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Managed by



ANNOUNCEMENT

PAYMENT OF MANAGER'S FEE TO YUEXIU REIT ASSET MANAGEMENT LIMITED BY WAY OF UNITS AND CASH

The Relevant Period Manager's Fee for the period from 1 January 2020 to 30 June 2020 is RMB73,887,316 (which is equivalent to approximately HK\$82,769,288). Based on the Election made by the REIT Manager on 15 January 2020: (i) RMB59,109,853 (which is equivalent to approximately HK\$66,215,430), being 80% of the Relevant Period Manager's Fee, shall be settled in the form of Units; and (ii) RMB14,777,463 (which is equivalent to approximately HK\$16,553,858), being the remaining 20% of the Relevant Period Manager's Fee, shall be settled in the form of cash.

Having regard to, amongst other factors, the present extraordinary circumstances relating to COVID-19 and the continued decline of Unit prices, the REIT Manager considers that it is in the best interests of the independent Unitholders to defer part of its Relevant Period Manager's Fee to be settled in the form of Units. The Relevant Period Manager's Fee to be settled in the form of Units will be settled in two tranches, specifically: (A) RMB46,491,295 (which is equivalent to approximately HK\$52,080,000) has been settled by the issuance of one tranche of new Units on the Manager Fee Units Reference Date (being 26 August 2020) at the prevailing Market Price; and (B) RMB12,618,558 (which is equivalent to approximately HK\$14,135,430) will be deferred and settled after the Manager Fee Units Reference Date by issuing another tranche of new Units at the applicable Market Price at such later date which the REIT Manager considers is in the interests of the independent Unitholders provided the Trustee has no objection to such issuance. In total, the REIT Manager will be entitled to receive up to 14,000,000 new Units for the Relevant Period, which represents approximately 0.43% of the 3,233,856,551 Units in issue (as enlarged by the Issued Manager Fee Units and the maximum number of Deferred Manager Fee Units).

The Board (including all the independent non-executive Directors) considers that the deferment of part of the Relevant Period Manager's Fee to be settled in the form of Units, and the consequential deferred issuance of the Deferred Manager Fee Units, are in the interests of the independent Unitholders.

Based on the information and confirmations provided by the Manager and the applicable provisions of the Trust Deed, the Trustee has no objection to such deferment.

As stated in REIT's announcement dated 3 April 2020, part of the Manager's Fee payable for the period from 1 July 2019 to 31 December 2019 (being RMB12,256,726, or approximately HK\$13,441,603), which shall be settled by issuing another tranche of new Units, has been deferred to such later date which the REIT Manager considers is in the interests of the independent Unitholders provided the Trustee has no objection to such issuance. As at the date of this announcement, the 2019 Deferred Manager Fee Units have not been issued. The maximum number of the 2019 Deferred Manager Fee Units that may be issued pursuant to the terms of the Trust Deed is 3,565,412 Units (representing approximately 0.11% of the 3,237,421,963 Units in issue immediately after such issue). Together with the Deferred Manager Fee Units, the aggregate maximum number of Units that may be issued to settle the outstanding Manager's Fee payable to the REIT Manager is 7,365,258 Units (representing approximately 0.23% of the 3,241,221,809 Units in issue immediately after such issue).

Further announcement(s) will be made by the REIT Manager in relation to the Relevant Period Manager's Fee as and when appropriate (including when the Deferred Manager Fee Units are issued) as well as when the 2019 Deferred Manager Fee Units are issued.

This announcement is made pursuant to paragraph 10.4(k) of the REIT Code.

Reference is made to the announcement of Yuexiu Real Estate Investment Trust (the "**REIT**") dated 15 January 2020 (the "**Announcement**") and its announcement dated 3 April 2020. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement.

Calculation of Manager's Fee

The Manager's Fee for the period from 1 January 2020 to 30 June 2020 (the "**Relevant Period**") is the aggregate of the Base Fee (as defined below) and Service Fee (as defined below) in respect of the Relevant Period, which amounts to a total of RMB73,887,316 (which is equivalent to approximately HK\$82,769,288) (the "**Relevant Period Manager's Fee**").

The Base Fee and Service Fee are calculated on the following basis:

- (i) a base fee of 0.3% per annum of the Value (as defined in the Trust Deed) of the Deposited Property payable semi-annually in arrears and calculated as at the last day of each six-month period (the "**Base Fee**"); and
- (ii) a service fee of 3% per annum of the Net Property Income (as defined in the Trust Deed) as shown in the last published audited annual financial statements of the REIT (being RMB1,494,740,000 for the financial year ended 31 December 2019), subject to certain adjustments, payable semi-annually in arrears (the "**Service Fee**").

As stated in the Announcement, the REIT Manager had notified the Trustee in writing of its election in respect of the Manager's Fee for the year ending 31 December 2020 to be paid to the REIT Manager in the form of Units as to 80% and in the form of cash as to 20% (the "**Election**").

Based on the Election: (i) RMB59,109,853 (which is equivalent to approximately HK\$66,215,430), being 80% of the Relevant Period Manager's Fee, shall be settled in the form of Units (the "**Manager Fee Units**"); and (ii) RMB14,777,463 (which is equivalent to approximately HK\$16,553,858), being the remaining 20% of the Relevant Period Manager's Fee, shall be settled in the form of cash.

Manager Fee Units for the Relevant Period

Having regard to, among other factors, the present extraordinary circumstances relating to COVID-19 and the continued decline of Unit prices, the REIT Manager considers that it is in the best interests of the independent Unitholders to defer part of its Relevant Period Manager's Fee to be settled in the form of Units. The Relevant Period Manager's Fee to be settled in the form of Units will be settled in two tranches, specifically:

1. RMB46,491,295 (which is equivalent to approximately HK\$52,080,000) has been settled by the issuance of one tranche of new Units on 26 August 2020 (the "**Manager Fee Units Reference Date**") at the prevailing Market Price (the "**Issued Manager Fee Units**"); and
2. RMB12,618,558 (which is equivalent to approximately HK\$14,135,430) will be deferred and settled after the Manager Fee Units Reference Date by issuing another tranche of new Units at the applicable Market Price at such later date which the REIT Manager considers is in the interests of the independent Unitholders provided the Trustee has no objection to such issuance (the "**Deferred Manager Fee Units**").

Pursuant to the Trust Deed, the number of Issued Manager Fee Units is determined by dividing the relevant HK\$ equivalent amount (being HK\$52,080,000) by the higher of: (i) the average closing price of the Units on the Stock Exchange for the ten trading days immediately preceding the date on which the such Units are issued; and (ii) the closing price of the Units on the Stock Exchange on the trading day immediately preceding the date on which such Units are issued (the "**Market Price**"). Based on the prevailing Market Price of HK\$3.72 (being the closing price of the Units on the Stock Exchange on the trading day immediately preceding the date on which the Manager Fee Units are issued), 14,000,000 new Issued Manager Fee Units have been issued to the REIT Manager on the Manager Fee Units Reference Date.

In respect of the Deferred Manager Fee Units, the Market Price at which such Units will be issued shall be equal to the higher of: (i) the Market Price on the Manager Fee Units Reference Date (being HK\$3.72 as stated above); and (ii) the Market Price on the date that the Deferred Manager Fee Units are issued, whereas the Market Price on the date that the Deferred Manager Fee Units are issued shall be equal to the higher of: (a) the closing price of the Units on the Stock Exchange on the trading day immediately preceding the date on which the Deferred Manager Fee Units are issued; and (b) the average closing price of the Units in the ten trading days immediately preceding the date on which the Deferred Manager Fee Units are issued. Based on the prevailing Market Price of HK\$3.72 on the Manager Fee Units Reference Date, which would pursuant to the aforementioned formula represent the minimum Market Price for the Deferred Manager Fee Units, the maximum number of Deferred Manager Fee Units that the REIT Manager is entitled to is 3,799,846 Units.

In total, the REIT Manager will be entitled to receive up to 14,000,000 new Units for the Relevant Period, which represents approximately 0.43% of the 3,233,856,551 Units in issue (as enlarged by the Issued Manager Fee Units and the maximum number of Deferred Manager Fee Units). Such maximum number of new Units is equal to the number of new Units that the REIT Manager would ordinarily have been entitled to receive in the absence of any deferral of Relevant Period Manager's Fee. The issuance of the Manager Fee Units (including the Deferred Manager Fee Units) shall comply with the Trust Deed, the compliance manual of the REIT Manager (including the rules on dealings by the Directors, the REIT Manager and its senior executives, officers and employees as adopted by the REIT Manager on terms no less exacting than those of the Model Code for Securities Transactions by Director of Listed Issuers set out in the Listing Rules (as if applicable to REITs)) and all applicable laws and regulations.

The Board (including all the independent non-executive Directors) considers that the deferment of part of the Relevant Period Manager's Fee to be settled in the form of Units, and the consequential deferred issuance of the Deferred Manager Fee Units, are in the interests of the independent Unitholders.

Based on the information and confirmations provided by the Manager and the applicable provisions of the Trust Deed, the Trustee has no objection to such deferment.

As the REIT Manager wishes to concentrate on its management functions, it has designated Yuexiu International Investment Limited ("YXII"), a wholly-owned subsidiary of Yuexiu Property Company Limited, to receive the Manager Fee Units (including both the Issued Manager Fee Units and the Deferred Manager Fee Units). Accordingly, the Issued Manager Fee Units were and the Deferred Manager Fee Units will be issued to YXII instead of the REIT Manager. YXII was also previously designated by the REIT Manager to receive the Manager Fee Units issued prior to the Relevant Period, and held 64,674,909 Units immediately before its receipt of the Issued Manager Fee Units for the Relevant Period. Immediately after issuance of the Issued Manager Fee Units and as at the date of this announcement, YXII holds 78,674,909 Units (representing approximately 2.43% of the 3,233,856,551 Units in issue immediately after such issue). YXII is not a nominee of the REIT Manager and does not hold the Manager Fee Units on behalf of the REIT Manager. As at the date of this announcement, the REIT Manager does not have any interest in any Units.

The Manager Fee Units are denominated in HK\$. The exchange rate adopted by the REIT Manager to calculate the number of Manager Fee Units that are issuable by the REIT (including both the Issued Manager Fee Units and the Deferred Manager Fee Units) for payment of the Manager's Fee for the Relevant Period (which is denominated in RMB) is the average central parity rate, as announced by the People's Bank of China, for the five business days preceding the date of this announcement.

Waiver of requirements for Unitholders' approval

The payment of a portion of the Manager's Fee settled by way of Units is in accordance with the terms of the Trust Deed and does not require specific prior approval of the Unitholders pursuant to a waiver granted by the SFC (the "**Manager Fee Units Waiver**"). Principal provisions regarding the Manager's Fee have been set out in detail in the offering circular dated 12 December 2005 in connection with the initial public offering of the Units by the REIT in December 2005, the circular of the REIT dated 4 February 2008 and this announcement.

The Manager Fee Units Waiver was granted by the SFC subject to the following conditions:

- (i) the number of Units issued to the REIT Manager as payment of all or part of the Manager's Fee for each financial year of the REIT will be counted as part of the 20% (or such lower percentage as permitted by the REIT Code from time to time) of outstanding Units that the REIT Manager may issue in each financial year without Unitholders' approval pursuant to paragraph 12.2 of the REIT Code;
- (ii) in respect of each financial year, the maximum number of Units that may be issued to the REIT Manager as payment of all or part of the Manager's Fee for that financial year shall be limited to such number of Units which represent 3% of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purpose of financing any acquisition of real estate by the REIT;
- (iii) any issuance of Units to the REIT Manager as payment of all or part of the Manager's Fee shall be made strictly in accordance with the requirements of the Trust Deed; and
- (iv) in the event that any payment of all or part of the Manager's Fee in the form of Units exceeds the relevant thresholds set out in paragraph 12.2 of the REIT Code and paragraph (ii) above, and Unitholders' approval is not obtained for the issue of Units for such purpose, then payment of all or that excess part of the Manager's Fee, as the case may be, will be made by the REIT to the REIT Manager in cash.

Total number of Units issued as payment for Manager's Fee in respect of the financial year ending 31 December 2020

28,000,000 Units, being the total number of Units issued (and, in respect of the Deferred Manager Fee Units, the maximum number of Units issuable) so far as payment of a portion of the Manager's Fee in respect of the financial year ending 31 December 2020, represent approximately 0.87% of the Units outstanding as at 31 December 2019 (being the last day of the immediately preceding financial year), which is less than the 3% limit stipulated by condition (ii) of the Manager Fee Units Waiver set out above.

Previously Deferred Manager Fee Units

As stated in REIT's announcement dated 3 April 2020, part of the Manager's Fee payable for the period from 1 July 2019 to 31 December 2019 (being RMB12,256,726, or approximately HK\$13,441,603), which shall be settled by issuing another tranche of new Units (the "**2019 Deferred Manager Fee Units**"), has been deferred to such later date which the REIT Manager considers is in the interests of the independent Unitholders provided the Trustee has no objection to such issuance. As at the date of this announcement, the 2019 Deferred Manager Fee Units have not been issued. The maximum number of the 2019 Deferred Manager Fee Units that may be issued pursuant to the terms of the Trust Deed is 3,565,412 Units (representing approximately 0.11% of the 3,237,421,963 Units in issue immediately after such issue). Together with the Deferred Manager Fee Units, the aggregate maximum number of Units that may be issued to settle the outstanding Manager's Fee payable to the REIT Manager is 7,365,258 Units (representing approximately 0.23% of the 3,241,221,809 Units in issue immediately after such issue).

General

The REIT Manager confirms that, to the best of its knowledge, save as disclosed in this announcement, it is not aware of any other information discloseable under paragraphs 10.3 and 10.4 of the REIT Code. Further announcement(s) will be made by the REIT Manager in relation to the Relevant Period Manager's Fee as and when appropriate (including when the Deferred Manager Fee Units are issued) as well as when the 2019 Deferred Manager Fee Units are issued.

This announcement is made pursuant to paragraph 10.4(k) of the REIT Code.

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, 26 August 2020

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

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

Non-executive Directors: *Mr. LI Feng and Mr. LIANG Danqing*

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