rent
1	Mixed: Finance, Real Estate, Business Services (A total of 42 Connected Leases)	30 Nov 2021 to 31 Dec 2025	25,676.57	16.3%	8,158,062	25.5%
2	Commercial service	14 Sep 2025 to 30 Nov 2028	8,035.27	5.0%	1,763,441	5.5%
3	Manufacturing	31 Aug 2026	6,256.05	3.9%	1,060,550	3.3%
4	Information Technology	30 Jun 2025	6,100.35	3.8%	1,016,725	3.2%
5	Commercial service	30 Jun 2025	5,590.45	3.5%	634,663	2.0%
6	Manufacturing	30 Jun 2023	5,465.39	3.4%	1,045,607	3.3%
7	Information Technology	30 Jun 2023 to 31 Mar 2026	4,192.05	2.6%	657,577	2.1%
8	Finance	31 Mar 2025	3,171.07	2.0%	561,733	1.8%
9	Commercial service	30 Nov 2021	2,739.98	1.7%	419,575	1.3%
10	Finance	31 Dec 2021 to 29 Feb 2024	2,473.90	1.6%	486,469	1.5%

Note: If tenancy agreements for different premises are entered into by different entities belonging to the same group, they are treated as a single tenant, and the relevant figures are combined for the purpose of this table.

4.4 Delinquency rates

No provision was made for unpaid rents for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 in respect of the Property.

5. Property valuation

Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has been appointed as the Independent Property Valuer to appraise the value of the Property for the

purpose of the Acquisition. The Appraised Value (as appraised by the Independent Property Valuer as at 31 August 2021) was RMB 8,030 million. The Agreed Acquisition Amount is RMB7,800 million, represents a discount of 2.9% to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method cross-referenced with the market approach. The income capitalisation method estimates the value of property or assets on a market basis by capitalising net rental income on a fully leased basis. This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. The market approach is based on comparing the Property directly with other comparable properties which were recently offered or changed hands.

For further details on the methods and bases of the valuation of the Property, please refer to a copy of the Valuation Report issued by the Independent Property Valuer as set out in the Appendix to this Announcement. The view of the Independent Financial Adviser in respect of the bases and assumptions of the valuation of the Property will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

The Appraised Value, which is arrived at with reference to the income generating ability of the Property, as well as recent transactions as compared with other comparable properties, does not take into account the other assets and liabilities of the Target Group and is not equivalent to the value of the Target Group. However, as the Acquisition is conducted by way of a purchase of the Sale Shares, the Acquisition Consideration also takes into account the other assets and liabilities of the Target Group. Accordingly, the Acquisition Consideration will be different from the Appraised Value. Given the Agreed Acquisition Amount is at a discount to the Appraised Value, the Manager considers such amount to be fair and reasonable. For further details regarding the determination of the Acquisition Consideration, please refer to section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition” in this Announcement.

6. Due diligence review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the 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 Listing Rules and the Manager’s compliance manual. As advised by the PRC Legal Advisers, Yuexiu REIT will hold good, marketable, legal and beneficial title in the Property after the Acquisition Completion.

The Market Consultant has prepared the Market Consultant Report which will be appended to the Circular analysing, among other things, the competitive conditions of the Property. The Building Consultant has also carried out an inspection and a survey of the Property. Such inspection revealed that both the building and structural fabrics, and the building services installations of the Property have been maintained in good condition with only minor rectification works required to be carried out.

In respect of the non-compliances set out in sections B.6.1 to B.6.4 below, the Manager proposes to strengthen the contract terms of any lease that will be entered into in the future in respect of the relevant area, by including provisions that: (i) acknowledge that the tenant is fully aware of the permitted use of the relevant area and shall not request the Project Companies to assume any liabilities for the Non-conforming Uses; and (ii) allow the Project Companies as landlord to unilaterally terminate the lease without liability should the relevant authorities require rectification of the

Non-conforming Uses. As for any liability which may arise from terminating the subsisting leases for the affected areas early due to the rectification orders, given these leases are already in place which Yuexiu REIT will assume at Acquisition Completion, the Manager intends to rely on the indemnity described in section B.6.5 below, which the Manager considers to be sufficient to cover any such liability, as well as any losses, damages, fines, fees, charges, penalties, charges, penalties, premiums, expenses and costs which Yuexiu REIT may otherwise suffer.

6.1 Non-conforming uses of certain premises

According to the relevant title and government documents and permits relating to the Property: (i) the underground premises of the Property shall be used as carparks and in times of war as a civil defence shelter; (ii) the Citizens Passage (as defined below) was designated by the Guangzhou government as being set aside for the purpose of facilitating foot traffic in ZJNT; and (iii) certain premises of the Property shall serve as common areas and municipal public services facilities (the “**Designated Uses**”).

However, based on the Manager’s due diligence: (i) certain underground premises of the Property with a gross floor area of approximately 202.8 sq.m. (representing approximately 0.10% of the total gross floor area of the Property) have been leased to independent third party tenants for warehousing and logistics purposes and ancillary uses; (ii) the premises within the Citizens Passage with a gross floor area of approximately 340 sq.m. (representing approximately 0.16% of the total gross floor area of the Property) have been leased to an independent third party tenant to operate as a food and beverage outlet; and (iii) certain premises designated to be common areas or used as municipal public services facilities with a gross floor area of approximately 4,435.34 sq.m. (representing approximately 2.11% of the total gross floor area of the Property) have been leased to connected and independent tenants to carry on their businesses, all of which are inconsistent with the Designated Uses (collectively, “**Non-conforming Uses**”). As advised by the PRC Legal Advisers, the Non-conforming Uses may subject the Property to certain legal consequences and enforcement actions including fines of up to RMB30,000, rectification orders, repossession, and confiscation of income generated from Non-conforming Uses by the relevant PRC land authorities in accordance with the relevant laws and regulations of the PRC.

However, the PRC Legal Advisers advised that the Non-conforming Uses would not affect the enforceability or legality of the relevant subsisting leases for the affected areas or the Project Companies’ good marketable legal and beneficial title to the Property, and the Project Companies have not received any notices, orders, enquiries, investigations or administrative penalties, nor have they ever been required to rectify or pay penalties as a result of such non-compliance since the Property was completed in 2015. The PRC Legal Advisers have further advised that: (i) the Non-conforming Uses will not, in and of themselves, prevent the Property from being leased, bought, sold or being accepted by banks as security for mortgages; and (ii) the risk of any of the above-mentioned enforcement actions being imposed in respect of the Non-conforming Uses is practically non-existent. Having regard to the above and the indemnity provided by the Vendor which covers the penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the Non-conforming Uses, the Manager does not consider this issue to pose a material risk to Yuexiu REIT. The Manager is of the view that the Non-conforming Uses are immaterial non-compliances which are not expected to have a material and adverse impact on the financial condition and business of Yuexiu REIT.

6.2 Citizens Passage

Certain premises on the third floor of the Property with a gross floor area of approximately 960.7 sq.m. were originally built by the developer of the Property to be a public passageway (the “**Citizens Passage**”) as part of a citywide pedestrian traffic network planned pursuant to a scheme of the municipal government to promote foot traffic in ZJNT. Such scheme has since been aborted, and premises within the Citizens Passage have been leased to an independent tenant to operate as a food and beverage outlet (with a total gross floor area of approximately 340 sq.m.). Based on the Manager’s due diligence, no real estate ownership certificate (不動產權證) had ever been obtained in respect of the Citizens Passage.

As advised by the PRC Legal Advisers, due to its unique history and lack of real estate ownership certificate, it is unclear whether the Citizens Passage would be classified as municipal public services facilities and hence be requisitioned by the municipal government for public use. However, as GCCDL (being the original developer of the Property) obtained the legal title stemming from legal construction in accordance with Article 231 of the PRC Civil Code and confirmed that its ownership regarding the Property (including the Citizens Passage) has been transferred to the Project Companies, the PRC Legal Advisers are of the view that, despite the absence of the real estate ownership certificate to the Citizens Passage: (i) the Project Companies have valid and legal title to the Citizens Passage unless and until the Citizens Passage is formally requisitioned and repossessed by the municipal government; (ii) as the registered legal owners of the land use rights and ownership rights underlying the Property, the Project Companies have obtained all the requisite licences, permits and certificates required for the Property and are the owners of the Property. Such ownership is protected under the PRC law.

As also advised by the PRC Legal Advisers: (i) Yuexiu REIT will hold good marketable legal and beneficial title to the Citizens Passage after Acquisition Completion; (ii) the lack of real estate ownership certificate will not, in and of itself, prevent the Property from being leased, bought, sold or being accepted by banks as security for mortgages; and (iii) the risk of the Citizens Passage being formally requisitioned and repossessed is practically non-existent. Having regard to the above and the indemnity provided by the Vendor in respect of any potential loss suffered from the Citizens Passage being requisitioned and repossessed by the relevant authorities, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

6.3 Change of location of certain public facilities

According to the building planning permit (建設工程規劃許可證) and relevant replies from the planning authority, a post office with a gross floor area of approximately 200 sq.m. shall be built within the Property as an ancillary public facility. However, such post office was built outside the premises of the Property. None of the Project Companies have obtained written approval on the change of location of such public facility.

As advised by the PRC Legal Advisers, according to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》) and relevant regulations, the competent authority may order the GCCDL (being the original developer of the property) or the Project Companies to rectify the non-compliant construction within a limited period, and for those that cannot be rectified, a penalty in the amount of 5% to 10% of the construction cost may be imposed, which based on the Manager’s calculation, could potentially amount to a maximum penalty of approximately RMB120,000. In addition, the competent authority may also confiscate the non-compliant portion of the Property and any income generated in relation to the non-compliant portion.

As advised by the PRC Legal Advisers, the change of location of the post office would not adversely affect the Project Companies' legal title to the Property, or the enforceability or legality of the relevant leases for the Property. Having regard to the above and the indemnity provided by the Vendor which covers any penalties the relevant authorities may impose as a result of such non-compliance, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

6.4 Non-registration of lease agreements

As at the date of this Announcement, the Project Companies were unable to register all of the lease agreements in respect of the Property with the relevant land and real estate administration bureau, primarily due to reasons outside the Project Companies' control such as obtaining the co-operation of the relevant tenants and authorities in connection with such registration. As advised by the PRC Legal Advisers, according to the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), where the Project Companies fail to make correction within the stipulated period, a fine of RMB1,000 to RMB10,000 shall be imposed on the Project Companies for non-registration of lease agreements, and the maximum aggregate amount of penalty payable by the Project Companies in respect of such unregistered lease agreements is approximately RMB150,000.

As advised by the PRC Legal Advisers, non-registration of the abovementioned lease agreements does not affect the rights or entitlements of the Project Companies to lease out the Property to tenants, or the validity or the binding effect of the lease agreements. As at the date of this Announcement, none of the Project Companies had received a request from any government authority of the PRC to complete the registration formalities or been penalised for the non-registration of the lease agreements. Having regard to the above and the indemnity provided by the Vendor which covers any penalties, liabilities, losses, damages, fines, fees, charges, premiums, expenses and costs (on a full indemnity basis) sustained, incurred or suffered as a result of the non-registration of lease agreements, the Manager does not consider this issue to pose a material risk to Yuexiu REIT.

6.5 Indemnity

The aggregate amount of rent attributable to the areas concerning the non-compliances set out in sections B.6.1 to B.6.4 above is approximately RMB1.04 million, and accounted for approximately 3.3% of the total rent received for the month ended 30 September 2021.

Pursuant to the Acquisition Deed, the Vendor and Yuexiu Property irrevocably undertook to indemnify, on a joint and several basis, Yuexiu REIT, the Trustee, the Purchaser, the Target Group, and the Manager, to the fullest extent permissible by law, for any liabilities, losses, damages, fines, fees, charges, penalties, premiums, expenses and costs (on a full indemnity basis) which any one of them may incur, suffer or sustain as a result of the non-compliances described in sections B.6.1 to B.6.4 above.

The abovementioned indemnity will not be subject to any minimum per claim threshold, aggregate amount recoverable threshold or maximum aggregate liability limit, but will expire upon the expiry of the land use rights pertaining to the relevant premises of the Property that any such indemnity claims are concerned. As any penalties, rectification costs and land premiums payable would be covered under the indemnity provided by the Vendor and having regard to the PRC Legal Advisers' opinion, the Manager is of the view that the abovementioned non-compliances are immaterial and are not reasonably expected to have a material and adverse impact on the financial condition and business of Yuexiu REIT. The Manager considers the aforementioned indemnity to be sufficient and that the interests of the Unitholders are adequately protected.

7. Ownership

The PRC Legal Advisers have advised that the Project Companies have legally obtained the state-owned land use rights and are the sole users of the land use rights in respect of the Property. The PRC Legal Advisers have also advised that the Project Companies are the sole owners of the building ownership rights underlying the Property and that such rights are free from encumbrances, save for the existing mortgages on all the aboveground units and part of the carpark spaces of the Property. As advised by the PRC Legal Advisers: (i) the existing mortgages will be discharged prior to Acquisition Completion since the underlying loans will be repaid before then; and (ii) there is no legal impediment to the discharge of the existing mortgages before Acquisition Completion.

The PRC Legal Advisers are of the view that the Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances subject to the existing leases. Based on the above advice of the PRC Legal Advisers, the Manager is of the view that Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.

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 15 April 2057 in respect of the office portion and the Carpark Spaces, and 15 April 2047 in respect of the retail portion), 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. The PRC Legal Advisers have therefore advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations, and the likelihood of such extension not being granted is low. However, there can be no assurance that a land use right extension can always be obtained.

8. Lease agreements

8.1 Terms and termination

The lease agreements (including the Connected Leases and leases with independent third parties) in respect of the Property are generally for two to five year terms, depending on factors such as the size of the leased premises, duration of the lease and tenant profile. Most leases have fixed terms, but in some lease agreements the tenants and the landlord have agreed on an optional term at the discretion of the tenants for renewal apart from the fixed term.

At the time of entering into a lease, the tenants of the Property are required to provide a security deposit, which is generally the aggregate of not more than three months' rent and management fees. Security deposits do not bear interest. Most of the tenants are required to pay their rents on a monthly basis or with a longer payment period depending on the negotiation by both parties, on or around the beginning of each payment period. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and leased areas, are commonly granted to the office tenants by the landlord.

Under the lease agreements, the tenants are responsible for payment of property management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is damaged, destroyed or otherwise rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the tenants and provided that such damage or destruction is not repaired or reinstated within three months after such event, according to most of the leases, the landlord or the tenant shall be entitled to terminate the lease by written notice to the other party. The landlord may in its sole discretion reduce the rent payable by the tenant according to the nature and extent of the damage sustained until the damage is fully repaired or reinstated by the landlord, but the landlord is not obliged to repair or reinstate the damage. The tenants are not permitted to assign or sublet the premises, unless it is expressly agreed in the leases that they may assign or sublet the leased property to affiliated enterprises of the tenants or third parties after the landlord's consent is given.

The majority of the lease agreements do not enable tenants to terminate their leases ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises suffer from serious defects which render them unfit for use, in which case tenants may terminate their leases where the landlord fails to deliver or rectify those defects (as the case may be) within 30 days upon receiving tenants' written notices. If a tenant unilaterally terminates the lease for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any costs, expenses, losses or damages sustained by the latter, including but not limited to any legal fees, loss of rent and other fees, which the landlord would otherwise be entitled to receive under the lease but for the tenant's unilateral termination thereof. The landlord is entitled to forfeit all the security deposit paid and any other fees prepaid by such tenant to offset costs, expenses, losses or damages referred to above and claim against such tenant for any shortfall. In addition, the landlord has the right to terminate a lease upon the occurrence of certain events, such as delay in rental payment beyond a period of 30 days or other agreed conditions of breach of covenants by the tenant.

8.2 Connected Leases in respect of the Property

Certain lease agreements of the Property were entered into between the Project Companies and tenants who are connected persons of Yuexiu REIT (collectively, the "**Connected Tenants**") (these lease agreements being the "**Connected Leases**"). These Connected Tenants are all subsidiaries of GZYX, Yue Xiu or Yuexiu Property, other than one which is a 30%-controlled company (as defined in the Listing Rules) by GZYX, and as such, are associates of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As at 30 September 2021, the monthly rent received under the Connected Leases represents approximately 25.5% of the total monthly rent generated by the Property. On Acquisition Completion, these Connected Leases will be assumed by Yuexiu REIT by virtue of its indirect acquisition of the Project Companies.

If the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is approved by the Independent Unitholders at the EGM, the Connected Leases will be subject to and governed by the Yuexiu Leasing Framework Agreement and be subject to the Revised Annual Caps. For details regarding the Yuexiu Leasing Framework Agreement and the Revised Annual Caps therefor, please refer to section L.2.1 headed "Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement" in this Announcement.

Conversely, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the Connected Leases will be subject to the terms of the 2020 Extended Waiver and the annual caps thereunder.

For the avoidance of doubt, if Acquisition Completion takes place before 31 December 2021, the Connected Leases will be subject to the terms of the 2020 Extended Waiver and the annual caps thereunder for the remaining period ending 31 December 2021. In the event that the annual cap is exceeded, the Manager will re-comply with the applicable requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has confirmed that: (i) the rental/licence fees in respect of these Connected Leases were at prevailing market levels as at their respective agreement dates; (ii) the other commercial terms in the Connected Leases such as tenure, rental deposits and break clauses were on normal commercial terms; and (iii) the terms of the Connected Leases are fair and reasonable. The Manager is also of the view that the Connected Leases are in the interests of Yuexiu REIT and its Unitholders as a whole.

9. Management strategy

9.1 Overall strategy

On Acquisition Completion, the Manager intends to continue with the same key objectives and principal investment strategies for Yuexiu REIT. Certain aspects of these strategies are described below.

(a) Increasing returns through asset enhancement

The Manager will continue to explore scope for improvements that will create additional value for the properties of Yuexiu REIT. Advice from professional consultants and advisers will be sought for any possible asset enhancement plan as and when appropriate. Possible enhancement measures include modifications of the lettable space, change or addition of use and increasing the connectivity and accessibility of the properties of Yuexiu REIT, subject to compliance with all the relevant laws and regulations.

As at the date of this Announcement, there are no specific plans for renovation or improvement of the Property. The Manager may or may not carry out such activities depending on the needs of the Property as the Manager considers appropriate.

(b) Pro-actively managing and leasing properties

The Manager shall work closely with the property managers and the leasing agents to ensure that high quality services are provided to the tenants and customers of the properties of Yuexiu REIT. To this end, Yuexiu REIT will continue to provide professional training to its staff and monitor the performance of the property managers and the leasing agents to ensure that consistent and professional services are provided to meet the tenants' needs. The Manager seeks to procure that the performance of existing leases are regularly monitored.

(c) Maximising rental income of the properties

The Manager will continue to maximise the rental income of the properties of Yuexiu REIT by offering competitive rental packages and optimising the balance between the occupancy rates, rental rates and tenant mix of the property. Appropriate leasing strategies suited to the local market will be developed and implemented, and the Manager will also continue to review and improve the tenant mix and facility layout of the properties so as to maximise the value of the properties of Yuexiu REIT.

9.2 Management of the Property

Upon Acquisition Completion, the Property shall be managed pursuant to the following agreements, with the Manager supervising the same.

(a) Yuexiu Framework Agreements

On 24 October 2021, the Manager entered into: (i) the Yuexiu Leasing Framework Agreement with GZYY; (ii) the Yuexiu Tenancy Services Framework Agreement with Yuexiu Property; and (iii) the Yuexiu Property Management Framework Agreement with GZYY. The Yuexiu Framework Agreements set out the terms and conditions and pricing policies governing the Connected Leasing Transactions, the Connected TSAs and the Connected PMAs which are either in place or to be entered into or renewed from time to time by Yuexiu REIT (including those pertaining to the Property that will be held by Yuexiu REIT upon Acquisition Completion). Each of the Yuexiu Framework Agreements will be for a term of two years from 1 January 2022 to 31 December 2023, which may be renewed for a successive period of two years (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years). The Yuexiu Framework Agreements will be conditional upon the passing of the EGM Resolutions to approve the Matters Requiring Approval.

Each Yuexiu Framework Agreement requires the parties thereto to procure the relevant contracting parties to the Connected Leasing Transactions, the Connected TSAs and the Connected PMAs (as the case may be) to ensure that such transactions shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at the prevailing market rate for similar transactions; and (e) in compliance with the terms of such Yuexiu Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed. For further details of each of the Yuexiu Framework Agreements, please refer to sections L.2 and L.3 headed "Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group" and "Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group" in this Announcement.

The Property Management Agreement, the Tenancy Services Agreement, the Carpark Master Lease Agreement and the Naming Rights Agreement will each be subject to and governed by the terms of the relevant Yuexiu Framework Agreement, as more particularly described in this section B.9.2.

(b) Property Management Agreement

The Project Companies and the Property Manager entered into a property management agreement dated 31 July 2020 (as amended and supplemented, the “**Property Management Agreement**”), pursuant to which the Property Manager agreed to act as the property manager of the Property and provide property management services in respect of the Property for a term from 1 August 2020 to 31 July 2023.

Under the Property Management Agreement, the Property Manager is entitled to collect a property management fee from the tenants at a rate of RMB33.0 per sq.m. per month for the office portion of the Property, and generally RMB50.0 per sq.m. per month for the retail portion of the Property depending on the tenant profile and the actual monthly property management expenses of the Property. No property management fees shall be payable under the Property Management Agreement in respect of the Carpark Spaces.

The property management fees so collected by the Property Manager will be used for payment of, amongst other things, the reimbursement of the Property Manager’s staff costs, common area maintenance expenses, cleaning and landscaping expenses, insurance expenses, relevant taxes as well as the Property Manager’s remuneration.

The services provided by the Property Manager under the Property Management Agreement include, among other things, upkeep, repair and maintenance services of the common areas and facilities of the Property, monitoring and security services, obtaining the relevant insurances required for the Property, drawing up a user manual and establishing local rules for the Property (which is subject to the approval of the Project Companies), as well as producing annual property management plans (for the review and approval by the Project Companies). The Property Manager 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.

As at the date of this Announcement, the Property Manager is indirectly owned as to 80.0% by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield. The same applies to the Property Manager and the Property Manager is therefore a connected person of Yuexiu REIT. The transactions carried out under the Property Management Agreement are subject to and in compliance with the Yuexiu Property Management Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and GZYX on 24 October 2021, the details of which are set out in section L.3.1 headed “Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Property Management Framework Agreement” in this Announcement.

(c) Tenancy Services Agreement

On 24 October 2021, the Project Companies and the Property Tenancy Services Company entered into a tenancy services agreement (the “**Tenancy Services Agreement**”), pursuant to which the Property Tenancy Services Company, subject to Acquisition Completion, shall provide tenancy services to all tenants of the Property from the Acquisition Completion Date to 31 December 2023. The tenancy services include, among other things: (i) lease management services; (ii) rental collection services; (iii) tenant relationship management services; and (iv) marketing services. As consideration for such services, an annual leasing agent’s fee of 3.0% of the gross annual revenue for the Property (excluding the revenue generated under the Naming Rights Agreement and the Carpark Master Lease Agreement) will be charged by the Property Tenancy Services Company. The Manager considers the percentage of leasing agent’s fee to be in line with those applicable to the Existing Properties which ranges from 3% to 4% of the gross annual revenue of the respective property.

As noted above, Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield, and the same applies to the Property Tenancy Services Company which is indirectly wholly-owned by Yuexiu Services as at the date of this Announcement. The Property Tenancy Services Company is therefore a connected person of Yuexiu REIT and the transactions carried out under the Tenancy Services Agreement will be subject to and in compliance with the Yuexiu Tenancy Services Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and Yuexiu Property on 24 October 2021, the details of which are set out in section L.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement” in this Announcement.

(d) Carpark Master Lease Agreement

On 24 October 2021, the Project Companies and the Carpark Master Lessee entered into a new carpark master lease agreement (the “**Carpark Master Lease Agreement**”), pursuant to which the Carpark Spaces as a whole, subject to Acquisition Completion, will be leased to the Carpark Master Lessee for the period commencing from Acquisition Completion Date to 31 December 2024 for RMB14,180,000 per year. The Carpark Master Lease Agreement may be renewed at the option of the Project Companies after expiry of the initial term, subject to agreement between the parties thereto. The Carpark Master Lessee may itself, or engage another operator to, manage and operate the Carpark Spaces.

As at the date of this Announcement, the Carpark Master Lessee is an indirect wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Carpark Master Lessee is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. The transactions carried out under the Carpark Master Lease Agreement will be subject to and in compliance with the Yuexiu Leasing Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and GZYX on 24 October 2021, the details of which are set out in section L.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” in this Announcement. For the avoidance of doubt, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the transactions under the Carpark Master Lease Agreement, if any, will be subject to the 2020 Extended Waiver and the annual caps thereunder, which will continue to apply until its expiry on 31 December 2023.

Colliers International (Hong Kong) Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence 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.

(e) Naming Rights Agreement

On 24 October 2021, the Target Company and Yuexiu Property entered into a naming rights agreement, pursuant to which the Target Company, subject to Acquisition Completion, will allow Yuexiu Property to exercise the Naming Rights (as defined below) for the period between Acquisition Completion Date and 31 December 2023 for a total cash consideration of RMB60,000,000, which will be payable in five instalments, including one instalment of RMB20,000,000 to be paid on 31 December 2021 and four semi-annual instalments of RMB10,000,000 to be paid in 2022 and 2023 (the “**Naming Rights Agreement**”). Pursuant to the Naming Rights Agreement, Yuexiu Property will have the right to display the names and logo of companies designated by Yuexiu Property at noticeable locations at the Property, and to raise the flags of such companies at appropriate locations within the Property (the “**Naming Rights**”). The exercise of the Naming Rights must not conflict with the operating business of the Project Companies and the name of a competitor of the Project Companies must not be used at the Property pursuant to the exercise of the Naming Rights. Further, the Naming Rights can only be exercised on the condition that such exercise does not affect the normal operational activities of the Property. Yuexiu Property’s entitlement to the Naming Rights may also be terminated by mutual agreement between Yuexiu Property and the Target Company.

The consideration for the Naming Rights Agreement was determined between the parties thereto on an arm’s length basis. The Manager considers that the granting of Naming Rights to Yuexiu Property which is one of the anchor tenants of the Property for an aggregate consideration of RMB60,000,000 over the term of the Naming Rights Agreement provides an additional income stream for the Project Companies, is fair and reasonable and is in the interests of Yuexiu REIT and its Unitholders as a whole upon Acquisition Completion.

The transactions under the Naming Rights Agreement will be subject to and in compliance with the Yuexiu Leasing Framework Agreement (including the Revised Annual Caps set out therein), which will be entered into upon Acquisition Completion. For further details of the Yuexiu Leasing Framework Agreement, please refer to section L.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” in this Announcement. For the avoidance of doubt, if the Ordinary Resolution in respect of the CCPT Matters Requiring Approval is not approved at the EGM, the transactions under the Naming Rights Agreement, if any, will be subject to the 2020 Extended Waiver and the annual caps thereunder, which will continue to apply until its expiry on 31 December 2023.

10. Competition

The Property, Yuexiu Financial Tower (越秀金融大厦), is an International Grade A office building completed in 2015 and is a landmark high-rise building in the Core Area of ZJNT, with a height of approximately 309 metres. There is a concentration of eight International Grade A office buildings with a height of over 300 metres within a 800 metre radius of Yuexiu Financial Tower, such as Guangzhou IFC and Chow Tai Fook Financial Center.

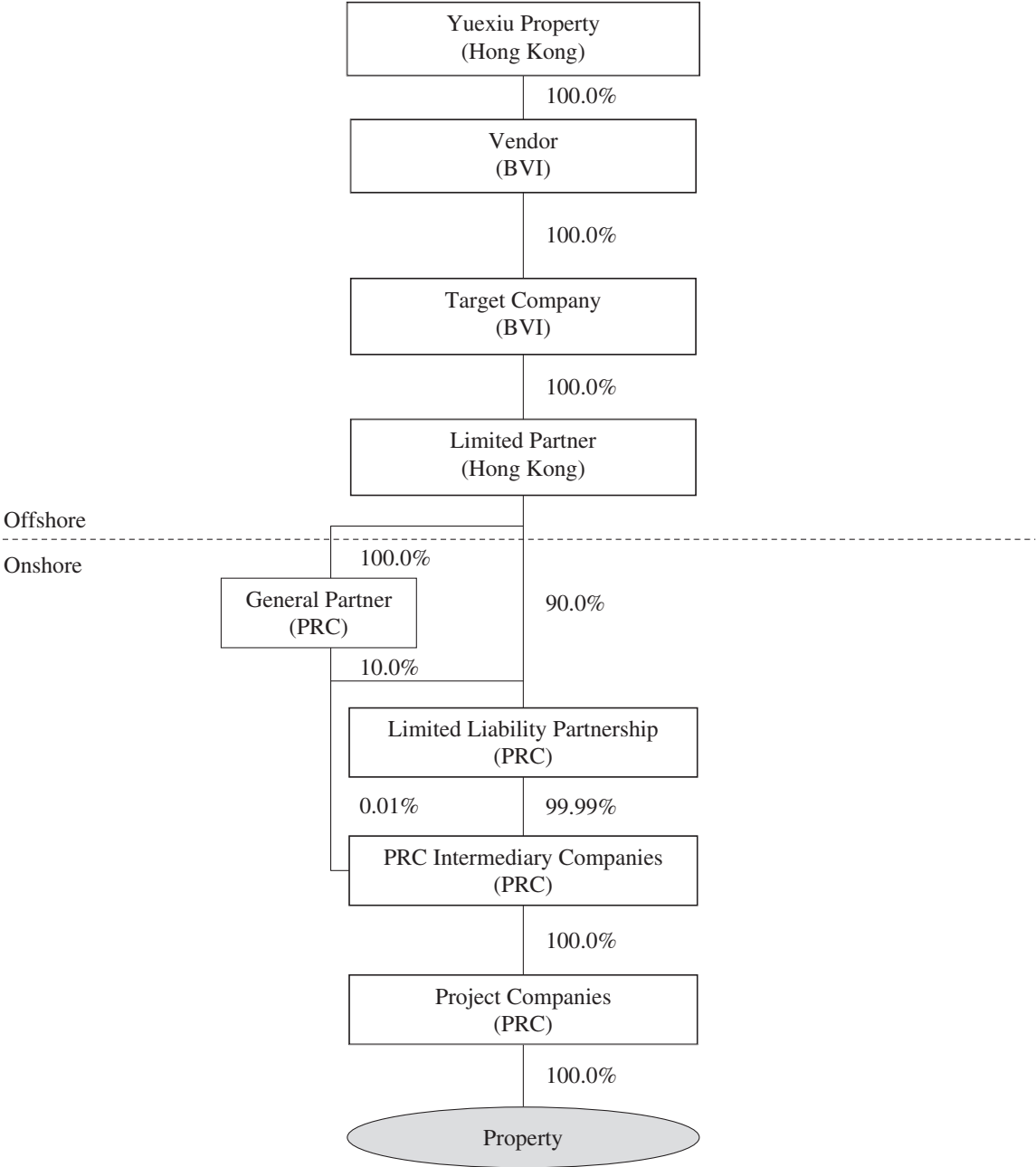
As a result of COVID-19, the progress and completion time of some construction projects in Guangzhou has been delayed. According to the Market Consultant Report, it is estimated that from the 3rd quarter of 2021 to 2025, there will be approximately 2.946 million sq.m. of new supply in the Grade A office market in Guangzhou. The average annual increase will be about 542,000 sq.m. in 2022-2025. The new supply is mainly located in Pazhou and Financial Town. The new supply in Pazhou will be approximately 1.803 million sq.m., constituting 61% of such new supply. Only two other International Grade A office buildings, namely GDH International Financial Center Building T1 and Building T2, are expected to enter ZJNT in the next four years. The total gross floor area of such new properties will be approximately 204,000 sq.m. As the supply of Grade A office space in ZJNT will gradually decrease and become scarcer, it is expected that the vacancy rate of Grade A office buildings in ZJNT will remain at a relatively low level and the rental rates will continue to grow steadily.

According to the Market Consultant Report, the Property has the highest leasable office space compared to other Grade A office buildings in the Core Area of ZJNT. The Property also has a helipad, which is unique to the other Grade A office buildings in Guangzhou and supports flying routes between Guangzhou, Shenzhen and Zhuhai.

C. HOLDING STRUCTURE OF THE PROPERTY AND REVERSE MERGER

1. Current holding structure of the Property

Below is a chart showing the simplified holding structure of the Property as at the date of this Announcement:



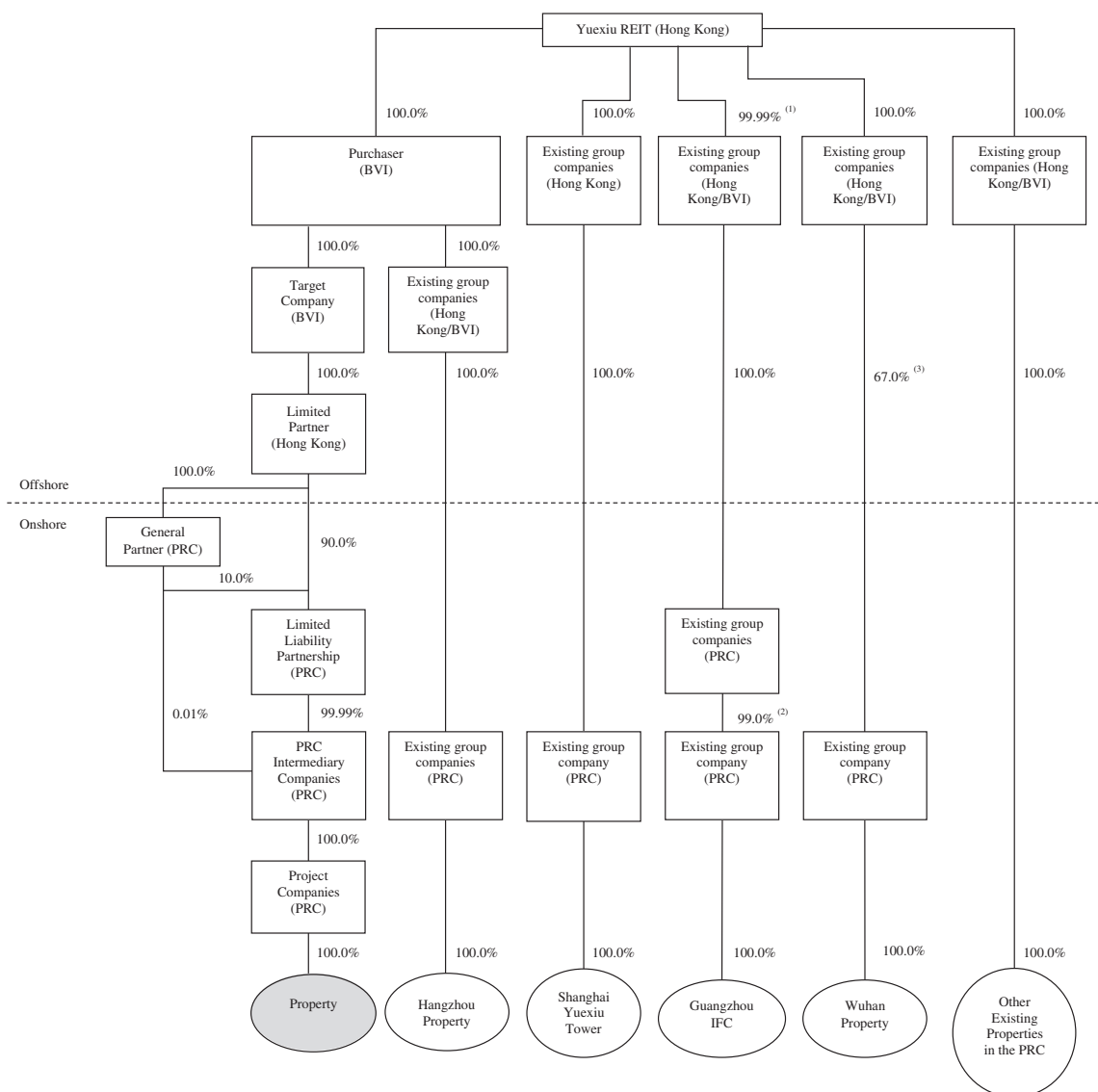
The abovementioned chart includes a limited liability partnership, in respect of which the PRC Legal Advisers have advised that: (i) a limited liability partnership is neither a natural person nor a legal person under PRC laws and therefore cannot be recognised to be the sole shareholder of a PRC company; (ii) a limited liability partnership is required to have at least one general partner which shall bear unlimited joint liability for the partnership's debts under the PRC Partnership Enterprise Law; (iii) although the General Partner will be subject to unlimited liability for the Limited Liability Partnership's debts, the liability of the sole shareholder of the General Partner (being the Limited Partner) will still be limited to the amount of its registered capital contribution to the General Partner; (iv) therefore, by extension, Yuexiu REIT (being the indirect sole shareholder of the Limited Partner following Acquisition Completion) will not be exposed to the unlimited liability of the General Partner; and (v) by virtue of the terms of the Limited Partnership Agreement and the Limited Partner being the sole shareholder of the General Partner, the General Partner and the Limited Partner can exercise ownership and control of the Property through the Limited Liability Partnership no different than PRC companies, and such arrangement is commonly adopted by limited liability partnerships in the PRC and complies with the relevant PRC laws and regulations

The PRC Legal Advisers have also confirmed that: (i) the holding structure of the Property through the Limited Liability Partnership is legal and valid under the relevant PRC laws and regulations and is not uncommon for holding real estate in the PRC; (ii) such holding structure will not affect Yuexiu REIT's good marketable legal and beneficial title to the Property; (iii) the terms of the limited partnership agreement constituting and governing the Limited Liability Partnership are legally valid, binding and enforceable on the parties; (iv) there is no legal or practical impediment to the ability of the Limited Liability Partnership to remit the income generated by the Property through the Limited Liability Partnership, whether by way of interest payments or dividends; and (v) for so long as the Limited Liability Partnership has net profits, there is no legal or practical impediment to the remittance of dividends from the Limited Liability Partnership to Hong Kong.

Having regard to the advice of the PRC Legal Advisers set out above, the Manager does not consider the expected holding structure of the Property to be substantively different from the holding structure of the Existing Properties.

2. Expected holding structure of the Property as at the Acquisition Completion Date

The simplified expected holding structure of the Property, and other Existing Properties, immediately after Acquisition Completion will be as follows:



Notes:

- (1) The remaining 0.01% of the equity interest in the existing group companies is owned by Yuexiu Property.
- (2) The remaining 1.0% of the equity interest in the existing group companies holding Guangzhou IFC is owned by Guangzhou City Construction & Development Group Co. Ltd.* (廣州市城市建設開發集團有限公司), which is an indirectly owned subsidiary of GZYX and a connected person of Yuexiu REIT.
- (3) The remaining 33.0% of the equity interests in the existing group company that directly holds the Wuhan Property is indirectly owned by Yuexiu Property.

3. Reverse Merger

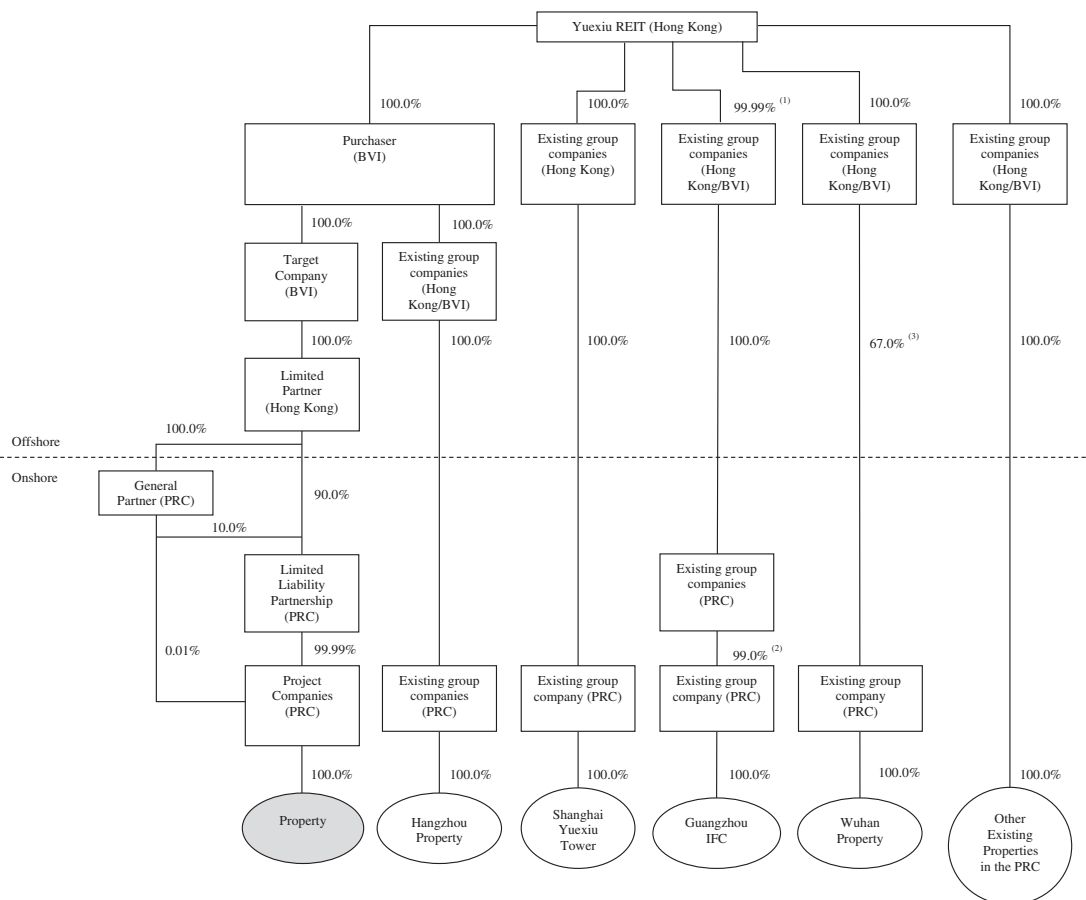
Following Acquisition Completion, it is intended that the holding structure of the Property will be further streamlined by the Reverse Merger, which was originally part of the restructuring exercise initiated by Yuexiu Property as required by the Purchaser and began before the date of this Announcement, as further described below.

On 16 September 2021, the PRC Intermediary Companies and the Project Companies entered into a merger agreement pursuant to which the parties agreed to merge by the Project Companies' absorption of the PRC Intermediary Companies (the "**Reverse Merger**"). Upon the completion of the Reverse Merger, the PRC Intermediary Companies will be deregistered, and the Limited Liability Partnership and the General Partner will become the direct shareholders of the Project Companies. The PRC Intermediary Companies' assets (save for their equity interests in the Project Companies) and liabilities (including those under the related party loans previously granted by the Limited Liability Partnership) will be undertaken by the Project Companies following the Reverse Merger.

As advised by the PRC Legal Advisers, there are certain procedural steps required to legally effect the Reverse Merger under PRC law. For example, the PRC Intermediary Companies need to give their creditors statutory notice of the Reverse Merger and apply for deregistration of the PRC Intermediary Companies with the relevant local tax and other government authorities. The PRC Legal Advisers estimate that the Reverse Merger will take approximately six to seven months from the date of the abovementioned statutory notice to complete. As such statutory notice was published on 17 September 2021, the Manager expects that the Reverse Merger will complete in or before April 2022. As the Reverse Merger is not a condition precedent of the Acquisition, the Manager expects that Acquisition Completion will likely take place before completion of the Reverse Merger. The Manager will publish an announcement upon completion of the Reverse Merger.

The PRC Legal Advisers have confirmed that: (i) the remaining steps required to effect the Reverse Merger are expected to be completed in or before April 2022; (ii) there are no material risks or legal impediments to completion of such steps (including obtaining the relevant approvals from the relevant authorities); (iii) there are no impediments that will cause delay in the completion of the Reverse Merger; and (iv) the Reverse Merger is legal and valid under the relevant PRC laws and regulations.

The simplified expected holding structure of the Property, and other Existing Properties, following the completion of the Reverse Merger will be as follows:



Notes:

- (1) The remaining 0.01% of the equity interest in the existing group companies is owned by Yuexiu Property.
- (2) The remaining 1.0% of the equity interest in the existing group companies holding Guangzhou IFC is owned by Guangzhou City Construction & Development Group Co. Ltd.* (廣州市城市建設開發集團有限公司), which is an indirectly owned subsidiary of GZYL and a connected person of Yuexiu REIT.
- (3) The remaining 33.0% of the equity interest in the existing group company holding the Wuhan Property is owned by Yuexiu Property.

Notwithstanding the further steps being required after Acquisition Completion to complete the Reverse Merger, the Manager believes that it is in the interests of Yuexiu REIT and its Unitholders as a whole to follow through with the Reverse Merger for the benefits it could achieve for Yuexiu REIT in the long term. Firstly, by removing one layer of SPVs, the Reverse Merger not only streamlines the ownership structure of the Property but also reduces ongoing administrative costs, such as regular reporting and corporate filings. Secondly, following the completion of the Reverse Merger, the onshore General Partner may, subject to compliance with prevailing applicable laws and regulations, be able to repatriate to the offshore Limited Partner interest payments received by the Limited Liability Partnership on the various onshore loans advanced to the Project Companies on a quarterly basis, instead of an annual basis for a typical holding structure (such as the holding structures of the Guangzhou IFC, the Shanghai Yuexiu Tower, the Wuhan Property and the Hangzhou

Property). The new structure will provide a more efficient repatriation process as compared to the structural organisation of the Existing Properties, which will allow cash to funnel through the Target Group within the time frame desired and without much complications. The enhanced repatriation mechanism would afford Yuexiu REIT more flexibility in managing its offshore cash flow position and hedging its foreign exchange risk exposure. Other than this, the expected holding structure of the Property is not substantively different from the holding structure of the Existing Properties in terms of laws, regulations and ultimate control of the Property.

Having regard to the advice of the PRC Legal Advisers, who confirmed that: (i) the Reverse Merger is legal and valid under the relevant PRC laws and regulations; (ii) the Reverse Merger will not affect Yuexiu REIT's good marketable legal and beneficial title to the Property and ability of the Limited Liability Partnership and the Project Companies to remit the income generated by the Property to Hong Kong, whether by way of interest payments and/or dividends; and (iii) the Reverse Merger will not result in any additional liabilities being imposed on Yuexiu REIT, the Manager is of the view that the Reverse Merger and the resulting holding structure of the Property are compliant with the REIT Code and the relevant laws and regulations in the PRC and will not result in additional liabilities being imposed on Yuexiu REIT.

D. FINANCING OF THE ACQUISITION

1. Financing Structure

The Manager intends to fund the Acquisition Consideration and the One-Off Fees and Charges in the following manner: (i) approximately HKD3,919 million (being equivalent to approximately RMB3,261 million) shall be paid from the net proceeds of the Rights Issue; (ii) up to HKD4,600 million (being equivalent to approximately RMB3,828 million) shall be paid from amounts drawn down under the New Bank Facility; and (iii) approximately HKD992 million (being equivalent to approximately RMB826 million) shall be paid from the internal resources of Yuexiu REIT (the "**Financing Structure**"). The One-Off Fees and Charges are approximately RMB64.5 million.

The intended financing structure has been determined by the Manager, in consultation with its financial advisers, after taking into consideration, among other things, Yuexiu REIT's working capital sufficiency, optimal level of gearing, financing costs (for both debt and equity), tenors of various existing indebtedness, dilution of existing Unitholders' ownership interests in Yuexiu REIT as well as possible dilution effects on DPU and NAV per Unit.

2. Rights Issue

2.1 Proposed Rights Issue

Should the Transaction Matters Requiring Approval be approved by the Independent Unitholders at the EGM to be held on Monday, 6 December 2021, the Manager proposes to raise approximately HKD3,950 million (before expenses) by issuing up to 1,234,403,038 Rights Issue Units (on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date) at the Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit. The Rights Issue is only available to the Rights Issue Qualifying Unitholders and will not be extended to the Rights Issue Non-Qualifying Unitholders.

Further details of the Rights Issue are set out below:

Basis of the Rights Issue:	Thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date
Rights Issue Subscription Price:	HKD3.20 per Rights Unit
Number of Units in issue as at the date of this Announcement:	3,336,224,428 Units
Number of Rights Issue Units proposed to be issued:	1,234,403,038 Rights Issue Units
Number of enlarged Units in issue upon Rights Issue Completion:	4,570,627,466 Units
Gross proceeds to be raised before expenses:	Approximately HKD3,950 million
Net proceeds to be raised after expenses:	Approximately HKD3,919 million

As at the date of this Announcement, Yuexiu REIT had no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Units.

The estimated expenses in relation to the Rights Issue includes financial and legal fees, printing and translation expenses of approximately HKD2 million, and potential placing commission of up to approximately HKD29 million, which assumes 730,822,457 Units are placed to the Placees at the Rights Issue Subscription Price of HKD3.20 per Unit and 1.25% of the placement amount is paid to the Placing Agents. The expenses in relation to the Rights Issue are borne by Yuexiu REIT and will be financed from the gross proceeds of the Rights Issue (including the Placing, as the case may be).

Assuming there is no change in the number of Units in issue from the date of this Announcement and up to the Rights Issue Record Date, the number of 1,234,403,038 Rights Issue Units proposed to be allotted and issued pursuant to the Rights Issue represent: (i) 37.0 % of the existing issued Units of Yuexiu REIT as at the date of this Announcement; and (ii) approximately 27.0% of the enlarged issued Units of Yuexiu REIT as enlarged by the allotment and issue of a total of 1,234,403,038 Rights Issue Units immediately after completion of the Rights Issue.

2.2 Rights Issue Subscription Price

The Rights Issue Subscription Price of HKD3.20 per Rights Issue Unit will be payable in full by a Rights Issue Qualifying Unitholder upon acceptance of the relevant provisional allotment of the Rights Issue Units or when a transferee of nil-paid Rights Issue Units applies for the relevant Rights Issue Units.

Each Rights Issue Qualifying Unitholder will be entitled to subscribe for the Rights Issue Units at the same Rights Issue Subscription Price in proportion to the Rights Issue Qualifying Unitholder's unitholding in Yuexiu REIT held on the Rights Issue Record Date.

The Rights Issue Subscription Price represents:

- (i) a discount of approximately 12.8% to the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 22 October 2021, being the Last Trading Day;
- (ii) a discount of approximately 12.8% to the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 24 October 2021, being the date on which the Rights Issue Subscription Price was fixed;
- (iii) a discount of approximately 12.8% to the average closing price of HKD3.67 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the five (5) consecutive Trading Days up to and including the Last Trading Day (being the Relevant Market Price);
- (iv) a discount of approximately 13.0% to the average closing price of HKD3.68 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the ten (10) consecutive Trading Days up to and including the Last Trading Day;
- (v) a discount of approximately 14.2% to the average closing price of HKD3.73 per Unit based on the average closing prices of the Units as quoted on the Stock Exchange for the thirty (30) consecutive Trading Days up to and including the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.4% represented by the theoretical diluted price of approximately HKD3.55 to the benchmarked price of approximately HKD3.67 per Unit (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on 24 October 2021, being the date of the Underwriting Agreement and the average closing prices of the Units for the five (5) consecutive Trading Days prior to (i) the date of this Announcement; (ii) the date of the Underwriting Agreements; and (iii) the date on which the Rights Issue Subscription Price, all being 24 October 2021, was fixed at HKD3.67 per Unit);
- (vii) a discount of approximately 9.6% to the theoretical ex-rights price of HKD3.54 per Unit based on the closing price of HKD3.67 per Unit as quoted on the Stock Exchange on the Last Trading Day;
- (viii) a discount of approximately 39.0% to the audited net asset value per Unit of approximately HKD5.25 based on the audited total net assets attributable to Unitholders of RMB14,585 million as at 31 December 2020 as set out in the consolidated balance sheet of Yuexiu REIT as at 31 December 2020 and the number of 3,303,113,665 Units in issue as at 31 December 2020;
- (ix) a discount of approximately 39.3% to the unaudited net asset value per Unit of approximately HKD5.28 based on the unaudited total net assets attributable to Unitholders of RMB14,564 million as at 30 June 2021 as set out into the interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2021 and the number of 3,319,288,131 Units in issue as at 30 June 2021;
- (x) a discount of approximately 13.0% to the Market Price of HKD3.68 per Unit; and

- (xi) a discount of approximately 0.6% to the lowest closing price of HKD3.22 per Unit as quoted on the Stock Exchange during the period from 1 January 2020 up to and including the Last Trading Day.

Since: (i) the Rights Issue Subscription Price represents a discount of less than 20% to the Market Price; and (ii) the total number of Rights Issue Units to be issued does not increase the market capitalisation of Yuexiu REIT by more than 50%, the Rights Issue is not subject to Unitholders' approval under the Trust Deed.

The Rights Issue Subscription Price was determined with reference to the Market Price and customary rights issue discount thereto having regard to the prevailing capital market conditions and the amount of funds Yuexiu REIT intends to raise under the Rights Issue.

The Board (including the INEDs) considered the terms of the Rights Issue, including the Rights Issue Subscription Price and the subscription ratio, to be fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole.

The net price per Rights Issue Unit (i.e. the aggregate Rights Issue Subscription Price assuming full acceptance of the provisional allotment of Rights Issue Units, after deducting cost and expenses incurred in the Rights Issue, but not including any commission due to the assumption of full acceptance of the provisional allotment of Rights Issue Units) will be approximately HKD3.1984.

As the Rights Issue Subscription Price represents a discount of more than 10% to the Relevant Market Price, the issue price for the 2021 Deferred Units (being the Deferred Units Issue Price) shall be adjusted according to the formula set out in the Indebtedness Agreement, further details of which are set out in section K.2 headed "Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price" in this Announcement.

2.3 Rights Issue Qualifying Unitholders

The Rights Issue will only be available to the Rights Issue Qualifying Unitholders. Yuexiu REIT will send the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders but will only send the Rights Issue Offering Circular (without the PAL), for information purposes only, to the Rights Issue Non-Qualifying Unitholders.

To qualify for the Rights Issue, a Unitholder must, at the close of business on the Rights Issue Record Date:

- (i) be registered as a Unitholder on the register of Unitholders; and
- (ii) not be a Rights Issue Non-Qualifying Unitholder.

Unitholders with their Units held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Unitholder according to the register of Unitholders and are advised to consider whether they would like to arrange for the registration of the relevant Units in their own names prior to the Rights Issue Record Date.

The register of Unitholders will be closed from Friday, 10 December 2021 to Thursday, 16 December 2021 (both days inclusive) to determine the eligibility of the Unitholders to participate in the Rights Issue. In order to qualify for the Rights Issue, all transfers of Units (together with the

relevant Unit certificates) must be lodged with Yuexiu REIT's Unit Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Thursday, 9 December 2021. The last day for dealings in Units on a cum-rights basis is, therefore, expected to be Tuesday, 7 December 2021. The Units will be dealt with on an ex-rights basis from Wednesday, 8 December 2021. Further details of the acceptance procedures for the Rights Issue Units will be set out in the Rights Issue Offering Circular.

2.4 Basis of provisional allotments

The basis for provisional allotment shall be thirty seven (37) Rights Issue Units (in nil-paid form) for every one hundred (100) Units held by the Rights Issue Qualifying Unitholders as at the close of business on the Rights Issue Record Date. Such basis was determined having regard to the prevailing trading price of the Units as well as the size of the Rights Issue that the Manager considers to be optimal for the purpose of financing the Acquisition Consideration whilst increasing the Gearing Ratio of Yuexiu REIT above its existing level as described in section D.5 headed "Financing of the Acquisition — Gearing Ratio" in this Announcement.

Rights Issue Qualifying Unitholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Issue Units being applied for with the Unit Registrar on or before the Latest Time for Acceptance.

2.5 Fractional entitlements

Fractional entitlements for nil-paid Rights Issue Units will not be issued or provisionally allotted and will be rounded down to the nearest whole number. These fractional entitlements will be aggregated and sold in the market, if a premium (net of expenses) can be obtained, for the benefit of Yuexiu REIT. Any unsold fractions of the Rights Issue Units will be placed by the Placing Agents to independent placees, and failing which, be fully underwritten by the Underwriter.

2.6 Odd lots arrangement

No odd lot matching services will be provided as the Directors are of the view that, having compared the fees to be charged by a designated securities broker and the market value of the odd lots of Units, it will not be cost-effective for Yuexiu REIT to appoint such a securities broker to provide matching services for odd lots of Units.

2.7 Rights of Overseas Unitholders

In compliance with the requirements of Rule 13.36(2)(a) of the Listing Rules (modified as appropriate pursuant to the REIT Code), the Manager will make enquiries with the legal advisers to the Manager as to whether the offer of Rights Issue Units to the Overseas Unitholders may contravene the applicable securities legislation of the relevant overseas jurisdiction or the requirements of the regulatory body or stock exchange of that overseas jurisdiction. If, after making such enquiry, the Manager is of the opinion that it would be unduly burdensome to, or otherwise necessary or expedient not to, offer the Rights Issue Units to such Overseas Unitholders, no provisional allotment of nil-paid Rights Issue Units will be made to such Overseas Unitholders. The results of the enquiries and the basis of exclusion of the Overseas Unitholders will be included in the Rights Issue Offering Circular.

The Manager will, to the extent reasonably practicable and legally permitted, send the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders for their information only, provided that the Rights Issue Offering Circular shall not be posted to Overseas Unitholders who are known by the Manager to be resident in the United States. The Manager will not send any PAL to the Rights Issue Non-Qualifying Unitholders.

Arrangements will be made for the Rights Issue Units, which would otherwise have been provisionally allotted to the Rights Issue Non-Qualifying Unitholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Issue Units commence and before dealings in the nil-paid Rights Issue Units end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HKD100 will be paid to the relevant Rights Issue Non-Qualifying Unitholders pro rata to the number of Units held by each Rights Issue Non-Qualifying Unitholder as at the Rights Issue Record Date. In view of administrative costs, Yuexiu REIT will retain individual amounts of HKD100 or less for its own benefit.

Any NQU Unsold Rights Issue Units will first be placed by the Placing Agents under the Placing Agreement together with the Unsubscribed Rights Issue Units and any unsold fractions of the Rights Issue Units, and if unsuccessfully sold, will be fully underwritten by the Underwriter.

For the nil-paid Rights Issue Units that are sold in the market by Yuexiu REIT as described above, if the buyer(s) of such nil-paid Rights Issue Units do not take up the entitlement, such Unsubscribed Rights Issue Units will be subject to the Compensatory Arrangements.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire the Rights Issue Units or to take up any entitlements to the Rights Issue Units in any jurisdiction in which such an offer or solicitation is unlawful.

It is the responsibility of the Unitholders (including the Overseas Unitholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Issue Units. The Rights Issue Non-Qualifying Unitholders, so long as he/she/it is an Independent Unitholder as at the EGM Record Date, will be entitled to vote at the EGM regarding the Transaction Matters Requiring Approved (upon which the Rights Issue is conditional). Overseas Unitholders and beneficial owners of Units who are residing outside Hong Kong should note that they may or may not be eligible to take part in the Rights Issue subject to the results of the enquiries made by the Manager. The Manager reserves the right to treat as invalid any acceptances of or applications for the Rights Issue Units where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Unitholders and beneficial owners of Units who are residing outside Hong Kong should exercise caution when dealing in the Units.

2.8 Status of the Rights Issue Units

The Rights Issue Units will, when issued and fully paid, be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and rank *pari passu* in all respects with the other fully paid Units then in issue including the right to receive future distributions which may be declared, made or paid after the date of allotment of the Rights Issue.

The holders of the Rights Issue Units shall not be entitled to the Special Distribution as such Units will be issued after the relevant record date, but will be entitled to the final distribution for the period between 1 July 2021 and 31 December 2021 and the interim distribution for the period between 1 January 2022 and 30 June 2022, if any.

2.9 Unit certificates for Rights Issue Units and refund cheques

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, unit certificates for all fully-paid Rights Issue Units are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 25 January 2022.

If the Rights Issue is terminated, refund cheques are expected to be posted on or before Tuesday, 25 January 2022 by ordinary post to the applicants' registered address, at their own risk.

2.10 Application for listing

Yuexiu REIT will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Issue Units in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of securities of Yuexiu REIT is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The board lot size of the nil-paid Rights Issue Units shall be the same as that of the fully-paid Rights Issue Units (being 1,000 Units in one board lot).

Those Rights Issue Qualifying Unitholders who do not take up the Rights Issue Units to which they are entitled should note that their unitholdings in Yuexiu REIT will be diluted upon Rights Issue Completion.

2.11 Rights Issue Units will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Issue Units in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited, the Rights Issue Units in both their nil-paid and fully-paid forms will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Issue Units in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by Hong Kong Securities Clearing Company Limited.

Settlement of transactions between participants of the Stock Exchange on any Trading Day is required to take place in CCASS on the second Trading Day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Unitholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

2.12 Stamp duty and other applicable fees and taxation

Dealings in the Rights Issue Units in both their nil-paid and fully-paid forms will be subject to the payment of: (i) stamp duty; (ii) the Stock Exchange trading fee; (iii) SFC transaction levy; and (iv) any other applicable fees and charges in Hong Kong.

Unitholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Issue Units or the fully-paid Rights Issue Units and, regarding the Rights Issue Non-Qualifying Unitholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Issue Units on their behalf. It is emphasised that none of the Trustee, the Manager, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Issue Units in both their nil-paid and fully-paid forms.

2.13 Irrevocable Undertakings by Yue Xiu and Yuexiu Property

As at the date of this Announcement, Yue Xiu and Yuexiu Property were the beneficial owners of 71,261,585 Units and 1,289,767,022 Units, representing approximately 2.1% and 38.7% of the total number of issued Units respectively.

On 24 October 2021, Yue Xiu and Yuexiu Property gave the Irrevocable Undertakings in favour of the Manager, pursuant to which:

- (i) Yue Xiu has irrevocably undertaken to the Manager that, among other things, subject to the Manager despatching the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders and the Whitewash Waiver having been granted by the Executive prior to the Rights Issue Offering Circular Despatch Date and not having been revoked or withdrawn: (i) it shall accept and pay for or procure the acceptance and payment for the Yue Xiu Entitlement Units provisionally allotted to it; (ii) it shall remain as the beneficial owner of the 71,261,585 Units on the Rights Issue Record Date; and (iii) it shall not, and shall procure its nominees not to, acquire any further Units on or before the Rights Issue Record Date;
- (ii) Yuexiu Property has irrevocably undertaken to the Manager that, among other things, subject to the Manager despatching the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders and the Whitewash Waiver having been granted by the Executive prior to the Rights Issue Offering Circular Despatch Date and not having been revoked or withdrawn: (i) it shall accept and pay for or procure the acceptance and payment for the Yuexiu Property Entitlement Units provisionally allotted to it; (ii) it shall remain as the beneficial owner of the 1,289,767,022 Units on the Rights Issue Record Date; and (iii) it shall not, and shall procure its nominees not to, acquire any further Units on or before the Rights Issue Record Date; and

- (iii) Yue Xiu has further irrevocably undertaken to the Manager to promptly apply (and in any event prior to the Rights Issue Offering Circular Despatch Date) to the Executive for the Whitewash Waiver.

Save for the Irrevocable Undertakings, the Manager had not received any information or irrevocable undertaking from any Substantial Unitholders of Yuexiu REIT of their intention to take up the Rights Issue Units to be provisionally allotted or offered to them under the Rights Issue as at the date of this Announcement.

2.14 Procedures in respect of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units, unsold fractions of the Rights Issue Units and the Compensatory Arrangements

As the Underwriter is the indirect holding company of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Manager will make the arrangements as described below (i.e. the Compensatory Arrangements) in compliance with Rules 7.21(1)(b) and 7.21(2) of the Listing Rules to dispose of the Unsubscribed Rights Issue Units, together with the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units by offering those Rights Issue Units to independent places for the benefit of the Unitholders to whom they were offered. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Manager has appointed the Placing Agents to place the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units after the Latest Time for Acceptance to independent places on a best effort basis, pursuant to the terms of the Placing Agreement as described below. Any premium over the aggregate amount of the Rights Issue Subscription Price for those Rights Issue Units that is realised from the Placing (the “**Net Gain**”) which is in the amount of HKD100 or more will be paid to those No-Action Unitholders. The Placing Agents will, on a best effort basis, procure, by no later than 4:00 p.m. on Tuesday, 18 January 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units at a price not less than the Rights Issue Subscription Price. Yue Xiu Securities will act as one of the Placing Agents. Any Unsubscribed Rights Issue Units, NQU Unsold Rights Issue Units and any unsold fractions of Rights Issue Units that are not placed under the Compensatory Arrangements will be fully underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Issue Units, NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units) to the No-Action Unitholders as set out below:

- (i) where the nil-paid Rights Issue Units are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL;
- (ii) where the nil-paid Rights Issue Units are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (iii) if the Rights Issue is extended to the Overseas Unitholders and where an entitlement to the Rights Issue Units was not taken up by such Overseas Unitholders, to those Overseas Unitholders.

It is proposed that the Net Gain to any of the No-Action Unitholder(s) mentioned above which is in an amount of HKD100 or more will be paid to them in Hong Kong dollars only and Yuexiu REIT will retain individual amounts of less than HKD100 for its own benefit.

2.15 Conditions of the Rights Issue

The Rights Issue will be conditional upon: (i) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition attached to the Whitewash Waiver; (ii) the obtaining of the Independent Unitholders' approval for the Transaction Matters Requiring Approval; and (iii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to section D.2.18 headed "Financing of the Acquisition — Rights Issue — Conditions of the Underwriting Agreement" in this Announcement.

2.16 The Placing Agreement

On 24 October 2021, the Manager and the Placing Agents entered into the Placing Agreement, pursuant to which the Placing Agents have agreed, on a best effort basis, severally but not jointly, to procure Placee(s) to subscribe for the Placing Units (i.e. the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units) (the "**Placing**"). Details of the Placing Agreement are as follows:

Date	: 24 October 2021
Placing Agents	: (1) DBS Asia Capital Limited (2) BOCI Asia Limited (3) China International Capital Corporation Hong Kong Securities Limited (4) Haitong International Securities Company Limited (5) Yue Xiu Securities Company Limited
Placing Units	: A maximum of 730,822,457 new Units (assuming no change in the number of Units from the date of this Announcement up to the Rights Issue Record Date)
Placing commission	: A maximum of 1.25% of the gross proceeds from the Placing
Placing price of the Placing Units	: The placing price of the Placing Units shall be not less than the Rights Issue Subscription Price and shall be determined based on the demand and market conditions of the Placing Units during the process of the Placing.
Placee(s)	: The Placing Units are expected to be placed to the Placees who and whose ultimate beneficial owner(s) are Placing Independent Third Parties. No Placee shall become a Substantial Unitholder of Yuexiu REIT as a result of the Placing.
Ranking of the Placing Units	: The Placing Units (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the other Units then in issue.

- Conditions of the Placing : The Placing is conditional upon the following conditions precedent:
- (a) the grant by the Executive of the Whitewash Waiver and such Whitewash Waiver not having been subsequently revoked or withdrawn;
 - (b) the passing of the necessary resolutions by the Unitholders (or as the case may be, the Independent Unitholders) at the EGM to approve the Transaction Matters Requiring Approval (including among others, the entering into of the Placing Agreement);
 - (c) the passing by at least 75% of the votes cast by the Independent Unitholders either in person or by proxy by way of poll of all necessary resolutions to be proposed at the EGM for the Whitewash Waiver;
 - (d) the delivery to the SFC and the Stock Exchange for authorisation of the publication of the Rights Issue Offering Documents in compliance with the REIT Code and the Listing Rules no later than the Rights Issue Offering Circular Despatch Date;
 - (e) the posting of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (and where applicable, the posting of the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders, if any, for information purposes only) and the publication of the Rights Issue Offering Documents on the website of the Stock Exchange on or before the Rights Issue Offering Circular Despatch Date;
 - (f) the grant or agreement to the grant by the Stock Exchange of the approval for the listing of the Rights Issue Units (either unconditionally or subject only to the allotment and despatch of the unit certificates in respect thereof) and of the permission to deal in the Rights Issue Units (in both their nil-paid and fully-paid forms) and such approval and permission not subsequently having been withdrawn or revoked) prior to the commencement of trading of the Rights Issue Units (in their nil-paid and fully-paid forms respectively);
 - (g) the compliance by the Manager with any other mandatory requirements under the applicable laws and regulations of Hong Kong in connection with the making of the Rights Issue and allotment and offer of the Rights Issue Units by the times as specified under the Underwriting Agreement; and

- (h) the Units remaining listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto).

None of the above conditions can be waived.

If any of the above conditions are not fulfilled at or before the Latest Time for Termination, the Placing Agreement shall be terminated and all obligations of each of the parties under the Placing Agreement (unless otherwise specified therein) shall cease and determine, and none of the parties to the Placing Agreement shall have any claim against any other party except for any antecedent breach.

- Completion date of the Placing : Subject to the fulfillment of the conditions to the Placing, completion of the Placing shall take place on the date on which the Rights Units (in their fully-paid form) are duly issued and allotted to the Rights Issue Qualifying Unitholders on the terms set out in the Rights Issue Offering Documents or such other date as the Manager and the Placing Agents may agree in writing.
- Termination : Any of the Placing Agents may terminate the Placing Agreement (in respect of itself only and the obligations of the other Placing Agents shall remain and continue unaffected) by notice in writing to the Manager at any time prior to the Latest Time for Termination in the sole and absolute opinion of such Placing Agents, if:
- (a) there shall have occurred:
 - (i) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business or operations or prospects of the Yuexiu REIT Group taken as a whole; or
 - (ii) any suspension or limitation of trading in any of the Units by the SFC and/or the Stock Exchange for two or more Business Day(s); or
 - (iii) any revocation of, suspension of or imposition of conditions on the authorisation as a Hong Kong collective investment scheme under section 104 of the SFO granted by the SFC to Yuexiu REIT; or

- (iv) any material disruption in commercial banking in Hong Kong or the PRC or securities settlement or clearance services in Hong Kong and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong or the PRC; or
- (v) (A) an order is made or an effective resolution passed for (1) the termination, winding-up or dissolution or judicial management of Yuexiu REIT, or (2) the winding-up, dissolution, judicial management or administration of Yuexiu REIT or any member of Yuexiu REIT Group, or (B) Yuexiu REIT or any member of Yuexiu REIT Group ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (vi) any event or circumstance in the nature of force majeure beyond the control of the Placing Agents (including but without limitation to, calamity, sanctions, strike, any act of government, economic sanction, riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak, act of terrorism, act of God, pandemic, declaration of a state of emergency or crisis),

that, in the judgement of the Placing Agents, would make the placement of the Placing Units or the enforcement of contracts to purchase the Placing Units impracticable, or would materially prejudice trading of the Placing Units in the secondary market; or

- (b) the current listing of the Units having been withdrawn, halted, suspended or limited or indication having been received from the SFC and/or the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) for any reason; or
- (c) any of the representations, warranties or undertakings given by the Manager in the Placing Agreement is untrue, inaccurate or misleading or there has been a breach on the part of the Manager of any other provision of the Placing Agreement.

The terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agents and the Manager and are on normal commercial terms. The Directors consider that the placing commission charged by the Placing Agents is no less favourable to Yuexiu REIT than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide: (i) a distribution channel of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and the unsold fractions of the Rights Issue Units for Yuexiu REIT; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors (including the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of Yuexiu REIT's minority Unitholders. The view of the Independent Financial Adviser in respect of the fairness and reasonableness of the placing commission will be set out in the letter from the Independent Financial Adviser to be appended to the Circular.

As at the date of this Announcement, Yue Xiu Securities is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. Accordingly, the transactions with Yue Xiu Securities as contemplated under the Placing Agreement (including the placing commission and expenses payable to Yue Xiu Securities assuming that Yue Xiu Securities places the Maximum Untaken Rights Issue Units) constitute connected party transactions of Yuexiu REIT and are subject to the applicable requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) with respect to connected party transactions. As Yue Xiu Securities will only take part in such transactions as one of the Placing Agents and on the same terms as the other Placing Agents, including with respect to placing commission and expenses, the Manager considers such transactions with Yue Xiu Securities to be on normal commercial terms which are fair and reasonable. Nonetheless, in view of such transactions being part and parcel of the Rights Issue and the underwriting thereof, the Manager will seek Independent Unitholders' approval for such transactions together with the transactions under the Underwriting Agreement under one Ordinary Resolution. For further details of the regulatory implications of and the size test attributable to the Placing Agreement, please refer to section D.3.1 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules" in this Announcement.

2.17 The Underwriting Agreement

The Rights Issue Units (other than those agreed to be taken up by Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings, being the Yue Xiu Entitlement Units and Yuexiu Property Entitlement Units) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	24 October 2021
Underwriter	:	Yue Xiu

Total number of Rights Issue Units to be underwritten by the Underwriter	: 730,822,457 Rights Issue Units, being the Maximum Undertaken Rights Issue Units, i.e. the difference between the total number of Rights Issue Units and the sum of the Yuexiu Property Entitlement Units and the Yue Xiu Entitlement Units (assuming no change of number of Units from the date of this Announcement to the Rights Issue Record Date)
Underwriting Commission	: The Underwriter will not receive any underwriting commission
Conditions of the Underwriting Agreement	: Please refer to section D.2.18 headed “Financing of the Acquisition — Rights Issue — Conditions of the Underwriting Agreement” in this Announcement
Termination of the Underwriting Agreement	: The Underwriter shall be entitled to, by giving a notice in writing to the Manager no later than immediately before the time of the EGM, terminate the Underwriting Agreement. For the avoidance of doubt, the Underwriter shall not be entitled to terminate the Underwriting Agreement in any event after the EGM has taken place.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the time of the EGM, the Underwriter has agreed to procure subscribers for, failing which it shall subscribe (as principal) for, the Untaken Rights Issue Units at the Rights Issue Subscription Price.

As at the date of this Announcement, the Underwriter, Yue Xiu, is the indirect holding company of Yuexiu Property through its 39.8% interest in Yuexiu Property, which in turn indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT. Accordingly, the transactions contemplated under the Underwriting Agreement (including the Underwriter’s subscription for the Maximum Untaken Rights Issue Units) constitute connected party transactions of Yuexiu REIT and are subject to the applicable requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) with respect to connected party transactions. The Manager will seek Independent Unitholders’ approval for such transactions together with the transactions under the Placing Agreement under one Ordinary Resolution. For further details of the regulatory implications of the Underwriting Agreement, please refer to section D.3.1 headed “Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules” in this Announcement.

While it is not in the ordinary course of business of Yue Xiu to underwrite issues of securities, the Manager considers the Yue Xiu’s participation as the Underwriter in respect of the Rights Issue and the Irrevocable Undertakings given by Yue Xiu and Yuexiu Property signify their strong support to Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT. Furthermore, as no underwriting commission is payable to the Underwriter, the Board (including the INEDs) considers that the Underwriter being the underwriter for the Rights Issue is in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

2.18 Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of each of the following conditions:

- (i) the grant by the Executive of the Whitewash Waiver and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (ii) the passing of the necessary resolutions by the Unitholders (or as the case may be, the Independent Unitholders) at the EGM to approve the Transaction Matters Requiring Approval;
- (iii) the passing by at least 75% of the votes cast by the Independent Unitholders either in person or by proxy by way of poll of all necessary resolutions to be proposed at the EGM for the Whitewash Waiver;
- (iv) the delivery to the SFC and the Stock Exchange for authorisation of the publication of the Rights Issue Offering Documents in compliance with the REIT Code and the Listing Rules no later than the Rights Issue Offering Circular Despatch Date;
- (v) the posting of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (and where applicable, the posting of the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders, if any, for information purposes only) and the publication of the Rights Issue Offering Documents on the website of the Stock Exchange on or before the Rights Issue Offering Circular Despatch Date;
- (vi) the grant or agreement to the grant by the Stock Exchange of the approval for the listing of the Rights Issue Units (either unconditionally or subject only to the allotment and despatch of the unit certificates in respect thereof) and of the permission to deal in the Rights Issue Units (in both their nil-paid and fully-paid forms) and such approval and permission not subsequently having been withdrawn or revoked) prior to the commencement of trading of the Rights Issue Units (in their nil-paid and fully-paid forms respectively);
- (vii) the compliance by the Manager with any other mandatory requirements under the applicable laws and regulations of Hong Kong in connection with the making of the Rights Issue and allotment and offer of the Rights Issue Units by the times as specified under the Underwriting Agreement; and
- (viii) the Units remaining listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto).

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled (or at or before 4:30 p.m. on Thursday, 6 January 2022 or such later date as the Manager may determine), the Rights Issue (and consequently, the Acquisition) will not proceed.

2.19 Termination of the Underwriting Agreement

The Underwriter shall be entitled, by giving a termination notice in writing to the Manager no later than immediately before the time of the EGM, to terminate the Underwriting Agreement.

If prior to the time of the EGM, a termination notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and the Rights Issue (and consequently, the Acquisition) will not proceed.

WARNING OF THE RISKS OF DEALING IN THE RIGHTS ISSUE UNITS AND NIL-PAID RIGHTS ISSUE UNITS

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Issue Units in their nil-paid and fully-paid forms. Please refer to section D.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” in this Announcement. Unitholders and potential investors of Yuexiu REIT should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed and consequently the Acquisition will not proceed.

Any Unitholders or other person dealing in the Units and/or the Rights Issue Units in their nil-paid form up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Unitholders and potential investors are advised to exercise caution when dealing in the Units and/or the Rights Issue Units in their nil-paid form. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

2.20 Illustrative Pro Forma Unitholding Structure

For illustrative purposes only, the following table sets forth information with respect to holdings of Units: (a) as at the date of this Announcement; (b) immediately after the Rights Issue Completion assuming all Rights Issue Units are fully subscribed for by Rights Issue Qualifying Unitholders; (c) immediately after the Rights Issue Completion assuming only Yue Xiu Property and Yue Xiu but no other Rights Issue Qualifying Unitholders subscribe for the Rights Issue Units provisionally allotted to them, no Placing Units are subscribed for by the Placees and the Underwriter takes up all the Maximum Untaken Rights Issue Units; and (d) under scenarios (b) and (c) after issue of the Deferred Units required to be issued to settle the remaining Guangzhou IFC Consideration (but assuming no other additional Units are issued post-Acquisition Completion).

	Immediately after completion of the Rights Issue			After issue of the Deferred Units (assuming no other additional Units are issued post-Acquisition Completion)		
	As at the date of this Announcement	Assuming full acceptance by all Rights Issue Qualifying Unitholders under the Rights Issue (Note 1)	Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 1)	Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 4)	Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 4)	Assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter (Note 4)
	Number of Units	% Unit-holding	Total number of Units	% Unit-holding	Total number of Units	% Unit-holding
<i>Yuexiu Concert Group</i>						
Yuexiu Property (Note 2)	1,289,767,022	38.7%	1,766,980,819	38.7%	2,177,789,403	43.7%
Yue Xiu (Note 3)	71,261,585	2.1%	97,628,369	2.1%	97,628,369	2.0%
Ms. Ou Haijing (Note 5)	1,000	0.000030%	1,370	0.000022%	1,370	0.000028%
Mr. Li Feng (Note 6)	1,825	0.000055%	2,500	0.000040%	2,500	0.000050%
Subtotal	1,361,031,432	40.8%	1,864,613,058	40.8%	2,275,421,642	45.7%
Existing Public Unitholders	1,975,192,996	59.2%	2,706,014,408	59.2%	2,706,014,408	54.3%
Total	3,336,224,428	100.0%	4,570,627,466	100.0%	4,981,436,050	100.0%

Notes:

- (1) The figures for these two scenarios are for illustrative purposes only and are calculated based on the assumption that Rights Issue Completion will take place before 31 December 2021. Accordingly, the figures do not take into account the next annual issuance of the Deferred Units on 31 December 2021.

Taking into account the effect of the annual issuance of the Deferred Units on 31 December 2021, the unitholding of the members of the Yuexiu Concert Group in Yuexiu REIT immediately after the Rights Issue Completion (which is expected to take place after 31 December 2021, as indicated in the indicative timetable set out in section O.3 headed “General — Indicative Timetable” in this Announcement), would be approximately 41.8% rather than 40.8% (assuming full acceptance by all Rights Issue Qualifying Unitholders under the Rights Issue), and 57.5% rather than 56.8% (assuming (a) no subscription by the Rights Issue Qualifying Unitholders (other than Yue Xiu and Yuexiu Property pursuant to the Irrevocable Undertakings) under the Rights Issue and no Placing Units are subscribed for by the Placees; and (b) the Maximum Untaken Rights Issue Units are fully taken up by the Underwriter).

For avoidance of doubt, the Deferred Units Issue Price Adjustment will only take effect upon Rights Issue Completion. Therefore, based on the indicative timetable, the 2021 Deferred Units will be issued at HKD4.00 per Unit, whereas the Deferred Units Issue Price on 31 December 2022 and thereafter will be adjusted down to HKD3.861652 per Unit.

- (2) The Units are held by Yuexiu Property indirectly (through Dragon Yield and Yuexiu International Investment Limited, which hold 35.27% and 3.08%, respectively of the issued Units as at the date of this Announcement).
- (3) The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries, but excluding the Units that are held indirectly by Yuexiu Property).
- (4) In this scenario, it is expected that a further 410,808,584 Deferred Units will be issued, including an estimated approximately 81 million Deferred Units to be issued on 31 December 2021 at HKD4.00 per Unit, and a further sum of 329,808,584 Deferred Units on each of 31 December in 2022 and subsequent year-end date(s) thereafter will be issued at HKD3.861652 per Unit pursuant to the Second Supplemental Indebtedness Agreement. The actual number of 2021 Deferred Units issued will be announced by the Manager on 31 December 2021.
- (5) Ms. Ou Haijing is an executive Director. By virtue of being an executive Director, Ms. Ou is presumed to be a party acting in concert with Yue Xiu pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Rights Issue.
- (6) Mr. Li Feng is a non-executive Director. By virtue of being a non-executive Director, Mr. Li is presumed to be a party acting in concert with Yue Xiu pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Rights Issue.

Unitholders and public investors should note that the above unitholding changes are for illustration purposes only and the actual changes in the unitholding structure of Yuexiu REIT upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue Units. Further announcements will be made by the Manager in accordance with the REIT Code and the Listing Rules at Rights Issue Completion upon which the Rights Issue Units are allotted and issued.

2.21 Equity fund raising in the past 12 months

Yuexiu REIT has not raised any funds by an issue of equity securities in the 12 months immediately preceding the date of this Announcement.

2.22 Intention of Yue Xiu

Yue Xiu has considered and has confirmed that:

- (i) it is intended that the Yuexiu REIT Group will continue with its existing business following completion of the Acquisition and the Rights Issue;
- (ii) it shares the view of the Directors as disclosed in section I headed “Reasons for and Benefits of the Acquisition” in this Announcement, in which it is mentioned that the Acquisition and the Rights Issue are in the interests of the Yuexiu REIT Group; and
- (iii) there is no intention to introduce any major changes to the existing business of the Yuexiu REIT Group or the continued employment of the Manager’s or Yuexiu REIT Group’s employees, and there is no intention to redeploy the fixed assets of Yuexiu REIT Group other than in its ordinary course of business after completion of the Acquisition and the Rights Issue.

3. Regulatory implications of the Rights Issue

3.1 Implications under the REIT Code and the Listing Rules

As the Rights Issue will not increase the total number of issued Units or the market capitalisation of Yuexiu REIT by more than 50%, the Rights Issue is not subject to the approval of Unitholders in general meeting pursuant to paragraph 12.3 of the REIT Code and Rule 7.19A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Yuexiu REIT has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this Announcement, or prior to such 12-month period where dealing in respect of the Units issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

As at the date of this Announcement, Yue Xiu Securities, being one of the Placing Agents, is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT. Therefore, the transaction with Yue Xiu Securities as contemplated under the Placing Agreement constitutes a connected party transaction of Yuexiu REIT. As the highest applicable percentage ratios for such transaction contemplated under the Placing Agreement (including the placing commission and expenses payable to Yue Xiu Securities assuming that Yue Xiu Securities places the Maximum Untaken Rights Issue Units) is expected to exceed 0.1% but be less than 5%, such transaction would ordinarily be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and the Independent Unitholders’ approval requirements, but will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). However, in view of such transaction being part and parcel of the Rights Issue and the underwriting thereof, the Manager will also seek Independent Unitholders’ approval for the transactions under Placing Agreement and the Underwriting Agreement together under one Ordinary Resolution.

As at the date of this Announcement, the Underwriter, Yue Xiu, is the indirect holding company of Yuexiu Property through its 39.8% interest in Yuexiu Property, which in turn indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT. Therefore, the transaction contemplated under the Underwriting Agreement constitutes a connected party transaction of Yuexiu REIT and is subject to the reporting, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

3.2 Implications under the Takeovers Code and application for Whitewash Waiver

As at the date of this Announcement, the Yuexiu Concert Group was collectively interested in 1,361,031,432 Units, representing approximately 40.8% of the total number of issued Units.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscriptions for the Maximum Untaken Rights Issue Units. Assuming: (i) there is no change in the total number of issued Units from the date of this Announcement up to and including the completion of the Rights Issue (other than the allotment and issue of Rights Issue Units); (ii) no Rights Issue Qualifying Unitholder (other than Yue Xiu and Yuexiu Property in respect of the Yue Xiu Entitlement Units and the Yuexiu Property Entitlement Units) subscribes for any Rights Issue Units; and (iii) no Unsubscribed Rights Issue Shares are successfully placed under the Compensatory Arrangements, the Underwriter will be required to subscribe or procure subscriptions for the Maximum Untaken Rights Issue Units, being 730,822,457 Rights Issue Units, and the voting rights of Yuexiu REIT held by the Yuexiu Concert Group will increase from approximately 40.8% to 56.8% of the issued Units as enlarged by the allotment and issue of the Rights Issue Units upon Rights Issue Completion (excluding the further issuances of the 2021 Deferred Units on 31 December 2021, which will increase the percentage further). As the Underwriter may be required to take up the Maximum Untaken Rights Issue Units pursuant to the Underwriting Agreement which would result in a possible increase in its unitholding by 2%, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

Accordingly, Yue Xiu will apply to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things: (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM, and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or the Acquisition is not approved by the Independent Unitholders, the Rights Issue (and the Acquisition) will not proceed.

If, as a result of the Rights Issue (including the underwriting arrangements under the Underwriting Agreement), the Yuexiu Concert Group's voting rights in Yuexiu REIT exceed 50%, the Yuexiu Concert Group may, subject to the Whitewash Waiver being granted, further increase their holding of Units without incurring any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer after the Rights Issue Completion.

As at the date of this Announcement:

- (i) save as disclosed in section D.2.20 headed “Financing of the Acquisition — Rights Issue — Illustrative Pro Forma Unitholding Structure” in this Announcement, none of the members of the Yuexiu Concert Group holds, owns, has control or has direction over any other voting rights, rights over Units, any outstanding options, warrants, or any securities that are convertible into Units or holds any outstanding derivatives in respect of the securities of Yuexiu REIT, or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT;
- (ii) none of the members of the Yuexiu Concert Group has received any irrevocable commitment from any person to vote for or against the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver;
- (iii) save for the entering into of the Acquisition and the Rights Issue (including the Irrevocable Undertakings, the Placing Agreement and the Underwriting Agreement), there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT, Yue Xiu or Yuexiu Property, and which might be material to the Rights Issue, Underwriting Agreement and/or the Whitewash Waiver;
- (iv) save for the Rights Issue being conditional upon obtaining of the Whitewash Waiver by Yue Xiu as set out in section D.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue” in this Announcement, there is no agreement or arrangement to which Yue Xiu, Yuexiu Property or parties acting in concert with them is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Rights Issue, Underwriting Agreement and/or the Whitewash Waiver;
- (v) none of the members of the Yuexiu Concert Group borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Yuexiu REIT;
- (vi) save for the Rights Issue Units to be subscribed for by any members of the Yuexiu Concert Group, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by any members of the Yuexiu Concert Group to Yuexiu REIT in connection with the Rights Issue and the Underwriting Agreement;
- (vii) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Unitholder on the one hand; and (2) any members of the Yuexiu Concert Group on the other hand;
- (viii) there was no understanding, arrangement, agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Unitholder on the one hand; and (2) Yuexiu REIT, any of its subsidiaries or associated companies on the other hand;

- (ix) none of the members of the Yuexiu Concert Group has dealt in the Units, outstanding options, derivatives, warrants or other securities convertible into any Units during the six-month period prior to the date of this Announcement (save that 16,936,297 Units were issued by Yuexiu REIT to the Manager's nominee on 26 August 2021 as part payment of the Manager's fees for the period from 1 January 2021 to 30 June 2021, details of which are set out in the announcement of Yuexiu REIT dated 26 August 2021); and
- (x) the Manager does not believe that the Underwriting Agreement, the Acquisition Deed and the transactions contemplated thereunder would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this Announcement, the Manager will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Manager notes that the Executive may not grant the Whitewash Waiver if the Underwriting Agreement, the Acquisition Deed and the transactions contemplated thereunder do not comply with other applicable rules and regulations.

4. New Bank Facility

On 19 October 2021, the Manager has entered into commitment letters with the lender banks which are independent third parties for the provision of a Hong Kong dollar denominated unsecured term loan facility up to an amount not exceeding HKD4,600 million (being equivalent to approximately RMB3,828 million, the “**New Bank Facility**”), which is intended to be drawn down in full to finance, among others, part of the Acquisition Consideration and/or One-Off Fees and Charges. Each of the lender banks is an independent third party and not a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). The New Bank Facility will bear interest at a margin of 1.3% per annum over HIBOR, and will mature and become repayable in three years 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 banks in respect of the New Bank Facility.

Subject to the negotiation and signing of the loan agreement at applicable market terms: (a) the loan agreement in respect of the New Bank Facility is expected to be entered into before Acquisition Completion and the New Bank Facility is expected to be drawn down at Acquisition Completion. In the event that the New Bank Facility is not in place at Acquisition Completion or the loan amount under such New Bank Facility is not available for drawdown at Acquisition Completion, the relevant Acquisition Conditions will not have been satisfied and the Acquisition will not complete. An announcement will be issued by the Manager in such circumstances.

The terms and conditions of the New Bank Facility described in the Circular are indicative only and subject to change depending on the market conditions at the time the New Bank Facility is finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Bank Facility may differ from, or may comprise additional or fewer terms and conditions as compared with, the indicative terms and conditions described in this Announcement.

5. Gearing Ratio

The Gearing Ratio of Yuexiu REIT will be presented in the Circular as its calculation is based on the unaudited pro forma financial information of the Enlarged Group, which will only be finalised on or about the date of the Circular. The Gearing Ratio of Yuexiu REIT is expected to increase from approximately 38.8% as at 30 June 2021 (as disclosed in its interim report for the six months ended 30 June 2021) to a Gearing Ratio not exceeding 50.0%, being the borrowing limit as permitted under the REIT Code.

6. Reasons for the Rights Issue and the New Bank Facility and the use of proceeds

The net proceeds to be raised from the Rights Issue and the New Bank Facility will be approximately HKD3,919 million (equivalent to approximately RMB3,261 million) and up to approximately HKD4,600 million (equivalent to RMB3,828 million), respectively based on the Financing Structure. The net proceeds of the Rights Issue and the New Bank Facility will be applied towards the settlement of the Acquisition Consideration payable to the Vendor as well as the payment of the One-Off Fees and Charges of approximately RMB64.5 million arising out of the Acquisition.

Yuexiu REIT's last three acquisitions of the Hangzhou Property, the Wuhan Property and Shanghai Yuexiu Tower were funded by a combination of debt and internal resources (including proceeds from the sale of one of its properties). The Manager considered raising funds for the Acquisition in full by way of debt financing. However, funding the Acquisition purely by way of debt financing would significantly increase Yuexiu REIT's debt exposure and result in a Gearing Ratio not exceeding the borrowing limit as permitted under the REIT Code. In order to maintain the sustainable financing structure of Yuexiu REIT, which the Manager considers to be a key contributor to the low funding costs it has been enjoying, and to keep a comfortable headroom under the permitted borrowing limit under paragraph 7.9 of the REIT Code as a good risk management on liquidity and overall debt exposure, the Manager considers that the Financing Structure, which comprises mainly the Rights Issue and New Bank Facility, represents the optimal mix of debt and equity financing to fund the Acquisition.

Based on the reasons above as well as those mentioned in Section D.1 headed "Financing Structure", the Manager is of the view that it is in the best interests of Yuexiu REIT and its Unitholders to raise funds according to the Financing Structure, which enables Yuexiu REIT to finance the Acquisition without substantially increasing debt liabilities and resulting in a Gearing Ratio exceeding the borrowing limit as permitted under the REIT Code, and allowing all Unitholders to participate in the portfolio development of Yuexiu REIT on equal terms.

7. Key Considerations in Determining the Size of the Rights Issue, the Rights Issue Subscription Price at HKD3.20 and the Underwriting Arrangement

Size of Rights Issue and Rights Issue Subscription Price

In determining the combination of the size of the Rights Issue (on the basis of 37 Units for every 100 Units) and the Rights Issue Subscription Price of HKD3.20, the Manager adopted a combination that would be instrumental in minimizing possible NAV dilution and resulting both DPU/DPU Yield accretive, upon Acquisition Completion. In addition, the Manager considers that the Rights Issue Subscription Price of HKD3.20 represents a relatively small discount to the theoretical ex-rights price of the Units after the Rights Issue while offering an attractive cost basis for Unitholders to invest in Yuexiu REIT with potential for long-term growth.

While the Manager had considered entering into underwriting arrangements with third parties, it was unable to identify independent third parties who were willing to underwrite the Rights Issue at the Rights Issue Subscription Price, which (together with the size of the Rights Issue) is a key metric to support the Acquisition being DPU and DPU Yield accretive.

Yue Xiu agreed to fully underwrite the Rights Issue without charging any underwriting commission. This (together with the provision of Irrevocable Undertakings by Yue Xiu and Yuexiu Property) signifies their strong support in the long-term growth of Yuexiu REIT and their confidence in the prospects and development of Yuexiu REIT.

E. FEES AND CHARGES IN RELATION TO THE ACQUISITION

1. Fees and charges payable in relation to the Acquisition

As the Target Company is being acquired from a connected person (as seller) 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 approximately HKD2 million 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, legal fees, advisory fees, professional fees and expenses that are incidental to the Acquisition but does not include expenses that occur due to the Rights Issue (the "**One-Off Fees and Charges**"), are estimated to amount to approximately RMB64.5 million. 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 Acquisition Completion

Pursuant to the Trust Deed:

- (a) the Manager is entitled to receive: (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 is entitled to receive a fee which is currently 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 HKD50,000 per month.

The value of the Deposited Property will be increased upon completion of the Acquisition.

Pursuant to the Trust Deed, the Manager's fees shall be paid in the form of cash and/or Units (as the Manager may elect annually on or before 15 January of each year). As stated in the announcement of Yuexiu REIT dated 15 January 2021, the Manager has elected to receive its Manager's fees for the year ending 31 December 2021 in the form of cash (as to 20%) and Units (as to 80%). Subject to Acquisition Completion, the Manager intends to receive 100% of the Manager's fees payable for the years ending 31 December 2022, 31 December 2023 and 31 December 2024 in the form of Units. The Manager will make a further announcement to confirm its election for the year ending 31 December 2022 on or before 15 January 2022.

F. FINANCIAL EFFECTS OF THE ACQUISITION AND THE RIGHTS ISSUE

The Circular will contain information as to the pro forma financial effects of the Acquisition and the Rights Issue on Yuexiu REIT. In particular, it will contain information relating to:

- (a) the pro forma financial effects of the Acquisition and the Rights Issue on DPU and DPU Yield for the six months ended 30 June 2021, as if: (i) the Acquisition and the Rights Issue were all completed on 1 January 2021 and Yuexiu REIT had held and operated the Property through to 30 June 2021 under the holding structure set out in section C.2 headed "Holding Structure of the Property and Reverse Merger — Expected holding structure of the Property as at the Acquisition Completion Date" in this Announcement, but the Reverse Merger does not complete during such period; and (ii) in addition to (i), the Reverse Merger was completed on 1 January 2021 and Yuexiu REIT therefore alternatively held and operated the Property through to 30 June 2021 under the holding structure set out in section C.3 headed "Holding Structure of the Property and Reverse Merger — Reverse Merger" in this Announcement;
- (b) the pro forma financial effects of the Acquisition and the Rights Issue on net assets attributable to Unitholders per Unit as at 30 June 2021, as if the Acquisition and the Rights Issue were completed on 30 June 2021; and
- (c) the capitalisation of Yuexiu REIT as at 30 June 2021 based on unaudited pro forma financial information of the Enlarged Group to be set out in the Circular, as if the Acquisition and the Rights Issue were completed on 30 June 2021.

Please refer to the Circular for the bases and assumptions used for the calculations above.

G. FINANCIAL INFORMATION OF THE TARGET GROUP

The audited combined financial statements of the Target Group were prepared and audited in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, respectively. The net profits (both before and after taxation and extraordinary items) of the Target Group for the financial years ended 31 December 2019 and 31 December 2020 and the six months ended 30 June 2021 are as follows:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the six months ended 30 June 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	350,566	374,912	198,460
Net profit before taxation	278,621	215,984	121,874
Net profit after taxation	208,965	161,980	91,374

The audited combined total assets and the audited combined net asset value of the Target Group as at 30 June 2021 were RMB7,052,592,000 (*Note*) and RMB2,871,392,000 (*Note*), respectively.

Note: Such respective value of total assets or net asset value as shown in the audited consolidated accounts of the Target Group as at 30 June 2021 has not reflected the Appraised Value of the Property as at 31 August 2021.

H. INFORMATION ON PARTIES TO THE ACQUISITION

(a) Yuexiu REIT and the Purchaser

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. Yuexiu REIT is principally engaged in the business of leasing of commercial properties in the PRC with the primary objective of generating long-term and steady distributions to Unitholders through actively managing its assets and expanding its operations. The manager of Yuexiu REIT is Yuexiu REIT Asset Management Limited, a subsidiary of Yuexiu Property, and the principal business activity of the Manager is being the manager of Yuexiu REIT.

The Purchaser is a SPV wholly-owned by Yuexiu REIT that is incorporated in the BVI and principally engages in investment holding. The Purchaser is currently the indirect holding company for Yuexiu REIT's investment in the Hangzhou Property and, after the Acquisition Completion, the Purchaser will also be the indirect holding company for Yuexiu REIT's investment in the Property, which investments will be held, and may be sold, by the Purchaser, independently of each other.

(b) The Vendor, Target Company, Intermediary Entities and Project Companies

The Vendor is incorporated in the BVI wholly-owned by Yuexiu Property and holds the entire equity interest in the Target Company. The Target Company is incorporated in the BVI and holds 100.0% of the Limited Liability Partnership indirectly through the Limited Partner, which in turn holds 100.0% of the General Partner and 90.0% of the Limited Liability Partnership. As at the date of this Announcement and prior to completion of the Reverse Merger, the Limited Liability

Partnership and the General Partner hold 99.99% and 0.01% of the PRC Intermediary Companies, respectively, which hold the Project Companies. Following completion of the Reverse Merger, the Limited Liability Partnership and the General Partner will respectively hold 99.99% and 0.01% of the Project Companies, which are collectively the registered legal owners of the land use rights and ownership rights underlying the Property.

As advised by the PRC Legal Advisers, the business licences (營業執照) of the Project Companies state that the operating term of the Project Companies is for long term and do 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 Companies may continue to exist and operate validly. As advised by the Manager's Tax Advisers, PricewaterhouseCoopers Limited, distributions to the Limited Partner 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). The PRC Legal Advisers have further advised that, under existing PRC foreign exchange regulations, there is no legal impediment on the remittance of distributions by the Limited Liability Partnership out of the PRC to the Limited Partner, 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. In the event that the Reverse Merger cannot be completed, with respect to Intermediary Entities that are established under PRC laws: (i) for dividends, as long as the Intermediary Entities have profits, there is no legal or practical impediments to the remittance of dividends through the Intermediary Entities to Hong Kong; and (ii) for shareholder loan repayments (including principal and interest), there are no profit requirements.

To the best of the knowledge, information and belief of the Manager as at the date of this Announcement: (i) the Intermediary Entities are existing indirect subsidiaries of Yuexiu Property and are in the principal business activity of investment holding in the Property; (ii) the Target Company was an existing indirect subsidiary of Yuexiu Property and is in the principal business activity of investment holding in the Property; (iii) the principal business activity of the Vendor is investment holding; and (iv) the principal business activities of the Project Companies are operation of self-owned property, property management, property related advisory service, hotel management, together with conference and exhibition service.

(c) Yuexiu Property

Yuexiu Property is a Hong Kong listed company (Stock Code: 123) principally engaged in property development and investment, mainly focusing on properties in Guangzhou, the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

I. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

1. A vibrant Grade A office property providing long term growth

The Property was completed in 2015 and is entering into its second lease cycle. In comparison, a majority of Yuexiu REIT's existing properties are relatively mature and generating stable income.

The passing rent for the office component of the Property is approximately RMB199.3 per sq.m. per month (as of 30 September 2021), below the average rent of International Grade A office buildings of RMB218 per sq.m. per month in Q2 2021 for comparable Core Area of ZJNT properties. Therefore, the Manager believes that the rent from the Property has further upward potential.

Going forward, Guangzhou's positioning as a national central city and transportation hub with favourable policy support from the Central People's Government of the PRC including but not limited to the Greater Bay Area and Belt and Road Initiative, will continue to benefit office buildings growth in the region. According to the Market Consultant Report, the rental rate of international Grade A office space in the Core Area of ZJNT is expected to have a steady growth at 3.2% to 4.4% in between 2022 to 2025, mainly due to the scarcity of office space in the area in the next four years. The Manager believes that the Property is well positioned to capitalise on the growth opportunities during the second lease cycle and if the impact of COVID-19 continues to ease.

2. Inclusion of a rare, premium property to Yuexiu REIT's portfolio

The Property will be Yuexiu REIT's second premium property in the Core Area of ZJNT, the sixth office property and ninth property overall, which is expected to (i) provide an additional source of distributable income; (ii) reduce current portfolio's income reliance on Guangzhou IFC, and (iii) enhance and enlarge Yuexiu REIT's property portfolio.

- (i) Based on the Unaudited Pro Forma Financial Information of the Enlarged Group to be set out in Appendix 4 to the Circular, the revenue generated by the Property for the six months ended 30 June 2021 would have represented approximately 19.0% of the revenue of the Enlarged Portfolio for the same period;
- (ii) The Acquisition will reduce Yuexiu REIT's income source concentration from Guangzhou IFC. Following Acquisition Completion, the contribution from Guangzhou IFC to Yuexiu REIT's total portfolio in terms of property valuation is expected to reduce from approximately 55% to approximately 44%; and
- (iii) The property will bring in a total gross rentable area by a further 170,196.81 sq.m., with 166,378.62 sq. m. being office. Prior to the Acquisition, office properties account for approximately 68.0% of Yuexiu REIT's portfolio by gross rental area. Post-Acquisition Completion, the proportion of will increase to approximately 73.0%. After the Acquisition, Yuexiu REIT's Enlarged Portfolio valuation is expected to be the largest among the PRC portfolio owned by Hong Kong and Singapore listed REITs. In addition, the Acquisition will reduce the average age of the properties in the portfolio (from 14.2 years to 13.4 years). The Acquisition is expected to attract well-established domestic and multi-national corporations and diversify Yuexiu REIT's tenant base, including Fortune Global 500 enterprises and China Top 500 enterprises.

Furthermore, the Acquisition may create potential synergies and cross promotional opportunities between Guangzhou IFC and the Property, which are in proximity to each other. The Acquisition will allow Yuexiu REIT to spread operating costs over a larger portfolio and achieve operating synergies through the established property management teams who are currently carrying out the leasing and building management functions for Guangzhou IFC. In addition, the Manager believes that having a portfolio of two landmark office buildings in the Core Area of ZJNT will enhance its appeal and negotiation power in recruiting new tenants and its ability to form a better base for cross promotional opportunities between Guangzhou IFC and the Property.

3. A landmark premium quality asset located in the Core Area of ZJNT

3.1 Landmark office building with strategic location at a transportation hub

The Core Area of ZJNT is located in the centre of Guangzhou Tianhe central business district, a hub for the financial and high-end service sectors in Southern China. The Property has the highest leasable office space compared to other Grade A office buildings in the area, located in the Core Area of ZJNT with superior connectivity and accessibility to the existing metro lines 3 and 5 and the automated people mover system. The Property is located at the central axis of the Core Area of ZJNT and is within walking distance of Zhujiang New Town Station, where metro lines 3 and 5 interchange and also is 200 metres from Xiancun Station, where metro lines 13 and 18 will interchange. Metro line 18 was newly opened on 28 September 2021 and Phase 2 of line 13 is currently under construction and is expected to open in 2022. The opening of these two new metro lines will further enhance the accessibility of the Property. Moreover, the Property has a helipad, which is unique and rare infrastructure compared to the other Grade A office buildings in Guangzhou and supports flying routes between Guangzhou, Shenzhen and Zhuhai.

3.2 High quality tenant base

According to the Market Consultant Report, the Property is highly competitive in the region given its International Grade A quality, prime location and advanced facilities. It has attracted many high-quality tenants across various industries including business services, finance and information technology. The Property is now in a stable operation period with an average occupancy rate of 92.5% for the nine months ended 30 September 2021 maintained at high level. As at 30 September 2021, 14 tenants of the Property are Fortune Global 500 enterprises, contributing 12.6% of the gross rental income of the Property for the nine months ended 30 September 2021.

3.3 Award winning design and advanced infrastructure

The Property's outstanding design, quality and infrastructure are widely recognised and won multiple awards including the US Green Building Council LEED EBOM V4 Platinum Certification (美國綠色建築LEED EBOM V4鉑金級), the US Green Building Council WELL V2 Platinum Pre-certification (美國綠色建築WELL V2鉑金級預認證) and the China Construction Engineering Luban Award (National Prime-quality Project) (中國建設工程魯班獎(國家優質工程)), with the latter being the highest award for construction quality in the PRC.

4. A DPU and DPU Yield accretive transaction with potential capital appreciation upside

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group to be set out in Appendix 4 to the Circular, on a pro forma basis as if the Property had been held by Yuexiu REIT for the six months ended 30 June 2021, and further assuming: (i) the Reverse Merger had not been completed, the Acquisition is expected to be DPU and DPU Yield accretive compared to before the Acquisition; and (ii) the Reverse Merger had been completed, the Acquisition is expected to further enhance the DPU and DPU Yield.

The current Agreed Acquisition Amount implies a transaction price per square metre of RMB47,181, which is significantly lower than the transaction price of RMB61,511 of the Zhuguang Tancun Office Building (珠光譚村寫字樓) located at No. 767 Huacheng Avenue of ZJNT (based on the respective valuation/gross rentable area of office and retail portion), transacted in December 2020 in ZJNT that is being considered as the closest and recent comparable transaction to the Acquisition by the Independent Property Valuer. The transaction price disparity implies a potential for capital appreciation, which will notably enhance the quality and valuation of Yuexiu REIT's portfolio.

5. Potential increase in market capitalisation and improvement in trading liquidity of Units

The Acquisition, which will be partly financed by the Rights Issue, is expected to increase the market capitalisation and enhance the overall liquidity of the Units and Yuexiu REIT's ability to access funding through the public capital markets. The Rights Issue will increase the number of Units in issue by approximately 1,234 million, which is an increase of approximately 37% based on the total number of Units in issue as at the date of this Announcement. The increase in the total number of Units in issue and publicly traded is expected to improve the trading liquidity of the Units and broaden the Unitholder base of Yuexiu REIT.

6. Capture Greater Bay Area and Guangzhou's robust economic fundamentals and growing commercial property market

In March 2017, the PRC Government announced the key strategic planning in the country's development blueprint concerning the GBA, which aims to deepen cooperation amongst Guangdong, Hong Kong and Macao, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and travelling. In February 2019, the Chinese Communist Party Central Committee and the State Council released the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" 《粵港澳大灣區發展規劃綱要》 (the "**GBA Development Plan**"), which is a framework document aiming to provide guidance on the current and future cooperation and development of the GBA. Hong Kong, as an international financial, transportation, trade and aviation hub with renowned professional services, is well-positioned to facilitate and support the economic development of the region, with a view to enhancing the role and functions of the GBA in the country's two-way opening up.

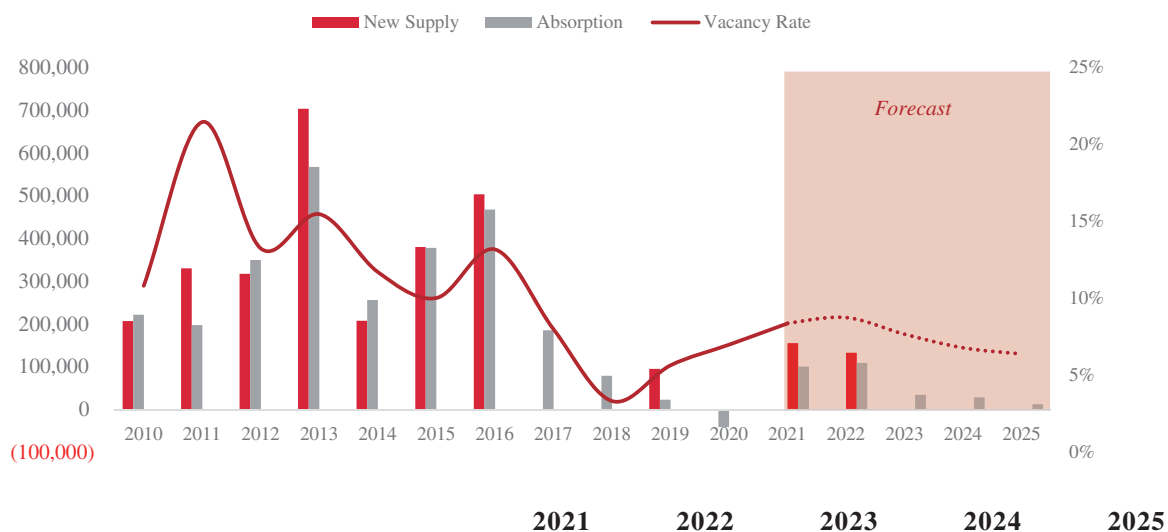
The Market Consultant expects that by 2022, the overall strength of the GBA will be significantly enhanced, and gradually form an international first-class bay area and a world-class urban agglomeration, and by 2035, an innovation based economic system and development model of the GBA will be formed, and a world-class bay area will be fully established.



Being the largest city in Southern China and the political, economic and cultural centre and transportation hub of Guangdong Province, Guangzhou’s development is strongly supported by policies promulgated by the Central People’s Government of the PRC, including the GBA Development Plan and the Belt and Road Initiative.

Based on the Market Consultant Report to be disclosed in the Circular, the Manager believes that the International Grade A office market in the Core Area of ZJNT has strong potential for growth. According to the Market Consultant, the net absorption (calculated by the sum of square metre area newly leased out minus the sum of square metre area that returned to the rental market in a given period) in the area remains strong.

Forecast of Office Market of Grade A Office Space in ZJNT, as of 2025 (sq.m.)

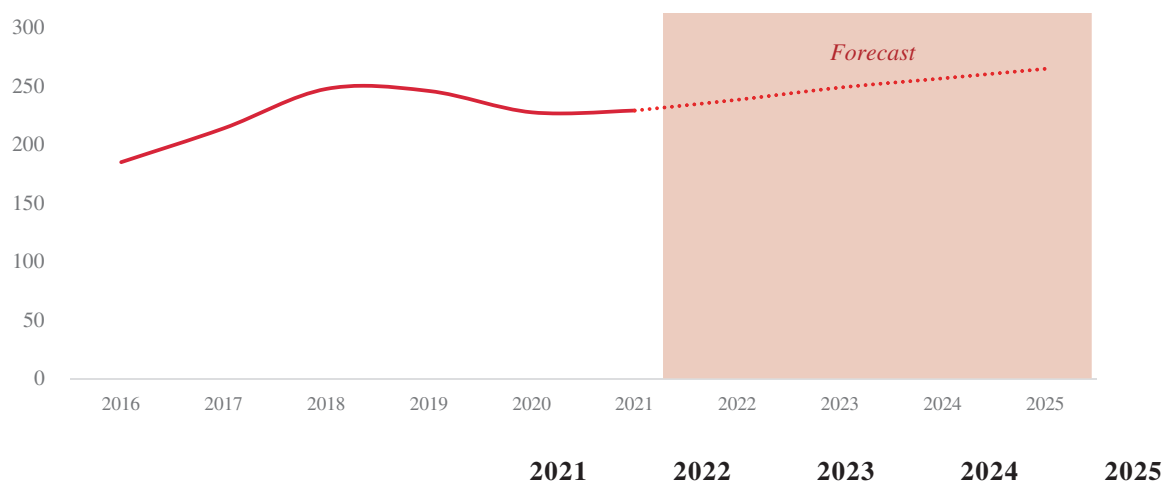


Forecast of Vacancy Rate of Grade A Office Space in ZJNT

2021	2022	2023	2024	2025
8.4%	8.8%	7.7%	6.8%	6.4%

Source: Cushman & Wakefield Limited

Forecast of Rent of International Grade A Office Buildings in Core Area of ZJNT, as of 2025 (RMB/sq.m./month)



Forecast of Rent Growth Rate of International Grade A Office Buildings in Core Area of ZJNT

2021	2022	2023	2024	2025
0.7%	4.0%	4.4%	3.2%	3.2%

Source: Cushman & Wakefield Limited

According to the Market Consultant, due to the decreasing supply of Grade A office buildings, the vacancy rate of ZJNT has also been gradually decreasing in recent years and remained at a relatively low level (6.4%-7.0%) in the fourth quarter of 2020 and the first half of 2021.

J. INTENDED DECLARATION OF SPECIAL DISTRIBUTION

In light of the Acquisition and the Rights Issue, the Manager intends to, conditional upon Acquisition Completion, declare a Special Distribution to Unitholders whose names appear on the register of Unitholders as at the Special Distribution Record Date (being 6 December 2021) (the “**Special Distribution**”). The Special Distribution will be funded from Yuexiu REIT’s accumulated undistributed cash reserves primarily arising from the write-back of construction payables for Guangzhou IFC. The amount of the Special Distribution will be approximately RMB85 million, or RMB0.0255 per Unit, and will be distributed from the existing offshore cash balance of Yuexiu REIT. As at the date of this Announcement, the offshore cash balance of Yuexiu REIT amounted to approximately RMB119 million. Taking into account: (i) the financial resources available to Yuexiu REIT; and (ii) its projected cashflow requirements for at least the next 12 months from the date of the Circular, the Manager does not expect the Special Distribution to have any material adverse impact on the cashflows of Yuexiu REIT.

The Special Distribution will be declared and paid within 30 Business Days after Acquisition Completion. To qualify for the Special Distribution, the Unitholder’s name must appear on the register of Unitholders of Yuexiu REIT as at the close of business on the Special Distribution Record Date. **As the Rights Issue Units and the 2021 Deferred Units will only be issued after the Special Distribution Record Date, they will not entitle their holders to the Special Distribution.**

K. MODIFICATION OF DEFERRED UNITS ARRANGEMENT

1. Background

As disclosed in the 2012 Circular, the balance of the Guangzhou IFC Consideration shall be satisfied by way of issuance of Deferred Units by Yuexiu REIT to Yuexiu Property (or YXP Nominee) on 31 December of each year, starting on 31 December 2016. Following the issuances of the Deferred Units between 31 December 2016 and 31 December 2020, as at the date of this Announcement, the remaining balance of the Guangzhou IFC Consideration is HKD1,597,605,976.

2. Adjustments to Deferred Units Issue Price

As stated in the announcement of Yuexiu REIT dated 31 December 2020, assuming no Deferred Units Adjustment Events eventuate and the Deferred Units Issue Price remained at HKD4.00, it was expected that a further 399,401,494 Deferred Units would be issued to Dragon Yield in satisfaction of the balance of the Guangzhou IFC Consideration, and that all further Deferred Units would be issued by 31 December 2023.

However, in light of the Rights Issue Subscription Price being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive Trading Days preceding the date of this Announcement being HKD3.67 (the “**Relevant Market Price**”), pursuant to the existing Indebtedness Agreement and as disclosed in Yuexiu REIT’s circular dated 30 June 2012, the Deferred Units Issue Price shall be adjusted by multiplying the Deferred Units Issue Price in force immediately before such issue by the following fraction (being the “**Deferred Units Issue Price Adjustment**”):

$$(A + B) / (A + C)$$

where:

“A” is the number of Units in issue immediately before this Announcement;

”B” is the number of Units which the aggregate amount (if any) payable for the Units issued by way of rights and for the total number of Units comprised therein would purchase at such Relevant Market Price per Unit; and

”C” is the aggregate number of Units issued or, as the case may be, comprised in the issue.

Based on the Relevant Market Price, the number of Rights Issue Units and the Rights Issue Subscription Price, following the Deferred Units Issue Price Adjustment, the Deferred Units Issue Price will be reduced from HKD4.00 to HKD3.861652 per Unit. The Deferred Units Issue Price Adjustment will take effect upon Rights Issue Completion, which is currently expected to take place after the next issue date of the Deferred Units (being 31 December 2021). Accordingly, it is expected that the 2021 Deferred Units will be issued at HKD4.00 per Unit and the Deferred Units on 31 December 2022 and thereafter will be issued at HKD3.861652 per Unit.

Following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as further described below), and assuming no other Deferred Units Adjustment Events eventuate, it is expected that the balance of the Guangzhou IFC Consideration will be fully settled by 31 December 2025 by the issue of a further 410,808,584 Deferred Units in aggregate.

For the illustrative effect on the unitholding structure of Yuexiu REIT after Rights Issue Completion and the issue of all the Deferred Units to settle the remaining balance of the Guangzhou IFC Consideration, please refer to section D.2.20 “Financing of the Acquisition — Rights Issue — Illustrative Pro Forma Unitholding Structure” in this Announcement.

3. Deferred Units Arrangement Modification

Pursuant to the Indebtedness Agreement, the number of Deferred Units to be issued on 31 December each year to settle the abovementioned balance is determined by reference to the maximum number of Units that may be issued which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the date of issuance, will not trigger an obligation on the part of Yuexiu Property (and the parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. The 2021 Deferred Units will be issued on 31 December 2021, after the EGM but before Rights Issue Completion, as shown in the indicative timetable set out in section O.3 headed “General — Indicative Timetable” in this Announcement.

If, as a result of the Rights Issue, the Yuexiu Concert Group’s voting rights in Yuexiu REIT exceed 50% (for example, in the unlikely scenario where only the Yue Xiu Entitlement Units and the Yuexiu Property Entitlement Units are taken up), the Yuexiu Concert Group may increase their unitholding in Yuexiu REIT without incurring any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer for all Units not already owned or agreed to be acquired by them at the relevant time. If this were the case, the number of Deferred Units to be issued in the following 31 December would effectively be the number of Deferred Units (after adjustment to account for the Rights Issue) required to be issued to settle the remaining balance of the Guangzhou IFC Consideration as at the relevant time, thereby resulting in a substantial one-off dilution to existing

Unitholders' interests. Even if the Yuexiu Concert Group's voting rights in Yuexiu REIT do not exceed 50% following the Rights Issue, as the Rights Issue increases the total number of Units in issue, the number of Deferred Units to be issued each year thereafter will be more than that in the previous years based on the existing formula under the Indebtedness Agreement.

As the Manager does not consider either outcome to be desirable to Yuexiu REIT and its Unitholders, and to avoid any acceleration of issuance of Deferred Units solely as a result of the Acquisition and the Rights Issue, it has entered into the Second Supplemental Indebtedness Agreement to modify the mechanism for the issuance of Deferred Units under the Indebtedness Agreement (by the addition of the underlined words) such that the number of Deferred Units to be issued each year shall be the lower of: (a) the maximum number of Deferred Units that may be issued to Yuexiu Property (or YXP Nominee) which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Deferred Units Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time; and (b) 83,000,000 Units (subject to adjustment for consolidation and sub-division of Units) (such modification being the “**Deferred Units Arrangement Modification**”).

The reference to 83,000,000 Units in the Deferred Units Arrangement Modification was arrived at after arm's length negotiation between the parties to the Indebtedness Agreement by reference to the number of Deferred Units issued each year in the previous years. The Manager is of the view that the Deferred Units Arrangement Modification is in the best interests of Unitholders as it further mitigates the dilution caused by the issuance of Deferred Units by introducing an additional limitation on the number of Deferred Units which may be issued at any one time.

4. Second Supplemental Indebtedness Agreement

On 24 October 2021, Yuexiu Property (as assignor), the Trustee and the Manager entered into the Second Supplemental Indebtedness Agreement in relation to the Deferred Units Arrangement Modification. The Deferred Units Arrangement Modification, being a modification of a connected party transaction of Yuexiu REIT previously approved by independent Unitholders in 2012, shall be subject to Rights Issue Completion and the approval by way of an Ordinary Resolution passed by the Independent Unitholders at the EGM. As advised by Yuexiu Property, the Deferred Units Arrangement Modification is also subject to the approval of YXP Independent Shareholders at the Yuexiu Property GM.

L. CONTINUING CONNECTED PARTY TRANSACTIONS

1. Background

On 24 November 2020, Yuexiu REIT published a circular (the “**CCPT Waiver Circular**”) in relation to, among other things, extension of existing continuing connected party transaction waiver from strict compliance with the requirements of Chapter 8 of the REIT Code (such waiver being the “**2020 Extended Waiver**”). However, on 4 December 2020 and before the EGM was held to approve the 2020 Extended Waiver, the REIT Code was amended to, among other things, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Stock Exchange. As a result of such amendments, the 2020 Extended Waiver was no longer required. As stated in the announcement of Yuexiu REIT dated 9 December 2020, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will comply with

requirements under the REIT Code (as revised) (including disclosure in annual reports of Yuexiu REIT, auditors' review procedures and annual review by the INEDs). The 2020 Extended Waiver shall continue to apply until its expiry or until otherwise modified or revoked. Accordingly, the New Continuing Connected Party Transactions (as defined in the CCPT Waiver Circular) will also remain subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 as set out in the CCPT Waiver Circular.

Notwithstanding this, having regard to the additional continuing connected party transactions to be assumed and entered into or renewed from time to time by Yuexiu REIT as a result of the Acquisition Completion, on 24 October 2021, the Manager entered into the Yuexiu Leasing Framework Agreement, the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement (the "**Yuexiu Framework Agreements**") which set out the framework terms governing respectively the Connected Leasing Transactions, Connected TSAs and Connected PMAs (collectively, the "**Yuexiu Continuing CPTs**"). Each of the Yuexiu Framework Agreements will be for a term of two years from 1 January 2022 to 31 December 2023, and will be, together with the Yuexiu Continuing CPTs contemplated thereunder, regulated with reference to Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). For the avoidance of doubt, the existing annual caps for the year ending 31 December 2021 will not be exceeded and will continue to apply even if Acquisition Completion takes place before 31 December 2021 and the new Yuexiu Continuing CPTs pertaining to the Property are assumed or entered into by Yuexiu REIT upon Acquisition Completion. Accordingly, if the EGM Resolutions in relation to the Matters Requiring Approval are passed at the EGM and the Acquisition completes on or before 31 December 2021 (as it is currently contemplated), the 2020 Extended Waiver will be revoked at the commencement date of the Yuexiu Framework Agreements (being 1 January 2022) and the annual caps thereunder will be replaced by the Revised Annual Caps for the corresponding transactions set out in the Yuexiu Framework Agreements.

2. Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group

Yuexiu REIT (through the Manager) entered into the following continuing connected party transactions which are subject to the reporting, announcement, and, in the case of the Connected Leasing Transactions, the circular and Independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code):

2.1 Yuexiu Leasing Framework Agreement

As part of Yuexiu REIT's ordinary and usual course of business, the Yuexiu REIT Group is either already a party to, or may from time to time enter into or renew leasing and licensing transactions with the Yuexiu Connected Persons Group in respect of the Enlarged Portfolio owned by Yuexiu REIT ("**Connected Leasing Transactions**", which for the avoidance of doubt, include those pertaining to the naming rights of certain properties owned by Yuexiu REIT).

In addition to the Connected Leasing Transactions in respect of the Existing Properties, the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement entered or to be entered into by members of the Target Group will, upon Acquisition Completion, be assumed by Yuexiu REIT, and the Project Companies which are direct owners of the Property are either parties to, or may from time to time enter into or renew Connected Leasing Transactions with the Connected Tenants and other members of the Yuexiu Connected Persons Group in respect of the Property.

As the transactions contemplated under the Connected Leasing Transactions (including the Connected Leases, the Carpark Master Lease Agreement and the Naming Rights Agreement upon Acquisition Completion) constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Leasing Framework Agreement with GZYG on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval. The subsidiaries of Yuexiu REIT (as landlords) will enter into or renew individual leases with the Connected Tenants and other members of the Yuexiu Connected Persons Group from time to time consistent with the Yuexiu Leasing Framework Agreement.

The principal terms of the Yuexiu Leasing Framework Agreement are set out below.

2.1.1 Term and termination

The Yuexiu Leasing Framework Agreement will be for a term of two years from 1 January 2022 to 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Leasing Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Leasing Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Yuexiu Continuing CPTs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT code).

Upon renewal of the Yuexiu Leasing Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps, to which the Connected Leasing Transactions entered into in accordance with the Yuexiu Leasing Framework Agreement are subject, expires prior to the end of the term of any Connected Leasing Transaction and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected Leasing Transaction for the excessive term.

The Yuexiu Leasing Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting Connected Leasing Transactions have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of GZYG and GZYG ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected Leasing Transactions cease to be connected party transactions and/or continuing connected party transactions as defined under the

REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Leasing Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Leasing Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

2.1.2 Pricing Policy

Pursuant to the Yuexiu Leasing Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected Leasing Transactions to ensure that, each Connected Leasing Transaction shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at a rent that is determined by reference to the then current open market rent at the commencement date of the term of the relevant Connected Leasing Transaction which would be paid by a willing tenant to a willing landlord for similar premises in a similar development; and (e) in compliance with the terms of the Yuexiu Leasing Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

2.1.3 Revised Annual Caps

The Revised Annual Caps in respect of the Connected Leasing Transactions entered into in accordance with the Yuexiu Leasing Framework Agreement are set out in the below table:

	Existing Annual Caps (as stated in the CCPT Waiver Circular)			Revised Annual Caps	
	<i>RMB '000</i>			<i>RMB '000</i>	
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2022	For the year ending 31 December 2023
Connected Leasing Transactions	394,186	425,779	468,441	583,994	649,195

The proposed caps in respect of the Connected Leasing Transactions were determined on the following basis:

- (a) taking into account the historical aggregate amounts of rental income paid and payable by the Yuexiu Connected Tenants to the respective Property Companies under previous Connected Leasing Transactions entered into with the respective Property Companies, being RMB249,799,000, RMB277,147,000, RMB247,583,000 and RMB122,425,000 for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 respectively;

- (b) taking into account the actual rent payable to the Project Companies under the Connected Leases which will be subsisting for each of the years ending 31 December 2022 and 2023 on the assumption of Acquisition Completion. Where a Connected Lease expires prior to 31 December 2023, the Manager has assumed that the expiring lease will be renewed at a new rental rate that is 6% higher than the last rental rate for such lease;
- (c) applying a buffer of 10% for the total actual and assumed rent (as calculated on the abovementioned basis) for each of the two years ending 31 December 2023. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods; and
- (d) taking into account the annual caps in respect of the Connected Leasing Transactions (as defined in the CCPT Waiver Circular) for the years ending 31 December 2022 and 2023, as stated in the CCPT Waiver Circular.

In respect of (b) above, the Manager has made the assumption that the rental increment for lease renewals will be 6% by reference to: (i) the compound annual growth rate of the gross domestic product of Guangzhou between 2016 and 2020, which was 6%; and (ii) the range of annual rental increment of 3.2% to 4.4% as generally expected for comparable properties in the Core Area of ZJNT based on the Market Consultant's Report to be appended to the Circular. As 6% is also within the range of rental increment which is expected for the independent third party leases in respect of the Property, the Manager considers the assumed rental increment for Connected Leases set out in (b) above to be reasonable.

2.1.4 Reasons for, and benefits of the Yuexiu Leasing Framework Agreement

Given the sizeable and established operations of the members of the Yuexiu Connected Persons Group, the leasing of the Existing Properties to members of the Yuexiu Connected Persons Group has provided a stable source of rental income to Yuexiu REIT. The Manager considers that the leasing of the Property after Acquisition Completion to members of the Yuexiu Connected Persons Group would similarly provide Yuexiu REIT with a group of reliable tenants and a reliable source of rental income on normal commercial terms. The Manager takes the view that the leasing of the Enlarged Portfolio to members of the Yuexiu Connected Persons Group would be in line with Yuexiu REIT's key investment objective to provide Unitholders with stable distributions through investing in income producing real estate.

In addition, the Manager considers that the Yuexiu Leasing Framework Agreement can set out a framework and streamline the leasing processes in respect of the Enlarged Portfolio and is therefore conducive to the continuous growth and operations of, and will generate recurrent rental income for, Yuexiu REIT. Further, the Manager is of the view that the Yuexiu Leasing Framework Agreement can provide a basis on which Yuexiu REIT will comply with the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the REIT Code and the Listing Rules, thereby reducing the ongoing administrative and compliance costs upon Yuexiu REIT in respect of the Connected Leasing Transactions which are entered into in its ordinary and usual course of business. Accordingly, the Manager considers that the Yuexiu Leasing Framework Agreement is beneficial to Yuexiu REIT and its Unitholders as a whole.

2.1.5 Application of the REIT Code and the Listing Rules

GZYY, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to 39.8% of the issued shares of the latter, is also an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and therefore a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Leasing Framework Agreement constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code. As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Leasing Framework Agreement is, on an annual basis, expected to exceed 5%, these transactions will be subject to the reporting, annual review, announcement, circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

2.2 Yuexiu Tenancy Services Framework Agreement

The tenancy services agreements which have been or will be entered into or renewed with members of the Yuexiu Connected Persons Group from time to time include the tenancy services agreements in respect of the Existing Properties and, upon Acquisition Completion, the Tenancy Services Agreement in respect of the Property (collectively, the “**Connected TSAs**”). As the transactions contemplated under the Connected TSAs constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Tenancy Services Framework Agreement with Yuexiu Property on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval.

The principal terms of the Yuexiu Tenancy Services Framework Agreement are set out below.

2.2.1 Term and termination

The Yuexiu Tenancy Services Framework Agreement will be for a term of two years from 1 January 2022 to 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Tenancy Services Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Tenancy Services Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Connected TSAs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT Code).

Upon renewal of the Yuexiu Tenancy Services Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps to which the Connected TSAs entered into in accordance with the Yuexiu Tenancy Services Framework Agreement are subject expires prior to the end of the term of any Connected TSA and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected TSA for the excessive term.

The Yuexiu Tenancy Services Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting Connected Leasing Transactions have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of GZYG and GZYG ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected TSAs cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Tenancy Services Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Tenancy Services Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

2.2.2 Pricing Policy

Pursuant to the Yuexiu Tenancy Services Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected TSAs to ensure that, each Connected TSA shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at the prevailing market rate generally offered by independent third parties in respect of similar services; and (e) in compliance with the terms of the Yuexiu Tenancy Services Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

2.2.3 Revised Annual Caps

The Revised Annual Caps in respect of the Connected TSAs entered into in accordance with the Yuexiu Tenancy Services Framework Agreement are set out in the below table:

	Existing Annual Caps (as stated in the CCPT Waiver Circular)			Revised Annual Caps	
	RMB '000			RMB '000	
	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2022	For the year ending 31 December 2023
Connected TSAs	59,824	65,806	72,386	78,945	86,313

The Revised Annual Caps for the years ending 31 December 2022 and 2023 in relation to the Connected TSAs were determined on the following basis:

- (a) taking into account the historical aggregate amounts of service fees paid and payable by the Property Companies under previous Connected TSAs, being RMB47,002,000, RMB47,456,000, RMB43,973,000 and RMB21,876,000 for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 respectively;

- (b) annualising the amount of service fees paid and payable for the six months ended 30 June 2021 by: (i) Yuexiu REIT for the relevant Connected TSAs of the Property Companies; and (ii) existing tenants of the Property as at the date of this Announcement to the respective Project Companies under the Tenancy Services Agreement which will be assumed by Yuexiu REIT upon Acquisition Completion;
- (c) annualising the amount of rental income paid and payable for the six months ended 30 June 2021 by: (i) the Yuexiu Connected Tenants to the respective Property Companies under the Connected Leasing Transactions; and (ii) the Connected Tenants to the respective Project Companies under the Connected Leases which are subsisting as at the date of this Announcement and which will be assumed by Yuexiu REIT upon Acquisition Completion;
- (d) applying an increment of 6% to the relevant amount resulting from paragraph (a) above, as assumed approximate service fees over the year, with some minor rounding up of figures; and
- (e) applying a buffer of 10% to the amount resulting from paragraph (b) above, as a buffer for contingencies such as: (1) changes in rental or other market conditions; and (2) increase in tenancy services transaction activities with respect to the relevant properties during the relevant financial periods.

The above Revised Annual Caps in relation to the Connected TSAs have been determined after assuming:

- (a) the leasing agents' fees for all the Enlarged Portfolio, with the exception of White Horse Building Units, Shanghai Yue Xiu Tower and Guangzhou IFC, being 4% of the annual gross rental attributable to such properties; and
- (b) leasing agents' fees for White Horse Building Units, Shanghai Yue Xiu Tower and the office and retail portions of Guangzhou IFC and the Project Companies, being 3% of the annual gross rental attributable to such properties.

The Manager's use of an assumed annual rental growth rate of 6% for determining the proposed caps for the Connected TSAs for the Project Companies is based on expected inflationary increases in tenancy works expenses and the historical growth of transaction amounts.

2.2.4 Reasons for, and benefits of, the Yuexiu Tenancy Services Framework Agreement

Over the course of the operation of Yuexiu REIT, the Property Companies have from time to time entered into or renewed tenancy services agreements with members of the Yuexiu Connected Persons Group to provide tenancy services to tenants of the Enlarged Portfolio. The Manager believes that these members of the Yuexiu Connected Persons Group (including the Property Tenancy Services Company after Acquisition Completion) are well-positioned to provide tenancy services to tenants given the established business relationship with the Property Companies and understanding of the operations, standards and specific needs in respect of the members of the Property Companies.

Following Acquisition Completion, assuming that various transactions contemplated under the Connected TSAs will continue to be conducted with members of the Yuexiu Connected Persons Group, more continuing connected party transactions will arise. The Manager considers that the Yuexiu Tenancy Services Framework Agreement can provide a basis on which Yuexiu REIT will comply with

the relevant reporting, announcement and annual review requirements (to the extent applicable) in compliance with the REIT Code and the Listing Rules and thereby enhances administrative efficiency and saves costs for Yuexiu REIT in complying with such requirements. Accordingly, it is expected that the arrangements under the Yuexiu Tenancy Services Framework Agreement would be cost-efficient and in the interests of Yuexiu REIT and its Unitholders.

2.2.5 Application of the REIT Code and the Listing Rules

Yuexiu Property, which wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), is an associate of the Manager and Dragon Yield and hence a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Tenancy Services Framework Agreement therefore constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code. As the highest applicable percentage ratio for the transactions contemplated under the Yuexiu Tenancy Services Framework Agreement is, on an annual basis, expected to exceed 0.1% but be less than 5%, these transactions will be exempt from the circular (including the opinion and recommendations from an independent financial adviser) and Independent Unitholders' approval requirements, but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

3 Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group

Yuexiu REIT Group entered into the following continuing connected party transactions which are fully exempt from the reporting, annual review, announcement and Independent Unitholders' approval requirements under the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code):

3.1 Yuexiu Property Management Framework Agreement

The property management agreements which have been or will be entered into or renewed with the Yuexiu Connected Persons Group from time to time include the property management agreements in respect of the Existing Properties and, upon Acquisition Completion, the Property Management Agreement entered into between the Project Companies and the Property Manager in respect of the Property (collectively, the "**Connected PMAs**"). As the transactions contemplated under the Connected PMAs constitute continuing connected party transactions of Yuexiu REIT, the Manager entered into the Yuexiu Property Management Framework Agreement with GZYY on 24 October 2021 subject to the passing of the EGM Resolutions in relation to the Matters Requiring Approval.

3.1.1 Term and termination

The Yuexiu Property Management Framework Agreement commences from 1 January 2022 and expires on 31 December 2023 and is automatically renewable for a successive period of two years thereafter (or for any other period which may be shorter or longer than two years as the parties may agree otherwise, provided that such other period will not be longer than three years), subject to the compliance with the relevant requirements of the REIT Code and the Listing Rules. The Yuexiu Property Management Framework Agreement is conditional on the passing of the EGM Resolutions to approve the Matters Requiring Approval, failing which the Yuexiu Property Management Framework Agreement shall automatically terminate pursuant to its terms. In this case, the Connected PMAs will continue to be subject to the annual caps for the years ending 31 December 2021, 2022

and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under the REIT Code and Chapter 14A of the Listing Rules (as modified pursuant to the REIT Code).

Upon renewal of the Yuexiu Property Management Framework Agreement, Yuexiu REIT will re-comply with the applicable disclosure and/or Independent Unitholders' approval requirements and other requirements under the REIT Code and the Listing Rules. In the event that the term of the annual caps to which the Connected PMAs entered into in accordance with the Yuexiu Property Management Framework Agreement are subject expires prior to the end of the term of any Connected PMA and is not renewed, Yuexiu REIT will comply in full with the applicable requirements under the REIT Code and the Listing Rules in respect of such Connected PMA for the additional term.

The Yuexiu Property Management Framework Agreement will be terminated where: (a) either party gives the other party not less than three months' prior written notice, provided that all the then-subsisting Connected PMAs have been terminated; (b) the Units cease to be listed on the Stock Exchange (except for temporary suspension of trading); (c) the Manager ceases to be a subsidiary of GZYY and GZYY ceases to be an associate of a Substantial Unitholder of Yuexiu REIT (being Dragon Yield); (d) the transactions under all the then-subsisting Connected PMAs cease to be connected party transactions and/or continuing connected party transactions as defined under the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code); (e) a party to the Yuexiu Property Management Framework Agreement ceases to carry on business; or (f) a party to the Yuexiu Property Management Framework Agreement commits a material breach of any material obligation thereunder and in the case of a breach that is capable of remedy, fails to remedy that breach within 30 days of receipt of a written notice from the other party stating the particulars of the breach and requiring it to be remedied.

3.1.2 Pricing Policy

Pursuant to the Yuexiu Property Management Framework Agreement, each party thereto agrees that, and agrees to procure the relevant contracting parties to the Connected PMAs to ensure that, each Connected PMA shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of Yuexiu REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06 (26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; and (d) in compliance with the terms of the Yuexiu Property Management Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

3.1.3 Annual Caps

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants, rather than Yuexiu REIT or the Property Companies or the Project Companies, the annual caps in respect of such property management fees for the years ending 31 December 2022 and 2023 will be nil and nil, respectively.

3.1.4 Application of the REIT Code and the Listing Rules

GZYY, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to 39.8% of the issued shares of the latter, is also an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and therefore a connected person of Yuexiu REIT. Accordingly, the transactions under the Yuexiu Tenancy Services Framework Agreement therefore constitutes continuing connected party transactions of Yuexiu REIT pursuant to the REIT Code.

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants and no property management fees will be paid by Yuexiu REIT or the Property Companies or the Project Companies, the transactions contemplated under the Yuexiu Property Management Framework Agreement will be within the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules (modified as appropriate pursuant to the REIT Code) and be fully exempt from the reporting, annual review, announcement and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

4. Views relating to the CCPT Matters Requiring Approval

The Board considers that the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement form an integral part of the normal business and operations of Yuexiu REIT, and having taken account of the duties of the Manager under the Trust Deed and the REIT Code, is of the view that:

- (a) the terms of the Yuexiu Leasing Framework Agreement and the basis for the Yuexiu Continuing CPTs contemplated thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) the Yuexiu Continuing CPTs contemplated under the Yuexiu Leasing Framework Agreement: (i) are and will be conducted in the ordinary and usual course of business of Yuexiu REIT and consistent with the investment objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; (ii) are and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) are and will be fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee (comprising all of the INEDs) has been established by the Board to advise the Independent Unitholders on the matters relating to the Yuexiu Leasing Framework Agreement. Pursuant to Rule 14A.44 of the Listing Rules, the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the matters relating to the Yuexiu Leasing Framework Agreement under Rule 14A.45 of the Listing Rules.

The respective opinions of the Independent Financial Adviser, the Independent Board Committee and the Trustee with regard to the CCPT Matters Requiring Approval will be set out in the Circular.

M. REGULATORY IMPLICATIONS

1. Connected and Major Transaction

As at the date of this Announcement, Yuexiu Property wholly-owns the Vendor, the Manager and Dragon Yield (the last of these being a Substantial Unitholder of Yuexiu REIT which holds approximately 35.1% of the issued Units). Therefore, each of Yuexiu Property and the Vendor is an associate of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Acquisition constitutes a connected party transaction of Yuexiu REIT and, since the highest applicable percentage ratio is expected to exceed 5%, the Acquisition is subject to the announcement, circular, reporting and Independent Unitholders' approval requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Furthermore, as the highest applicable percentage ratio in respect of the Acquisition is expected to exceed 25% but be less than 100%, the Acquisition constitutes a major transaction of Yuexiu REIT and is subject to the notification, announcement, circular, accountant's report and Unitholders' approval requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

2. Placing Agreement and Underwriting Agreement

The transactions contemplated under each of the Placing Agreement and the Underwriting Agreement constitute connected party transactions of Yuexiu REIT. For further details on the regulatory implications of these transactions, please refer to section D.3.1 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the REIT Code and the Listing Rules" in this Announcement.

3. Whitewash Waiver

Under the circumstances as set out in section D.3.2 headed "Financing of the Acquisition — Regulatory implications of the Rights Issue — Implications under the Takeovers Code and application for Whitewash Waiver" in this Announcement, Yue Xiu and Yuexiu Property would be obliged to make a mandatory general offer for all the issued Units and other securities (if any) of Yuexiu REIT not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. Accordingly, Yue Xiu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things: (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM; and (ii) the approval of the Acquisition, the Underwriting Agreement and the transactions contemplated thereunder by more than 50% of the votes cast by the Independent Unitholders present and voting (either in person or by proxy) by way of a poll at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, either the Whitewash Waiver or any of the other Transaction Matters Requiring Approval (which are inter-conditional with the approval of the Whitewash Waiver) is not approved by the Independent Unitholders, the Rights Issue (and the Acquisition) will not proceed.

4. EGM Resolutions

The Manager takes the view that each of the Transaction Matters Requiring Approval are interdependent and linked to each other and part and parcel of a significant proposal. As the Whitewash Waiver is subject to the approval by Independent Unitholders by way of a Special Resolution, whereas the rest of the Transaction Matters Requiring Approval are subject to the approval by Independent Unitholders by way of an Ordinary Resolution, the Manager will seek Independent Unitholders' approval for the Whitewash Waiver and the rest of the Transaction Matters Requiring Approval under separate but inter-conditional resolutions.

As the 2020 Extended Waiver does not expire until 31 December 2023 and no new annual caps would be needed if Acquisition Completion does not take place, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be conditional on the passing of the EGM Resolutions to approve the Transaction Matters Requiring Approval. Accordingly, if any of the EGM Resolutions relating to the Transaction Matters Requiring Approval is not passed, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be deemed as not having been passed.

For the avoidance of doubt, if the EGM Resolutions relating to the Transaction Matters Requiring Approval are passed but the Ordinary Resolution in relation to the CCPT Matters Requiring Approval is not passed, the Yuexiu Framework Agreements shall automatically terminate pursuant to their terms. In this case, the Yuexiu Continuing CPTs will continue to be subject to the existing annual caps for the years ending 31 December 2021, 2022 and 2023 under the 2020 Extended Waiver, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Please refer to the EGM Notice for the proposed EGM Resolutions in relation to the Matters Requiring Approval. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the EGM Resolutions have been passed.

5. Restrictions on Voting

Paragraphs 8.7F and 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolutions tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolutions tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

As (i) Mr. Zeng Zhizhao, a non-executive Director, holds senior management position with Yuexiu Property, (ii) Mr. Li Feng, a non-executive Director, is the executive director of Yuexiu Property and holds senior management position with Yue Xiu, and (iii) Mr. Li Feng and Ms. Ou Haijing, an executive director, together were interested in 2,825 Units in aggregate (representing not more than 0.000085% of the total issued Units), each of them has abstained from voting on the relevant board resolutions of the Manager in relation to the Matters Requiring Approval. Save as disclosed above, no Director had a material interest in the Matters Requiring Approval and thus was required to abstain from voting on the relevant board resolutions of Yuexiu REIT in relation to the Transaction Matters Requiring Approval.

Members of the Yuexiu Connected Persons Group are or will be counterparties to the Acquisition Deed, the Second Supplemental Indebtedness Agreement, the Underwriting Agreement, the Placing Agreement, the Yuexiu Leasing Framework Agreement and the transactions contemplated thereunder, and as such, are considered to have a material interest or deemed material interest in the EGM Resolutions relating to the Matters Requiring Approval that will be tabled for approval, different from that of other Unitholders. Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that other members of the Yuexiu Connected Persons Group will abstain, from voting on such EGM Resolutions, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

So far as the Manager is aware, as at the date of this Announcement, the parties mentioned above as needing to abstain from voting are interested or deemed to be interested in 1,361,031,432 Units representing approximately 40.8% of the Units in issue.

Pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, as the Yuexiu Concert Group is interested or involved in the Whitewash Waiver, the Acquisition, the Placing Agreement and the Underwriting Agreement, members of the Yuexiu Concert Group are required to abstain from voting on the resolution(s) to be proposed at the EGM in relation to the Whitewash Waiver, the Acquisition, the Placing Agreement, the Underwriting Agreement and transactions contemplated thereunder. Members of the Yuexiu Concert Group mentioned above as needing to abstain from voting are interested in an aggregate of 1,361,031,432 Units, representing approximately 40.8% of the Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, as at the date of this Announcement, no other Unitholder is required to abstain from voting at the EGM in respect of the resolutions pertaining to the Matters Requiring Approval.

6. Manager Has Discretion

For the avoidance of doubt, Unitholders should note that, notwithstanding that the resolutions relating to the approval of the Transaction Matters Requiring Approval are passed: (1) the Manager is not obliged to, and has at all times the discretion whether or not to, proceed with Rights Issue or the drawing down of the New Bank Facility; and (2) given that Acquisition Completion is dependent upon the satisfaction of certain conditions, including, but not limited to: (i) the New Bank Facility being in place at Acquisition Completion and the loan amount under such New Bank Facility being available; and (ii) all the conditions to the Rights Issue (save for the grant of listing approval in respect of the Rights Issue Units by the Stock Exchange) having been satisfied, the Manager may not proceed with the Acquisition if any of the Acquisition Conditions are not fulfilled or waived (if applicable) prior to the Long Stop Date.

7. Opinion of the Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Transaction Matters Requiring Approval (save for the Whitewash Waiver) as described in this Announcement, the Board (including the INEDs), having taken into account the duties of the Manager under the Trust Deed and the REIT Code, considers that:

- (a) the Acquisition and the transactions contemplated under the Acquisition 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 in compliance with the REIT Code and the Trust Deed; 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;

- (b) the Underwriting Agreement and the transactions contemplated thereunder (including the subscription of the Untaken Rights Issue Units) 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;
- (c) the Placing Agreement and the transactions contemplated thereunder (including the payment of the placing commission and expenses to Yue Xiu Securities) 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; and
- (d) the Deferred Units Arrangement Modification and the transactions contemplated under the Second Supplemental Indebtedness Agreement 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.

The respective opinions of the Independent Board Committee, the Independent Financial Adviser and the Trustee with regard to the Matters Requiring Approval will be set out in the Circular.

N. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the INEDs, has been established in accordance with Rule 2.8 of the Takeovers Code and Rule 14A.41 of the Listing Rules to advise the Independent Unitholders on the Matters Requiring Approval.

Somerley Capital Limited has been appointed as the Independent Financial Adviser of Yuexiu REIT to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code and Rule 14A.44 of the Listing Rules.

O. GENERAL

1. EGM and Circular

The EGM will be held at on Monday, 6 December 2021 for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions set out in the EGM Notice.

The Circular containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Matters Requiring Approval; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the Matters Requiring Approval; (d) the Accountant's Report of the Target Group; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer's property valuation reports; (g) the Market Consultant's Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on or before Saturday, 13 November 2021.

2. Closure of Register of Unitholders

In order to determine which Unitholders will qualify to attend and vote at the EGM, the register of Unitholders of Yuexiu REIT will be closed from Tuesday, 30 November 2021 to Monday, 6 December 2021 (both days inclusive). During this period, no transfers of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 29 November 2021.

3. Indicative Timetable

Please see below an indicative timetable showing the key dates of the relevant events:

Event	Date and Time
Despatch of the Circular with notice and form of proxy for the EGM	Saturday, 13 November 2021
Latest date and time for lodging transfer documents of Units to qualify for the attendance and voting at the EGM and the Special Distribution (if the approvals sought at the EGM are obtained)	Monday, 29 November 2021 at 4:30 p.m.
Closure of register of Unitholders to determine the eligibility of Unitholders to attend and vote at the EGM and to receive the Special Distribution (if the approvals sought at the EGM are obtained)	Tuesday, 30 November 2021 to Monday, 6 December 2021 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM	10:30 a.m. ⁽¹⁾ on Saturday, 4 December 2021
EGM Record Date and the Special Distribution Record Date (if the approvals sought at the EGM are obtained)	Monday, 6 December 2021
Latest time for the termination of the Underwriting Agreement by the Underwriter	Immediately before the time of the EGM on Monday, 6 December 2021
Expected date and time of the EGM	10:30 a.m. on Monday, 6 December 2021

Event	Date and Time
Announcement of poll results of the EGM	Monday, 6 December 2021
Register of Unitholders re-opens	Tuesday, 7 December 2021
If the approvals sought at the EGM are obtained:	
Last day of dealings in the Units on a cum-rights basis relating to the Rights Issue	Tuesday, 7 December 2021
Commencement of dealings in the Units on an ex-rights basis relating to the Rights Issue	Wednesday, 8 December 2021
Latest date and time for the Unitholders to lodge transfer documents of Units in order to qualify for the Rights Issue	4:00 p.m. on Thursday, 9 December 2021
Closure of register of Unitholders for determination of entitlements to the Rights Issue	Friday, 10 December 2021 to Thursday, 16 December 2021 (both days inclusive)
Rights Issue Record Date	Thursday, 16 December 2021
Register of Unitholders re-opens	Friday, 17 December 2021
Despatch date of the Rights Issue Offering Documents (in the case of the Rights Issue Non-Qualifying Unitholders, the Rights Issue Offering Circular only)	Friday, 17 December 2021
First day of dealings in nil-paid Rights Issue Units	Tuesday, 21 December 2021
Latest date and time for splitting nil-paid Rights Issue Units	4:30 p.m. on Tuesday, 28 December 2021
Last day of dealings in nil-paid Rights Issue Units	Friday, 31 December 2021
Latest date and time for acceptance and payment for Rights Issue Units (being the Latest Time for Acceptance)	4:30 p.m. on Wednesday, 5 January 2022
Latest date and time for the termination of the Placing Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 6 January 2022
Announcement of the number of Placing Units	Friday, 7 January 2022
Commencement of placing of Placing Units by the Placing Agents	Monday, 10 January 2022
Latest date and time for placing of Placing Units by the Placing Agents	4:00 p.m. on Tuesday, 18 January 2022
Announcement of allotment results of the Rights Issue (including results of placing of Placing Units)	Wednesday, 19 January 2022

Event	Date and Time
Latest date for despatching refund cheques (if the Rights Issue does not become unconditional)	Tuesday, 25 January 2022
Latest date for despatching certificates for fully paid Rights Issue Units and completion of placing of Placing Units to take place on or around (if the Rights Issue becomes unconditional)	Tuesday, 25 January 2022
Commencement of dealings in fully-paid Rights Issue Units including any Placing Units	9:00 a.m. on Wednesday, 26 January 2022
Drawdown under the New Bank Facility	Expected to be at Acquisition Completion
Acquisition Completion	Expected to be any date after the Rights Issue Offering Circular Despatch Date (but no later than 10 Business Days after the fulfilment and/or waiver (where applicable) of the conditions of Acquisition Completion, or such other date agreed by the relevant parties in writing)
Declaration and payment of Special Distribution	Within 30 Business Days after Acquisition Completion

Note:

- (1) Proxy forms have to be lodged not less than 48 hours before the time set for the EGM.

Further announcement(s) will be made in relation to those events which are scheduled to take place after the EGM as and when appropriate in accordance with applicable regulatory requirements.

The completion of the Acquisition is subject to and conditional upon, among others, Unitholders' approval being obtained at the EGM and YXP Shareholders' approval being obtained at the Yuexiu Property GM, and accordingly, may or may not take place. Unitholders and prospective investors of Yuexiu REIT should note that: (1) the Rights Issue has not been launched and will only proceed if the abovementioned approvals are obtained and other conditions for the Rights Issue are satisfied; and (2) the Special Distribution may or may not be paid as it is conditional upon Acquisition Completion. Accordingly, Unitholders and prospective investors should exercise caution when dealing in the Units prior to Acquisition Completion.

EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ISSUE UNITS

The Latest Time for Acceptance and payment of the Rights Issue Units will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 5 January 2022, being the date on which the Latest Time for Acceptance and payment of the Rights Issue Units falls. Instead the Latest Time for Acceptance and payment of the Rights Issue Units will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 5 January 2022, being the date on which the Latest Time for Acceptance and payment of the Rights Issue Units falls. Instead the Latest Time for Acceptance and payment of the Rights Issue Units will be rescheduled to 4:00 p.m. on the following Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment of the Rights Issue Units does not take place on Wednesday, 5 January 2022, the dates mentioned in this section may be affected. The Manager will make an announcement in such event as soon as practicable.

P. 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 document, those defined terms are not included in the table below:

2012 Circular	the circular dated 30 June 2012 issued by Yuexiu REIT to Unitholders in respect of, among other things, the acquisition of Guangzhou IFC
2020 Extended Waiver	has the meaning ascribed to this term in section L.1 headed “Continuing Connected Party Transactions — Background”
2021 Deferred Units	the deferred units to be issued by Yuexiu REIT to Yuexiu Property (or its nominee) on 31 December 2021 in accordance with the Indebtedness Agreement for settlement of the balance of the Guangzhou IFC Consideration, which is more fully described in the 2012 Circular
Accountant’s Report	the accountant’s report to be set out in Appendix 2 to the Circular in respect of the Target Group
Acquisition	the proposed acquisition by Yuexiu REIT (through the Purchaser) of the Property from the Vendor through the purchase of the Sale Shares pursuant to the Acquisition Deed

Acquisition Completion	completion of the Acquisition pursuant to the Acquisition Deed, as more particularly described in section A.2.4 headed “The Acquisition — Key terms of the Acquisition Deed — Completion of the Acquisition”
Acquisition Completion Date	the date on which Acquisition Completion takes place
Acquisition Conditions	has the meaning ascribed to this term in section A.2.3 headed “The Acquisition — Key terms of the Acquisition Deed — Conditions Precedent under the Acquisition Deed”
Acquisition Consideration	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Acquisition Deed	the deed in respect of the Acquisition dated 24 October 2021 and entered into between the Purchaser, the Vendor and Yuexiu Property
Additional EIT Withheld Amount	has the meaning ascribed to this term in section A.2.2 headed “The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account”
Adjustments	the accounting adjustments which are charged or credited to the profit and loss account for the relevant financial year of Yuexiu REIT, including: (i) the effects of unrealised property valuation gains, including reversals of impairment provisions; (ii) realised gains on the disposal of properties; (iii) fair value gains on financial instruments; (iv) deferred tax charges/credits in respect of property valuation movements; (v) other material non-cash gains; (vi) expenses paid out of the Deposited Property in connection with the issue of new Units; and (vii) any adjustments in accordance with the generally accepted accounting principles in Hong Kong which increase those recorded under generally accepted accounting principles in the PRC on which the accounts of cash available for distribution is based (including reversal of depreciation charge on investment properties)
Agreed Acquisition Amount	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Appraised Value	RMB8,030 million, being the value of the Property as at 31 August 2021 as appraised by the Independent Property Valuer
associate	has the meaning ascribed to this term in the REIT Code
Board	the board of Directors

Building Consultant	Savills Project Consultancy Limited, an independent third party
Bulletin 7	the Tax notice issued by the PRC State Administration of Taxation titled “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (State Administration of Taxation Bulletin [2015] No. 7) (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(國家稅務總局公告2015年第7號))”, as may be amended or supplemented from time to time and including any similar or replacement notice or law on the PRC tax treatment of offshore indirect transfers of property of an “establishment or place” situated in the PRC, real estates situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the Enterprise Income Tax Law of the PRC, including any applicable laws in the PRC against the avoidance of the PRC tax
Business Day	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong
BVI	British Virgin Islands
Carpark Master Lease Agreement	has the meaning ascribed to this term in section B.9.2(d) headed “The Property — Management strategy — Management of the Property — Carpark Master Lease Agreement”
Carpark Master Lessee	Guangzhou Huicheng Industry Development Company Limited* (廣州匯城實業發展有限公司), a limited liability company incorporated in the PRC. As at the date of this Announcement, the Carpark Master Lessee is an indirect wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owned the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Carpark Master Lessee is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Carpark Spaces	has the meaning ascribed to this term in section B.1 headed “The Property — Description”

CCASS	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
CCPT Matters Requiring Approval	the Connected Leasing Transactions under the Yuexiu Leasing Framework Agreement and the proposed annual caps applicable thereto for the financial years ending 31 December 2022 and 31 December 2023
CCPT Waiver Circular	has the meaning ascribed to this term in section L.1 headed “Continuing Connected Party Transactions — Background”
Circular	the circular to be despatched by the Manager to the Unitholders containing, among other things: (a) a letter from the Board to the Unitholders with further information on the matters to be considered under the Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders regarding the matters to be considered under the Matters Requiring Approval; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee regarding the Matters Requiring Approval; (d) the Accountant’s Reports of the Target Group; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer’s property valuation reports; (g) the Market Consultant’s Report; and (h) the notice of the EGM
Citizens Passage	has the meaning ascribed to this term in section B.6.2 headed “The Property — Due diligence review — Citizens Passage”
Compensatory Arrangements	the arrangement involving the placing of the Placing Units, if any, by the Placing Agents on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
Completion Statement	the combined statement of financial position and combined statement of comprehensive income of the Target Group as at the close of business on Acquisition Completion Date, which will be prepared and delivered by the Purchaser and agreed by the Vendor, the Purchaser and the Manager within two days of the Vendor’s receipt thereof and, failing such agreement, audited by PricewaterhouseCoopers or such other auditors appointed by the Vendor or the Purchaser
Connected Lease(s)	has the meaning ascribed to this term in section B.8.2 headed “The Property — Lease agreements — Connected Leases in respect of the Property”

Connected Leasing Transaction(s)	has the meaning ascribed to this term in section L.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement”
connected person	has the meaning ascribed to this term in the REIT Code
Connected PMA(s)	has the meaning ascribed to this term in section L.3.1 headed “Continuing Connected Party Transactions — Fully-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Property Management Framework Agreement”
Connected Tenant(s)	has the meaning ascribed to this term in section B.8.2 headed “The Property — Lease agreements — Connected Leases in respect of the Property”
Connected TSA(s)	has the meaning ascribed to this term in section L.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement”
Core Area of ZJNT	the central business district of Zhujiang New Town, which is more particularly demarcated in the Market Consultant Report
COVID-19	the coronavirus disease 2019
Deferred Offshore Repayment Amount	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Deferred Unit(s)	the deferred Unit(s) to be issued by Yuexiu REIT to Yuexiu Property (or its nominee) for settlement of the balance of the Guangzhou IFC Consideration, which is more fully described in the 2012 Circular
Deferred Units Adjustment Events	the events that would cause the Deferred Units Issue Price to be adjusted under the Indebtedness Agreement, namely consolidation, sub-division or reclassification of the Units and rights issues of Units or other securities (including open offers and options) at a discount greater than 10% of the Relevant Market Price
Deferred Units Arrangement Modification	the modification to the mechanism relating to the number of Deferred Units to be issued under the Indebtedness Agreement, as more particularly described in section K headed “Modification of Deferred Units Arrangement”

Deferred Units Issue Date	each of the dates on which the Deferred Units are issued, being 31 December of each year commencing from 31 December 2016 until the Deferred Units have been fully issued
Deferred Units Issue Price	being HKD4.00, subject to adjustments for Deferred Units Adjustment Events
Deferred Units Issue Price Adjustment	the adjustment to the Deferred Units Issue Price in respect of the Deferred Units to be issued following completion of the Rights Issue, as more particularly described in section K.2 headed “Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price”
Deposited Property	all the assets of Yuexiu REIT, including the Existing Properties held in Yuexiu REIT’s portfolio and, from and after Acquisition Completion, the assets of the Target Group after Acquisition Completion
Designated Uses	has the meaning ascribed to this term in section B.6.1 headed “The Property — Due diligence review — Non-conforming uses of certain premises”
Director(s)	director(s) of the Manager
DPU	distribution per Unit
DPU Yield	means DPU, on an annualised basis, divided by the market price of a Unit (either the closing price per Unit as quoted by the Stock Exchange or otherwise defined)
Dragon Yield	Dragon Yield Holding Limited, a BVI business company incorporated in the BVI and which is directly wholly-owned by Yuexiu Property and is a Substantial Unitholder of Yuexiu REIT holding approximately 35.1% of the issued Units
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice to be included in the Circular in respect of the EGM to consider and, if thought fit, approve the Matters Requiring Approval
EGM Record Date	Monday, 6 December 2021, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
EGM Resolution(s)	the resolution(s) to be passed at the EGM, to be as set out in the EGM Notice and explained in the Circular
EIT	the PRC Enterprise Income Tax

EIT Segregated Account	has the meaning ascribed to this term in section A.2.2 headed “The Acquisition — Key terms of the Acquisition Deed — EIT Segregated Account”
EIT Withheld Amount	RMB10,000,000
Enlarged Group	collectively, Yuexiu REIT and, after Acquisition Completion, the Target Group
Enlarged Portfolio	collectively, the Existing Properties and, after Acquisition Completion, the Property
Executive	the Executive Director of the Corporate Finance Division of the SFC or any of his/her delegate(s)
Existing Property(ies)	the property(ies) currently held by Yuexiu REIT as at the date of this Announcement as described in the annual report of Yuexiu REIT for the year ended 31 December 2020 published on 26 April 2021
Financing Structure	has the meaning as set out under section D.1 headed “Financing of the Acquisition — Financing Structure”
GBA	Greater Bay Area, which comprises Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province in the PRC
GBA Development Plan	has the meaning as set out under section I.6 headed “Reasons for and Benefits of the Acquisition — Capture Greater Bay Area and Guangzhou’s robust economic fundamentals and growing commercial property market”
GCCDL	Guangzhou City Construction & Development Co. Ltd.* (廣州市城市建設開發有限公司), a company incorporated in the PRC, which is the original developer of the Property
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 gross 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)
General Partner	Guangzhou Junsheng Economic Information Consultancy Company Limited* (廣州駿盛經濟信息諮詢有限公司), a company incorporated in the PRC wholly-owned by the Limited Partner
Grade A	has the meaning ascribed to this term in Appendix 6 headed “Market Consultant Report in respect of the Property Market” to the Circular

Guangzhou IFC	means Guangzhou International Finance Center (廣州國際金融中心), located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong Province, PRC
Guangzhou IFC Consideration	the consideration payable to Yuexiu Property in relation to Yuexiu REIT's acquisition of Guangzhou IFC
GZYX	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), a company established in the PRC with limited liability, which is majority owned by the Guangzhou Municipal People's Government of the PRC. GZYX, being the holding company of Yue Xiu and the ultimate holding company of Yuexiu Property and indirectly owns as to 39.8% of the issued shares of the latter, is also the holding company (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Hangzhou Property	means 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
HIBOR	the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
HKD or Hong Kong dollar(s)	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Indebtedness Agreement	the indebtedness agreement dated 28 May 2012 between Yuexiu Property (as assignor), the Trustee (as assignee, on behalf of Yuexiu REIT and acting on the instructions of the Manager) and the Manager (as amended and supplemented by the Supplemental Indebtedness Agreement)
Independent Board Committee	the independent committee established by the Board to advise the Independent Unitholders on the Matters Requiring Approval, comprising Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou, being all of the INEDs
Independent Financial Adviser	Somerley Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval

Independent Property Valuer	Colliers International (Hong Kong) Limited, being the principal valuer of Yuexiu REIT
Independent Unitholder(s)	(i) for the purpose of the Matters Requiring Approval (other than the Whitewash Waiver), Unitholder(s) other than those who have a material interest in the relevant resolutions that is different from that of all other Unitholders, within the meaning of paragraphs 8.7F and 9.9(f) of the REIT Code, and who are entitled to vote at the EGM; and (ii) for the purpose of the Whitewash Waiver and the Transaction Matters Requiring Approval, Unitholder(s) other than any Unitholder who is interested or involved in the Whitewash Waiver, the Acquisition, the Placing Agreement and/or the Underwriting Agreement and the transactions contemplated thereunder
INED(s)	independent non-executive Director(s)
Initial Payment	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Intercompany Payables	collectively, the Offshore Payables and the Onshore Payables
Intermediary Entities	collectively, the Limited Partner, the General Partner, the Limited Liability Partnership and, before the completion of the Reverse Merger, the PRC Intermediary Companies
Irrevocable Undertaking(s)	has the meaning ascribed to this term in section D.2.13 headed “Financing of the Acquisition — Rights Issue — Irrevocable Undertakings by Yue Xiu and Yuexiu Property”
Last Trading Day	Friday, 22 October 2021, being the last Trading Day of the Units on the Stock Exchange before the publication of this Announcement
Latest Placing Date	Tuesday, 18 January 2022 or such later date as the Manager and the Placing Agents may agree in writing, being the latest date for the Placing Agents to place the Placing Units pursuant to the Placing Agreement
Latest Time for Acceptance	4:30 p.m. on Wednesday, 5 January 2022 (or such other time or date as may be determined by the Manager), being the latest time for acceptance of the offer of and payment for, the Rights Issue Units

Latest Time for Termination	4:00 p.m. on Thursday, 6 January 2022 (or such other time or date as may be agreed between the Manager and the Placing Agents), being the latest time for the Placing Agreement to be terminated and the Rights Issue to become unconditional
Limited Liability Partnership	Guangzhou Huisheng Industrial Investment Enterprise Partnership (Limited Partnership)* (廣州滙盛實業投資合夥企業 (有限合夥)), a limited liability partnership established under PRC law pursuant to the limited liability partnership agreement dated 1 July 2021 entered into between the General Partner and the Limited Partner
Limited Partner	Legend Smart (China) Limited (駿邦(中國)有限公司), a company incorporated in Hong Kong indirectly wholly-owned by Yuexiu Property as at the date of this Announcement
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange (modified as appropriate pursuant to the REIT Code)
Long Stop Date	30 June 2022, or such other date as agreed by the Purchaser and the Vendor in writing
Manager	Yuexiu REIT Asset Management Limited, in its capacity as the manager of Yuexiu REIT, a company incorporated under the laws of Hong Kong
Manager Fee Unit(s)	the Unit(s) issued to the Manager in satisfaction of all or part of the Manager's fees from time to time
Market Consultant	Cushman & Wakefield Limited, an independent third party
Market Consultant Report	the report prepared by the Market Consultant to be set out in Appendix 6 to the Circular
Market Price	as defined under the Trust Deed, which applied to the present case is the higher of: (a) the closing price of the Units on the Stock Exchange on the date of the Underwriting Agreement (being 24 October 2021); and (b) the average closing price of the Units in the ten Trading Days of the Stock Exchange immediately prior to the earlier of: (i) the date of this Announcement; (ii) the date of the Underwriting Agreement; and (iii) the date on which the Rights Issue Subscription Price is fixed, all being 24 October 2021
Matters Requiring Approval	collectively, Transaction Matters Requiring Approval and CCPT Matters Requiring Approval

Maximum Untaken Rights Issue Units	the maximum number of Untaken Rights Issue Units, being 730,822,457 Rights Issue Units, which represents the total number of Rights Issue Units minus the sum of the Yuexiu Property Entitlement Units and the Yue Xiu Entitlement Units, and assuming no change of number of Units on or before the Rights Issue Record Date
Naming Rights	has the meaning ascribed to this term in section B.9.2(e) headed “The Property — Management strategy — Management of the Property — Naming Rights Agreement”
Naming Rights Agreement	has the meaning ascribed to this term in section B.9.2(e) headed “The Property — Management strategy — Management of the Property — Naming Rights Agreement”
Net Gain	has the meaning ascribed to this term in section D.2.14 headed “Financing of the Acquisition — Rights Issue — Procedures in respect of the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units, unsold fractions of the Rights Issue Units and the Compensatory Arrangements”
New Bank Facility	has the meaning ascribed to this term in section D.4 headed “Financing of the Acquisition — New Bank Facility”
No-Action Unitholder(s)	Rights Issue Qualifying Unitholder(s) who do not subscribe for the Rights Issue Units (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Rights Issue Non-Qualifying Unitholders (as the case may be)
Non-conforming Use(s)	has the meaning ascribed to this term in section B.6.1 headed “The Property — Due diligence review — Non-conforming uses of certain premises”
NQU Unsold Rights Issue Unit(s)	the Rights Issue Unit(s) which would otherwise has/have been provisionally allotted to the Rights Issue Non-Qualifying Unitholder(s) in nil-paid form that has/have not been sold by Yuexiu REIT
Offshore Payables	the amount owing from the Limited Partner to Yuexiu Property, which is expected to be approximately RMB7,000,000,000 immediately prior to Acquisition Completion
Offshore Repayment Amount	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
One-Off Fees and Charges	has the meaning ascribed to this term in section E.1 headed “Fees and Charges in Relation to the Acquisition — Fees and charges payable in relation to the Acquisition”

Onshore Payables	the amount owing from the General Partner to Guangzhou Hongcheng Development Co., Ltd. (廣州宏城發展有限公司) being a subsidiary of Yuexiu Property, which is expected to be approximately RMB800,000,000 immediately prior to Acquisition Completion
Onshore Repayment Amount	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Ordinary Resolution	a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
Overseas Unitholder(s)	Unitholder(s) with registered address(es) (as shown on the register of Unitholders on the Rights Issue Record Date) which is/are outside Hong Kong
PAL(s)	the provisional allotment letter(s) for the Rights Issue
Placee(s)	any individual, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be a party acting in concert with the Yuexiu Concert Group or any of its members, and shall be Placing Independent Third Party(ies), procured by the Placing Agents and/ or its sub-placing agent(s) to subscribe for any of the Placing Units pursuant to the Placing Agreement
Placing	has the meaning ascribed to this term in section D.2.16 headed “Financing of the Acquisition — Rights Issue — The Placing Agreement”
Placing Agents	DBS Asia Capital Limited, BOCI Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited, each being a placing agent appointed by the Manager to place any Placing Unit under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
Placing Agreement	the placing agreement dated 24 October 2021 entered into between the Manager and the Placing Agents in relation to placing of the Placing Units

Placing Independent Third Party	any person or company and their respective ultimate beneficial owner(s) who, as far as the Directors are aware after having made all reasonable enquiries, are not connected persons of Yuexiu REIT and are third parties independent of Yuexiu REIT and its connected persons within the meaning of the REIT Code and the Listing Rules (modified as appropriate pursuant to the REIT Code)
Placing Unit(s)	the Unsubscribed Rights Issue Units, the NQU Unsold Rights Issue Units and/or unsold fractions of the Rights Issue Units
PRC or China	the People's Republic of China but excluding, for the purposes of this Announcement, Hong Kong, Taiwan and the Macao Special Administrative Region
PRC Government	the Central People's Government of the PRC
PRC Intermediary Companies	Guangzhou Lingsheng Economic Information Consultancy Company Limited* (廣州領盛經濟信息諮詢有限公司), Guangzhou Chuangsheng Economic Information Consultancy Company Limited* (廣州創盛經濟信息諮詢有限公司) Guangzhou Hongsheng Economic Information Consultancy Company Limited* (廣州弘盛經濟信息諮詢有限公司), and Guangzhou Kaisheng Economic Information Consultancy Company Limited* (廣州凱盛經濟信息諮詢有限公司), being companies incorporated in the PRC each of which is the direct owner of a Project Company respectively as at the date of this Announcement
PRC Legal Advisers	King & Wood Mallesons
Pro Forma Completion Statement	the pro forma statement of financial position of the Target Group as at the close of business on the Acquisition Completion Date, to be delivered by the Vendor at least four Business Days prior to the Acquisition Completion Date
Project Companies	collectively, Guangzhou Jiayao Real Estate Co., Ltd.* (廣州佳耀置業有限公司), Guangzhou Jinyao Real Estate Co., Ltd.* (廣州晉耀置業有限公司), Guangzhou Jingyao Real Estate Co., Ltd.* (廣州景耀置業有限公司) and Guangzhou Yuyao Real Estate Co., Ltd.* (廣州譽耀置業有限公司), being companies incorporated in the PRC and the direct owners of the Property
Property	the property subject of the Acquisition, particulars of which have been provided in section B.3 headed "The Property — Key information"
Property Companies	means the special purpose vehicles each of which is a subsidiary of Yuexiu REIT and a direct owner of an Existing Property

Property Management Agreement	has the meaning ascribed to this term in section B.9.2(b) headed “The Property — Management strategy — Management of the Property — Property Management Agreement”
Property Manager	Guangzhou Yuexiu Construction & Development JLL Property Management Services Co., Ltd.* (廣州越秀城建仲量聯行物業服務有限公司), a limited liability company incorporated in the PRC. As at the date of this Announcement, the Property Manager is indirectly owned as to 80.0% by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owned the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Property Manager is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Property Tenancy Services Company	Guangzhou Yuexiu Yicheng Business Operation Management Company Limited* (廣州越秀怡城商業運營管理有限公司), a limited liability company incorporated in the PRC. As at the date of this Announcement, the Property Tenancy Services Company is indirectly wholly-owned by Yuexiu Services, which in turn is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), the Property Tenancy Services Company is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Purchaser	Yuexiu REIT 2018 Company Limited, a BVI business company incorporated in the BVI and a SPV wholly-owned by Yuexiu REIT
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 set out in section A.2.6 headed “The Acquisition — Key terms of the Acquisition Deed — Representations, warranties and indemnities in the Acquisition Deed”
Relevant Market Price	has the meaning as set out in section K.2 headed “Modification of Deferred Units Arrangement — Adjustments to Deferred Units Issue Price”

Repayment Amounts	the aggregate amounts outstanding as at the Acquisition Completion Date under the Offshore Payables owing from the Limited Partner to Yuexiu Property and the Onshore Payables owing from the General Partner to Guangzhou Grandcity Development Ltd.* (廣州宏城發展有限公司), which are expected to be approximately RMB7,800,000,000 in total immediately prior to Acquisition Completion
Reverse Merger	has the meaning ascribed to this term in section C.3 headed “Holding Structure of the Property and Reverse Merger — Reverse Merger”
Revised Annual Cap(s)	the proposed revised annual cap amount(s) for the two years ending 31 December 2022 and 2023 respectively, as set out in section L.2.1 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Leasing Framework Agreement” (in respect of the Connected Leasing Transactions), and section L.2.2 headed “Continuing Connected Party Transactions — Non-exempt Continuing Connected Party Transactions with Yuexiu Connected Persons Group — Yuexiu Tenancy Services Framework Agreement” (in respect of the Connected TSAs)
Rights Issue	the proposed issue of the Rights Issue Units by Yuexiu REIT on the basis of thirty seven (37) Rights Issue Units for every one hundred (100) existing Units held on the Rights Issue Record Date and subject to the conditions set out in section D.2.15 headed “Financing of the Acquisition — Rights Issue — Conditions of the Rights Issue”
Rights Issue Completion	the completion of the Rights Issue, which is currently expected to take place on or about Thursday, 27 January 2022
Rights Issue Non-Qualifying Unitholder(s)	the Overseas Unitholder(s) whom the Board, based on legal opinions provided by the Manager’s legal advisers, consider it necessary and expedient not to offer the Rights Issue to such Unitholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
Rights Issue Offering Circular	the offering circular to be despatched to the Unitholders in connection with the Rights Issue
Rights Issue Offering Circular Despatch Date	Friday, 17 December 2021 (or such other date as may be determined by the Manager), being the date of despatch of the Rights Issue Offering Documents to the Rights Issue Qualifying Unitholders (or the Rights Issue Offering Circular to the Rights Issue Non-Qualifying Unitholders for information only, as the case may be)

Rights Issue Offering Documents	collectively, the Rights Issue Offering Circular and the PAL
Rights Issue Qualifying Unitholder(s)	the Unitholder(s) whose names appear on the register of unitholders of Yuexiu REIT and any person holding Units through CCASS at 5:00 p.m. on the Rights Issue Record Date, other than the Rights Issue Non-Qualifying Unitholders
Rights Issue Record Date	Thursday, 16 December 2021 (or such other date as may be determined by the Manager), being the date by reference to which entitlements of Unitholders to participate in the Rights Issue will be determined
Rights Issue Subscription Price	HKD3.20 per Rights Issue Unit under the Rights Issue
Rights Issue Unit(s)	the new Unit(s) to be allotted and issued by Yuexiu REIT under the Rights Issue
RMB	Renminbi, the official currency of the PRC
Sale Shares	all of the issued shares of the Target Company, representing the entire equity interest in the Target Company
Second Supplemental Indebtedness Agreement	the agreement dated 24 October 2021 entered into amongst Yuexiu Property (as assignor), the Trustee and the Manager in respect of the Deferred Units Arrangement Modification which is conditional upon, among other things, the passing of the Ordinary Resolution approving the same
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shanghai Yue Xiu Tower	means “Yuexiu Tower” (越秀大廈), located at No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, PRC
Share Consideration	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Special Distribution	the conditional distribution described in section J headed “Intended Declaration of Special Distribution”
Special Distribution Record Date	Monday, 6 December 2021, being the date by reference to which eligibility of the Unitholders to qualify for entitlement to the Special Distribution will be determined

Special Resolution	a resolution of Unitholders passed by 75% or more of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
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 meter
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Unitholder	has the same meaning as “substantial holder” as defined under the REIT Code
Supplemental Indebtedness Agreement	the supplemental agreement dated 27 June 2012 between the Trustee (as assignee), the Manager and Yuexiu Property for the purpose of (among other things) amending the Deferred Units Issue Price
Takeovers Code	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as amended from time to time)
Target Company	Gain Force Investments Ltd., a BVI business company incorporated in the BVI which is the indirect owner of the Project Companies, which in turn directly own the Property
Target Group	collectively, the Target Company, the Intermediary Entities and the Project Companies
Target Group Adjusted NAV	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
Tax Advisers	PricewaterhouseCoopers Limited, an independent third party
Tenancy Services Agreement	has the meaning ascribed to this term in section B.9.2(c) headed “The Property — Management strategy — Management of the Property — Tenancy Services Agreement”
Trading Day	a day on which, in the usual course, the Stock Exchange is open for the conduct of trading of securities

Transaction Matters Requiring Approval	the matters which require the approval of Unitholders at the EGM being: (a) the Acquisition and the transactions contemplated under the Acquisition Deed; (b) the entry into of the Underwriting Agreement and the transactions contemplated thereunder; (c) the entry into of the Placing Agreement and the transactions contemplated thereunder; (d) the Deferred Units Arrangement Modification and the entry into of the Second Supplemental Indebtedness Agreement and the transactions contemplated thereunder; and (e) the Whitewash Waiver, as more fully described in the Circular
True-up Payment	has the meaning ascribed to this term in section A.2.1 headed “The Acquisition — Key terms of the Acquisition Deed — Consideration and Payment Terms for the Acquisition”
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
Trustee’s Acquisition Additional Fees	has the meaning ascribed to this term in section E.1 headed “Fees and Charges in Relation to the Acquisition — Fees and charges payable in relation to the Acquisition”
Underwriter	Yue Xiu
Underwriting Agreement	the underwriting agreement dated 24 October 2021 entered into between the Manager and the Underwriter in relation to the Rights Issue
Unit	one undivided unit in Yuexiu REIT
Unitholder	any person registered as holding a Unit on the register of Unitholders
Unit Registrar	Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
Unsubscribed Rights Issue Units	those Rights Issue Units that are not subscribed by the Rights Issue Qualifying Unitholders or renouncee(s) or transferee(s) of nil-paid rights whether or not under the PAL(s) during the Right Issue
Untaken Rights Issue Unit(s)	the Placing Units not placed by the Placing Agents under the Compensatory Arrangements
USD or US dollar(s)	United States dollar(s), the lawful currency of the United States of America

US Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
Valuation Report	the valuation report in respect of the Property prepared by the Independent Property Valuer, which is set out in the Appendix to this Announcement
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 in the BVI and a direct wholly-owned subsidiary of Yuexiu Property, and as at the date of this Announcement, the direct owner of the Target Group, which in turn indirectly owns the Property
White Horse Building Units	nine strata units in White Horse Building located at Nos.14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC and represented by Title Certificate numbers 01400018848, 01400018851, 01400018853, 01400018855, 01400018856, 01400018858, 01400018860, 01400018862 and 01400018864
Whitewash Waiver	the whitewash waiver by the Executive under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Yue Xiu and Yuexiu Property to make a general offer for all issued Units and other securities of Yuexiu REIT (if any) not already owned or agreed to be acquired by Yue Xiu and parties acting in concert with it as a result of the taking up and subscription of the Untaken Rights Issue Units pursuant to the Underwriting Agreement
Wuhan Property	the real property 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 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) 1,134 carpark spaces designated as spaces supporting (a) and (b); and (d) 375 carpark spaces designated as spaces supporting the residential development known as “Starry Winking”, and which is located in Hankou Riverside Business District in Wuhan, Hebei Province, PRC
Yue Xiu	Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability. As at the date of this Announcement, Yue Xiu is the indirect holding company of Yuexiu Property through its 39.8% interest in Yuexiu Property, which in turn indirectly wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, Yue Xiu is an associate of both entities and therefore a connected person of Yuexiu REIT

Yue Xiu Entitlement Units	26,366,784 Rights Issue Units to be provisionally allotted to Yue Xiu in respect of the Units held by it pursuant to the Rights Issue
Yue Xiu Securities	Yue Xiu Securities Company Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes placing and underwriting of securities. As at the date of this Announcement, Yue Xiu Securities is an indirect wholly-owned subsidiary of Yue Xiu. As Yue Xiu is also the indirect holding company of the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), Yue Xiu Securities is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Yuexiu Concert Group	Yue Xiu and parties acting in concert with it under the Takeovers Code, including (but not limited to) Yuexiu Property (which, for the avoidance of doubt, excludes the Yuexiu REIT Group)
Yuexiu Connected Persons Group	GZYG and its subsidiaries and associates (which, for the avoidance of doubt, excludes the Yuexiu REIT Group), all of which are associates of the Manager and/or Substantial Unitholder of Yuexiu REIT (being Dragon Yield) and hence connected persons of Yuexiu REIT
Yuexiu Connected Tenants	tenants and licensees of the Connected Leasing Transactions (including the Connected Tenants after Acquisition Completion)
Yuexiu Continuing CPTs	collectively, Connected Leasing Transactions, Connected TSAs and Connected PMAs
Yuexiu Framework Agreements	collectively, the Yuexiu Leasing Framework Agreement, the Yuexiu Tenancy Services Framework Agreement and the Yuexiu Property Management Framework Agreement
Yuexiu Leasing Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and GZYG setting out the terms and conditions and pricing policy governing the Connected Leasing Transactions which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023

Yuexiu Property	Yuexiu Property Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 123). Yuexiu Property, which wholly-owns the Manager and a Substantial Unitholder of Yuexiu REIT (being Dragon Yield), is an associate of the Manager and Dragon Yield and hence a connected person of Yuexiu REIT
Yuexiu Property Entitlement Units	477,213,797 Rights Issue Units to be provisionally allotted to Yuexiu Property in respect of the Units held by it pursuant to the Rights Issue
Yuexiu Property GM	the general meeting of the YXP Shareholders to be convened to consider, and, if thought fit, to pass the relevant resolutions in relation to the Acquisition
Yuexiu Property Management Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and GZYX setting out the terms and conditions and pricing policy governing the Connected PMAs which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023
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
Yuexiu REIT Group	means Yuexiu REIT and its subsidiaries
Yuexiu Services	Yuexiu Services Group Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (Stock Code: 6626). As at the date of this Announcement, Yuexiu Services is an indirect non-wholly-owned subsidiary of Yuexiu Property. As Yuexiu Property also indirectly wholly-owns the Manager and a Substantial Unitholder (being Dragon Yield), Yuexiu Services is a fellow subsidiary (and hence an associate) of the Manager and Dragon Yield and therefore a connected person of Yuexiu REIT
Yuexiu Tenancy Services Framework Agreement	the framework agreement dated 24 October 2021 entered into by the Manager (on behalf of the Yuexiu REIT Group) and Yuexiu Property setting out the terms and conditions and pricing policy governing the Connected TSAs which are either in place or to be entered into or renewed from time to time for the period from 1 January 2022 to 31 December 2023

YXP Independent Shareholder	a YXP Shareholder other than (i) any YXP Shareholder who has a material interest in the Acquisition and/or the Deferred Units Arrangement Modification other than its interest as a YXP Shareholder; and (ii) any close associate of such YXP Shareholder referred to in (i)
YXP Nominee	a wholly-owned subsidiary of Yuexiu Property designated by Yuexiu Property for the purpose of holding, among other things, Deferred Units in accordance with the Indebtedness Agreement
YXP Shareholder	any person registered as holding an ordinary share on the register of members of Yuexiu Property
ZJNT	Guangzhou Zhujiang New Town (廣州珠江新城), which will be more particularly demarcated in the Market Consultant Report
%	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, 24 October 2021

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

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

Non-executive Directors: Mr. LI Feng and Mr. ZENG Zhizhao

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than the information relating to Yue Xiu) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Announcement have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statements in this Announcement misleading.

The directors of Yue Xiu, Mr Zhang Zhaoxing, Mr Ye Shanhu, Mr Wu Shanghui, Ms Chen Shu, Mr Tan Yue, Mr Chen Ping, Mr Liang Yuxing, Mr Zeng Yun and Mr Qian Siting jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than the information relating to Yuexiu REIT) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Announcement have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statements in this Announcement misleading.

For illustrative purposes only, RMB is converted into HKD at an exchange rate of HKD1 = RMB0.8321 in this Announcement.

** for identification purposes only*

The following is the text of a letter and valuation report received from Colliers International (Hong Kong) Limited, the Independent Property Valuer, in connection with the valuation of the Property, in each case as at 31 August 2021 and for the purpose of inclusion in this Announcement.



Yuexiu REIT Asset Management Limited
as the “Manager” of “Yuexiu Real Estate Investment Trust”

17B, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hong Kong

HSBC Institutional Trust Services (Asia) Limited
as the “Trustee” of “Yuexiu Real Estate Investment Trust”

17th Floor, Towers 2& 3, HSBC Centre,
No. 1 Sham Mong Road,
Kowloon, Hong Kong

24 October 2021

Dear Sir or Madam,

Valuation of Yuexiu Financial Tower, No. 28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (the “Property”)

INSTRUCTIONS

We refer to the instructions received from the Manager and the Trustee of “Yuexiu Real Estate Investment Trust” (“Yuexiu REIT”) (the “Client”) for us to assess the market value of Yuexiu Financial Tower, No.28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquires and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 31 August 2021 (the “Valuation Date”), for Acquisition Purposes.

BASIS OF VALUATIONS

Our valuation is provided on the basis of Market Value, which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Colliers International (Hong Kong) Limited
Valuation & Advisory Services
Company Licence No.: C-006052

Suite 5701, Central Plaza,
No. 18 Harbour Road,
Wanchai, Hong Kong

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colliers.com

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION STANDARDS

The valuation has been carried out in accordance with the latest edition of Royal Institution of Chartered Surveyors (the “RICS”) Valuation - Global Standards, the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“HKIS”), incorporating the International Valuation Standards of the International Valuation Standards Council (“IVSC”). We have also complied with the requirements set out in Chapter 6 of the Code on Real Estate Investment Trusts (the “REIT Code”), Chapter 5, Practice Note 12 of the Listing Rules and Rule 11 of the Code on Takeovers and Mergers.

QUALIFICATIONS OF THE VALUER

The valuation has been prepared by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301) and Ms. Dorothy Chow (RICS Registration No.:852464).

Ms. Flora He is a Fellow of the Royal Institution of Chartered Surveyors. Flora is the Executive Director and Head of China Valuation and Advisory services team at Colliers International. She is suitably qualified to carry out the valuation and has over 18 years’ experience in the valuation of property of this magnitude and nature in China.

Ms. Dorothy Chow, Executive Director of the Valuation and Advisory Services, Asia at Colliers International is an experienced competent valuer and has over 24 years’ experience in undertaking valuation of this type in Hong Kong and China. She is a Member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap.417) in the Hong Kong Special Administrative Region.

We confirm that neither the valuers nor Colliers International are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the value of the Property interest.

VALUATION APPROACHES

In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and / or offerings of comparable property. In the course of our valuation, we have principally adopted the Income Capitalisation Method and cross-checked by the Market Approach.

Income Capitalisation Method estimates the value of property or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income

from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses.

Market Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Client and its legal advisor in respect of the titles of the Property interest in the PRC. We also have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as ownership title, site and floor areas, statutory notices, easements, tenure, joint venture agreements, the identification of the property interests and all other relevant matters.

We have also been advised by the Client that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Client which is material to the valuation.

TITLE DOCUMENTS

We have been provided with copies or extracts of all title documents relating to the property interests and have made relevant enquires where possible. Due to the nature of the land registration system in the PRC, however, we have not examined the original documents to verify the existing titles to the property interests in the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have relied on the advice given by the Manager and its legal adviser on the laws of the PRC, "King & Wood Mallesons Law Firm" (hereinafter referred to as the "PRC Legal Adviser") regarding title to and ownership of the Property. For the purpose of our valuation, we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title, ownership, encumbrances and so on of the Property.

All title documents disclosed in this letter, the summary of values and the summary reports are for reference only. No responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter, the summary of values and the valuation summary reports.

ASSUMPTIONS AND CAVEATS

Our valuation has been made on the assumption that the owners can sell the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. It is advised by the PRC Legal Adviser that Yuexiu Financial Tower Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing leases and consent of mortgagees (if any), and applicable local laws and regulations.

We have conducted the valuation assuming:

- the information about the Property provided are true and correct;
- the Property are free from contamination and the ground conditions are satisfactory;
- The tenanted property will continue to be occupied and maintained in good order.
- Where applicable no structural survey or testing of the services within or connected to the Property has been carried out. As appropriate we have assumed the Property are structurally sound, maintained in a condition fit for purpose, with all provided services in working order.
- We have valued the portfolio assuming no reduction in value to reflect any possible diminution in value resulting from a placing of the portfolio on the market together as one at the same time for sale.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value.

Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation — Global Standards. Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Property under frequent review.

This valuation report is also subject to our standard Caveats and Assumptions attached at the appendix.

SITE MEASUREMENT

We have not carried out on-site measurements to verify the correctness of the site areas in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are true and correct in all respects. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property upon the instruction received. No structural surveys or environmental assessments have been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the Property are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

Please be advised we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Site inspection of the Property was carried out by Ms. Zhirong He (Flora He) (RICS Registration No.:1259301) and Ms. Zijuan Xu (Cheryl Xu) (CIREA Registration No.:4420150019) on 30 July 2021.

MARKET COMMENTARY

GUANGZHOU

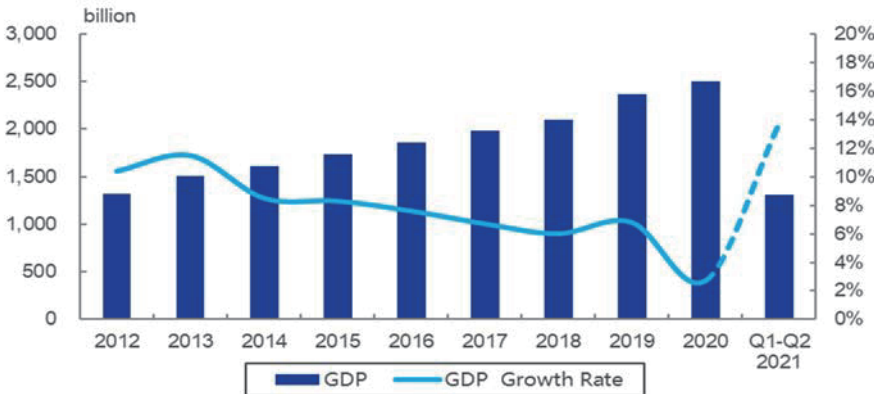
Overview

Guangzhou is the capital of Guangdong Province, acting as the political, economic, scientific, technological, educational, and cultural centre. It is also the important central city, an international trade centre and a comprehensive transportation hub in China. By 2020, Guangzhou has a total area of 7,434.4 square kilometres and a total permanent population of about 18.7 million.

As of end of Q2 2021, Guangzhou recorded GDP of RMB1,310.2 billion, with a year-on-year (YOY) increase of 13.7% and an average YOY growth rate of 5.2% for two consecutive years. The secondary industry contributed to RMB342.1 billion with 16.3% YOY growth. The added value of the tertiary industry was RMB955.8 billion, with a YOY increase of 12.8% and an average YOY increase of 5.8% over the two years.

The service industry also rebounded stably. In the first five months of 2021, the operating income of the service industry above designated size had a YOY growth rate of 31.8%. The recovery of commodity sales had accelerated. In the first half of 2021, the city’s total retail sales of consumer goods were RMB503.4 billion, achieving a YOY increase of 19.0%, and an increase of 3.3% for two consecutive years. The city’s fixed asset investment grew by 26.5% YOY and an average growth rate of 13.3% over the two years.

GDP and GDP Growth Rate of Guangzhou, 2012 — Q2 2021

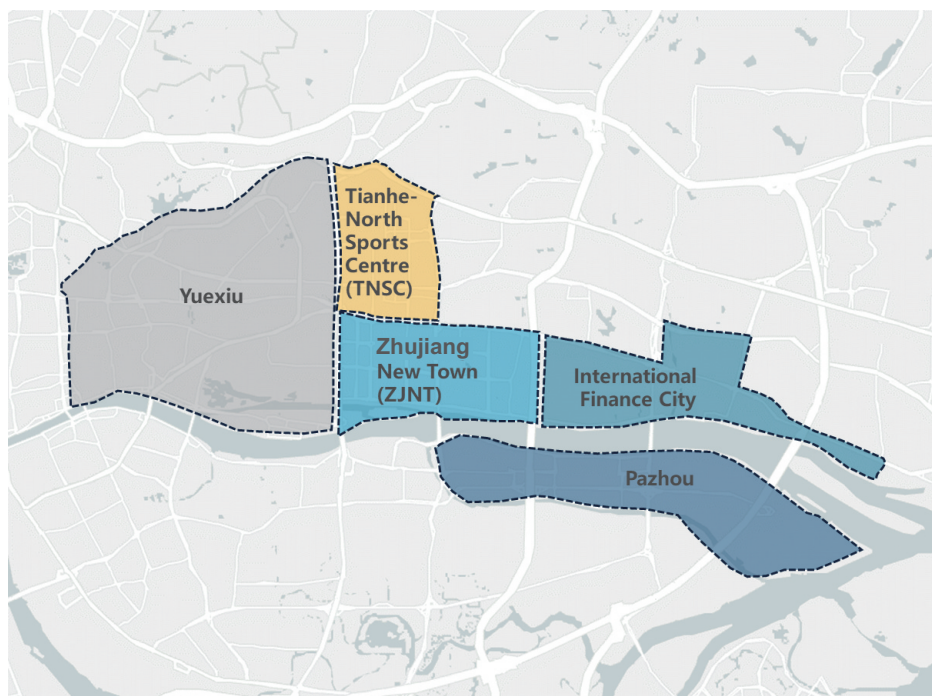


Source: Guangzhou Statistics Bureau

Guangzhou Office Property Market

Grade A offices in Guangzhou are mainly clustered in five areas: Tianhe North — Sports Centre (TNSC), Zhu Jiang New Town (ZJNT), Yuexiu, International Finance City, and Pazhou. Tianhe North — Sports Centre is the traditional CBD and second largest business area in terms of office space, hosting many state-owned enterprises, governmental agencies and institutes. ZJNT is the current CBD of Guangzhou, hosting 13 MNC China headquarters, 140 Fortune 500 enterprises, among many other domestic private business entities. Yuexiu submarket is the traditional business trade centre with companies mainly in cultural, educational, domestic & international trade, and tourism industries. Pazhou and International Finance City are the two emerging markets. Pazhou is positioned as the regional headquarter base, aiming to attract domestic and international companies to allocate their regional headquarters in the area. International Finance City is a newly planned financial CBD specialised in building comprehensive financial industry chain in Guangzhou.

Map of Guangzhou Office Submarkets



Source: Colliers

In Q2 2021, about 73,000 square metres (sq m) supply entered the market brought by the new supply of Siyou Vanke Centre (寺右萬科中心). At the same time, the absorption reached about 110,000 sq m, resulted in the decrease of vacancy rate to 7.2%.

There was no new supply in Tianhe-North Sports Centre and Yuexiu Submarket in Q2 2021. The vacancy rate of Tianhe-North Sports Centre and Yuexiu Submarket dropped down slightly to 9.7% and 7.9% respectively. While the rental remained stable at RMB164.0 per sq m per month and RMB128.9 per sq m per month respectively.

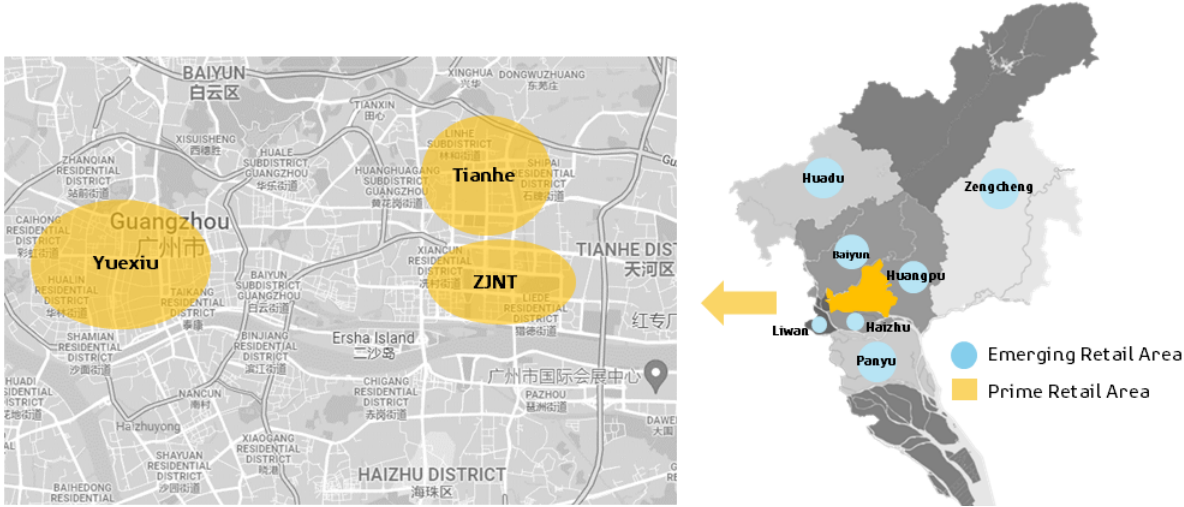
As an emerging submarket, Pazhou has relatively low rents. As with no new supply entering the market in Q2 2021, the vacancy rate decreased a little to 7.0% and the rent kept around RMB146.5 per sq m per month. Due to the new supply in ZJNT, its vacancy rate increased to 6.7% but still was the submarket with the lowest vacancy rate in Guangzhou. The rent of ZJNT remained stable at approximately RMB 182.0 per sq m per month.

Looking forward, the accumulative future supply to enter Guangzhou Grade A office market between 2021 and 2025 might reach 1.8 million sq m, approximately 61% of which would be concentrated in Pazhou. ZJNT is also expected to receive about 300,000 sq m future supply. Meanwhile, the overall leasing demand of Guangzhou Grade A office market shall also remain active in the near future. As Guangzhou government has been promoting the development of Guangzhou toward digital industrialization, it is expected that the enterprises in digital industries shall experience strong growing momentum over the next few years. With the firm demand, it is expected that the rental level of Guangzhou Grade A office market shall increase steadily.

Guangzhou Retail Property Market

Guangzhou retail market has evolved from large department stores to multi-purpose, modern service shopping centres today, forming three prime retail catchments: Tianhe, ZJNT, and Yuexiu. Benefiting from the sophisticated commercial environment and established infrastructure, Tianhe owns the highest rental price in the city. The tenants in the area are some of the most sought-after in the world, which include but not limited to high-end fashion and accessories, luxury jewellery, premier restaurants, niche and boutique stores, as well as some other fashionable F&B chains. ZJNT has the top-notch business atmosphere and serves mainly the retail customer base of mid to high end white-collar work force within the catchment. Yuexiu retail catchment has been a traditional point of interest with central location and convenient accessibility. However, due to the aged facilities and dated management styles, Yuexiu retail operators are facing the difficulties to attract and retain leading tenants. Apart from the three prime retail catchments, the development of emerging retail areas starts to speed up. Currently, there are seven emerging retail areas: Haizhu, Li'wan, Baiyun, Panyu, Huangpu, Zengcheng, and Huadu.

Map of Guangzhou Major Retail Submarkets



Source: Colliers

By end August 2021, the total prime retail stock in Guangzhou topped 6.8 million sq m, including 579,000 sq m new supply of 6 projects entering the market, most in the emerging areas. Tianhe and Yuexiu remain to be the two biggest markets. Tianhe particularly, is the only submarket with more than one million retail space. Emerging areas are experiencing rapid development, the market share of which accounted for approximately 60% of total retail stock.

Retail New Supply in Guangzhou, 2021

Project	Area	GFA (sq m)	Opening Date
Huatong Square (華通廣場)	Baiyun	60,000	Aug 2021
Tongbanhui Commercial Square (童伴薈商業廣場)	Zengcheng	60,000	July 2021
M.LIVE Phase II (美林M.LIVE天地(二期))	Tianhe	120,000	July 2021
Huadu Yale City (花都雅樂城)	Huadu	69,000	May 2021
AEON Mall (廣州新塘永旺夢樂城)	Zengcheng	230,000	May 2021
Jadingmao Square (拉丁茂廣場)	Huadu	40,000	May 2021

Source: Colliers

In Q2 2021, the leasing market remained active from April to May. In the following June, due to the small-scale outbreak of the local epidemic, the leasing market was slightly affected, and property investigation, brand engagement and other activities were delayed. From the overall perspective, most of retailers have confidence in the long-term business environment and market development prospects, meanwhile continue to look for suitable opportunities to set up new stores. The main transactions in this quarter include that ACQUA PARMA opened a new store in Tianhuan square, Shallow Pot (淺鍋) also opened its first store in Guangzhou in the same shopping centre, and Tie For Her opened a new store in Wanlinghui (萬菱匯). As of the end of Q2 2021, the average vacancy rate of the Guangzhou retail property market increased 0.3 percentage points QOQ to 13.0%, whereas the city's average ground floor rent was recorded at RMB694.8 psm per month.

Looking ahead, it is expected that a total of 7 new shopping malls with aggregate GFA of 525,000 sq m will be scheduled for completion in the rest of 2021. Considering the surge of new supply and the vicinity of the pipeline projects, competition among these new shopping centres might further intensify, driving the vacancy rate to increase and the rental level to drop in the short term. The retail ambience in the emerging area such as Panyu, Huangpu and Zengcheng is expected to improve with the openings of new shopping centres and the development of transport infrastructure. Retail sector wise, the domestic brands in the FMCG and mass fashion industry shall continuously experience strong growth. Home and lifestyle, F&B, and luxury sectors shall also see strong growth momentum. The outlook for retail market in Guangzhou should remain positive in mid-to long term.

LIMITING CONDITIONS

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its content.

REMARKS

We hereby confirmed that:

- We have no present or prospective interest in Yuexiu REIT Property and are not related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of property;
- Our opinions have been given on fair and unbiased basis; and
- We are acting as an independent valuer as defined in “RICS Global Valuation Standards 2020”, the “HKIS Valuation Standards 2020” published by the RICS and the HKIS, which incorporates with the IVSC.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation summary report are attached hereto.

Yours faithfully,
For and on behalf of

Colliers International (Hong Kong) Limited

Zhirong He (Flora He)
Registered Valuer (RICS)
FRICS MCOMFIN
Executive Director, Valuation and
Advisory Services, China

Dorothy Chow
Registered Valuer (RICS)
BSc MRICS MHKIS
RPS (GP) MCIREA
Executive Director, Valuation &
Advisory Services, Asia

Note: Ms. Zhirong He is a Registered Valuer with over 18 years' experience in valuation of property in PRC. Ms. Dorothy Chow is a professional surveyor who has over 24 years' experience in valuation of property in Hong Kong and PRC.

VALUATION SUMMARY

THE PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 31 AUGUST 2021												
<p>Yuexiu Financial Tower, No.28 Zhu Jiang East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC</p>	<p>The Property, known as Yuexiu Financial Tower, was completed in August 2015 and it comprises a mixed-use development with a 68-storey above ground and a 4-storey basement erected on a site with a site area of 9,831.00 square metres (sq m).</p> <p>The Property consists of retail, office and 827 underground car spaces with a total gross floor area (GFA) of 210,282.94 sq m with details as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td style="text-align: right;">3,818.19</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">166,378.62</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;">10,289.05</td> </tr> <tr> <td>Others*</td> <td style="text-align: right;"><u>29,797.08</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">210,282.94</td> </tr> </tbody> </table> <p><i>* Others refer to the public common area and facility room etc. of the Property which has no real estate ownership certificates.</i></p> <p>Pursuant to the real estate ownership certificates provided, the land-use rights of the Property have been granted for office and carpark uses for a term of 50 years from 16 April 2007; for retail use for a term of 40 years from 16 April 2007.</p>	Use	Gross Floor Area (sq m)	Retail	3,818.19	Office	166,378.62	Carpark	10,289.05	Others*	<u>29,797.08</u>	Total	210,282.94	<p>As at the Valuation Date, retail and office portions of the Property having occupancy rates of 100% and 94.54% respectively, were let to various tenants at an aggregate monthly rent of approximately RMB26,691,000 (exclusive of value-added tax, management fees and utility charges) with the latest expiry date of 30 November 2028. Whilst the carpark spaces were currently under normal operation by property management company.</p>	<p>RMB8,030,000,000</p> <p>(RENMINBI EIGHT BILLION AND THIRTY MILLION)</p>
Use	Gross Floor Area (sq m)														
Retail	3,818.19														
Office	166,378.62														
Carpark	10,289.05														
Others*	<u>29,797.08</u>														
Total	210,282.94														

Notes:

- i) Pursuant to Yue (2017) Guangzhou Shi Bu Dong Chan Quan Di 00051478 Hao and eight hundred and eighty eight copies of real estate ownership certificate, the ownership of the Property is vested in 廣州佳耀置業有限公司 (Guangzhou Jiayao Property Development Co., Ltd.), 廣州譽耀置業有限公司 (Guangzhou Yuyao Property Development Co., Ltd.), 廣州景耀置業有限公司 (Guangzhou Jingyao Property Development Co., Ltd.), and 廣州晉耀置業有限公司 (Guangzhou Jinyao Property Development Co., Ltd.)(together as “Yuexiu Financial Tower Project Companies”) with details as below:

Owner	Gross Floor Area (sq m)			Net Lettable Area (sq m)		
	Retail	Office	Carpark	Retail	Office	Carpark
廣州佳耀置業有限公司	3,818.19	40,002.01	2,850.98	2,859.51	29,855.08	2,850.98
廣州譽耀置業有限公司	—	38,197.68	2,835.48	—	27,918.98	2,835.48
廣州景耀置業有限公司	—	43,840.57	2,934.87	—	30,865.24	2,934.87
廣州晉耀置業有限公司	—	44,338.36	1,667.72	—	30,959.37	1,667.72
Total	3,818.19	166,378.62	10,289.05	2,859.51	119,598.67	10,289.05

- ii) The non-conforming uses of certain premises are located in the underground premises of the Property shall be used as carparks and in times of war as civil defence shelter, the Citizens Passage was designated by the Guangzhou government as being set aside for the purpose of facilitating foot traffic in ZJNT and certain premises of the Property shall serve as common areas and municipal public services facilities. We have taken into account the non-conforming uses of certain premises described in Section 3.6.1 in the Circular by disregarding the rental income generated by the relevant premises pursuant to the valuation standards.
- iii) The Citizens Passage has obtained no real estate ownership certificate. We have taken into account the Citizens Passage into account by disregarding the rental income generated by the Passage pursuant to the valuation standards.
- iv) The PRC Legal Adviser has provided certain advice in its legal opinion and/or the circular, including but not limit to the following:
- Guangzhou City Construction & Development Company Limited (GCCDL) is the developer of the Property and allocated the Property interest to its four wholly owned subsidiaries subsequently. GCCDL’s ownership and rights to the Property will not be diminished by the allocation of interests. GCCDL is the ultimate owner of the Property;
 - The ownership of the Property is vested in Yuexiu Financial Tower Project Companies. To be specific, Level 1 to Level 20 and 235 carpark units in B3 are vested in 廣州佳耀置業有限公司; Level 21 to Level 35 (L33 and L34 are escape floor) and 236 carpark units in B2 are vested in 廣州譽耀置業有限公司; Level 37 to Level 50 and 241 carpark units in B4 are vested in 廣州景耀置業有限公司; Level 53 to Level 68 and 115 carpark units in B1 are vested in 廣州晉耀置業有限公司;
 - The non-conforming uses of certain premises may subject the Property to certain legal consequences and enforcement actions including fines, rectification orders, repossession, and confiscation of income generated from Non-conforming Uses by the relevant PRC land authorities in accordance with the relevant laws and regulations of the PRC;
 - The PRC Legal Advisors also advised that the Non-conforming Uses would not affect the enforceability or legality of the relevant leases for the affected areas, would not adversely affect the Project Companies’ legal title to the Property, and the Project Companies have not been required to rectify or pay penalties in respect of such non-compliance as at the Latest Practicable Date;

- e) Yuexiu Financial Tower Project Companies have legally obtained the state-owned land use rights and are the sole users of the land use rights in respect of the Property. The Project Companies are the sole owners of the building ownership rights underlying the Property and that such rights are free from encumbrances, save for the existing mortgages on all the aboveground units and part of the carpark spaces of the Property which will be discharged prior to Acquisition Completion;
- f) Yuexiu Financial Tower Project Companies legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing leases and consent of mortgagees (if any), and applicable local laws and regulations. Based on the above advice of the PRC Legal Advisors, the Manager is of the view that the Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.
- v) Based on the aforesaid legal opinion prepared by the PRC Legal Advisor, the Manager is of the view that the Yuexiu REIT will have good, marketable, legal and beneficial title to the Property through the Target Group upon Acquisition Completion.
- vi) Upon Acquisition Completion, Yuexiu REIT will (through the Target Group) hold 100% of the Property.
- vii) As advised by the Manager, Yuexiu Financial Tower Project Companies shall enter into a new carpark master lease agreement upon Acquisition Completion, pursuant to which the carpark spaces as a whole will be master leased to the Carpark Master Lessee for the period commencing from Acquisition Completion Date to 31 December 2024 for RMB 14,180,000 per annum.
- viii) As confirmed by Yuexiu Financial Tower Project Companies, there is no breach of environmental regulation(s); and there is no pending litigation(s), breach of law or little defect(s) which may affect the value(s) of the Property; and there is no plan for construction, renovation, improvement, or development of the Property after Acquisition, and there is no plan to sell, dispose of or change the use of the Property after Acquisition.
- ix) Annual rental income exclusive of value-added tax as at the Valuation Date and rentable area breakdown of the Property are tabulated as follows:

Use	Rentable Area (sq m)	Contracted	Annual Rental Income (approx.)
		Rentable Area (sq m)	
Retail	3,818.19	3,818.19	RMB9,103,000
Office	166,378.62	157,293.16	RMB298,224,000
Total	170,196.81	161,111.35	RMB307,327,000

- x) Based on the tenancy information provided by Yuexiu Financial Tower Project Companies, our analysis of the tenancy duration profile for the retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Rentable Area
0	1	3.0%
1	2	26.7%
2	3	0.0%
3	4	8.6%
4	5	18.1%
5	6	43.6%
6	7	0.0%
7	8	0.0%
8	9	0.0%
9	10 or more	0.0%
Total		100.0%

- xi) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the retail portion of the Property is set out below:

Year of Expiry	Proportion by Rentable Area
In 2021	3.8%
In 2022	1.3%
In 2023	68.2%
In 2024	8.6%
In 2025 and afterward	18.1%
Total	100.0%

- xii) Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Rentable Area
0	1	7.1%
1	2	4.3%
2	3	37.2%
3	4	3.0%
4	5	29.3%
5	6	10.6%
6	7	0.8%
7	8	1.8%
8	9	0.0%
9	10 or more	5.9%
Total		100.0%

- xiii) Based on the tenancy information provided by the Manager, our analysis of the tenancy profile for the office portion of the Property is set out below:

Year of Expiry	Proportion by Rentable Area
In 2021	17.8%
In 2022	10.9%
In 2023	24.6%
In 2024	14.5%
In 2025 and afterward	32.2%
Total	100.0%

- xiv) Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value(s) of the Property.
- xv) As advised of Yuexiu Financial Tower Project Companies, the Property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

xvi) In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum
Office	Income Capitalisation Method	Term Yield	3.60% per annum
		Reversion Yield	4.10% per annum
Carpark	Income Capitalisation Method	Term Yield	3.85% per annum
		Reversion Yield	4.35% per annum

xvii) Breakdown market values of the Property as at the Valuation Date are listed as follows:

Portion	Income Capitalisation Method	Market Value	Interest Attributable to Yuexiu REIT after Acquisition
Retail	RMB184,000,000	RMB184,000,000	100%
Office	RMB7,575,000,000	RMB7,575,000,000	100%
Carpark	RMB271,000,000	RMB271,000,000	100%
Total	RMB8,030,000,000	RMB8,030,000,000	100%

xviii) The estimated net yield of the Property is 4.5% per annum which is derived from the estimated rental received in August 2021 excluding the value-added tax divided by the market value as at the Valuation Date.

xix) Regarding the potential tax liabilities which may arise if the Property were to be sold, the following information is included for the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers: We understand from the Manager Yuexiu REIT Asset Management Limited that the Property would be held by the REIT with no intention for disposal. Hence the likelihood of any potential tax liability being crystallized from a disposal of the Property is remote. The Manager further advises that, if the Property were to be sold at an amount equivalent to the valuation, through property transfer or company transfer offshore, the potential tax liabilities which may arise are approximate 39.5% and 0.3% respectively on the sold value. The Manager's Tax Advisers, PricewaterhouseCoopers Limited also agrees with the above tax statements.

APPENDIX 1 — CAVEATS AND ASSUMPTIONS

1. DEFINITIONS

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

‘Confidential Information’ means information that:

- (a) Is by its nature confidential.
- (b) Is designated by Us as confidential.
- (c) You know or ought to know is confidential.
- (d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.
- (e) You or Your affiliates provide to Us for the purposes of the Services.

‘Currency Date’ means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

‘Fee’ means the amount agreed to be paid for the Services as set out in the Quotation.

‘Parties’ means You or Us as the context dictates.

‘Quotation’ means the written quote provided by Us in relation to the Services.

‘Services’ means the valuation services provided pursuant to these terms and conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

‘The Property’ means the assets which are subject of our appointment as your advisor. This may include land, buildings, plant & equipment and other assets as described in the appointment agreement.

‘We’, ‘Us’, ‘Our’, ‘Colliers’ means Colliers International.

‘You’, ‘Your’, ‘Client’ means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, company, firm or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

‘Professional Property Practice Standards’ refers to RICS Valuation - Professional Standards, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:

- (a) The terms and conditions contained herein; or
- (b) As specifically instructed by You for the purpose of the Services; and
- (c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

- 3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.
- 3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.
- 3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.
- 3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.
- 3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.
- 3.6 An internal inspection has been made, unless otherwise stated, no detailed on-site measurements have been taken.

- 3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.
- 3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.
- 3.9 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.
- 3.10 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

- 4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.
- 4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show the site is contaminated, our valuation may require revision.

5. BUILDING AREAS

- 5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.
- 5.2 If you do not provide Us with a survey, We will estimate building areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.
- 5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. OTHER ASSUMPTIONS

- 6.1 Unless otherwise notified by You, We will assume:
- (a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the title.
 - (b) All licences and permits can be renewed and We have not made any enquiries in this regard.
- 6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural / dilapidation reports), we will rely upon the apparent expertise of such experts / specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.
- 6.3 Our services are provided on the basis that the Client has provided us, to the best of its knowledge, with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.
- 6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
- 6.5 The study of possible alternative development options and the related economics are not within the scope of this report, unless otherwise stated.
- 6.6 Our opinion about the market value of the property is free from any influence and/ or point of views of any other parties.

7. ESTIMATED SELLING PRICE

- 7.1 Where you instruct Us to provide an estimated selling price, You agree that the Services:
- (a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries.
 - (b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of title(s) or other enquiries as to encumbrances, restrictions or impediments on title(s); or other investigations which would be required for a formal valuation.
 - (c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

7.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an estimated selling price.

8. CURRENCY OF VALUATION

8.1 Due to possible changes in market forces and circumstances in relation to the property, the Services can only be regarded as relevant as at the Currency Date.

8.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

8.3 Without limiting the generality of 8.2, You should not rely upon Our valuation:

(a) After the expiry of 3 months from the Currency Date;

(b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

9. MARKET PROJECTIONS

9.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.

9.2 Where Our Services include market projections, such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

9.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

9.4 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to us by you.

10. YOUR OBLIGATIONS

- 10.1 You warrant that the instructions and subsequent information supplied by You, to the best of your knowledge, contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 10.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 10.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).
- 10.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. When we consent for You to release Our report or any part of Our report to any third party, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it / they had been a party to the original letter of instruction between us. Where we consent to such reliance, You agree to furnish the addressee with a copy of any reliance letter issued by Us and/or a copy of these terms and conditions.
- 10.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;
- (a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or
 - (b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services; or
 - (c) The information provided to Us by You prior to the provision of services is in any way incomplete, misleading or wrong.
- 10.6 If You release any part of the valuation advice or its substance without written consent, You agree to defend and indemnify Us against claims by a third party who has reviewed the report if We have not, at or subsequent to the time of engagement, provided our specific written consent to such party reviewing and relying on the report. We have no responsibility to any other person even if that person suffers damage as a result of You providing this valuation without Our prior consent.
- 10.7 You agree that the only remedy for losses or damages relating to the breach of this Agreement shall be limited to three times Our contracted fee for the assignment and no claim shall be made for any consequential or punitive damages.
- 10.8 You agree not to bring any claim for any losses against any director, consultant or any employee of Ours. You hereby agree that Our director, consultant or any employee does not have a personal duty of care to You and any claim for losses must be brought against Colliers International.

10.9 Where any loss is suffered by You for which We and any other person are jointly and severally liable to You the loss recoverable by You from Us shall be limited so as to be in proportion to our relative contribution to the overall fault.

11. CONFIDENTIALITY

11.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement for internal reference purposes, and/or the purposes as specified in the agreement, and in accepting this report, the Client expressly agrees not to use or rely upon this report or any part of it for any other purpose. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

11.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

11.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.

11.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

12. PRIVACY

12.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

13. SUBCONTRACTING

13.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these terms and conditions, with Your consent.

14. LIMITATION OF COLLIERS LIABILITY

14.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

- 14.2 We shall be released from Our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond Our reasonable control (examples being a strike, act of God or act of terrorism). All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.
- 14.3 Neither Colliers nor any employee of Ours shall be required to give testimony or to appear in court or any other tribunal or at any government agency by reason of this valuation report or with reference to the property in question, except by court summons / judicial notification, and unless prior arrangements have been made and we are properly reimbursed for reasonable time and expenses incurred. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes valuation report) and all meetings related to court testimony.
- 14.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.
- 14.5 All statements of fact in the valuation report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Us by You.
- 14.6 Our liability for loss and damage attributable to Our negligence, breach of contract, misrepresentation or otherwise (but not in respect of fraud, fraudulent misrepresentation, death or personal injury) shall be limited to a maximum of three times Our contracted fee for the assignment per property for any single case. A single case of damages is defined as the total sum of all damage claims of all persons entitled to claim, which arise from one and the same professional error / offence. In the case of damages suffered from several offences brought about by the same technical error within the scope of several coherent services of a similar nature, we are only to be held liable for an amount of three times Our contracted fee for the assignment per property.
- 14.7 Where the agreement is addressed to more than one Client, the above limit of liability applies to the aggregate of all claims by all such Clients and not separately to each Client.
- 14.8 No third party will be entitled to rely on any part of Our valuation report or its substance or advice except with our written consent. Should any third party rely on Our report without obtaining Our written consent, We are not bound by any liability which arises from the use of or reliance upon Our valuation report by such unauthorised party.

14.9 We will not be liable for any services outside the scope of the services agreed to be performed by Us, and in respect of any consequential losses or loss of profits.

14.10 Responsibility for Our valuation extends only to the party(ies) to whom it is addressed. However in the event of Us being asked by You to re-address Our report to another party or other parties or permit reliance upon it by another party or other parties, We will give consideration to doing so, to named parties, and We reserve the right to charge additional fee for doing so although We will agree such fee with You before commencing the work.

15. ENTIRE AGREEMENT

15.1 No further agreement, amendment or modification of these terms and conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

15.2 If there is inconsistency between these terms and conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.

15.3 Copyright in any reports, documents or other material provided to You by Us shall remain Our property at all times unless otherwise stated.

16. ANTI BRIBERY AND CORRUPTION MEASURES

16.1 We represent, in connection with any services to be provided to You, that neither We nor Our contractors, employees or agents (collectively, “Consultant”) has made or will make, either directly or indirectly, any payments (i) to or for the use or benefit of any Government Official (ii) to any other person either for an advance or reimbursement, if Consultant knows or has reason to know that any part of such payment has been or will be given to any Government official or (iii) to any person or entity, the payment of which would violate laws and regulations in Australia, the United States, the United Kingdom or any other government entity having jurisdiction over the activities carried out by Consultant. The term “Government Official” in this paragraph means any officer or employee of a government or any governmental department or agency, or any person acting in an official capacity for or on behalf of any such government or governmental department or agency, including employees of state-owned or controlled entities and candidates for political office.

16.2 We represent that, in connection with any services to be provided to You, We will conduct operations at all times in compliance with applicable financial recordkeeping and reporting requirements, including all applicable money laundering-related laws of any jurisdictions where We conduct business or own assets.

APPENDIX 2 — PHOTOS OF THE PROPERTY



Main Appearance of the Property



South Entrance of the Property



North Entrance of the Property



Office Lobby



Interior-Office



Retail



Retail



Retail