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越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED
(Incorporated in Hong Kong with
limited liability)
(Stock code: 00123)



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

Financial advisers to the REIT Manager
(in alphabetical order)



BOC INTERNATIONAL



J.P.Morgan

Morgan Stanley



**JOINT ANNOUNCEMENT IN RELATION TO
(I) VERY SUBSTANTIAL DISPOSAL BY
YUEXIU PROPERTY COMPANY LIMITED IN RESPECT OF
GUANGZHOU INTERNATIONAL FINANCE CENTER;
(II) VERY SUBSTANTIAL ACQUISITION BY AND CONNECTED PARTY
TRANSACTION OF YUEXIU REAL ESTATE INVESTMENT TRUST IN
RESPECT OF GUANGZHOU INTERNATIONAL FINANCE CENTER;
(III) UNIT PLACEMENT OF YUEXIU REAL ESTATE INVESTMENT TRUST;
(IV) CONTINUING CONNECTED PARTY TRANSACTIONS;
(V) PROPOSED AMENDMENTS TO TRUST DEED OF
YUEXIU REAL ESTATE INVESTMENT TRUST;
(VI) CLOSURE OF REGISTERS OF MEMBERS AND UNITHOLDERS; AND
(VII) RESUMPTION OF TRADING**

The Transaction and REIT Related Arrangements

The Transaction involves the proposed investment in Guangzhou International Finance Center by Yuexiu Real Estate Investment Trust via: (1) the subscription by the Trustee (or its nominee) of the Subscription Shares; and (2) the assignment to the Trustee (or its nominee) of the Assigned Indebtedness by Yuexiu Property.

Subscription Deed

On 28 May 2012 the Trustee (as subscriber), the REIT Manager, Tower Top (as issuer) and Yuexiu Property (as co-warrantor) entered into the Subscription Deed in relation to the proposed subscription by the Trustee (or its nominee) of the Subscription Shares at par value for the Subscription Monies. The Subscription Shares will represent 99.99% of the enlarged share capital of Tower Top upon Completion.. Tower Top is a wholly-owned subsidiary of Yuexiu Property and owns indirectly (through intermediate holding companies) 99% of the equity interest in the Project Company, which in turn owns (and developed) the Property. In light of such holding structure, the REIT will hold an effective interest of 98.99% in Project Company (and in turn, the Property) upon Completion.

Indebtedness Agreement

On 28 May 2012, the Trustee (as assignee), Yuexiu Property (as assignor) and the REIT Manager entered into the Indebtedness Agreement in relation to the Assignment. The Assigned Indebtedness will represent the outstanding amount owed by Tower Top to Yuexiu Property as at the Completion Date. As at the Latest Practicable Date, the outstanding amount owed by Tower Top to Yuexiu Property amounted to approximately RMB8,850 million. Pursuant to the terms of the Indebtedness Agreement, Yuexiu Property has agreed to transfer and assign the Assigned Indebtedness to the Trustee (or its nominee) on a dollar-for-dollar basis.

Total Consideration

The Total Consideration in respect of the Transaction is expected to be approximately RMB8,850 million and comprises: (1) the Subscription Monies (US\$9,999, being equivalent to approximately RMB62,394), which will be paid to Tower Top; and (2) consideration for the Assignment (which, based on the amount due by Tower Top to Yuexiu Property as at the Latest Practicable Date, is expected to be approximately RMB8,850 million), which will be paid to Yuexiu Property.

If the Total Working Capital of the Tower Top Group is less than RMB350 million, Yuexiu Property shall pay to the Trustee (or the Nominee (as the case may be)) an amount equal to such shortfall.

The Property

The Property is a premium mixed-use commercial development with a total gross floor area of 457,357 sqm. The Property is one of the ten tallest skyscrapers in the world and a landmark building strategically located in the central business district of Guangzhou. The Property comprises five major components: (i) a six-storey shopping mall; (ii) a 58-storey grade A office building (including a Financier's Club House on 27th to 28th floors of the annex building); (iii) a 5-star hotel comprising 344 guest rooms which is expected to commence operation in July 2012; (iv) a luxury serviced apartments tower comprising 314 units which is expected to commence operation in July 2012; (v) a 1,700-space car park; and other ancillary areas. As a world-class development, the Property has attracted multi-national and reputable corporate tenants for its grade A offices. The Hotel and Serviced Apartments are also managed by two leading hospitality operators, being the Four Seasons Group and Ascott respectively.

Similar to other property companies in the PRC, the Project Company holds the land use rights to the underlying parcel of land on which the Property is situated. It has an operating term of 20 years with possible extension, failing which the Project Company must be dissolved and its residual assets (i.e., after payment of employee wages, social insurances, compensation payable to employees as prescribed by law, outstanding tax liabilities and the company's debts) and all costs and expenses arising from the liquidation process) distributed to its shareholders in proportion to their respective shareholding in the Project Company. The terms of the land use rights are 40 years (for the shopping mall and Hotel) and 50 years (for the offices, Serviced Apartments and car park), with such terms commencing from 23 June 2008.

The Appraised Value of the Property as at 31 March 2012 was approximately RMB15,370 million. Upon Completion, the REIT will (through its interest in Tower Top) amongst other things have an indirect interest in approximately 98.99% of the Property.

REIT Related Arrangements

1. On 4 May 2012, the Project Company and the Settlement Agent entered into the Settlement Agency Agreement, pursuant to which the Settlement Agent agreed to be responsible for settling the outstanding construction costs related to the Property, on behalf of the Project Company. On 7 May 2012, pursuant to the Settlement Agency Agreement, the Project Company transferred approximately RMB1,293 million to the Settlement Agent, such amount being equal to the Estimated Outstanding Construction Costs (being approximately RMB1,643 million) less the Withheld Construction Costs (being RMB350 million).

2. On 9 May 2012, Tower Top and Yuexiu Property entered into the Naming Rights Agreement, pursuant to which Tower Top agreed to procure the Project Company to allow Yuexiu Property to exercise its naming rights at the Property for an aggregate cash consideration of RMB50 million, which will be payable in five equal semi-annual instalments of RMB10 million each from 1 July 2012 to 31 December 2014.
3. Upon Completion, Yuexiu Property, the REIT Manager and the Trustee will enter into the Deed of Top-up Payments, pursuant to which Yuexiu Property agrees to provide income support to the REIT in the form of cash for the period from the Completion Date until the end of 2016 to enable the REIT to mitigate its exposure to the initial start-up risk associated with the operation of the Hotel and the Serviced Apartments, and to ensure that the REIT receives stable and recurrent rental income during these periods. Such income support may be paid twice a year with: (a) the first payment (if any) being made to “top-up” the gross operating profit of the Hotel and Serviced Apartments for the first six months of the financial year up to 30 June to RMB134.2 million; and (b) the second payment (if any) being made to “top-up” the gross operating profit of the Hotel and Serviced Apartments for the financial year up to 31 December to RMB268.4 million. The aggregate of all top-up payments made by Yuexiu Property to the REIT pursuant to the arrangement described above shall not exceed RMB610 million.
4. Upon Completion, the REIT Manager and the HK Companies will enter into the Employee Payment Agreement, pursuant to which the REIT Manager will (among other things) reimburse the HK Companies for the costs and expenses that they incur in connection with employment of the Hong Kong Employees.
5. It is proposed that Independent Unitholder approval will be sought in connection with the Manager’s Fees for the period from the Fee Reference Date to 31 December 2016 being satisfied and paid in the form of Manager Fee Units and cash in the proportions as set out in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (v) Manager Fee Units Arrangement”.

Financing of the Transaction

The Subscription Monies, which amount to US\$9,999 (i.e. approximately RMB62,394), will be satisfied in cash and financed by the New Bank Facility. The consideration for the Assignment, which is expected to be approximately RMB8,850 million, will be satisfied and financed as follows:

- (a) not less than RMB1,200 million shall be financed by the amount drawn down under the New Bank Facility;

- (b) not more than RMB5,450 million shall be satisfied from the proceeds from the Unit Placement and by the issuance of Consideration Units at the Issue Price to Yuexiu Property (or YXP Nominee). The Placement Units will be issued to institutional and/or other professional investors who are Independent Third Parties. Subject to the maximum number of Consideration Units that may be issued, the proceeds from the Unit Placement will represent approximately 64% of such amount, with the remaining 36% being attributable to the Consideration Units issued, such that Yuexiu Group will maintain around the same unitholding in the REIT; and
- (c) the balance of the consideration for the Assignment, which based on the Illustrative Financing Structure will be RMB2,400 million, will be satisfied by the issuance of Deferred Units at the Issue Price (subject to adjustment for the Deferred Units Adjustment Events) to Yuexiu Property (or YXP Nominee).

The maximum number of Consideration Units to be issued to Yuexiu Property (or YXP Nominee) will be such number which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after Completion, 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 time such Consideration Units are issued. For illustration, assuming that the Issue Price is the Illustrative Issue Price, the maximum number of Consideration Units that may be issued will be 653 million. If the Issue Price is less than the Illustrative Issue Price, the maximum number of Consideration Units will be greater than 653 million and vice versa.

Further, the aggregate number of Placement Units, Consideration Units and Deferred Units (assuming that they are issued at the Issue Price without any adjustments pursuant to the Deferred Units Adjustment Events) to be issued will not exceed 3,000 million Units (being the Authorised Issue), which is approximately three times of the number of Units in existence as at the Latest Practicable Date.

The Consideration Units and Placement Units will, upon issuance, rank pari passu in all respects with the then existing Units, other than in respect of the First 2012 Interim Distribution and any distribution for which the record date falls before the date of such allotment (such as the Special Distribution).

Commencing from 31 December 2016, the REIT will, on 31 December of each year, issue to Yuexiu Property such number of Deferred Units as shall be equal to the maximum number of Units that may be issued to Yuexiu Property (or YXP Nominee) and its concert parties which, when aggregated with the Manager Fee

Units that are expected to be issued during the period of 12 months after the relevant 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. Based on the Illustrative Financing Structure and assuming the Issue Price will be the Illustrative Issue Price, and also assuming that no additional Units are issued post-Completion (other than the Manager Fee Units), it is expected that all of the Deferred Units will be issued by 31 December 2023.

The Issue Price will be determined by the REIT Manager and the Unit Placement Underwriter(s) on the Unit Placement Pricing Date having regard to the market conditions at that time, provided that the Issue Price will not be at a discount of more than 20% to the average closing price of the Units on the Stock Exchange in the ten trading days immediately prior to the Unit Placement Pricing Date.

Details of the New Bank Facility, Unit Placement and Placement Units, Consideration Units and Deferred Units are set out in section B headed “Financing of the Transaction”.

In determining the final financing structure, the REIT Manager will ensure that the DPU from Enlarged Portfolio is no more than RMB0.018 below the DPU from Existing Properties, calculated as at the Completion Date and taking into account various factors described in section B.2 headed “Financing of the Transaction — Illustrative Financing Structure”. The REIT Manager undertakes to confirm to the Trustee, prior to Completion, that it has complied with the above. If the above is not complied with, the REIT Manager will not proceed with Completion.

Reasons for and benefits of the Transaction

Reasons for the Transaction and benefits to the REIT

Completion of the Transaction will:

1. add a premium quality asset, one of the ten tallest skyscrapers in the world, to the REIT’s portfolio, which the REIT Manager believes has a strong long term growth potential;
2. significantly increase the scale of the REIT;
3. transform the REIT’s portfolio from a largely wholesale retail portfolio into a well-diversified portfolio;
4. significantly enhance the freefloat and hence trading liquidity of the REIT;
and

5. provide Unitholders with an opportunity to capitalize on Guangzhou's robust economic fundamentals and to capture its growing commercial property market.

Reasons for the Transaction and benefits to Yuexiu Property

The Yuexiu Property Board:

1. considers the Transaction is a key in the implementation of Yuexiu Property's long-term corporate strategy to create and maintain a sustainable balance in terms of growth and stability through the normalised interaction between its property development arm and the REIT, its property investment associate;
2. considers the Total Consideration and the payment terms of the Transaction to be fair and reasonable, having regard to the Appraised Value, the start-up risks associated with the operation of the Hotel and the Serviced Apartments and the amount owing under the Existing Construction Facility as at the Latest Practicable Date;
3. considers the net cash proceeds from the Assignment, which are expected to be approximately RMB4 billion, will provide Yuexiu Property with ample funds to enhance its liquidity position and to finance its future investments as well as general working capital requirements;
4. expects that Yuexiu Property will recognize a gain of approximately RMB500 million to RMB700 million based on the audited consolidated financial statements of Yuexiu Property as at 31 December 2011; and
5. Yuexiu Property, as a significant and the single largest Unitholder, will continue to enjoy the long term growth potential of the Property as well as other properties held by the REIT generally, and in fact will increase its unitholding interest in the REIT through the issue of Deferred Units.

Declaration of the Special Distribution by the REIT

The REIT Manager intends to declare a Special Distribution to the Qualifying Unitholders, which is conditional upon Completion. The amount of the Special Distribution will be RMB43 million, or RMB0.0635 per Unit, and will be paid 20 Business Days after Completion. To qualify for the Special Distribution, the Unitholder's name must appear on the register of Unitholders of the REIT at the close of business on the Distribution Record Date (being 16 July 2012, which is the third Business Day after the EGM). As the Consideration Units, Placement Units and Deferred Units will only be issued after such date, they will not entitle their holders to the Special Distribution.

Subject to Shareholders' approval being obtained at the Yuexiu Property EGM, the members of Yuexiu Group who are Unitholders and Yue Xiu have agreed to waive their rights to receive their pro-rata portion of the Special Distribution.

Fees and Charges Payable in Relation to the Transaction

The total fees and charges payable in relation to the Transaction (including among other things, underwriting, commission and professional fees) are estimated to amount to approximately RMB200 million. Accordingly, the total costs of the Transaction, inclusive of the Total Consideration, are estimated to amount to approximately RMB9,050 million.

The Trust Deed Amendments

The REIT Manager also proposes to make certain amendments to the Trust Deed of the REIT, which will require Unitholders' approval by way of a special resolution at the REIT EGM. The Trust Deed Amendments will come into effect upon the signing of the supplemental Trust Deed which is expected to take place upon Completion.

The principal purposes of the Trust Deed Amendments are, among other things, (i) to clarify provisions relating to the issue of Units; (ii) to clarify the purpose of an earlier amendment relating to the calculation of certain remuneration of the Trustee; (iii) to further elaborate on the provisions relating to reinvestment of distributions by Unitholders; (iv) to introduce some flexibility in the scope of business activities of the REIT's special purpose vehicles; and (v) to expressly authorise, among other things, the use of electronic means and the REIT's website for corporate communication to Unitholders which comply with Rule 2.07A of the Listing Rules, as if they were applicable to SFC-authorized real estate investment trusts.

Continuing Connected Party Transactions

The Project Company has entered and shall enter into certain agreements with the REIT Manager Connected Persons that will continue to subsist after Completion, after which they will be considered continuing connected party transactions. The REIT Manager will apply to the SFC for the CPT Waiver Modification, which will among other things, accommodates the increase in size of the continuing connected party transactions of the REIT following Completion.

Implications under the REIT Code, the Trust Deed and the Listing Rules

1. *Implications for the REIT under the REIT Code and the Trust Deed*

Connected Party Transactions

Yuexiu Property owns more than 10% of the Units and therefore is a Significant Holder of the REIT. Tower Top is a wholly-owned subsidiary of Yuexiu Property. As a result, Yuexiu Property and Tower Top are each a connected person of the REIT within the meaning of the REIT Code. Accordingly, each of the following constitutes a connected party transaction of the REIT under paragraph 8.5 of the REIT Code:

1. the Subscription and the consummation of the transactions contemplated under the Subscription Deed;
2. the Assignment and the consummation of the transactions including (3) and (4) below contemplated under the Indebtedness Agreement;
3. the issue of Consideration Units to Yuexiu Property (or YXP Nominee);
4. the issue of Deferred Units to Yuexiu Property (or YXP Nominee);
5. the transactions contemplated under the Deed of Top-up Payments;
6. upon Completion, the transactions contemplated under the Settlement Agency Agreement;
7. upon Completion, the transactions contemplated under the Naming Rights Agreement; and
8. the transactions contemplated under the Employee Payment Agreement.

As the value of the Transaction represents approximately 173.69% of the net asset value of the REIT as at the Latest Practicable Date, pursuant to paragraph 8.11 of the REIT Code and the Trust Deed, each of the above connected party transactions will require Independent Unitholders' approval by way of an Ordinary Resolution at the REIT EGM.

Very substantial acquisition

In addition, as the value of the Transaction represents approximately 257.39% of, the total market capitalisation of the REIT, based on the average closing price per Unit as quoted on the Stock Exchange for the last five trading days immediately preceding the Last Trading Day, the Transaction will also constitute a very substantial acquisition by the REIT. Accordingly, the Transaction will require Independent Unitholders' approval by way of an Ordinary Resolution at the REIT EGM.

The Placement Units, the Consideration Units and the Deferred Units

The Placement Units, Consideration Units and Deferred Units are not proposed to be issued pursuant to the General Mandate, and accordingly, will require Independent Unitholders' approval by way of Ordinary Resolution pursuant to paragraph 12.2 of the REIT Code and Clause 7.5(ii) of the Trust Deed.

Continuing Connected Party Transactions

The REIT Manager Board proposes to seek Independent Unitholders' approval for the CPT Waiver Modification, which will, among other things, accommodate the increase in size of the continuing connected party transactions of the REIT following Completion.

Manager Fee Units Arrangement

The REIT Manager is a connected person of the REIT under paragraph 8.1(a) of the REIT Code. Accordingly, the issuance of REIT Manager Fee Units to the Manager (other than pursuant to the mechanism prescribed in the Trust Deed), such as in the case of the Manager Fee Units Arrangement, will require Independent Unitholder approval pursuant to the REIT Code and the Trust Deed.

Application for waivers from certain requirements under the REIT Code

The REIT Manager has applied to the SFC for a waiver from strict compliance from certain requirements under: (A) paragraph 7.5(d) of the REIT Code with respect to layers of special purpose vehicles; and (B) paragraph 7.5(c) with respect to operational functions proposed to be assumed by (i) a branch of the Project Company in respect of the Hotel and a subsidiary of the Project Company in respect of the Serviced Apartments and (ii) the HK Companies.

2. *Implications for Yuexiu Property under the Listing Rules*

As Tower Top will cease to be a subsidiary of Yuexiu Property after Completion, the Subscription will constitute a deemed disposal by Yuexiu Property under Rule 14.29 of the Listing Rules. As the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 75%, such transaction constitutes a very substantial disposal and is subject to Shareholders' approval.

Circulars

The Yuexiu Property Circular containing, among other things: (i) a letter from the Yuexiu Property Board to the Shareholders containing details of the Yuexiu Property Related Arrangements; (ii) a notice of the Yuexiu Property EGM; and (iii) form of proxy for the Yuexiu Property EGM, will be sent to the Shareholders on or about 18 June 2012.

The REIT Circular containing, among other things: (i) a letter from the REIT Manager Board to the Unitholders containing details of the Transaction Matters Requiring Approval, the Trust Deed Amendments and the New Bank Facility; (ii) the opinion of the REIT Independent Financial Adviser with respect to the Transaction Matters Requiring Approval; (iii) the opinion of the REIT Manager Independent Board Committee with respect to Transaction Matters Requiring Approval; (iv) the views of the Trustee in respect of the Transaction Matters Requiring Approval; (v) the Property Valuation Report, Existing Properties Valuation Report, Market Consultants' Reports and other expert reports; (vi) a notice of the REIT EGM; and (vii) form of proxy for the REIT EGM, will be sent to the Unitholders on or about 18 June 2012.

Closure of register of members of Yuexiu Property

The register of members of Yuexiu Property will be closed from 10 July 2012 to 11 July 2012 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate and vote in the Yuexiu Property EGM.

Closure of register of unitholders of the REIT

The register of unitholders of the REIT will be closed from 10 July 2012 to 11 July 2012 (both days inclusive), during which no transfer of Units will be effected, to determine the eligibility of Unitholders to participate and vote in the REIT EGM.

Suspension and Resumption of Trading

At the respective requests of Yuexiu Property and the REIT, trading in the Shares of Yuexiu Property and in the Units of the REIT on the Stock Exchange was suspended from 9:00 a.m. on 9 May 2012 pending the release of this announcement. Each of Yuexiu Property and the REIT has applied to the Stock Exchange for resumption of trading in its Shares and Units, respectively, on the Stock Exchange with effect from 9:00 a.m. on 29 May 2012.

As the Transaction and the Unit Placement are conditional upon, among others, Unitholders' approval being obtained at the REIT EGM and Shareholders' approval being obtained at the Yuexiu Property EGM and may or may not complete, Shareholders and Unitholders, as well as any prospective investors of Yuexiu Property and the REIT, are advised to exercise caution when dealing in the Shares or Units.

Unitholders are reminded that: (a) the Distribution Record Date may occur before the interim results of the REIT for the first six months of 2012 are available; and (b) the Special Distribution may or may not be paid as it is conditional upon Completion. Accordingly, Unitholders should exercise caution when dealing in the Units prior to the publication of such interim results and/or Completion.

A. THE TRANSACTION AND REIT RELATED ARRANGEMENTS

1. Introduction

The Property is a premium mixed-use commercial development, which is one of the ten tallest skyscrapers in the world and a landmark building strategically located in the central business district of Guangzhou. The Property has a total gross floor area of 457,357 sqm and comprises: (i) a six-storey shopping mall; (ii) a 58-storey grade A office building (including a Financier's Club House on 27th to 28th floors of the annex building); (iii) a 5-star hotel comprising 344 guest rooms which is expected to commence operation in July 2012; (iv) a luxury serviced apartments tower comprising 314 units which is expected to commence operation in July 2012; and (v) a 1,700-space car park and other ancillary areas. As a world-class development, the Property has attracted multi-national and reputable corporate tenants for its grade A offices. The Hotel and Serviced Apartments are managed by two leading hospitality operators, being the Four Seasons Group and Ascott respectively. Further details regarding the Property are contained in section E.1 headed "Information on the Property — The Property".

The Property was developed and is currently owned by the Project Company, a limited liability company established under the laws of the PRC on 23 March 2006. Tower Top indirectly owns 99% of the equity interest in the Project Company, with the remaining 1% equity interest owned by the Project Company Minority Shareholder. Further details regarding Tower Top, the Project Company and the Project Company Minority Shareholder are set out in section A.2 headed "The Transaction and REIT Related Arrangements — Current Holding Structure of the Property".

Yuexiu Property is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 123) and on the SGX-ST. It is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region. The REIT is a collective investment scheme constituted as a unit trust and authorised under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time. The REIT's existing property portfolio comprises five commercial properties located in Guangzhou. At the time it was listed, the REIT was the first publicly listed real estate investment trust in the world that solely invests in PRC real estate.

On 28 May 2012, the Trustee entered into the Subscription Deed pursuant to which it agreed to subscribe for the Subscription Shares at par value for the Subscription Monies. The Subscription Shares will represent 99.99% of the enlarged share capital of Tower Top upon Completion. Further details regarding the Subscription are set out in section A.7 headed "The Transaction and REIT Related Arrangements — Subscription Deed".

On the same day, the Trustee (as assignee), Yuexiu Property (as assignor) and the REIT Manager entered into the Indebtedness Agreement, pursuant to which Yuexiu Property agreed to transfer and assign the Assigned Indebtedness to the Trustee (or its nominee) on a dollar-for-dollar basis. Further details regarding the Assignment are set out in section A.8 headed "The Transaction and REIT Related Arrangements — Indebtedness Agreement".

The Subscription and Assignment together comprise the Transaction. The Subscription Deed and the Indebtedness Agreement were entered into by the parties thereto on normal commercial terms following arm's length negotiations between the REIT Manager and Yuexiu Property. The Total Consideration payable by the Trustee in respect of the Transaction is expected to be approximately RMB8,850 million and comprises: (a) the Subscription Monies which will be paid to Tower Top; and (b) consideration for the Assignment, which will be paid to Yuexiu Property. Further details regarding the Total Consideration are set out in section A.5 headed "The Transaction and REIT Related Arrangements — Total Consideration".

Pursuant to the terms of the Subscription Deed, Yuexiu Property and Tower Top have undertaken that the Total Working Capital shall not be less than RMB350 million. If the Total Working Capital is less than RMB350 million, Yuexiu Property shall, within five Business Days of the finalisation of the completion accounts and working capital statement, pay to the Trustee an amount equal to such shortfall.

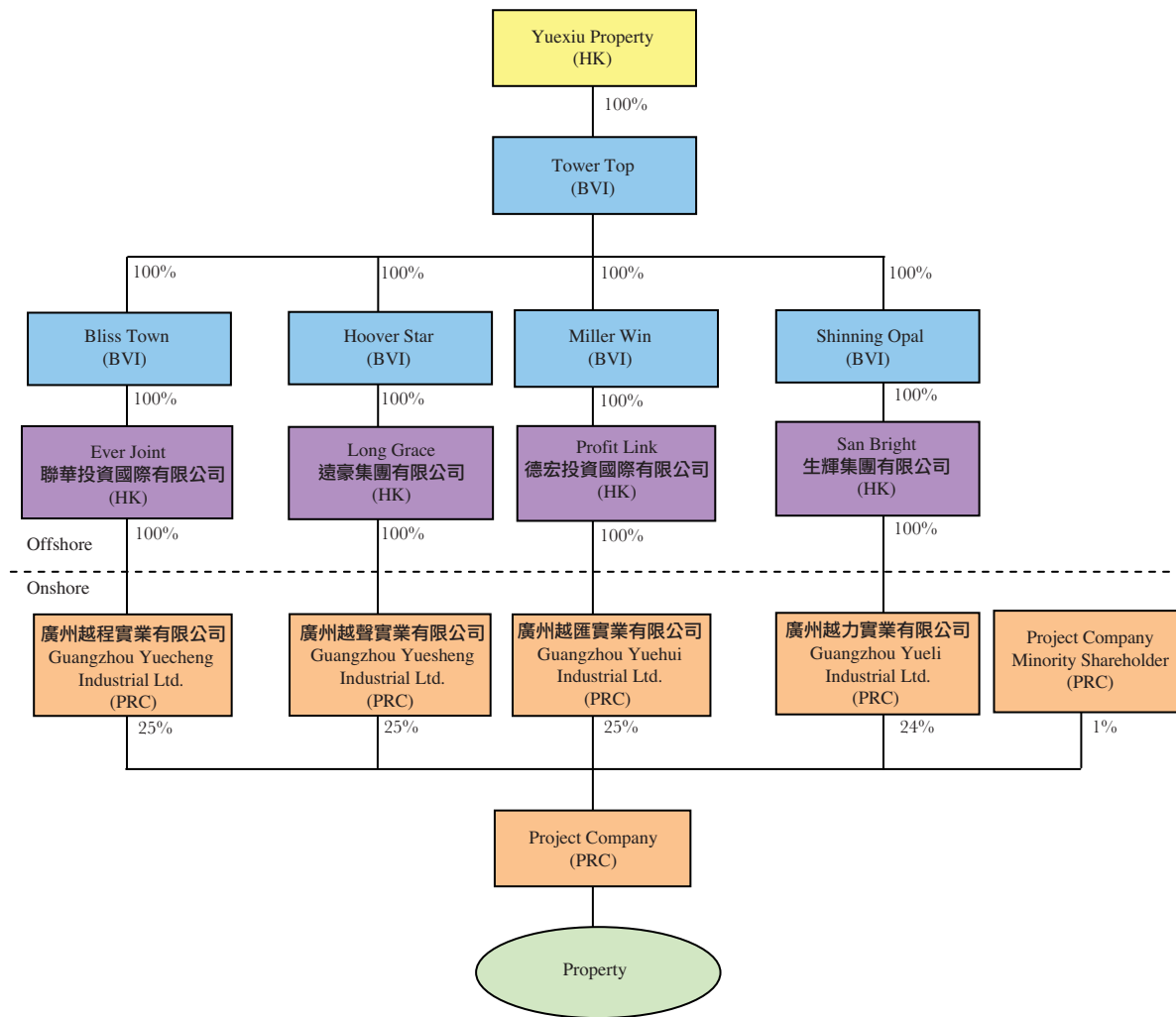
Completion of the Transaction will take place on or before the Long Stop Date (or such other date as may be agreed between Yuexiu Property and the REIT Manager).

2. Current Holding Structure of the Property

Tower Top is a company incorporated in the BVI solely for the purpose of holding, through intermediate holding companies, its interest in the Property. There is no shareholders' agreement in respect of Tower Top, and there is no matter that is required to be subject to the unanimous shareholders' approval under the laws of the BVI nor is there any matter that is required to be subject to unanimous shareholders' approval under Tower Top's articles of association.

As at the date of this announcement: (a) Yuexiu Property is interested in 35.58% (i.e., more than 10%) of the Units; and (b) Tower Top is wholly-owned by Yuexiu Property. Therefore, Yuexiu Property and Tower Top are both connected persons of the REIT. For details, please see section J headed "Implications under the REIT Code, the Trust Deed and the Listing Rules."

The current holding structure of the Property is as follows:



The BVI SPVs are direct wholly-owned subsidiaries of Tower Top. Currently, each BVI SPV does not have any business other than its investment in the HK Company that is shown underneath it in the holding structure chart.

Each HK Company is a direct wholly-owned subsidiary of the BVI Company that is shown above it in the holding structure chart. The HK Companies are currently providing management consultancy services and marketing services to the Project Company, providing procurement services to the Serviced Apartments and preparing market analyses and studies on the hotel, serviced apartments and office sectors in the PRC.

Each PRC WFOE is a direct wholly-owned subsidiary of the HK Company that is shown above it in the holding structure chart. Currently, each PRC WFOE does not have any business other than its investment in the Project Company.

Tower Top owns indirectly (through the BVI SPVs, the HK Companies and the PRC WFOEs) 99% of the equity interest in the Project Company, which in turn owns (and developed) the Property. The remaining 1% equity interest in the Project Company is owned by the Project Company Minority Shareholder. There is no matter that is required to be subject to unanimous approval of the shareholders of the Project Company. As at the date of this announcement, the Project Company Minority Shareholder is a connected person of the REIT under paragraph 8.1 of the REIT Code by virtue of being an indirectly-owned subsidiary of GZYX.

Insofar as Yuexiu Property and the REIT Manager are aware, the Project Company Minority Shareholder does not presently have any intention to dispose of its 1% equity interest in the Project Company after Completion. The Project Company Minority Shareholder is the only shareholder of the Project Company that possesses the requisite qualification to enable the Project Company to bid for the Property in the PRC. It also has strong connections with local bureaus and government authorities and is, thus, well-positioned to work together with the other shareholders of the Project Company to handle government relations and to assist the Project Company to obtain requisite approvals.

The Project Company was established as a limited liability company under the laws of the PRC on 23 March 2006. It has an operating term of 20 years with possible extension. According to the PRC legal advisers to the REIT Manager, the Project Company may apply for an extension to its operating term (with such extension being up to 20 years) and is not limited to the number of times it may make such an application. The application for extension should be made within a prescribed period, which commences no earlier than 12 months and ends no later than 6 months before the time of expiration of the operating term (as extended from time to time). According to the articles of association of the Project Company, a proposal to extend its operating term will be subject to: (a) the board of directors proposing to pass a resolution at the shareholders' meeting to extend the original operating term; (b) the shareholders' meeting passing (with two thirds majority) resolutions to extend the original operating term and to amend the Project Company's articles of association for the extension. As at the date of this announcement, the Project Company Minority Shareholder does not have any representation on the board of directors of the Project Company and only holds 1% of the voting rights, and accordingly, its approval to extend the operating term of the Project Company is not required. Under current PRC law and local rules, the Guangzhou Administrative Bureau of Industry and Commerce would be the authority empowered to decide whether to approve the extension of the Project Company's operating term. If the Project Company's application for extension is approved, the operating term will be extended at no cost to the Project Company (other than a handling fee of RMB100).

The PRC legal advisers to the REIT Manager have advised that, in the event that the operating term of the Project Company cannot be extended, the Project Company will need to be dissolved and its residual assets (i.e., after payment of employee wages, social insurances, compensation payable to employees as prescribed by law, outstanding tax liabilities and the company's debts) and all costs and expenses arising from the liquidation process) will be distributed to its shareholders in proportion to their respective shareholding in the Project Company.

Upon Completion, the REIT will be entitled to appoint all of the directors of the Project Company. Distribution of net profits of the Project Company shall be made to its shareholders in proportion to their respective contributions to the registered capital of the company (being 25% to each of Guangzhou Yuecheng Industrial Limited, Guangzhou Yuesheng Industrial Limited and Guangzhou Yuehui Industrial Limited, 24% to Guangzhou Yueli Industrial Limited and 1% to the Project Company Minority Shareholder).

Other than the operational activities carried on by the branch and the subsidiary of the Project Company, which are described in further detail in section E.5 headed "Information on the Property — Property Management", the Project Company does not carry on any other operational activity other than its investment in the Property.

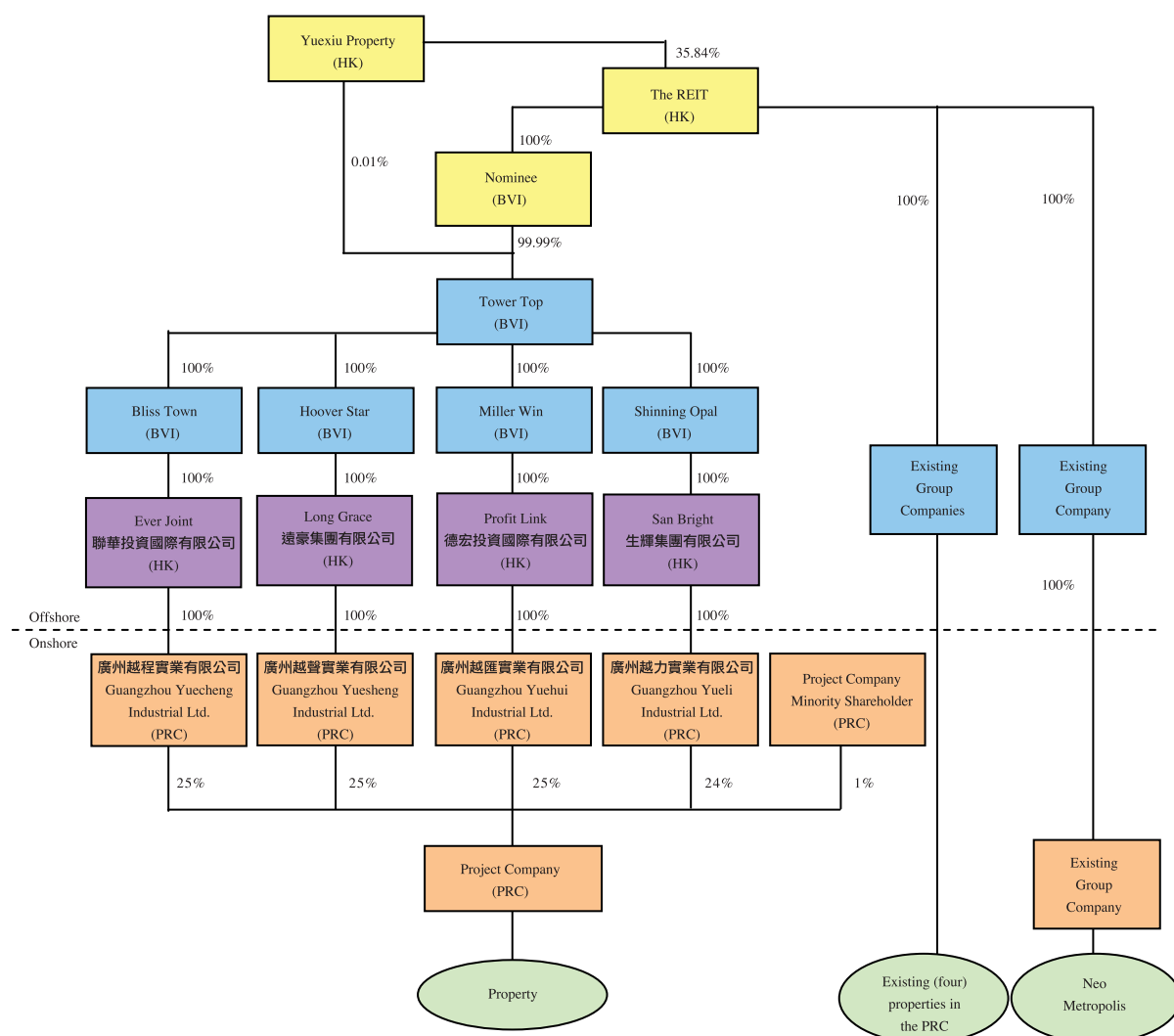
3. Expected Holding Structure of the Property

Immediately after Completion, Tower Top will be owned as to 99.99% by the REIT and as to 0.01% by Yuexiu Property. Yuexiu Property does not presently have any intention to dispose of its 0.01% interest in Tower Top after Completion. All directors of Tower Top will, upon Completion, be appointed by the REIT.

Yuexiu Property together with its subsidiaries (other than the Tower Top Group) have been responsible for the bidding, development and operation of the Property since inception. It also negotiated the existing agreements with the Four Seasons Group, Ascott and the Guangzhou Friendship Department Store (being the key tenant in the shopping mall). In order to maintain continuity in those relationships, which is particularly important during the initial start-up period, it is envisaged that the REIT and its subsidiaries (including the Project Company) will engage certain individuals who are currently responsible for the day-to-day operation of the Property or who possess the relevant experience to manage real estate property of the class and size of the Property. It is also

envisaged that Yuexiu Property will provide the requisite support to maintain the continuity in relationship management and the operation of the Property after Completion (including the services it has agreed to provide pursuant to the Settlement Agency Agreement).

The expected holding structure of the Property immediately after Completion (not including any Manager Fee Units or Deferred Units that are issued post-Completion) assuming the Illustrative Financing Structure and the Issue Price being the Illustrative Issue Price will be as follows:



4. Financial Information of the Tower Top Group

The following table sets out the audited net profit/loss before and after taxation and extraordinary items of the Tower Top Group for the three years ended 31 December 2011:

In RMB '000	For the year ended 31 December,		
	2009	2010	2011
Audited net profit before taxation	330,334	161,844	5,224,555
Audited net profit after taxation	237,331	116,459	3,748,629
Fair value gains on investment properties	345,566	153,127	5,181,802
Audited net (loss)/profit before taxation excluding fair value gains on investment properties	(15,232)	8,717	42,753

As at 31 December 2011, the audited consolidated net asset value of the Tower Top Group amounted to approximately RMB4,125.4 million. Such figure only represents the amount of equity capital and the accumulated profit (including revaluation gain from the office and retail portions of the Property which are accounted for as investment properties and stated at fair value in Tower Top's financial statements) of the Tower Top Group as at 31 December 2011 but does not yet take into account the potential fair value gain of the Hotel and Serviced Apartments (which are accounted for as construction-in-progress and property under development, respectively, and stated at cost in Tower Top's financial statements) as well as the associated deferred tax liabilities subsequent to 31 December 2011. The audited figures in 2009, 2010 and 2011 are included in the consolidated audited figures of Yuexiu Property.

On 25 May 2012, Tower Top declared a distribution of surplus in the amount of approximately RMB5,204 million to its then sole shareholder, Yuexiu Property, after the revaluation of Tower Top's investments in the HK Companies ("***Tower Top Distribution***"). The revaluation was made with reference to: (a) the unaudited consolidated net asset value of Tower Top being approximately RMB4,104 million as at 25 May 2012; and (b) the estimated revaluation surplus of the Property (including office, retail, Hotel and Serviced Apartments) of approximately RMB1,645 million up to the Appraised Value of RMB15,370 million and estimated associated deferred tax liabilities of approximately RMB465 million. Taking into account the revaluation of Tower Top's investments in the HK Companies, it is expected that the consolidated net asset value (excluding the non-controlling interests) of the Tower Top Group after the

declaration of the Tower Top Distribution will be minimal. Such consolidated net asset value takes into consideration the Estimated Outstanding Construction Costs and the payment obligations in respect of the Withheld Construction Costs pursuant to the Settlement Agency Agreement, although for the reasons stated in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”, there will be no net impact on the consolidated net asset value of the Tower Top Group. The Tower Top Distribution will not limit the ability of the Project Company to make distributions after Completion, although other limitations on the Project Company’s ability to distribute (to be disclosed in the REIT Circular) unrelated to the Tower Top Distribution may apply.

As at the Latest Practicable Date, shareholders’ loans and other intra-group amounts owing to Yuexiu Property were rearranged so that as at such date, Tower Top was indebted to Yuexiu Property for approximately RMB3,646 million.

The Tower Top Distribution and rearranged intra-group amounts of approximately RMB3,646 million owing to Yuexiu Property remained unpaid as at the Latest Practicable Date. Accordingly, as at the Latest Practicable Date, the total amount due by Tower Top to Yuexiu Property (being the Assigned Indebtedness) was approximately RMB8,850 million. Further, taking into account: (a) the amounts owing under Existing Construction Facility (as at the Latest Practicable Date) of approximately RMB4,500 million that will effectively be assumed by the REIT after Completion; and (b) the value of effective non-controlling interest of 1.01% in the Tower Top Group (as at the Valuation Reference Date) of approximately RMB90 million, it is expected that the resulting value of the Transaction (being the Transfer Value) will be RMB13,440 million. The Transfer Value excludes mainly any deferred tax provision attributable to the revaluation surplus and depreciation in respect of the Property of approximately RMB2,067 million.

5. Total Consideration

The Total Consideration in respect of the Transaction is expected to be approximately RMB8,850 million which consists of:

- (a) the Subscription Monies, which will be paid to Tower Top pursuant to the Subscription Deed, as described in section A.7 headed “The Transaction and REIT Related Arrangements — Subscription Deed — (ii) Subscription Monies”; and

- (b) the consideration for the Assignment, which will be paid to Yuexiu Property pursuant to the Indebtedness Agreement, as described in section A.8 headed “The Transaction and REIT Related Arrangements — Indebtedness Agreement — (ii) Consideration for the Assignment”.

The Subscription Monies reflect the expected minimal net asset value of the Tower Top Group (taking into account the revaluation of Tower Top’s investments in the HK Companies) after declaration of the Tower Top Distribution, while the consideration for the Assignment reflects the Assigned Indebtedness to be transferred and assigned to the Trustee (or its nominee) on a dollar-for-dollar basis.

6. Minimum Working Capital

Pursuant to the terms of the Subscription Deed, Yuexiu Property and Tower Top have undertaken that the Total Working Capital shall not be less than RMB350 million. The Total Working Capital as at the Latest Practicable Date was approximately RMB398 million.

The REIT Manager and Yuexiu Property shall procure Tower Top to prepare draft completion accounts and a working capital statement as soon as practicable after Completion. Such draft accounts shall be reviewed by the REIT’s auditors and shall be delivered to the Trustee, the REIT Manager and Yuexiu Property. The draft completion accounts and working capital statement shall be subject to the agreement of Yuexiu Property and the REIT Manager or, failing agreement, determined by an independent expert according to the terms of the Subscription Deed.

If the Total Working Capital is less than RMB350 million, Yuexiu Property shall, within five Business Days of the finalisation of the completion accounts and working capital statement, pay to the Trustee (or the Nominee (as the case may be)) an amount equal to such shortfall.

A further announcement will be made by the REIT Manager after the completion accounts and the working capital statement have been finalized.

The non-current assets in the consolidated balance sheet of Tower Top include the Property and deferred assets. The non-current liabilities in the consolidated balance sheet of Tower Top include deferred tax and bank borrowings.

The REIT Manager is of the view that there will be no significant changes to the non-current assets and liabilities position upon Completion. Nevertheless, the Subscription Deed contains specific covenants consistent with market practice that give a significant degree of negative control to the REIT Manager in relation to the operation of the Tower Top Group during the period between signing of the Subscription Deed and Completion. For example, the Subscription Deed contains covenants that, among others require members of the Tower Top Group to, except with the consent of the REIT Manager: (a) refrain from entering into any contract or arrangement except in the ordinary course of its business; (b) not incur any material capital expenditure or commitment; and (c) save for existing commitments, not to enter into any loan or debt arrangements and not to make any loans, grant any credits, or borrow any money except in the ordinary course of business. These contractual protections mitigate the risk to the Trustee of any possible adverse changes to the assets and liabilities of the Tower Top Group arising from acts or omissions of Yuexiu Property.

7. **Subscription Deed**

Date: 28 May 2012

Parties:

Issuer: Tower Top

Subscriber: The Trustee

The REIT Manager

Co-warrantor: Yuexiu Property

(i) ***Proposed Subscription***

On 28 May 2012 the Trustee (as subscriber), the REIT Manager, Tower Top (as issuer) and Yuexiu Property (as co-warrantor) entered into the Subscription Deed in relation to the proposed subscription by the Trustee (or its nominee) of the Subscription Shares at par value for the Subscription Monies. The Subscription Shares will represent 99.99% of the enlarged share capital of Tower Top upon Completion. As at the Latest Practicable Date, it is intended that the Subscription Shares will be issued to the Nominee. The Subscription Shares, upon issuance, will rank pari passu in all respects with the then existing shares of Tower Top. There are no outstanding instruments convertible into or exchangeable for any shares of Tower Top, nor are there any outstanding rights or options to subscribe for or to purchase any of shares of Tower Top.

(ii) *Subscription Monies*

As consideration for the Subscription Shares, the Trustee will (on behalf of the REIT and out of the Deposited Property) pay Tower Top a cash amount of US\$9,999 (which is approximately equivalent to RMB62,394) upon Completion. Such cash amount (being the Subscription Monies) represents the par value of the Subscription Shares and is determined based on negotiations between the parties to the Subscription Deed on an arms' length basis. The Subscription Monies reflect the expected consolidated net asset value (excluding the non-controlling interests) of the Tower Top Group (taking into account the revaluation of Tower Top's investments in the HK Companies) as at the Latest Practicable Date. Both the net asset value of Tower Top and the consolidated net asset value of the Tower Top Group are expected to be minimal after the Tower Top Distribution has been declared.

(iii) *Conditions precedent under the Subscription Deed*

Completion of the Subscription is conditional upon the satisfaction of certain conditions, including but not limited to the following:

- (a) the passing of the relevant resolutions by the Independent Unitholders to approve the Transaction Matters Requiring Approval at the REIT EGM;
- (b) the passing of the relevant resolutions by the Shareholders to approve the Transaction and the Yuexiu Property Related Arrangements at the Yuexiu Property EGM;
- (c) all necessary consents, approvals, waivers or authorizations required to be given by third parties (including governmental and official authorities in the PRC) for the Subscription having been obtained or granted, and being in full force and effect as at Completion;
- (d) satisfactory completion of the Unit Placement, as determined by the REIT Manager, prior to or concurrently with Completion and on such terms as are satisfactory to the REIT Manager, including the granting by the Stock Exchange of the approval for the listing of, and permission to deal in, the Placement Units, and such approval not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Trustee and Yuexiu Property, and any such conditions which are required to be fulfilled on or before Completion are so fulfilled;
- (e) the New Bank Facility being obtained by the Nominee, being in place at Completion and the loan amount under such New Bank Facility being available and to be drawn down by the Borrower at Completion;

- (f) the REIT Manager being satisfied that with the results of the due diligence in respect of the Property (including the Project Company exclusively owns the Property, the Project Company's title to the Property will not be defective upon completion of the relevant procedural formalities in the PRC and the REIT will hold, upon Completion, "good marketable legal and beneficial title" in the Property within the meaning of paragraph 7.7 of the REIT Code);
- (g) the Trustee having received confirmation from the REIT Manager that it has complied with the DPU Undertaking;
- (h) there being no material damage to the Property;
- (i) the warranties remaining true and accurate in all material respects and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Subscription Deed and Completion; and
- (j) no bona fide investigation, action, suit, injunction, order or proceeding being in effect or pending as of the Completion Date before any court of competent jurisdiction or by any relevant governmental body which seeks to restrain, prohibit, impose limitations on or conditions or otherwise challenge the transactions contemplated under the Subscription Deed, nor shall any of the foregoing have been threatened as of the Completion Date.

The Subscription Deed is not conditional upon the completion of the Assignment under the Indebtedness Agreement. The Trustee may waive all or any of the conditions (other than those listed in (a) to (g) above) by notice in writing to Tower Top. If any of the conditions under the Subscription Deed have not been fulfilled or waived on or before the Long Stop Date (or such other date as the Trustee, the REIT Manager, Tower Top and Yuexiu Property may agree in writing), the Trustee shall not be bound to proceed with the Subscription.

(iv) ***Representations and warranties in the Subscription Deed***

The Subscription Deed contains customary representations and warranties given by Tower Top and Yuexiu Property, including that Tower Top shall fulfil its obligations under the Subscription Deed. Other customary representations and warranties include those in respect of Tower Top, the BVI SPVs, the HK Companies, the PRC WFOEs, the Project Company and the Property.

The Subscription Deed also sets out limitations on the liability of Tower Top and Yuexiu Property in respect of any breach of warranties. The maximum aggregate liability of Tower Top and Yuexiu Property in respect of all claims for breach of warranties under the Subscription Deed shall not exceed the Total Consideration, which is expected to be approximately RMB8,850 million. Although it is customary for the liability cap to be equal to the consideration payable in respect of that transaction, as the consideration payable under the Subscription Deed is de minimis and is being retained by Tower Top for its general working capital purposes, the parties have agreed for the liability cap to be equal to the Total Consideration.

The REIT shall not be entitled to recover from Tower Top and Yuexiu Property under the Subscription Deed more than once in respect of the same damage suffered. The Subscription Deed also provides for a limitation period of 4 years from the Completion Date for all claims (other than claims relating to tax-related warranties, in which case the limitation period is 7 years). Such limitation period is the result of arm's length negotiations between the relevant parties and is consistent with other transactions that the REIT has entered in the past.

The REIT Manager considers that 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.

(v) ***Completion of the Subscription***

Completion of the Subscription is expected to take place on a date to be agreed in writing by the Trustee, the REIT Manager, Tower Top and Yuexiu Property, which is also the expected date of completion of the Assignment, subject to the conditions precedent under the Subscription Deed having been fulfilled or waived and in any event no later than the Long Stop Date (or such other date as the Trustee, the REIT Manager, Tower Top and Yuexiu Property may agree in writing). At Completion, the Trustee (or its nominee) shall subscribe for and Tower Top shall issue all of the Subscription Shares. Once completion of the Subscription has (or has not) taken place, an announcement will be issued by Yuexiu Property and the REIT Manager describing the occurrence.

8. Indebtedness Agreement

Date: 28 May 2012

Parties:

Assignor: Yuexiu Property

Assignee: The Trustee

REIT Manager

(i) *Proposed Assignment*

On 28 May 2012, the Trustee (as assignee), Yuexiu Property (as assignor) and the REIT Manager entered into the Indebtedness Agreement in relation to the Assignment. The Assigned Indebtedness will represent the outstanding amount owed by Tower Top to Yuexiu Property as at the Completion Date. As at the Latest Practicable Date, the outstanding amount owed by Tower Top to Yuexiu Property amounted to approximately RMB8,850 million, which is not expected to materially differ as at the Completion Date. Pursuant to the terms of the Indebtedness Agreement, Yuexiu Property has agreed to transfer and assign the Assigned Indebtedness to the Trustee (or its nominee) on a dollar-for-dollar basis. As at the Latest Practicable Date, it is intended that the Assigned Indebtedness will be assigned to the Nominee.

(ii) *Consideration for the Assignment*

The consideration for the Assignment is based on the value of the Assigned Indebtedness on a dollar-for-dollar basis and negotiations between the REIT and Yuexiu Property on an arm's length basis. The Trustee will, (on behalf of the REIT and out of the Deposited Property), pay the consideration for the Assignment to Yuexiu Property in the following manner:

- (a) not less than RMB1,200 million shall be financed by the amount drawn down under the New Bank Facility;
- (b) not more than RMB5,450 million shall be satisfied from the proceeds from the Unit Placement and by the issuance of Consideration Units at the Issue Price to Yuexiu Property (or YXP Nominee). Subject to the maximum number of Consideration Units that may be issued, the proceeds from the

Unit Placement will represent approximately 64% of such amount, with the remaining 36% being attributable to the Consideration Units issued, such that Yuexiu Group will maintain around the same unitholding in the REIT; and

- (c) the balance of the consideration for the Assignment, which based on the Illustrative Financing Structure will be RMB2,400 million, will be satisfied by the issuance of the Deferred Units at the Issue Price (subject to adjustment for the Deferred Units Adjustment Events) to Yuexiu Property (or YXP Nominee).

No fraction of a Unit shall be issued to Yuexiu Property (or YXP Nominee) and the number of Consideration Units shall be adjusted down to the nearest whole number. The maximum number of Consideration Units to be issued to Yuexiu Property (or YXP Nominee) will be such number which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after Completion, 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 time such Consideration Units are issued. For illustration, assuming that the Issue Price is the Illustrative Issue Price, the maximum number of Consideration Units that may be issued will be 653 million. If the Issue Price is less than the Illustrative Issue Price, the maximum number of Consideration Units will be greater than 653 million and vice versa.

Further, the aggregate number of Placement Units, Consideration Units and Deferred Units (assuming that the Deferred Units are issued at the Issue Price without any adjustments pursuant to the Deferred Units Adjustment Events) to be issued will not exceed 3,000 million Units (being the Authorised Issue), which is approximately three times of the number of Units in existence as at the Latest Practicable Date.

The Issue Price (which will be the same for the Placement Units, Consideration Units and Deferred Units) will be determined by the REIT Manager and the Unit Placement Underwriter(s) on the Unit Placement Pricing Date having regard to the market conditions at that time, provided that the Issue Price will not be at a discount of more than 20% to the average closing price of the Units on the Stock Exchange in the ten trading days immediately prior to the Unit Placement Pricing Date. The Unit Placement will occur after Independent Unitholders' approval has been obtained at the REIT EGM and Shareholders' approval has been obtained at the Yuexiu Property EGM, which (based on the current expected timetable)

will take place on 11 July 2012, and in any event, before the Long Stop Date (or such other date that the REIT Manager and the Unit Placement Underwriter(s) may agree in writing). The Consideration Units and the Placement Units will be issued on the Completion Date.

Please refer to the section B.2 headed “Financing of the Transaction — Illustrative Financing Structure” for an illustrative financing example based on what the REIT Manager considers to be the optimal balance between each financing component in connection with the Transaction.

(iii) ***Conditions precedent under the Indebtedness Agreement***

Completion of the Assignment is conditional upon the satisfaction of the following conditions:

- (a) the passing of the relevant resolutions by the Independent Unitholders to approve the Transaction Matters Requiring Approval at the REIT EGM;
- (b) the passing of the relevant resolutions by the Shareholders to approve the Transaction and the Yuexiu Property Related Arrangements at the Yuexiu Property EGM;
- (c) the granting by the Stock Exchange of the approval for the listing of, and permission to deal in, the Consideration Units and the Deferred Units, and such approval not having been revoked or amended; and
- (d) the Subscription Deed having become unconditional.

If any of the conditions under the Indebtedness Agreement have not been fulfilled on or before the Long Stop Date (or such other date as the Trustee, the REIT Manager and Yuexiu Property may agree in writing), the Trustee shall not be bound to proceed with the Assignment.

(iv) ***Completion of the Assignment***

Completion of the Assignment is expected to take place on the date of completion of the Subscription, subject to the conditions precedent under the Indebtedness Agreement having been fulfilled and in any event no later than the Long Stop Date (or such other date as the Trustee, the REIT Manager and Yuexiu Property may agree in writing).

At Completion, Yuexiu Property will transfer and assign the Assigned Indebtedness to the Trustee (or its nominee), and the REIT shall pay the consideration for the Assignment to Yuexiu Property in the manner described above. Once completion of the Assignment has (or has not) taken place, an announcement will be issued by Yuexiu Property and the REIT Manager describing the occurrence.

9. REIT Related Arrangements

(i) *Settlement Agency Agreement*

On 4 May 2012, the Project Company and the Settlement Agent, which is owned as to 95% by Yuexiu Property, entered into the Settlement Agency Agreement, pursuant to which the Settlement Agent agreed to be responsible for settling the outstanding construction costs related to the Property, on behalf of the Project Company. At the time that the Settlement Agency Agreement was signed, such costs were estimated to be approximately RMB1,643 million (the *Estimated Outstanding Construction Costs*), details of which are set out in a schedule to the Settlement Agency Agreement along with the individual breakdown of such costs and the timing for their payment (according to the schedule, all outstanding construction costs will be settled by 2017). As at the Latest Practicable Date, the REIT Manager is not aware of any change to the estimated outstanding construction costs since the Settlement Agreement was executed (other than to account for those construction costs that have been paid since then). Since the accrued construction costs are payable to a party which is not Yuexiu Property, the Estimated Outstanding Construction Costs will not affect the amount of the Assigned Indebtedness.

On 7 May 2012, pursuant to the Settlement Agency Agreement, the Project Company transferred to the Settlement Agent an amount equal to the Estimated Outstanding Construction Costs less RMB350 million (the *Withheld Construction Costs*). Such amount (the *Initial Transfer*), being approximately RMB1,293 million, was deposited into a separate bank account in the Settlement Agent's name (the *SAA Account*). 50% of the Withheld Construction Costs (the *First 50%*) will be released by the Project Company to the Settlement Agent when the remaining balance of the Initial Transfer (net of all payments made by the Settlement Agent on behalf of the Project Company pursuant to the terms of the Settlement Agency Agreement) is less than or equal to RMB100 million. The remaining 50% of the Withheld Construction Costs will be released

by the Project Company to the Settlement Agent when the remaining balance of Initial Transfer and the First 50% held by the Settlement Agent (net of all payments made by the Settlement Agent on behalf of the Project Company pursuant to the terms of the Settlement Agency Agreement) is less than or equal to RMB100 million. Based on the Tower Top Group's existing cash balance as at the Latest Practicable Date, the REIT Manager considers that the Tower Top Group will have sufficient funds as at Completion to pay the Withheld Construction Costs in the manner described above.

Interest at a rate of 9% per annum will be payable semi-annually by the Settlement Agent to the Project Company in respect of the Relevant SAA Amount. The interest paid by the Settlement Agent to the Project Company will not be refundable, irrespective of whether the Settlement Agent will be required to refund any surplus cash to the Project Company.

The Settlement Agent has undertaken to maintain a minimum balance in the SAA Account, which will be equal to the projected payments to be made by the Settlement Agent (on behalf of the Project Company) in the coming three months. The Settlement Agent will receive all invoices relating to construction costs and will arrange for the invoice to be paid from the SAA Account within a specified time frame pursuant to the terms of the relevant contract or invoice and in accordance with the terms of the Settlement Agency Agreement.

The Settlement Agency Agreement will effectively cap the payment obligations of the Project Company in respect of the outstanding construction costs in respect of the development, construction and fitting out of the Property, which were commissioned before the Completion Date. Even if there are insufficient funds in the SAA Account, the Settlement Agent will continue to be responsible for settling such outstanding construction costs (on behalf of the Project Company) and will bear the costs of doing so. The Project Company will not be required under any circumstances to "top-up" the SAA Account. Conversely, to the extent that there are residual funds in the SAA Account after settlement of all outstanding construction costs, the Settlement Agent will be required to refund the surplus cash to the Project Company within 10 Business Days after the settlement of such costs.

Pursuant to the Subscription Deed, Yuexiu Property has agreed to guarantee the obligations of the Settlement Agent under the Settlement Agency Agreement for a period of 7 years from the date of the Settlement Agency Agreement. There is no maximum cap on Yuexiu Property's liability under the guarantee. In the event that the Settlement Agent does not pay an invoice relating to construction

costs in accordance with the terms of the Settlement Agency Agreement, the Settlement Agent will be liable for all losses that the Project Company may suffer as a result thereof. In addition, the Trustee (or the Nominee) may require Yuexiu Property to make such payment within 15 Business Days after it demands payment from Yuexiu Property pursuant to the guarantee.

Further, under the Subscription Deed, in the event that Yuexiu Property fails to perform its guarantee obligations described above, Yuexiu Property has agreed that the Trustee (on behalf of the Project Company), on the instructions of the REIT Manager, (in addition to and without limiting any of the rights of the Project Company under the Settlement Agency Agreement) elect to:

- (i) set-off any amount payable by Yuexiu Property to the Project Company under the Settlement Agency Agreement (the *Due Amount*) against a distribution declared by the REIT to its Unitholders and which becomes due and payable by the REIT to Yuexiu Property on the next Distribution Payment Date and on each subsequent Distribution Payment Date until the Due Amount is satisfied; or
- (ii) reduce the number of Deferred Units issuable to Yuexiu Property (or YXP Nominee) pursuant to the Indebtedness Agreement by the amount equal to the quotient obtained by dividing the Due Amount by the Issue Price at the time of exercise of the right granted in this paragraph (subject to adjustment pursuant to the terms of the Indebtedness Agreement).

The Settlement Agency Agreement will continue to subsist post-Completion. As the Settlement Agent is a connected person by virtue of its relationship with Yuexiu Property, the Settlement Agency Agreement will become a connected party transaction upon Completion (at which time the Project Company will form part of the REIT). The REIT Board considers the continuation of the Settlement Agency Agreement to be in the interests of Unitholders since: (a) it protects the REIT against any construction cost overrun associated with the Property; and (b) in light of the experience of the Settlement Agent (whose team was responsible for the development and operation of the Property, have a historic working relationship with the construction contractors, and are familiar with the various building contracts) it would be more appropriate and cost-effective for the Settlement Agent to monitor and control the continuing construction cost expenditure. Furthermore, the Settlement Agency Agreement will bring about the following benefits to Yuexiu Property: (a) Yuexiu Property can monitor and control the continuing construction cost expenditure in respect of the Property through the Settlement Agent in a more cost-effective manner, and (b) Yuexiu Property can better control the construction costs associated with the Property.

The consolidated net asset value (excluding the non-controlling interests) of the Tower Top Group takes into consideration the Estimated Outstanding Construction Costs and the payment obligations in respect of the Withheld Construction Costs, although there will be no net impact on consolidated net asset value as the accrued construction cost and prepayment to the Settlement Agent are grossed up by the same amount.

(ii) ***Naming Rights Agreement***

On 9 May 2012, Tower Top and Yuexiu Property entered into the Naming Rights Agreement, pursuant to which Tower Top agreed to procure the Project Company to allow Yuexiu Property to exercise its naming rights at the Property for an aggregate cash consideration of RMB50 million, which will be payable in five equal semi-annual instalments of RMB10 million each from 1 July 2012 to 31 December 2014. Pursuant to the Naming Rights Agreement, Yuexiu Property has the right to display the names and logo of designated companies at noticeable locations at the Property, and to raise the flags of such companies at appropriate locations within the Property (***Naming Rights***). The exercise of the Naming Rights must not conflict with the operating business of the Project Company and the name of a competitor of Tower Top or the Project Company must not be used at the Property pursuant to the exercise of the Naming Rights.

The Naming Rights can only be exercised on the condition that such exercise does not affect the normal operational activities of the Property, i.e. that it must not attract the opposition or objection of the top ten tenants of the Property. Yuexiu Property shall continue to enjoy the Naming Rights unless it ceases to be one of the top ten tenants of the Property in terms of the aggregate gross floor area rented by Yuexiu Property and its Associates.

The final scheduled payment under the Naming Rights Agreement is co-terminus with the date by which all existing leases entered into by the REIT Manager Connected Persons expire, and thereafter, the Naming Rights will be one of the factors considered by the REIT Manager in negotiating the renewal and rent paid in respect of such leases.

(iii) ***Deed of Top-up Payments***

Upon Completion, Yuexiu Property, the REIT Manager and the Trustee will enter into the Deed of Top-up Payment pursuant to which Yuexiu Property agrees to provide income support to the REIT for the period from the Completion Date until the end of 2016 to enable the REIT to mitigate its exposure to the initial

start-up risk associated with the operation of the Hotel and the Serviced Apartments, and to ensure that the REIT receives stable and recurrent rental income during these periods. Such income support will involve the making of top-up payments to the REIT, which shall be determined as follows:

- (i) if the GOP (as reflected in the Project Company's accounts for the first six months ending 30 June of each financial year and as notified by the Project Company to Yuexiu Property in writing) is less than the agreed GOP support for the Hotel and Serviced Apartments for the relevant six-month period, Yuexiu Property shall pay to the REIT a cash amount that is equal to such shortfall within 7 Business Days after the announcement of the REIT's interim results for the relevant six-month period;
- (ii) if the GOP (as reflected in the Project Company's accounts for the financial year ending 31 December of each financial year and as confirmed by the REIT's auditors) is less than the agreed GOP support for the Hotel and Serviced Apartments for that financial year, Yuexiu Property shall pay to the REIT an amount that is equal to such shortfall (less any amount that has been paid to the REIT pursuant to paragraph (i) above) within 7 Business Days after the announcement of the REIT's annual results for the relevant financial year; and
- (iii) if the GOP (as reflected in the Project Company's accounts for the six months ending 30 June of each financial year and as notified by the Project Company to Yuexiu Property in writing or (as the case may be) as reflected in the Project Company's accounts for the financial year ending 31 December of each financial year and as confirmed by the REIT's auditors) is greater than the agreed GOP support for the Hotel and Serviced Apartments for the relevant six-month period or that financial year (as the case may be), Yuexiu Property is not required to make any payments to the REIT.

The top-up payments only relate to payments made by Yuexiu Property to the REIT. The REIT is encouraged to outperform the agreed GOP support as there are no circumstances under which the REIT will be required to pay or make any refund to Yuexiu Property, including where the GOP is greater than the agreed GOP support.

Details of the top-up payments (including the quantum of such payments) will be announced by the REIT Manager and Yuexiu Property as soon as practicable after such payments have been determined, and will be disclosed in the REIT's and Yuexiu Property's interim and annual reports.

The amount of top-up payments that may be payable by Yuexiu Property to the REIT for the financial year ending 31 December 2012 shall be calculated on a pro-rata basis by reference to the actual number of days from the Completion Date up to and including 31 December 2012 divided by the total number of days from 1 January 2012 to 31 December 2012 (both dates inclusive).

The agreed GOP support for the Hotel and Serviced Apartments for each year is RMB268.4 million, and the amount of agreed GOP support for the relevant six-month period is RMB134.2 million (being half of the agreed GOP support for the full year). As the Hotel and the Serviced Apartments have yet to commence operations and therefore have no historical operating and financial figures, the top-up payments and agreed GOP support amounts were determined by Yuexiu Property and the REIT Manager after taking into consideration: (a) the business plans of the Four Seasons Group and Ascott, including revenue and expenses estimated based on their operating experiences; (b) the Principal Valuer's estimations (based on current market conditions) as to the operating performance of the Property to be disclosed in the REIT Circular; and (c) the supply and demand of luxury hotels and serviced apartments in Guangzhou based on the Hotel and Serviced Apartments Market Consultant Report. Further details of the parameters considered by the REIT Manager and Yuexiu Property will be discussed and disclosed in the Yuexiu Property Circular and the REIT Circular.

The top-up payments as described above will be paid in Hong Kong dollars pursuant to the prevailing exchange rate as announced by the People's Bank of China at the relevant time. The aggregate of all top-up payments made by Yuexiu Property to the REIT pursuant to the arrangement described above shall not exceed RMB610 million.

Unitholders should note that the top-up payments are not intended to be a rental guarantee from Yuexiu Property, but simply an arrangement for the REIT to mitigate the start-up risks associated with the operation of the Hotel and Serviced Apartments, especially for the period commencing from the Completion Date to 31 December 2016. Based on the business plans of the Four Seasons Group and Ascott, and the views of the Principal Valuer and the Hotel and Serviced Apartment Market Consultant, the REIT Manager considers that such risks would diminish over time as the operations of the Hotel and Serviced Apartments are expected to progressively mature beyond the initial start-up period and the maximum top-up amount of RMB610 million is not expected to be fully utilized during the relevant period (from Completion until the end of 2016). **Unitholders should however note that the maximum top-up amount of**

RMB610 million effectively serves as a cap on the maximum liability of Yuexiu Property under the Deed of Top-up Payments, and that, once the full amount of the top-up payments has been made, Yuexiu Property will have no further liability under the Deed of Top-up Payments.

(iv) *Employee Payment Agreement*

Upon Completion, the REIT Manager and the HK Companies will enter into the Employee Payment Agreement, pursuant to which the REIT Manager will reimburse the HK Companies (the *Reimbursement*) for the costs and expenses that they incur in connection with the employment of the Hong Kong Employees, including: (i) their remuneration and other amounts that may be payable to them upon termination or cessation of their employment with the relevant HK Company pursuant to the terms of their respective employment contracts; (ii) the amount of employer's contribution to the mandatory provident fund in respect of the Hong Kong Employees; and (iii) the insurance premium paid for employees' compensation insurance taken out by the relevant HK Company in respect of the Hong Kong Employees.

It is proposed that the Reimbursement will be paid by the REIT Manager to the relevant HK Company on a monthly basis within 7 Business Days after receipt of a written notice from that HK Company of the amount of Reimbursement payable in respect of the preceding month.

Each HK Company will procure its auditors to review the audited accounts of the HK Companies as part of their year-end review and confirm the actual costs incurred by the HK Companies in respect of the Hong Kong Employees. Each HK Company will also procure its auditors to issue a written confirmation of the relevant amount to the REIT Manager (being the *Auditors' Confirmation*). To the extent that the actual costs incurred by the HK Companies are less than (or exceed) the amount of reimbursement received by the HK Companies from the REIT Manager for the relevant financial year, the relevant HK Company shall pay to the REIT Manager an amount that is equal to such excess or the REIT Manager shall pay the shortfall (as the case may be) to the relevant HK Company, in each case within 14 Business Days after the date of the Auditors' Confirmation.

In addition, the REIT Manager agrees to indemnify the HK Companies for all liabilities and losses that it may suffer as a result of the employment of the Hong Kong Employees (to the extent that this is not covered by the Reimbursement arrangement described above).

The REIT Manager is a connected person of the REIT under paragraph 8.1(a) of the REIT Code. Accordingly, the Employee Payment Agreement and the transactions contemplated under the agreement will, upon Completion (when the HK Companies will form part of the REIT), constitute a connected party transaction of the REIT.

(v) ***Manager Fee Units Arrangement***

It is proposed that Independent Unitholder approval will be sought in connection with the Manager's Fees for the period from the Fee Reference Date to 31 December 2016 being satisfied and paid in the form of Manager Fee Units and cash in the proportion as set out in the table below (being the Manager Fee Units Arrangement):

Year/period	Proportion of Manager's Fees to be satisfied in the form of Manager Fee Units	Proportion of Manager's Fees to be satisfied in the form of cash
Fee Reference Date to 31 December 2012	100%	0%
Year ended 31 December 2013	100%	0%
Year ended 31 December 2014	95%	5%
Year ended 31 December 2015	90%	10%
Year ended 31 December 2016	85%	15%
Year ended 31 December 2017	80%	20%

The REIT Manager is a connected person of the REIT under paragraph 8.1(a) of the REIT Code. Accordingly, the issuance of Units to the REIT Manager (other than pursuant to the mechanism prescribed in the Trust Deed), such as in the case of the Manager Fee Units Arrangement, will require Independent Unitholder approval pursuant to the REIT Code and the Trust Deed.

B. FINANCING OF THE TRANSACTION

1. Overview of Source of Funding

Based on the amount due by Tower Top to Yuexiu Property as at the Latest Practicable Date, the Total Consideration in respect of the Transaction is expected to be approximately RMB8,850 million which consists of: (a) the Subscription Monies which will be paid to Tower Top pursuant to the Subscription Deed; and (b) the consideration for the Assignment, which will be paid to Yuexiu Property pursuant to the Indebtedness Agreement.

The Subscription Monies will be funded from the New Bank Facility. The consideration for the Assignment will be funded by a combination of the issuance of Consideration Units, Deferred Units as well as the proceeds from the issuance of the Placement Units and amounts drawn under the New Bank Facility, as described in section A.8 headed “The Transaction and REIT Related Arrangements — Indebtedness Agreement — (ii) Consideration for the Assignment”.

2. Illustrative Financing Structure

For illustration purposes and based on the assumptions described below, the Total Consideration will be financed in the following manner (such financing structure being the Illustrative Financing Structure). The REIT Manager considers that the Illustrative Financing Structure currently represents the optimal balance between each financing component to be achieved in connection with the Transaction, based on the assumptions contained in the profit forecast that will be set out in the REIT Circular, and taking into account various factors impacting the REIT including the level of financing costs, the leverage ratio, working capital sufficiency and forecasted DPU.

		No. of Units (Note 1)	% of the total number of Units in issue (Note 2)	% of the total (enlarged) number of Units in issue (Note 3)
Consideration Units	RMB1,957 million	608 million	57.08%	17.37%
Deferred Units	RMB2,400 million	746 million	70.01%	21.31%
Cash Portion:				
Unit Placement	RMB3,478 million	1,082 million	101.47%	30.88%
New Bank Facility	HK\$1,500 million equivalent to RMB1,215 million	—		
Total Units Issued		2,436 million	228.57%	69.56%
Total (Gross) Proceeds (Note 4)	RMB9,050 million			

Note 1: Assumes that the Issue Price is the Illustrative Issue Price, being HK\$3.97 per Unit.

Note 2: The number of Units in issue as at the Latest Practicable Date was approximately 1,065,972,687.

Note 3: The total (enlarged) number of Units is approximately 3,502 million, assuming that no additional Units are issued post-Completion (other than the Manager Fee Units).

Note 4: The total (gross) proceeds is greater than the Total Consideration as part of the total (gross) proceeds will be used to fund the costs associated with conducting the Transaction (including, among other things, underwriting, commission and professional fees, which is expected to be approximately RMB200 million).

For details regarding the number of Placement Units, Consideration Units and Deferred Units to be issued across a range of issue prices based on the above Illustrative Financing Structure, please see the tables as set out in section C headed “Financial Effect of the Transaction and the Unit Placement” which set forth information with respect to holdings of Units by Yue Xiu, Yuexiu Property (or YXP Nominee), other non-public Unitholders and public Unitholders.

In determining the final financing structure, the REIT Manager will ensure that the DPU from Enlarged Portfolio (as defined below) is no more than RMB0.018 below the DPU from Existing Properties (as defined below) calculated as at the Completion Date and taking into account:

- (1) the actual number of Placement Units and Consideration Units issued and the issue price thereof;
- (2) the amount drawn down under the New Bank Facility, the interest rate of the New Bank Facility and the upfront costs thereof,

(and provided that, for the avoidance of doubt, except as set forth above or in the definition of DPU from Enlarged Portfolio, no other adjustments shall be made to the Profit Forecast in calculating the DPU from Enlarged Portfolio as at the Completion Date, whether to take account of the financial results of the REIT for the period up to the Completion Date or otherwise),

and the REIT Manager undertakes to confirm to the Trustee, prior to Completion, that it has complied with the above. If the above is not complied with, the REIT Manager will not proceed with Completion.

The DPU from Enlarged Portfolio means the forecast annualized DPU for the Forecast Period that Unitholders would receive from continuous operations of the Enlarged Portfolio according to the Profit Forecast, based on and subject to the assumptions contained therein, and further assuming that: (a) the DPU is calculated on the assumption that no further Units are issued (other than Manager Fee Units, Consideration Units and Placement Units); (b) the number of Manager Fee Units issued to the REIT Manager remains the same as stated in the Profit Forecast; (c) the amount of the New Bank Facility been drawn down and associated cost remain the same as stated in the Profit Forecast; (d) the interest rate for the Existing Construction Facility remains the same as stated in the Profit Forecast; and (e) the Transaction has been completed on 30 June 2012 for the purpose of the Profit Forecast.

The DPU from Existing Properties means the forecast cash DPU for the Forecast Period that Unitholders would receive from continuous operations of the Existing Properties, according to the Profit Forecast, based on and subject to the assumptions contained therein and further assuming that the Transaction has not completed.

Unitholders should note that DPU from Enlarged Portfolio does not take into account the Special Distribution, which is a one-off distribution to Qualifying Unitholders that is conditional upon Completion and further described in section F.1 headed “Declaration of the Special Distribution by the REIT — Special Distribution”. **Also, as DPU from Enlarged Portfolio only relates to the Forecast Period, it does not take into account the Deferred Units that will only be issued from 2016 onwards, which will have a dilutive impact on DPU at the time of issuance.**

Both the forecast DPU from Enlarged Portfolio and the DPU from Existing Properties will be disclosed and described in further detail in the REIT Circular. The Profit Forecast and the assumptions contained therein will be set out in the REIT Circular in detail.

As soon as practicable following Completion, the REIT Manager will issue an announcement setting forth further details as to the actual terms of the Transaction, including but not limited to, the actual number of Placement Units and Consideration Units issued and Deferred Units to be issued from 2016 onwards, the amounts (if any) to be drawn down under the New Bank Facility, and the REIT Manager’s confirmation that the shortfall between the DPU from Existing Properties and DPU from Enlarged Portfolio is no greater than RMB0.018 per Unit.

3. **Consideration Units**

Part of the Total Consideration will be satisfied by the issuance of Consideration Units to Yuexiu Property (or YXP Nominee) at the Issue Price on the Completion Date. The Consideration Units will, subject to the maximum number of the Consideration Units specified below, represent approximately 36% of the total number of Consideration Units and Placement Units. The equivalent dollar amount of the Consideration Units and the Placement Units shall be no more than RMB5,450 million. The number of Consideration Units to be issued, when aggregated with the Placement Units and Deferred Units, shall not exceed the Authorised Issue.

For illustration purposes, based on the Illustrative Financing Structure and assuming the Issue Price will be the Illustrative Issue Price, the number of Consideration Units to be issued will be 608 million. Such number of Consideration Units: (a) represents approximately 57.08% of the total number of Units outstanding; (b) will represent approximately 22.08% of the total number of Units outstanding as enlarged by the allotment and issue of the Placement Units and the Consideration Units; and (c) will represent approximately 17.37% of the total number of Units outstanding as enlarged by the allotment and issue of the Placement Units, the Consideration Units and the Deferred Units (assuming that all of the Deferred Units were issued at the Illustrative Issue Price and that no additional Units are issued post-Completion (other than the Manager Fee Units)). For details, please refer to section C.1 headed “Financial Effect of the Transaction and the Unit Placement — Financial effect of the Transaction and the Unit Placement for the REIT”.

The Consideration Units will, upon issuance, rank *pari passu* in all respects with the then existing Units, other than in respect of the First 2012 Interim Distribution and any distribution for which the record date falls before the date of such allotment (such as the Special Distribution). Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Units on the Main Board of the Stock Exchange.

Yuexiu Property (or YXP Nominee) will be subject to a lock-up period of 6 months in respect of the Consideration Units, the arrangements of which will be further described in the Yuexiu Property Circular and REIT Circular.

4. Unit Placement

(a) *Placement Units*

The REIT Manager proposes to procure the issuance of the Placement Units at the Issue Price on the Completion Date. The Placement Units will represent approximately 64% of the total number of Consideration Units and Placement Units or a greater percentage where the number of Consideration Units is constrained by the applicable maximum limit. The equivalent dollar amount of the Consideration Units and the Placement Units shall be no more than RMB5,450 million. The Placement Units will be issued at the Issue Price. The number of Placement Units to be issued, when aggregated with the Consideration Units and Deferred Units, shall not exceed the Authorised Issue.

For illustration purposes, based on the Illustrative Financing Structure and assuming the Issue Price will be the Illustrative Issue Price, the number of Placement Units to be issued will be 1,082 million. Such number of Placement Units: (a) represents approximately 101.47% of the total number of Units outstanding as at the date of this announcement; (b) will represent approximately 39.25% of the total number of Units outstanding as enlarged by the allotment and issue of the Placement Units and the Consideration Units; and (c) will represent approximately 30.88% of the total number of Units outstanding as enlarged by the allotment and issue of the Placement Units, the Consideration Units and the Deferred Units (assuming that all of the Deferred Units were issued at the Illustrative Issue Price and that no additional Units are issued post-Completion (other than the Manager Fee Units)). For details, please refer to section C.1 headed “Financial Effect of the Transaction and the Unit Placement — Financial effect of the Transaction and the Unit Placement for the REIT”.

The Placement Units will be issued to institutional and/or other professional investors who are Independent Third Parties. The Placement Units will, upon issuance, rank pari passu in all respects with the then existing Units, other than in respect of the First 2012 Interim Distribution and any distribution for which the record date falls before the date of such allotment (such as Special Distribution). For example, if the Completion Date (at which time the Placement Units will be issued) falls before the record date for the Second 2012 Interim Distribution, which will be the case if Completion occurs on or before the Long Stop Date, the holders of the Placement Units as at such record date will be entitled to the Second 2012 Interim Distribution.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placement Units on the Main Board of the Stock Exchange.

(b) *Use of Proceeds*

The proceeds to be raised by the REIT from the Unit Placement will be approximately HK\$4 billion (after deduction of expenses including, among other things, underwriting commission and professional fees) based on the Illustrative Financing Structure and assuming the Issue Price is the Illustrative Issue Price. All of the proceeds of the Unit Placement will be applied towards partial payment of the consideration payable to Yuexiu Property for the Assignment and transaction costs arising out of the Transaction.

(c) ***Underwriting of the Unit Placement***

The offer of Placement Units pursuant to the Unit Placement is expected to be underwritten by the Unit Placement Underwriter(s), who are Independent Third Parties. The underwriting of the Placement Units (if any) will be subject to agreement by, among others, the REIT Manager and the Unit Placement Underwriter(s) on the terms of an underwriting agreement and the execution thereof. An announcement will be made by the REIT Manager, where appropriate, in relation to the terms of the underwriting agreement as soon as practicable following execution of the underwriting agreement.

The REIT Manager will take appropriate steps to ensure that: (a) the acquisition of Placement Units by the Unit Placement Underwriters, the sub-underwriters (if any) and the institutional and/or other professional investors will not result in any one of them together with its concert parties triggering a mandatory general offer obligation under the Takeovers Code; and (b) the Unit Placement Underwriters and the sub-underwriters (if any) are not acting in concert with the existing Unitholders or with each other.

(d) ***Completion***

Completion of the Unit Placement shall take place on the Completion Date, which shall (subject to the conditions under the Subscription Deed having been justified or waived) be no later than the Long Stop Date (or such other date as the Trustee, the REIT Manager, Tower Top and Yuexiu Property may agree in writing). An announcement will be issued by the REIT Manager upon completion of the Unit Placement.

If the Unit Placement is not completed by the Long Stop Date (or such other date as the Trustee, the REIT Manager and Tower Top may agree in writing), the Trustee shall not proceed with the Transaction. In the event that Completion does not take place (e.g., due to the non-completion of the Unit Placement), an announcement will be issued by Yuexiu Property and the REIT Manager.

5. **New Bank Facility**

The Borrower will raise not less than HK\$1,500 million under the New Bank Facility, which will be applied towards the Subscription Monies and the consideration payable to Yuexiu Property in respect of the Assignment. As at the date of this announcement, the REIT Manager has obtained, on behalf of the REIT, a conditional written commitment from the New Lender. To the best knowledge, information and belief of the REIT Manager, having made all reasonable enquiries, the New Lender is an Independent Third Party.

The New Bank Facility will consist of a 3-year term loan facility of not less than HK\$1,500 million. The interest rate is HIBOR plus 2.8% per annum. The New Bank Facility will mature and become repayable three years from the date of signing of the agreement in respect of the New Bank Facility.

The New Bank Facility will be secured by, including but not limited to: (1) irrevocable and unconditional joint and several guarantees from the Trustee on behalf of the REIT, the BVI SPVs and the HK Companies; (2) a first priority charge over the Subscription Shares; (3) a first priority charge over the entire issued capital of each of the Borrower, Tower Top, the BVI SPVs and the HK Companies; (4) a first priority pledge over the entire equity interest in the PRC WFOEs (if permissible under PRC law); and (5) a first priority charge over all current and future assets of the Borrower, Tower Top, the BVI SPVs and the HK Companies (except for those subject to the existing asset pledge).

Subject to the negotiation and signing of the loan agreement at applicable market terms: (a) the New Bank Facility will be entered into before Completion; and (b) the New Bank Facility will be drawn down at Completion. The New Bank Facility will increase the gearing ratio of the REIT by no more than 5% (as calculated based on the total gross asset value of the REIT upon Completion) to approximately 30% based on the Illustrative Financing Structure. The REIT Manager believes that this level is prudent under the current market conditions and does not exceed the borrowing limits under the REIT Code that currently limit the gearing ratio to 45%.

In the event that the New Bank Facility is not in place at Completion or the loan amount under such New Bank Facility is not available for drawdown by the Borrower at Completion, the Trustee shall not proceed with the Transaction. In the event that Completion does not take place (e.g., due to non-satisfaction of certain conditions precedent under the New Bank Facility), an announcement will be issued by Yuexiu Property and the REIT Manager.

6. **Deferred Units**

The balance of the consideration for the Assignment, which based on the Illustrative Financing Structure will be RMB2,400 million, will be satisfied by the issuance of Deferred Units at the Issue Price, subject to adjustment for 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% (being the *Deferred Units Adjustment Events*), to Yuexiu Property. The number of Deferred Units to be issued (without taking into consideration any adjustment to the Issue Price), when aggregated with the Placement Units and Consideration Units, shall not exceed the Authorised Issue.

Commencing from 31 December 2016, the REIT will, on 31 December of each year, issue to Yuexiu Property such number of Deferred Units as shall be equal to the maximum number of Units that may be issued to Yuexiu Property (or YXP Nominee) and its concert parties which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant 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. Based on the Illustrative Financing Structure and assuming that no additional Units are issued post-Completion (other than the Manager Fee Units), it is expected that all of the Deferred Units will be issued by 31 December 2023.

No fraction of a Unit shall be issued to Yuexiu Property (or YXP Nominee) and the number of Deferred Units shall be adjusted down to the nearest whole number. The Deferred Units will, upon issuance, rank pari passu in all respects with the then existing Units. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Deferred Units on the Main Board of the Stock Exchange.

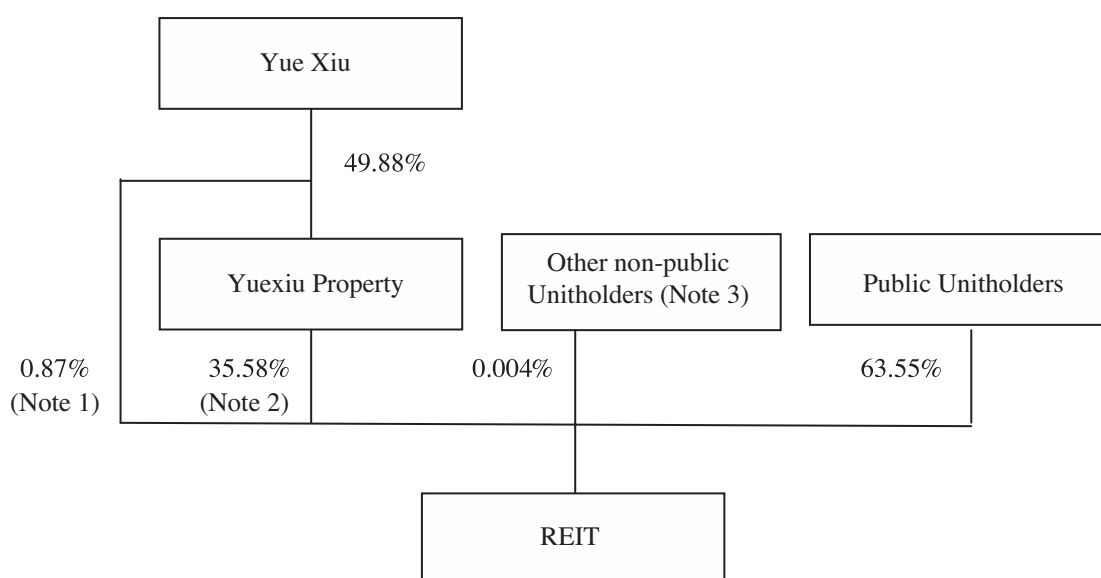
Yuexiu Property has agreed that part of the consideration for the Assignment be satisfied by the issuance of Deferred Units in order to demonstrate its long term support for the REIT in its capacity as a significant and the single largest Unitholder. The Transaction is part of an interactive and capital efficient model adopted by Yuexiu Property and the REIT whereby Yuexiu Property focuses on the development and incubation of commercial investment properties and the REIT acts as the designated property-owning platform that will hold its completed investment properties. Taking into consideration that this interactive model is expected to drive the long-term growth for both Yuexiu Property and the REIT, and that the consequential increase in its unitholding interest in the REIT over time through the Deferred Units will enable Yuexiu Property to share in long term growth potential of the Property specifically and of the entire portfolio of the REIT generally, the Yuexiu Property Board is of the view that the terms of the Transaction as a whole (including, the Deferred Units) are fair and reasonable. For the same reasons, the Yuexiu Property Board is of the view that the agreement for part of the consideration for the Assignment to be satisfied by the issue of Deferred Units is fair and reasonable and in the interests of Yuexiu Property and the Shareholders as a whole.

7. Pro Forma Unitholding Structure

The pro forma unitholding structure charts below are based on the following assumptions:

- (a) The Issue Price being the Illustrative Issue Price; and
- (b) The financing structure adopted being the Illustrative Financing Structure.

The simplified unitholding structure of the REIT before the Transaction as at the Latest Practicable Date is as follows:

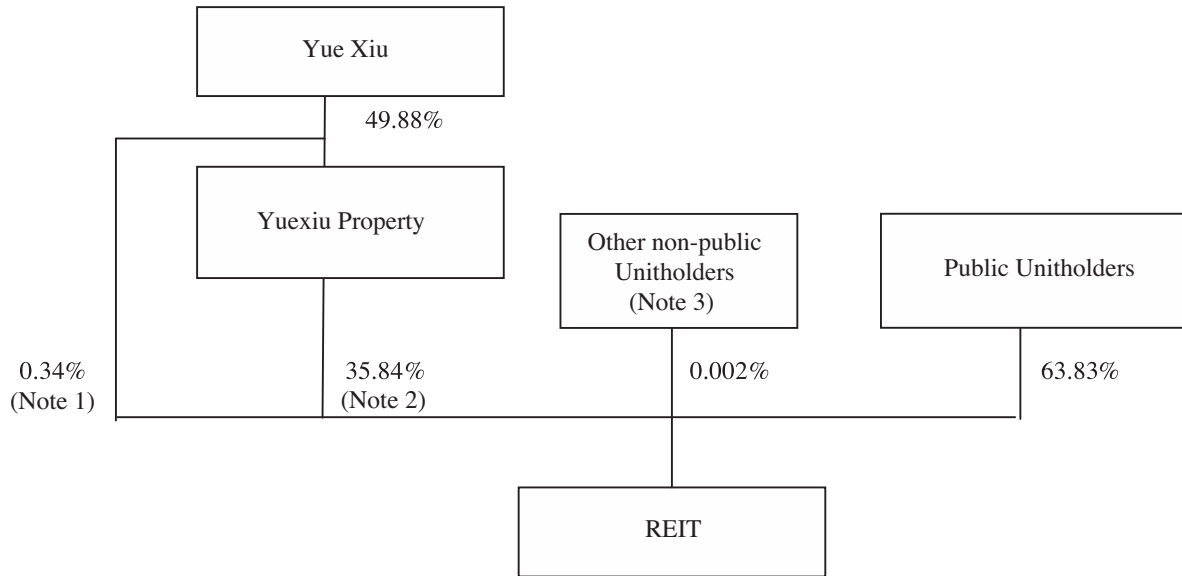


Note 1: The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries).

Note 2: The Units are held by Yuexiu Property indirectly (through its wholly-owned subsidiary).

Note 3: The other non-public Unitholders comprise Mr. Tang Shouchun, Mr. Chen Zhihong and Mr. Lee Ka Lun.

The simplified unitholding structure of the REIT immediately after the Unit Placement (including the issuance of Placement Units) and Completion (including the issuance of Consideration Units), before taking into account the issuance of Deferred Units, assuming that no additional Units are issued post-Completion (other than the Manager Fee Units) is as follows:

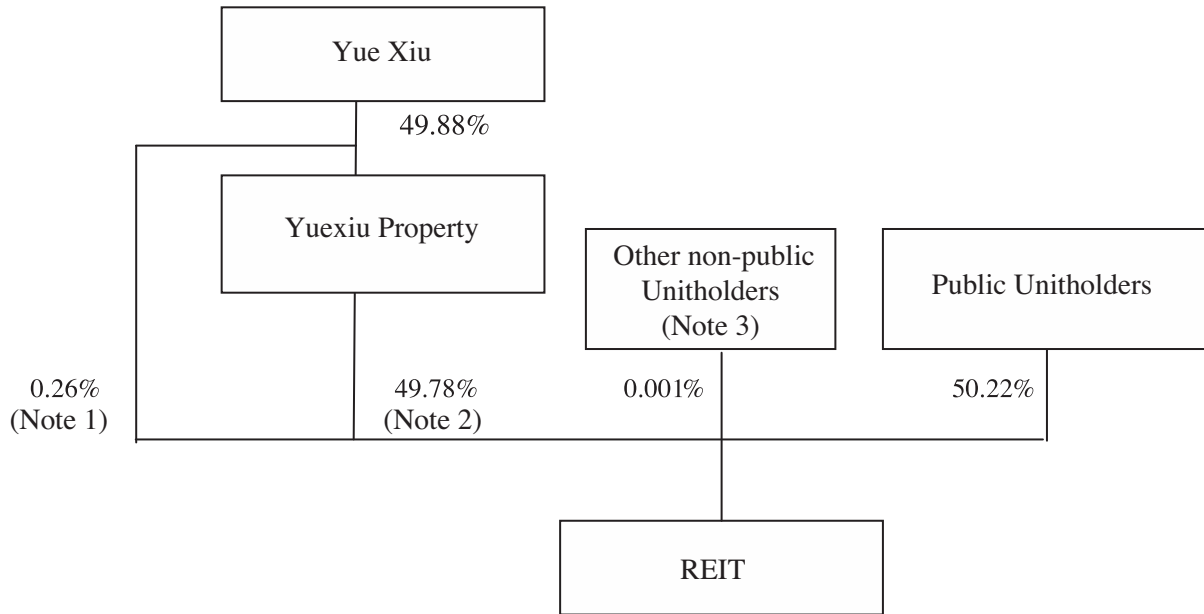


Note 1: The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries).

Note 2: The Units are held by Yuexiu Property indirectly (through its wholly-owned subsidiary).

Note 3: The other non-public Unitholders comprise Mr. Tang Shouchun, Mr. Chen Zhihong and Mr. Lee Ka Lun.

The simplified unitholding structure of the REIT after the Unit Placement (including the issuance of Placement Units) and Completion (including the issuance of Consideration Units), assuming that all of the Deferred Units are issued and that no additional Units are issued post-Completion (other than the issuance of Deferred Units and Manager Fee Units):



Note 1: The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries).

Note 2: The Units are held by Yuexiu Property indirectly (through its wholly-owned subsidiary).

Note 3: The other non-public Unitholders comprise Mr. Tang Shouchun, Mr. Chen Zhihong and Mr. Lee Ka Lun.

C. FINANCIAL EFFECT OF THE TRANSACTION AND THE UNIT PLACEMENT

1. Financial effect of the Transaction and the Unit Placement for the REIT

The REIT Circular will contain information as to the financial effects of the Transaction on the REIT. More particularly, it will contain information in relation to:

- (a) The impact of the Transaction on the financial position and capital structure of REIT.
- (b) The dilutive impact (if any) of the Transaction on DPU, assuming the Illustrative Financing Structure, and comparing the forecast DPU from Enlarged Portfolio with the forecast DPU from Existing Properties, under the following scenarios:
 - (i) Scenario A: Sensitivity of DPU for the period from 1 January 2012 to 31 December 2012 (the “**Forecast Period**”) to changes in the Issue Price;
 - (ii) Scenario B: Sensitivity of DPU for the Forecast Period to changes in the size of Deferred Units; and
 - (iii) Scenario C: Sensitivity of DPU for the Forecast Period to change in the size of the New Bank Facility
- (c) The dilutive impact of the Transaction on the unitholdings of the REIT.

Please refer to the REIT Circular for the bases and assumptions used for the calculation, which will comply with Appendix F of the REIT Code.

The following tables set forth information with respect to holdings of Units by connected persons and public Unitholders: (a) as at Latest Practicable Date; (b) immediately after Completion and issuance of the Consideration Units and the Placement Units; and (c) upon the issuance of the Deferred Units assuming all

of the Deferred Units are issued and no additional Units are issued post-Completion (other than the Manager Fee Units) and are presented for illustrative purposes only:

Assuming that the Issue Price is 20% below the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than the Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	% Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
Yuexiu Property (Note 1)	379,253,182	35.58	760,565,351	1,139,818,533	35.86	1,693,488,199	2,072,741,381	50.41
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.29	—	9,261,585	0.23
Mr. Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	760,565,351	1,149,132,943	36.15	1,693,488,199	2,082,055,791	50.64
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	21.31	—	677,405,095	16.48
Unit Placement Unitholders	—	—	1,352,116,180	1,352,116,180	42.54	1,352,116,180	1,352,116,180	32.89
Subtotal	<u>677,405,095</u>	<u>63.55</u>	<u>1,352,116,180</u>	<u>2,029,521,275</u>	<u>63.85</u>	<u>1,352,116,180</u>	<u>2,029,521,275</u>	<u>49.36</u>
Total	<u>1,065,972,687</u>	<u>100</u>	<u>2,112,681,531</u>	<u>3,178,654,218</u>	<u>100.00</u>	<u>3,045,604,379</u>	<u>4,111,577,066</u>	<u>100.00</u>

Assuming that the Issue Price is 10% below the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than the Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	% Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
Yuexiu Property (Note 1)	379,253,182	35.58	676,058,090	1,055,311,272	35.85	1,505,322,843	1,884,576,025	49.95
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.31	—	9,261,585	0.25
Mr. Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	676,058,090	1,064,625,682	36.16	1,505,322,843	1,893,890,435	50.19
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	23.01	—	677,405,095	17.95
Unit Placement Unitholders	—	—	1,201,881,049	1,201,881,049	40.83	1,201,881,049	1,201,881,049	31.85
Subtotal	677,405,095	63.55	1,201,881,049	1,879,286,144	63.84	1,201,881,049	1,879,286,144	49.81
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,877,939,139</u>	<u>2,943,911,826</u>	<u>100.00</u>	<u>2,707,203,892</u>	<u>3,773,176,579</u>	<u>100.00</u>

Assuming that the Issue Price is 5% below the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
	Yuexiu Property (Note 1)	379,253,182	35.58	640,476,085	1,019,729,267	35.84	1,426,095,325	1,805,348,507
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.33	—	9,261,585	0.26
Mr.Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	640,476,085	1,029,043,677	36.17	1,426,095,325	1,814,662,917	49.98
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	23.81	—	677,405,095	18.66
Unit Placement Unitholders	—	—	1,138,624,152	1,138,624,152	40.02	1,138,624,152	1,138,624,152	31.36
Subtotal	677,405,095	63.55	1,138,624,152	1,816,029,247	63.83	1,138,624,152	1,816,029,247	50.02
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,779,100,237</u>	<u>2,845,072,924</u>	<u>100.00</u>	<u>2,564,719,477</u>	<u>3,630,692,164</u>	<u>100.00</u>

Assuming that the Issue Price is the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than the Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
	Yuexiu Property (Note 1)	379,253,182	35.58	608,452,281	987,705,463	35.84	1,354,790,559	1,734,043,741
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.34	—	9,261,585	0.26
Mr. Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	608,452,281	997,019,873	36.17	1,354,790,559	1,743,358,151	49.78
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	24.58	—	677,405,095	19.34
Unit Placement Unitholders	—	—	1,081,692,944	1,081,692,944	39.25	1,081,692,944	1,081,692,944	30.88
Subtotal	677,405,095	63.55	1,081,692,944	1,759,098,039	63.83	1,081,692,944	1,759,098,039	50.22
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,690,145,225</u>	<u>2,756,117,912</u>	<u>100.00</u>	<u>2,436,483,503</u>	<u>3,502,456,190</u>	<u>100.00</u>

Assuming that the Issue Price is 5% above the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
Yuexiu Property (Note 1)	379,253,182	35.58	579,478,363	958,731,545	35.83	1,290,276,723	1,669,529,905	49.30
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.35	—	9,261,585	0.27
Mr. Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	579,478,363	968,045,955	36.18	1,290,276,723	1,678,844,315	49.58
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	25.32	—	677,405,095	20.00
Unit Placement Unitholders	—	—	1,030,183,756	1,030,183,756	38.50	1,030,183,756	1,030,183,756	30.42
Subtotal	677,405,095	63.55	1,030,183,756	1,707,588,851	63.82	1,030,183,756	1,707,588,851	50.42
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,609,662,119</u>	<u>2,675,634,806</u>	<u>100.00</u>	<u>2,320,460,479</u>	<u>3,386,433,166</u>	<u>100.00</u>

Assuming that the Issue Price is 10% above the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than the Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
Yuexiu Property (Note 1)	379,253,182	35.58	553,138,437	932,391,619	35.83	1,231,627,781	1,610,880,963	49.10
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.36	—	9,261,585	0.28
Mr. Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	553,138,437	941,706,029	36.19	1,231,627,781	1,620,195,373	49.38
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	26.03	—	677,405,095	20.65
Unit Placement Unitholders	—	—	983,357,222	983,357,222	37.79	983,357,222	983,357,222	29.97
Subtotal	<u>677,405,095</u>	<u>63.55</u>	<u>983,357,222</u>	<u>1,660,762,317</u>	<u>63.81</u>	<u>983,357,222</u>	<u>1,660,762,317</u>	<u>50.62</u>
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,536,495,659</u>	<u>2,602,468,346</u>	<u>100.00</u>	<u>2,214,985,003</u>	<u>3,280,957,690</u>	<u>100.00</u>

Assuming that the Issue Price is 20% above the Illustrative Issue Price:

	As at the Latest Practicable Date		Immediately after Completion and issuance of the Consideration Units and the Placement Units			After issue of the Consideration Units, the Placement Units and the Deferred Units (assuming that no additional Units are issued post-Completion (other than the Manager Fee Units))		
	Number of Units	%Unit-holding	Newly issued Units	Total number of Units	% Unit-holding	Newly issued Units	Total number of Units	%Unit-holding
	Yuexiu Property (Note 1)	379,253,182	35.58	507,043,567	886,296,749	35.82	1,128,992,132	1,508,245,314
Yue Xiu (Note 2 and 3)	9,261,585	0.87	—	9,261,585	0.37	—	9,261,585	0.30
Mr.Tang Shouchun (Note 4)	4,750	0.00	—	4,750	0.00	—	4,750	0.00
Mr. Chen Zhihong (Note 4)	45,450	0.00	—	45,450	0.00	—	45,450	0.00
Mr. Lee Ka Lun (Note 4)	2,625	0.00	—	2,625	0.00	—	2,625	0.00
Subtotal	388,567,592	36.45	507,043,567	895,611,159	36.19	1,128,992,132	1,517,559,724	49.01
Existing Public Unitholders	677,405,095	63.55	—	677,405,095	27.38	—	677,405,095	21.88
Unit Placement Unitholders	—	—	901,410,787	901,410,787	36.43	901,410,787	901,410,787	29.11
Subtotal	677,405,095	63.55	901,410,787	1,578,815,882	63.81	901,410,787	1,578,815,882	50.99
Total	<u>1,065,972,687</u>	<u>100</u>	<u>1,408,454,354</u>	<u>2,474,427,041</u>	<u>100.00</u>	<u>2,030,402,919</u>	<u>3,096,375,606</u>	<u>100.00</u>

Newly issued Units as a percentage of the total number of Units in issue as at the Latest Practicable Date:

Assumed Issue Price	Consideration Units		Placement Units		Deferred Units	
	Number	%	Number	%	Number	%
20% below Illustrative Issue Price	760,565,351	71.35	1,352,116,180	126.84	932,922,847	87.52
10% below Illustrative Issue Price	676,058,090	63.42	1,201,881,049	112.75	829,264,753	77.79
5% below Illustrative Issue Price	640,476,085	60.08	1,138,624,152	106.82	785,619,240	73.70
Illustrative Issue Price	608,452,281	57.08	1,081,692,944	101.47	746,338,278	70.01
5% above Illustrative Issue Price	579,478,363	54.36	1,030,183,756	96.64	710,798,360	66.68
10% above Illustrative Issue Price	553,138,437	51.89	983,357,222	92.25	678,489,343	63.65
20% above Illustrative Issue Price	507,043,567	47.57	901,410,787	84.56	621,948,565	58.35

The above tables are presented for illustrative purposes only.

Note 1: The Units are held by Yuexiu Property indirectly (through its wholly-owned subsidiary).

Note 2: 100% of the issued share capital of Yue Xiu is owned by GZYY.

Note 3: The Units are held by Yue Xiu directly and indirectly (through its various wholly-owned subsidiaries).

Note 4: Mr. Tang Shouchun, Mr. Chen Zhihong and Mr. Lee Ka Lun are non-public Unitholders.

2. Financial effect of the Transaction and the Unit Placement for Yuexiu Property

(a) *Financial impact of the Transaction*

The audited net asset value attributable to equity holders of Yuexiu Property as at 31 December 2011 was RMB20,288 million. The audited consolidated net asset value attributable to equity holders of Tower Top Group as at 31 December 2011 was RMB4,056 million. Following the Transaction, it is expected that the net asset value of Yuexiu Property will not change significantly.

Based on the audited consolidated financial statements of Yuexiu Property as at 31 December 2011, Yuexiu Property Board expects Yuexiu Property to recognize a gain of approximately RMB500 million to RMB700 million, which mainly represents (1) the difference between: (a) the consideration for the Assignment; and (b) Yuexiu Property's interests in Tower Top Group in which the carrying amounts of: (i) the retail and offices components are stated at fair value; and (ii) the Serviced Apartments and Hotel are stated at cost (including the shareholder's loan owed by Tower Top to Yuexiu Property); minus (2) other transaction related expenses and arrangements (such as top-up payments under the Deed of Top-up Payments). Such gain will be non-recurring in nature.

(b) *Earnings*

For the year ended 31 December 2011, the audited net profit before and after taxation of Yuexiu Property were approximately RMB8,364 million and RMB5,256 million, respectively. For the year ended 31 December 2010, the audited net profit before and after taxation of Yuexiu Property were approximately RMB2,001 million and RMB979 million respectively.

(c) *Gearing level and interest expenses*

As Tower Top will cease to be a subsidiary of Yuexiu Property following Completion, it is expected that, immediately after Completion, the gearing level and interest expenses of Yuexiu Property will be reduced.

D. REASONS FOR AND BENEFITS OF THE TRANSACTION

1. Reasons for the Transaction and benefits to the REIT

The REIT Manager believes that the investment in the Property will bring the following benefits to the Unitholders:

- (a) The investment in the Property will add a premium quality asset to the REIT's portfolio which the REIT Manager believes has a strong long term growth potential. As the tallest building in South China and one of the ten tallest skyscrapers in the world as at the Latest Practicable Date, Guangzhou International Finance Center is a landmark property that defines Guangzhou's sky line. The Property is a large-scale integrated complex featuring grade A offices, the Four Seasons Hotel (which also includes an international conference center), luxury serviced apartments managed by Ascott, a high-end shopping mall and 1,700 car park spaces. The Property is located at the center of Zhu Jiang New City, Guangzhou's new central business district. It is within close proximity to major metro lines and is surrounded by high-end commercial buildings, international branded luxury hotels and a variety of cultural facilities.
- (b) The investment in the Property will significantly increase the scale of the REIT. Post-Completion, the REIT's total asset value will more than triple from approximately RMB7,375 million as at 31 December 2011 to approximately RMB23,095 million after taking into account of the Appraised Value of the Property and the minimum guaranteed Total Working Capital, portfolio size will triple from approximately 223,614 sqm to approximately 680,971 sqm, and the REIT's market capitalisation is expected to more than double and the REIT will be among the largest listed REITs in Asia by market capitalisation. Furthermore, the investment in the Property will improve the REIT's overall liquidity and therefore enhance the REIT's ability to access capital via the debt and equity capital markets. An enlarged asset base with a renewed cost of capital will also help position the REIT for future acquisition growth opportunities.

- (c) The investment in the Property will transform the REIT's portfolio from a largely wholesale retail portfolio into a well-diversified portfolio. The Property will diversify the REIT's portfolio, which will in turn enlarge its income base, improve its funding capacity and strengthen its ability to capture more acquisition opportunities, in the following ways: (i) addition of high-end retail and grade A offices as well as segmental diversification into high-end hotel and serviced apartment sectors; (ii) improved tenant diversification to include additional multi-national anchor retail and office tenants; and (iii) reduce the extent of reliance on the Existing Properties.
- (d) The investment in the Property will enhance significantly the freefloat and hence trading liquidity of the REIT. The enlarged asset base will allow the REIT to improve its funding capacity and strengthen its ability to capture more acquisition opportunities. The Transaction will effectively reset the cost of capital, making acquisitions feasible within a responsible capital structure.
- (e) Guangzhou is the capital city of Guangdong province and the commercial and cultural center of South China. Benefiting from its proximity to Hong Kong and Macau, and its access to the Pearl River Delta, Guangzhou is one of China's largest economic zones and positioned as one of the national central cities in China. The investment in the Property will provide Unitholders with an opportunity to capitalize on Guangzhou's robust economic fundamentals and to capture its growing commercial property market.

Please refer to the REIT Circular for further discussion of the reasons and benefits of the investment in the Property to the REIT.

2. Reasons for the Transaction and benefits to Yuexiu Property

Yuexiu Property is committed to fostering the long-term growth of the REIT through an interactive and capital efficient model, whereby Yuexiu Property focuses on the development and incubation of commercial investment properties and the REIT acts as the designated property-owning platform that will hold its completed investment properties. This interactive model is expected to drive the long-term growth for both Yuexiu Property and the REIT.

Yuexiu Property is focused on achieving a balanced portfolio underpinned by strong recurrent rental-related income base from commercial properties and income growth generated by residential development properties. The Transaction is consistent with Yuexiu Property's long-term strategy.

The Yuexiu Property Directors believe that the Transaction will bring the following benefits to the Shareholders:

- (a) the Transaction is a key in the implementation of Yuexiu Property's long-term corporate strategy to create and maintain a sustainable balance in terms of growth and stability through the normalised interaction between its property development arm and the REIT, its property investment associate;
- (b) the Yuexiu Property Board considers the Total Consideration and the payment terms of the Transaction to be fair and reasonable, having regard to the Appraised Value of the Property, the start-up risks associated with the operation of the Hotel and the Serviced Apartments and the amount owing under the Existing Construction Facility as at the Latest Practicable Date;
- (c) the net cash proceeds from the Assignment, which are expected to be approximately RMB4 billion, will provide Yuexiu Property with ample funds to enhance its liquidity position and to finance its future investments as well as general working capital requirements;
- (d) the Yuexiu Property Board expects that Yuexiu Property will recognize a gain of approximately RMB500 million to RMB700 million based on the audited consolidated financial statements of Yuexiu Property as at 31 December 2011; and
- (e) Yuexiu Property, as a significant and the single largest Unitholder, will continue to enjoy the long term growth potential of the Property as well as other properties held by the REIT generally, and in fact will increase its unitholding interest in the REIT through the issue of Deferred Units from 2016 onwards.

As such, the Yuexiu Property Directors are of the view that the Transaction is fair and reasonable and in the interests of Yuexiu Property and the Shareholders as a whole.

E. INFORMATION ON THE PROPERTY

1. The Property

The Property, known as “Guangzhou International Finance Center” (廣州國際金融中心), is a premium mixed use commercial development with a total gross floor area of 457,357 sqm. and comprising five major components, namely: (i) a shopping mall; (ii) a Grade-A office building; (iii) a 5-star hotel; (iv) a luxury serviced apartment tower; and (v) a car park (and other ancillary areas). It is located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, PRC.

The Property is one of the ten tallest skyscrapers in the world and a landmark building which is strategically located in the central business district of Guangzhou. As a world-class development, the Property has attracted multi-national and reputable corporate tenants for its grade A offices and leading hospitality brands and operators, being the Four Seasons Group and Ascott, to manage its hotel and serviced apartments, respectively. The Property comprises the following:

(a) *Shopping mall*

The shopping mall occupies six floors of the podium and has a gross floor area of approximately 47,029 sqm. The shopping mall has been completed. It has commenced operation in November 2010. The shopping mall has been master leased to Guangzhou Friendship Department Store for a term of 15 years since 31 May 2010. Between the lease commencement date and the operation commencement date, the Guangzhou Friendship Department Store conducted renovations to the shopping mall. The shopping mall had an occupancy rate of approximately 98% as at 31 March 2012 and an average rent per sqm of RMB4.25 per day for the month of March 2012.

(b) *Grade A offices*

The grade A offices have a gross floor area of approximately 183,540 sqm and comprise the 4th to 65th floors of the Property’s main tower, including a Financier’s Club House on the 27th to 28th floors of the annex building. The grade A offices have been completed and commenced operation in June 2011 and had an occupancy rate of approximately 52% and a committed leasing rate of approximately 54%, in each case as at 31 March 2012. The grade A offices had an average rent per sqm of RMB7 per day for the month of March 2012. The REIT Manager considers the offices’ occupancy rate to be reasonable for the following reasons: (a) the Hotel and Serviced Apartments have not commenced operations and therefore some prospective tenants have yet to appreciate the full

benefits of the integrated nature and synergies of the Property; (b) the office space is relatively large, increasing the time needed to lease out such space; and (c) the leasing strategy thus far has been to screen quality tenants in order to attain the right tenant mix.

(c) ***5-star hotel***

The 5-star hotel comprises 344 guest rooms as well as an international business conference center, a fitness center, and other amenities, such as spa facilities, swimming pools and restaurants. It is located on the 68th to 100th floors of the Property's main tower and 1st to 5th floors of the podium (portion). The hotel has a gross floor area of approximately 89,159 sqm. It is in the final stage of interior renovation and the Project Company is currently applying for the necessary licences and permits required for it to commence operations. Subject to the attainment of such licences and permits, the hotel is expected to commence operation in July 2012.

The Hotel in the Property will be operated by the Project Company (through its branch) under the professional management of the Four Seasons Group. Pursuant to the Hotel Management Agreement and Ancillary Agreements, the Four Seasons Group is engaged to provide hotel management and advisory services in respect of the "Four Seasons Hotel Guangzhou".

(d) ***Luxury serviced apartments***

The Serviced Apartments are located on the 6th to 28th floors of the Property's annex building with a total of 314 units, and have a gross floor area of approximately 51,102 sqm. The construction and partitioning of the Serviced Apartments have been completed, and the interior renovation work and furnishing of the Serviced Apartments are expected to be completed by June 2012. The Serviced Apartments are expected to commence operation by July 2012.

The Serviced Apartments in the Property will be operated by the Project Company through its subsidiary, which will enter into a leasing arrangement with the Project Company in respect of such Serviced Apartments. Pursuant to the Serviced Apartment Management Agreement, Ascott is engaged to provide serviced apartment management and advisory services in respect of the Serviced Apartments.

(e) ***Car park (and other ancillary areas)***

There are a total of 1,700 car park spaces in the car park. The car park has a gross floor area of approximately 71,083 sqm, and the other ancillary areas have a gross floor area of approximately 15,444 sqm. They were completed and commenced operations in July 2011.

The following table sets out certain key information relating to the Property:

Address	No.5 Zhujiang West Road, Tianhe District, Guangzhou, PRC	
Commencement of operations	Shopping mall	November 2010
	Car park	July 2011
	Offices	June 2011
	Hotel	July 2012 (expected)
	Serviced Apartments	July 2012 (expected)
Usage	(1) commercial and finance; and (2) accommodation and catering	
Term of land use right	Shopping mall	40 years
(Commencement date: 23 June 2008)	Offices	50 years
	Hotel	40 years
	Serviced Apartments	50 years
	Car park	50 years
Occupancy rate	Shopping mall	98%
(Note 1)	Offices	52%
(as at 31 March 2012)	Hotel	N/A
	Serviced apartments	N/A
Number of car park spaces	1,700	
Gross floor area (sqm)	Shopping mall	47,029
	Offices	183,540
	Hotel	89,159
	Serviced apartments	51,102
	Car park and other ancillary areas	86,527
	Total	<u>457,357</u>
Gross rentable area (sqm)	Shopping mall	47,029
	Offices	183,540
	Hotel	89,159
	Serviced apartments	51,102
	Car park and other ancillary areas	71,083
	Total	<u>441,913</u>

Appraised Value (as at the Valuation Reference Date)	Approximately RMB 15,370 million, which has been determined based on income capitalisation approach and cross checked by direct comparison approach on shopping mall, offices and car park, discounted cash flow approach on Hotel, discounted cash flow approach on Serviced Apartments and cross checked by direct comparison approach and a gross floor area of 457,357 sqm as stated above	
Number of tenants (<i>Note 1</i>) (as at 31 March 2012)	Shopping malls	9
	Offices	<u>88</u>
	Total	<u>97</u>
Average rent per sqm per day (RMB/sqm/day) (<i>Note 2</i>) (for the month of March 2012)	Shopping mall	4.25
	Offices	<u>7.00</u>
	Average	<u>6.10</u>
Aggregate rental income from all tenants for the 3-month period ended 31 March 2012	Shopping mall	RMB20,337,556
	Offices	RMB55,028,312
Percentage of gross rentable area leased to top 10 tenants (<i>Note 3</i>) (as at 31 March 2012)	Approximately 78.49%	
Percentage of total monthly base rent from top 10 tenants (<i>Note 3</i>) (as at 31 March 2012)	Approximately 75.94%	

Note 1: A premise is considered to be occupied when it is delivered to the tenant. Based on gross rentable area in sqm excluding car park spaces and other ancillary areas.

Note 2: Average rent per leased square meter is based on current gross base rent.

Note 3: Top 10 tenants by gross rentable area, as at 31 March 2012.

2. Property valuation

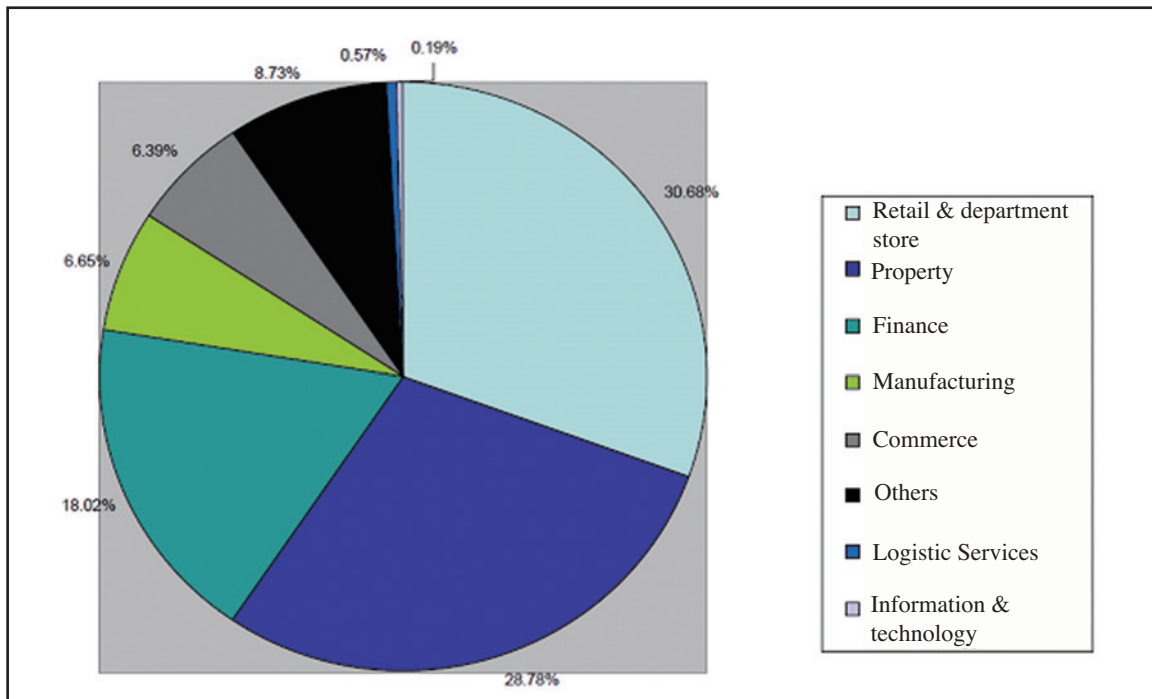
As at the Valuation Reference Date, the Appraised Value of the Property as valued by the Principal Valuer was approximately RMB15,370 million. Upon Completion, the REIT will (through its interest in Tower Top) amongst other things have an indirect interest in approximately 98.99% of the Property.

As the Appraised Value only relates to the valuation of the Property, it does not take into account the financing and shareholding structure of the Property and is not equivalent to the value of Tower Top that is being acquired. Accordingly, in negotiating the Total Consideration for the Transaction, the REIT Manager has taken into account: (a) the amounts owing under the Existing Construction Facility (as at the Latest Practicable Date) of approximately RMB4,500 million that the REIT will assume by subscribing for shares in Tower Top; and (b) the value of the effective non-controlling interest of 1.01% of the Property held by the Project Company Minority Shareholder and Yuexiu Property (as at the Valuation Reference Date) of approximately RMB90 million, in deriving the Transfer Value (being RMB13,440 million). **The deferred tax provision attributable to the revaluation surplus and depreciation in respect of the Property of approximately RMB2,067 million has not been taken into account, as the REIT Manager is of the view that it is unlikely that the deferred tax liabilities will be crystallized in the future.** The Transfer Value is approximately 12.6% lower than the Appraised Value.

3. Tenants categorized by business sub-sectors for shopping mall and offices (excluding car park and other ancillary areas) as at 31 March 2012

Industry	Gross rentable area (sqm)	Approximate proportion of rentable gross area based on a gross rentable area of 141,332.38 sqm
Retail & department store	43,361.78	30.68%
Property	40,669.20	28.78%
Finance	25,463.17	18.02%
Manufacturing	9,393.41	6.65%
Commerce	9,028.21	6.39%
Others	12,344.04	8.72%
Logistic Services	803.58	0.57%
Information & technology	268.99	0.19%
Total	141,332.38	100.0%

Tenant base by business sub-sector as at 31 March 2012



Source: Information as at 31 March 2012 as provided by Yuexiu Property

Notes:

1. The above gross rentable area occupied is based on the number of tenancy agreements that were signed as at 31 March 2012 (i.e 97 tenancy agreements of which 88 tenancy agreements are from the office sector, and 9 tenancy agreements are from the retail sector).
2. The retail sector is mainly occupied by Guangzhou Friendship Store Group Co., Ltd.
3. This chart excludes car park, advertising space and vacant units.

Top ten tenants by monthly gross rental income of the shopping mall and offices as at 31 March 2012

Tenants	Industry	Tenancy Expiry	Gross floor area (sqm)	Proportion of gross floor area	Monthly Base Rent (RMB)	Proportion of monthly base rent
1. GZYX and its subsidiaries	Property, finance and others	31 December 2012 31 December 2014	36,867.63	26.09%	8,947,217	33.49%
2. 廣州友誼集團股份有限公司 (Guangzhou Friendship Store Group Co., Ltd.)	Department Store	31 December 2025	43,361.78	30.68%	5,637,031	21.10%
3. 雅居樂地產控股有限公司 (Agile Property Holdings Limited)	Property	31 August 2014	12,863.30	9.10%	2,315,395	8.67%
4. 廣州市合生元生物製品有限公司 Biostime Inc. (Guangzhou)	Manufacturing	31 May 2016	3,368.66	2.38%	690,575	2.58%
5. 北京市金杜(廣州)律師事務所 King & Wood Mallesons Lawyers (Guangzhou Office)	Commercial Service	30 November 2014	3,019.88	2.14%	640,215	2.40%
6. 中國出口信用保險公司廣東分公司 China Export & Credit Insurance Corporation (Guangdong Branch)	Finance	31 May 2016	3,343.73	2.37%	598,528	2.24%
7. 潤都集團Guangzhou Profit Palace Group Co., Ltd.	Manufacturing	30 September 2016	3,282.25	2.32%	544,854	2.04%
8. 廣州高登達品牌經營管理有限公司 Guangzhou Golden Touch Brand Merchandising Co., Ltd.	Manufacturing	14 June 2016	1,854.95	1.31%	333,891	1.25%
9. 廣州仲量聯行物業服務有限公司 Jones Lang LaSalle Property Services Co., Ltd. (Guangzhou Branch)	Commercial service	15 September 2016	1,639.15	1.16%	295,047	1.1%
10. 創光有限公司	Property	31 May 2014	1,327.52	0.94%	285,417	1.07%
Total			110,928.85	78.49%	20,288,170	75.94%

Source: Information as at 31 March 2012 as provided by Yuexiu Property.

Notes:

1. If tenancy agreements for different premises are entered into by different entities belonging to the same group, they are being treated as a single tenant, and the relevant figures are combined, for the purposes of this table. These included GZYZX group companies, Agile Property Holdings Limited, Guangzhou Profit Palace Group Co., Ltd. and Guangzhou Golden Touch Brand Merchandising Co., Ltd.
2. The monthly gross rental income is determined by reference to rental income for the month of March 2012.
3. The gross rentable area of offices and shopping mall that was occupied as at 31 March 2012 was approximately 141,332.38 sq m., consisting of i) leased area of offices of approximately 95,249.86 sqm; ii) leased area of shopping mall of approximately 46,082.52 sqm.

Save for GZYZX and its subsidiaries and associates, the relevant tenants under the current tenancies of the Property are not connected persons of the REIT and are third parties independent of the REIT and its connected persons.

4. Lease expiry profile

Save as disclosed in this announcement, the typical lease terms of the tenancies are on normal commercial terms. The following table sets forth details of the percentage of expiries in respect of the tenancies of the shopping mall of the Property as at 31 March 2012, which are scheduled to take place during the periods indicated below:

Shopping mall

Period	Gross rentable area of tenancies expiring as a percentage of total gross rentable area	Gross rental income of tenancies expiring as a percentage of total gross rental income
Year ending 31 December 2012	4.97%	6.59%
Year ending 31 December 2013	0%	0%
Year ending 31 December 2014	0%	0%
Year ending 31 December 2015	0.83%	0.51%
Year ending 31 December 2016 and beyond	<u>92.2%</u>	<u>92.9%</u>
Vacant	<u>2%</u>	<u>N/A</u>
Total	<u>100%</u>	<u>100%</u>

(Figures up to 31 March, 2012)

Year of Expiry — Lease	Gross rentable area of tenancies expiring	Monthly rental income of tenancies expiring
2012	2,336.74	399,582.54
2013	—	—
2014	—	—
2015	384.00	30,720.00
2016 and subsequent years	43,361.78	5,637,031.40
Total	46,082.52	6,067,333.94

Notes:

1. The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies terminated after the fixed lease term.
2. The above figures were computed based on rental income received for the month of March 2012.
3. The lease term of the shopping mall to Guangzhou Friendship Store Group Co., Ltd. will expire in 2025.

Offices

Period	Gross rentable area of tenancies expiring as a percentage of total gross rentable area	Gross rental income of tenancies expiring as a percentage of total gross rental income
Year ending 31 December 2012	11.04%	24.28%
Year ending 31 December 2013	0%	0%
Year ending 31 December 2014	23.23%	44.05%
Year ending 31 December 2015	3.41%	7.48%
Year ending 31 December 2016 and beyond	14.22%	24.19%
Vacant	<u>48.10%</u>	<u>N/A%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

(Figures up to 31 March, 2012)

Year of Expiry — Leases	Gross rentable area of tenancies expiring	Monthly rental income of tenancies expiring
2012	20,267.69	5,013,906.41
2013	—	—
2014	42,634.86	9,096,607.84
2015	6,245.32	1,544,609.66
2016 and subsequent years	26,101.99	4,966,567.45
Total	95,249.86	20,651,691.36

Notes:

1. The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease.
2. The above figures were computed based on rental income received for the month of March 2012.

5. **Property Management**

Below is a summary of the management agreements in respect of the Property. Further details of such agreements will be set out in the REIT Circular.

(a) ***Property Management Agreement***

On 8 January 2010, Yuexiu JLL and the Project Company entered into a property management agreement, as amended on 9 May 2012 pursuant to which Yuexiu JLL agreed to act as property manager of the Property and provide overall management services in respect of the entire Property for a term of 10 years (from 1 September 2009 to 31 August 2019) for a monthly remuneration of between RMB430,000 and RMB600,000.

Yuexiu JLL will continue to act as the property manager of the Property after Completion and will provide management services in respect of the entire Property pursuant to the terms and conditions of the Property Management Agreement.

Yuexiu JLL is a connected person of the REIT under paragraph 8.1 of the REIT Code by virtue of being an indirectly-owned subsidiary of Yuexiu Property. Accordingly, the Property Management Agreement and the transactions contemplated under the agreement will, upon Completion, constitute continuing connected party transactions of the REIT.

(b) ***Hotel Management Agreement***

The Hotel will be operated by the Project Company (through its branch). Pursuant to various agreements including the Hotel Management Agreement, the Four Seasons Group is engaged to provide hotel management and advisory services in respect of the Hotel.

(c) ***Serviced Apartments Management Agreement***

The Serviced Apartments will be operated by the Project Company through its subsidiary, which will enter into a leasing arrangement with the Project Company in respect of such serviced apartments. Pursuant to the Serviced Apartments Management Agreement, Ascott Property Management (Shanghai) Limited is engaged to provide serviced apartments management and advisory services in respect of the Serviced Apartments.

(d) ***Tenancy Services Agreement***

The REIT Manager and Project Company shall enter into a tenancy services agreement (***Tenancy Services Agreement***) with IFC Operating Company, which is to be incorporated by the Yuexiu Group, pursuant to which IFC Operating Company will provide tenancy services to the tenants of the office portion of the Property for a term of three years and as consideration for such services, a leasing fee of 3% of the gross annual rental for the office portion of the Property (excluding other revenue and fees generated pursuant to the Naming Rights Agreement) will be charged.

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

The IFC Operating Company will be a connected person of the REIT under paragraph 8.1 of the REIT Code by virtue of being an indirectly-owned subsidiary of Yuexiu Property. Accordingly, the Tenancy Services Agreement and the transactions contemplated under the agreement will, upon Completion, constitute continuing connected party transactions of the REIT.

6. Land use right terms

Similar to other property companies in the PRC, the Project Company holds the land use rights to the underlying parcel of land on which the Property is situated. As at the Latest Practicable Date, the total area of the granted land is 27,508 sqm. The Project Company occupies the land for purposes of, among other uses, shopping mall, hotel, serviced apartment and office uses. The terms of the land use rights are 40 years (for the shopping mall and Hotel) and 50 years (for the offices, Serviced Apartments and car park), with such terms commencing from 23 June 2008.

7. Due diligence review

The REIT Manager has conducted, and is satisfied with the results of, due diligence in respect of the Property carried out in accordance with the relevant provisions in the REIT Code and the REIT Manager's compliance manual. In particular, the PRC legal advisers to the REIT Manager have confirmed that, irrespective of whether the Project Company has obtained the Building Ownership Certificate (being the definitive evidence of title for the Property), the Project Company, as the owner of the land use right in respect of the Property that has also obtained all the requisite licences, permits and certificates to develop the Property is the owner of the Property and such ownership is protected under PRC law.

The Project Company is in the process of applying for the Building Ownership Certificate in respect of the Property and understands from the PRC legal advisers to the REIT Manager that there are no legal impediments for it to obtain such certificate. The PRC legal advisers have also advised that the issuance of the Building Ownership Certificate is only pending certain procedural formalities in the PRC, and as a result of such formalities, it is possible that the Building Ownership Certificate may only be issued after Completion.

Based on the foregoing and a legal opinion issued by the PRC legal advisers on the same, the REIT Manager is of the view that upon Completion, the REIT (through its indirect interest of 98.99% of the Project Company) should be regarded as holding "good marketable legal and beneficial title" in the Property within the meaning of paragraph 7.7 of the REIT Code and will have the freedom to dispose of its interest in the Property to the extent permitted by the PRC law or other applicable law (subject to complying with the applicable requirements of the REIT Code and the civil defence shelter exception below).

The PRC legal advisers to the REIT Manager have further advised that certain underground premises with a gross floor area of approximately 14,102 sqm

(representing approximately 3% of the total gross floor area of the Property), must in times of war be used as civil defence shelter and cannot be sold or otherwise transferred by the Project Company. However, during all other times, the underground premises are allowed under PRC law to be used as a car park, and the REIT Manager has been advised by its PRC legal advisers that the Project Company may lease or grant a licence to use the underground premises and collect rental or licence fees in respect of the same and grant operational rights to third parties in respect of such premises.

8. Future plans regarding the Property

Other than making normal recurring maintenance capital expenditures, the REIT Manager has no other current plans to renovate, improve or redevelop the Property.

F. DECLARATION OF THE SPECIAL DISTRIBUTION BY THE REIT

1. Special Distribution

The REIT Manager intends to declare a Special Distribution to the Qualifying Unitholders, **which is conditional upon Completion**. The REIT has accumulated undistributed cash reserves primarily arising from the depreciation charges on investment property (primarily Neo Metropolis) under PRC GAAP, as these depreciation charges have been reversed under the HKFRS and not accounted for when determining the Total Distributable Income. In light of the Transaction, the REIT Manager intends to distribute those cash reserves in respect of the period from 1 January 2010 to the Latest Practicable Date, to the existing Unitholders. Undistributed cash reserves arising from depreciation charges on investment property prior to 1 January 2010 were distributed in the final distribution for 2009. The amount of the Special Distribution will be RMB43 million, or RMB0.0635 per Unit, and will be paid 20 Business Days after Completion.

The Special Distribution will be distributed from the existing offshore cash balance of the REIT. As at 9 May 2012, the offshore cash balance of the REIT amounted to the equivalent of approximately RMB339 million after the distribution in respect of the year ended 31 December 2011 of RMB113 million paid on 9 May 2012. Taking into account the financial resources available to the REIT and its projected cashflow requirements for at least the next 12 months from the date of this announcement, the REIT Manager does not expect the Special Distribution to have any material adverse impact on the cashflows of the

REIT. Subject to Shareholders' approval being obtained at the Yuexiu Property EGM, the members of Yuexiu Group who are Unitholders and Yue Xiu have agreed to waive their rights to receive their pro-rata portion of the Special Distribution.

2. Qualifying Unitholders

To qualify for the Special Distribution, the Unitholder's name must appear on the register of Unitholders of the REIT at the close of business on the Distribution Record Date (being 16 July 2012, which is the third Business Day after the EGM). As the Consideration Units, Placement Units and Deferred Units will only be issued after such date, they will not entitle their holders to the Special Distribution.

Since the Distribution Record Date may occur before the interim results of the REIT for the first six months of 2012 are available, Unitholders should exercise caution when dealing in the Units prior to the publication of such interim results.

G. FEES AND CHARGES IN RELATION TO THE TRANSACTION AND THE PROPERTY

1. Fees and Charges Payable in Relation to the Transaction

The total fees and charges payable in relation to the Transaction (including among other things, underwriting, commission and professional fees) are estimated to amount to approximately RMB200 million. Accordingly, the total costs of the Transaction, inclusive of the Total Consideration, are estimated to amount to approximately RMB9,050 million.

There is no acquisition fee payable to the REIT Manager or the Trustee in respect of the Transaction.

2. Ongoing Fees and Charges in Relation to the Property following Completion

After Completion, and as disclosed in the REIT's offering circular dated 12 December 2005:

- (a) the REIT Manager will be entitled under the Trust Deed to receive from the Deposited Property management fees attributable to the Property

comprising: (a) a base fee of 0.3% per annum of the value of the Deposited Property, which shall include the assets attributable to the Property; and (b) a service fee of 3.0% per annum of net property income attributable to the Property; and

- (b) the Trustee will receive a fee, currently at the rate of 0.03% per annum, based on the value of the Deposited Property, which shall include the assets attributable to the Property.

The REIT Manager and the Trustee will be entitled to such fees attributable to the Property in the future for so long as the Property continues to form part of the Deposited Property.

H. TRUST DEED AMENDMENTS

The REIT Manager Board also proposes to make certain amendments to the Trust Deed, and to seek approval from the Unitholders in respect of such amendments. The Trust Deed Amendments will require Unitholders' approval by way of a special resolution at the REIT EGM. The Trust Deed Amendments will come into effect upon the signing of the Third Supplemental Trust Deed which is expected to take place on the Completion Date.

The principal purposes of the Trust Deed Amendments are as follows:-

- (a) **Issue of Units** — to clarify that the issue of new Units by virtue of the provisions relating to the REIT Manager's remuneration falls within the existing scope of the REIT Manager's power to issue Units;
- (b) **Remuneration of the Trustee** — to clarify the purpose of an earlier amendment to the Trust Deed relating to the basis of calculating certain remuneration of the Trustee;
- (c) **Reinvestment of distributions** — to elaborate on the provisions so as to grant Unitholders the option to reinvest all or a proportion of specified distributions to the issue of further Units, and to provide a basis for determining the issue price of such Units; and
- (d) **Scope of Activities of Special Purpose Vehicles** — to introduce some flexibility in the operation and scope of business activities at the level of the REIT's special purpose vehicles.
- (e) **Corporate Communication** — to make certain amendments to the Trust Deed to expressly authorise, among other things, the use of electronic means and the REIT's website for corporate communication to Unitholders which comply with Rule 2.07A of the Listing Rules, as if they were applicable to SFC-authorised real estate investment trusts.

Further details (including the details and rationales of the Trust Deed Amendments) will be included in the REIT Circular.

I. CONTINUING CONNECTED PARTY TRANSACTIONS

1. Background

The Project Company has entered and shall enter into certain agreements with the REIT Manager Connected Persons that will continue to subsist after Completion, after which they will be considered continuing connected party transactions. These agreements (together, the “**New Continuing Connected Party Transactions**”) comprise:

(a) Lease Agreements

The Project Company will enter into various lease agreements with the REIT Manager Connected Persons in respect of the Property.

Further details regarding these lease agreements will be set out in the REIT Circular. The REIT Manager believes that these lease agreements will be entered into on normal commercial terms and will not be prejudicial to the interests of the REIT and the Unitholders.

(b) Property Management Agreement

The Project Company has entered into the Property Management Agreement with Yuexiu JLL, a REIT Manager Connected Person, pursuant to which Yuexiu JLL agreed to act as the property manager of the Property and provide overall management services in respect of the entire Property for a term of 10 years (from 1 September 2009 to 31 August 2019). As consideration for such services, a monthly management fee of RMB33 per sqm (in respect of the offices) and RMB36 per sqm (in respect of the shopping mall) is payable by the tenants of the Property to Yuexiu JLL. No management fee is payable by Project Company to Yuexiu JLL in respect of vacant units of the Property. Yuexiu JLL is entitled to receive a monthly property management remuneration which is equal to 7.5% of the actual amount of expenses incurred by the entire project in respect of the Property each month. The amount of monthly property management remuneration payable must not be less than RMB430,000 and not more than RMB600,000.

Further details regarding the Property Management Agreement will be set out in the REIT Circular. The REIT Manager believes that the Property Management Agreement was made on normal commercial terms and is not prejudicial to the interests of the REIT and the Unitholders.

(c) ***Tenancy Services Agreement***

The REIT Manager and the Project Company shall enter into the Tenancy Services Agreement with IFC Operating Company, which is to be incorporated by the Yuexiu Group. Pursuant to this agreement, the IFC Operating Company will provide tenancy services to the tenants of the office portion of the Property for a term of three years and as consideration for such services, a leasing fee of 3% of the gross annual rental for the office portion of the Property (excluding other revenue and fees generated pursuant to the Naming Rights Agreement) will be charged.

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

2. **CPT Waiver Modification**

Reference is made to the 2011 CPT Waivers Extension, details of which are disclosed in the 2011 CPT Waiver Extension Circular. The REIT Manager will apply to the SFC for a modification of the 2011 CPT Waiver Extension (being the CPT Waiver Modification) so as to:

- (a) broaden the categories of continuing connected party transactions described in the 2011 CPT Waiver Extension Circular to include the New Continuing Connected Party Transactions;
- (b) set new monetary limits to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2012, 31 December 2013 and 31 December 2014; and
- (c) extend the duration of the 2011 CPT Waiver Extension so that it will apply until 31 December 2014.

Further details regarding the CPT Waiver Modification, as well as the opinions of the REIT Independent Financial Adviser and the REIT Manager Independent Board Committee on the same, will be contained in the REIT Circular.

J. IMPLICATIONS UNDER THE REIT CODE, THE TRUST DEED AND THE LISTING RULES

1. **Implications for the REIT under the REIT Code and the Trust Deed**

(a) ***Connected Party Transactions***

Clause 31.1 of the Trust Deed requires any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any

conditions (including conditions of any waivers or exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under paragraph 8.1 of the REIT Code, connected persons of the REIT include, among others, a Significant Holder (that is, a holder of 10% or more of the outstanding Units) and associated companies.

As at the date of this announcement, Yuexiu Property owns more than 10% of the Units and therefore is a Significant Holder of the REIT (for further details in respect of the unitholdings of Yuexiu Property, please refer to the REIT Circular). Tower Top is a wholly-owned subsidiary of Yuexiu Property. As a result, Yuexiu Property and Tower Top are each a connected person of the REIT within the meaning of the REIT Code.

Accordingly, each of the following constitutes a connected party transaction of the REIT under paragraph 8.5 of the REIT Code:

- (1) the Subscription and the consummation of the transactions contemplated under the Subscription Deed;
- (2) the Assignment and the consummation of the transactions contemplated under the Indebtedness Agreement;
- (3) the issue of Consideration Units to Yuexiu Property (or YXP Nominee);
- (4) the issue of Deferred Units to Yuexiu Property (or YXP Nominee);
- (5) the transactions contemplated under the Deed of Top-up Payments;
- (6) upon Completion, the transactions contemplated under the Settlement Agency Agreement;
- (7) upon Completion, the transactions contemplated under the Naming Rights Agreement; and
- (8) the transactions contemplated under the Employee Payment Agreement.

The Settlement Agency Agreement, which was entered into by the Project Company and the Settlement Agent, and the Naming Rights Agreement, which was entered into by Tower Top and Yuexiu Property, will continue to subsist post-Completion. Upon Completion, the Project Company and Tower Top will become part of the REIT and as such, the Settlement Agency Agreement and the Naming Rights Agreement will be inherited by the REIT and become connected party transactions.

As the Transaction represents approximately 173.69% of the net asset value of the REIT as at the Latest Practicable Date, pursuant to paragraph 8.11 of the REIT Code and the Trust Deed, each of the above connected party transactions will require Independent Unitholders' approval by way of an Ordinary Resolution at the REIT EGM.

(b) ***Very substantial acquisition***

In addition, as the aggregate value of the Transaction represents approximately 257.39% of the total market capitalisation of the REIT, based on the average closing price per Unit as quoted on the Stock Exchange for the last five trading days immediately preceding the Last Trading Day, the Transaction will also constitute a very substantial acquisition by the REIT. Accordingly the Transaction will require Independent Unitholders' approval by way of an Ordinary Resolution at the REIT EGM.

(c) ***The Placement Units, the Consideration Units and the Deferred Units***

Pursuant to paragraph 12.2 of the REIT Code and Clause 7.5(ii) of the Trust Deed, Unitholders' approval by way of Ordinary Resolution at a general meeting is required where new securities are not offered to the Unitholders on a pro rata basis or where such new Units are not issued pursuant to the General Mandate.

As more fully described in section B headed "Financing of the Transaction", the REIT Manager proposes to issue Placement Units, Consideration Units and Deferred Units. The Placement Units, Consideration Units and Deferred Units are not proposed to be issued pursuant to the General Mandate, and accordingly, will require Independent Unitholders' approval by way of an Ordinary Resolution.

(d) ***Manager Fee Units Arrangement***

The REIT Manager is a connected person of the REIT under paragraph 8.1(a) of the REIT Code. Accordingly, the issuance of Manager Fee Units to the REIT Manager (other than pursuant to the mechanism prescribed in the Trust Deed), such as in the case of the Manager Fee Units Arrangement, will require Independent Unitholders' approval pursuant to the REIT Code and the Trust Deed.

(e) ***Trust Deed Amendments***

Clause 36.1 of the Trust Deed, read with paragraph 2.2 of Schedule 1 to the Trust Deed, provides that, save for certain limited exceptions as certified by the Trustee in writing, any modification, alteration or addition to the Trust Deed

must be made with the sanction of a Special Resolution obtained at a meeting of Unitholders duly convened in accordance with Schedule 1 to the Trust Deed. The Manager and the Trustee are only entitled to modify, alter or add to the Trust Deed by a supplemental deed after the requisite approval of the Unitholders by way of Special Resolution is obtained.

(f) *Continuing Connected Party Transactions*

The REIT Manager Board proposes to seek Independent Unitholders' approval for the CPT Waiver Modification, which will accommodate the increase in size of the continuing connected party transactions of the REIT following Completion.

Further details regarding the CPT Waiver Modification (including the proposed annual caps and the opinions of the REIT Manager, the REIT Manager Independent Board Committee and the REIT Independent Financial Adviser in respect of the same, as well as the opinion of the Principal Valuer in respect of the connected party lease agreements) will be described in the REIT Circular. Such proposed caps and opinions will be informed by the view of the REIT Independent Financial Adviser, who will only finalise their report on the same (among other things) closer to the publication date of the REIT Circular. Details of the relevant connected party transactions will be disclosed in the REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

(g) *Application for waivers from certain requirements under the REIT Code*

(i) *Waiver from strict compliance with certain requirements under paragraph 7.5(d) of the REIT Code with respect to layers of special purpose vehicles*

Paragraph 7.5(d) of the REIT Code provides that "the scheme shall not have more than two layers of special purpose vehicles" through which the real estate is held. As indicated in the note to paragraph 7.5(d) of the REIT Code, the SFC has the discretion to allow a scheme to have additional layers of special purpose vehicles if justified by the particular circumstances.

As set out in the section A headed "The Transaction and REIT Related Arrangements", the current holding structure of the Property involves five layers of special purpose vehicles and, upon completion, six layers of special purpose vehicles. The current holding structure is similar to the one that was in place at the time of establishment of the Project Company and was adopted in 2007 when

the PRC WFOEs acquired a 99% interest in the Project Company from its founding shareholders (other than the Project Company Minority Shareholder) pursuant to an internal restructuring of Yuexiu Group. At the time, such a structure was put in place to facilitate:

- group reorganisation and the disposal of property interests through ultimate or intermediate holding companies to achieve savings in transaction costs;
- investment by strategic investors, who have the option of acquiring an indirect interest in the Property at an offshore level; and
- the arrangement of offshore financing for the Property.

The REIT Manager has applied to the SFC for a waiver from strict compliance with paragraph 7.5(d) of the REIT Code to allow the above structure.

- (ii) *Waiver from strict compliance with certain requirements under paragraph 7.5(c) of the REIT Code with respect to the operational functions proposed to be assumed by certain entities of the REIT*

Under paragraph 7.5(c) of the REIT Code, a scheme may hold real estate through special purpose vehicles provided that, among other things, the special purpose vehicles are established for the sole purpose of directly holding real estate for the scheme and/or arranging financing for the scheme or formed solely for the purpose of holding interests in one or more special purpose vehicles mentioned above.

- (A) In respect of the Hotel and Serviced Apartments managed by a branch and subsidiary of the Project Company respectively

In order to maintain a separate set of financial statements for the hotel operation to facilitate communication with, and verification by the Four Seasons Group and for management efficiency, the Hotel will be operated by the Project Company (through its branch) under the professional management of Four Seasons Group. Pursuant to the terms of the existing contractual arrangement between the Project Company and members of the Four Seasons Group, the employees who are engaged to operate the Hotel (*Hotel Employees*) shall be employees of the Project Company and not Four Seasons Group. Currently, the Project Company (through its branch) has 400 employees including 20 senior managers. It is anticipated that, at the time when the Hotel commences operation in July 2012, the Project Company (through its branch) will have approximately 800 employees including 20 senior managers. The REIT Manager does not expect the number of Hotel Employees to increase substantially thereafter.

In order to achieve greater tax efficiency and for management efficiency, the Serviced Apartments will be operated by the Project Company through its subsidiary, which will enter into a leasing arrangement with the Project Company in respect of the Serviced Apartments. The Serviced Apartments will be managed by Ascott. Pursuant to the terms of the existing contractual arrangement between the Project Company and Ascott, the employees who are to be engaged to operate the Serviced Apartments (other than the general manager and management personnel responsible for business operations (excluding the chief financial officer)) (*Serviced Apartments Employees*) shall be employees of the Project Company or an entity jointly designated by the Project Company and Ascott (currently, the Project Company's subsidiary) and not Ascott. As the Serviced Apartments are only expected to commence operation at the end of July 2012, there is currently no Serviced Apartment Employee. It is anticipated that, at the time when the Serviced Apartments commences operations, the Project Company (through its subsidiary) will have approximately 100 employees (including 6 senior managers) and that the total number of employees will gradually increase to a maximum of 150 (including 6 senior managers). The REIT Manager does not expect the number of employees to increase substantially thereafter.

In addition to the above, it is also proposed that the Project Company will (through its branch (in the case of the Hotel) and its subsidiary (in the case of the Serviced Apartments)) engage, primarily, in the following operational activities:

- obtain and become the holder of operation licences for the Hotel and the Serviced Apartments as such operation licences will, based on the REIT Manager's knowledge, only be issued to the owner of the Hotel or Serviced Apartments (as the case may be);
- have, on an on-going basis following Completion, a limited number of senior managers, (currently estimated to be 20 in respect of the Hotel and 6 in respect of the Serviced Apartments so as to meet the relevant management qualification requirements in support of the Project Company's applications for operation licences for the Hotel and the Serviced Apartments; and
- enter into ancillary operational contracts with third parties (such as internet booking providers) to the extent such third parties require the owner of the Hotel or Serviced Apartments (as the case may be) to become a direct contracting party.

The REIT Manager has applied to the SFC for a waiver from strict compliance with paragraph 7.5(c) of the REIT Code such that, as at Completion, the Project Company will be permitted to, through its branch or subsidiary, engage in the limited operational activities as set out above on the following basis:

- there is a legal and practical necessity for the Project Company, through its branch or subsidiary, to have a limited number of senior managers for obtaining and maintaining the operation licences for both the Hotel and the Serviced Apartments and to enter into ancillary operational contracts with third parties whereby the owner of the Hotel or Serviced Apartments is required to become a direct contracting party;
- the total remuneration for the Hotel Employees and the Serviced Apartments Employees directly employed by the Project Company, through its branch or subsidiary, is expected to represent approximately 5% of the total revenue of the REIT for the relevant period, and hence will not introduce significant liabilities or losses to the REIT;
- even if the Hotel Employees and the Serviced Apartments Employees were transferred to companies outside the REIT (*New Employers*), it is expected that the Project Company will, in practice, still need to bear the salaries of and other employment-related expenses associated with those employees by, for example, reimbursing the New Employers for the relevant amount. In addition, the Project Company may also need to pay the New Employers service fees. Therefore, such an alternative arrangement will likely increase (rather than decrease) the employment related expenses and liabilities of the Project Company; and
- based on the understanding of the REIT Manager, the type of arrangement described above (where the local hotel or serviced apartments owner bears the operating expenses and employs the employees for such hotels and serviced apartments) is common practice for an international hotel management group (like Four Seasons) and an international serviced residence operator (like Ascott).

For the above reasons, the REIT Manager considers that the arrangements in respect of the Hotel Employees and Serviced Apartments Employees as described above will not be materially prejudicial to the REIT, and any substantial change to the existing structure may not be in the interests of the REIT and its Unitholders.

(B) In respect of the HK Companies

The HK Companies have historically been, and will continue to engage, primarily, in the following operational activities:

- Ever Joint provides management consultancy services to the Project Company (including hiring skilled personnel from Hong Kong and overseas for the Hotel and Serviced Apartments);
- Long Grace provides marketing services to the Project Company. As a landmark building in Guangzhou, the Property's clientele and tenant base comprises both domestic and regional clients and tenants. In order to complement the domestic marketing efforts undertaken by the Project Company's local marketing department, Long Grace focuses on marketing to regional clients and tenants. Among other things, it helps to prepare and implement the offshore marketing plan for the Property, to identify offshore clients and tenants for the Property and will help to collect payments made by offshore clients and tenants on behalf of the Project Company;
- Profit Link provides procurement services to the Serviced Apartments of the Property. In particular, it focuses on sourcing and procuring imported materials and supplies required for satisfying the daily operational needs of the Serviced Apartments and for the purposes of carrying out decoration works and upgrading of the premises; and
- San Bright prepares market analyses and studies on the hotel, serviced apartment and office sectors in China (including, information on potential clients and tenants who are based in the Asia Pacific region and in Europe). It also helps the Project Company to review the annual plans and budgets for the Property.

Each of the HK Companies has directly employed, on an on-going basis, a limited number of senior managers (currently estimated to be 2 managers per entity). The employment of the Hong Kong Employees is expected to continue following Completion. However, the REIT Manager does not expect the number of employees to increase after Completion.

Currently, the HK Companies only provide services to the Project Company (as described above). It is intended that they will continue to do so following Completion and that they will not engage in any other activities or businesses.

With the current operational structure, the HK Companies will be entitled to enjoy a preferential withholding tax rate (currently, 5% as opposed to the standard withholding tax rate of 10%) in respect of dividends paid by the WFOEs to the HK Companies.

The REIT Manager has applied to the SFC for a waiver from strict compliance with paragraph 7.5(c) of the REIT Code such that, as at Completion, the HK Companies will be permitted to engage in the limited operational activities as set out above on the following basis:

- the HK Companies will be entitled to enjoy a preferential withholding tax rate in respect of dividends paid by the WFOEs to the HK Companies (as described above), which the REIT Manager projects (based on a number of assumptions) as resulting in a saving of HK\$15 million per annum, the loss of which will reduce the Total Distributable Income, which is not in the interest of the Unitholders;
- the REIT Manager will reimburse the HK Companies for the costs associated with employment of the Hong Kong Employees. Further details are set out in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (iv) Employee Payment Agreement”;
- the REIT Manager agrees to indemnify the HK Companies for all liabilities and losses that it may suffer as a result of the employment of the Hong Kong Employees (to the extent that this is not covered by the Reimbursement arrangement described above);
- in light of the foregoing, the REIT will not incur additional liabilities or losses as a result of the HK Companies’ direct employment of the Hong Kong Employees. On the contrary, if the relevant services were provided by companies outside the REIT and the Hong Kong Employees were transferred to companies outside the REIT, this may unnecessarily increase the cost to the REIT. This combined with the factors mentioned above will reduce the Total Distributable Income, which is not in the interests of the Unitholders;
- the activities carried out by the HK Companies complement the functions of the Project Company described in the section A.1 headed “The Transaction and REIT Related Arrangements — Introduction”, give the Project Company greater access to players in international trade and multinational corporations and provide the Project Company with the requisite international expertise;
- the scope of services to be provided by the HK Companies is expected to be limited given that: (a) the number of senior managers directly employed by the HK Companies (currently estimated to be 2 managers per entity) is not

expected to increase; and (b) the intention is for the HK Companies to only provide their services to, and for the sole benefit of, the Project Company (which, following Completion, will form part of the REIT) and not engage in any other activities or business; and

- the HK Companies have historically provided the operational activities referred to above, and changes to such structure could lead to a material adverse impact on the REIT which is not in the interests of Unitholders.

2. Implications for Yuexiu Property under the Listing Rules

As Tower Top will cease to be a subsidiary of Yuexiu Property after Completion, the Subscription will constitute a deemed disposal of Yuexiu Property under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 75%, the Transaction constitutes a very substantial disposal and is subject to Shareholders' approval. Yuexiu Property will seek Shareholders' approval for the Yuexiu Property Related Arrangements at the Yuexiu Property EGM due to their connection with, and conditionality upon, the Transaction. No Shareholder is required to abstain from voting on the resolutions put forth at the Yuexiu Property EGM.

3. Voting at the REIT EGM

Paragraph 9.9(f) of the REIT Code provides that where a unitholder has a material interest in the resolution 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 resolution tabled for approval at a general meeting of the REIT, 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.

Members of the Yuexiu Group are parties to the Subscription Deed, the Indebtedness Agreement, the Deed of Top-up Payments, the Settlement Agency Agreement and the Employee Payment Agreement, and the New Continuing Connected Party Transactions and, as such, have a material interest in the resolutions relating to the Transaction Matters Requiring Approval that will be tabled for approval at the REIT EGM. 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 their respective Associates (which would include Mr. Tang

Shouchun, Mr. Chen Zhihong and Mr. Lee Ka Lun) will abstain, from voting on such resolutions. For the avoidance of doubt, the REIT Manager does not consider any Unitholder to have a material interest in the Trust Deed Amendments.

The REIT Manager takes the view that, save as disclosed above, no other Unitholder is required to abstain from voting at the REIT EGM.

K. OPINION OF THE YUEXIU PROPERTY BOARD AND THE REIT MANAGER BOARD

1. Opinion of the Yuexiu Property Board

As the Transaction will provide Yuexiu Property with, among others, ample fund to enhance its liquidity position and the issue of Deferred Units will allow Yuexiu Property to increase its unitholding interest in the REIT and share in long term growth prospects of the property portfolio held by the REIT, the Yuexiu Property Board is of the view that the Transaction and the Yuexiu Property Related Arrangements have been or will at Completion be entered into on normal commercial terms at arm's length and are fair and reasonable and in the interests of the Shareholders as a whole.

2. Opinion of the REIT Manager Board

The REIT Manager Board is of the view that the Transaction Matters Requiring Approval have been, or will, at Completion be entered into on normal commercial terms at arm's length and are fair and reasonable and in the interests of the Unitholders as a whole, as applicable.

Further, the REIT Manager Board considers that the Trust Deed Amendments are in the best interests of the REIT and the Unitholders as a whole, and accordingly, recommend all Unitholders to vote in favour of all of the resolutions in respect of the Trust Deed Amendments to be proposed at the REIT EGM.

The opinion of the independent non-executive directors of the REIT Manager will be provided together with the opinion of the REIT Independent Financial Adviser in the REIT Circular.

L. OTHERS

1. Circulars

The Yuexiu Property Circular containing, among other things: (i) a letter from the Yuexiu Property Board to the Shareholders containing details of the Yuexiu Property Related Arrangements; (ii) a notice of the Yuexiu Property EGM; and (iii) form of proxy for the Yuexiu Property EGM, will be sent to the Shareholders on or about 18 June 2012.

The REIT Circular containing, among other things: (i) a letter from the REIT Manager Board to the Unitholders containing details of the Transaction Matters Requiring Approval, the New Bank Facility and the Trust Deed Amendments; (ii) the opinion of the REIT Independent Financial Adviser with respect to the Transaction Matters Requiring Approval; (iii) the opinion of the REIT Manager Independent Board Committee with respect to the Transaction Matters Requiring Approval; (iv) the views of the Trustee in respect of the Transaction Matters Requiring Approval; (v) Property Valuation Report, Existing Properties Valuation Report, Market Consultants' Reports and other expert reports; (vi) a notice of the REIT EGM; and (vii) form of proxy for the REIT EGM, will be sent to the Unitholders on or about 18 June 2012.

A further announcement will be made by the REIT Manager as soon as practicable after the appointment of the REIT Independent Financial Adviser.

2. Closure of register of members of Yuexiu Property

The register of members of Yuexiu Property will be closed from 10 July 2012 to 11 July 2012 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate and vote in the Yuexiu Property EGM. For Shareholders not already on the register of the members of Yuexiu Property, in order to qualify to attend and vote at the Yuexiu Property EGM, all transfers of Shares (together with the relevant share certificates) must be lodged with share registrar of Yuexiu Property, Tricor Abacus Limited of 26th Floor, Tesbury Center, 28 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on 9 July 2012.

3. Closure of register of unitholders of the REIT

The register of unitholders of the REIT will be closed from 10 July 2012 to 11 July 2012 (both days inclusive), during which no transfer of Units will be effected, to determine the eligibility of Unitholders to qualify to participate and vote in the REIT EGM.

For Unitholders not already on the register of the unitholders of the REIT:

- (a) in order to qualify to attend and vote at the REIT EGM, all transfers of Units (together with the relevant unit certificates) must be lodged with the unit registrar of the REIT, Tricor Investor Services Limited of 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on 9 July 2012; and
- (b) in order to qualify for entitlement to the Special Distribution, all transfers of Units (together with the relevant Unit certificates) must be lodged with the unit registrar of the REIT, Tricor Investor Services Limited of 26th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on 16 July 2012.

4. **Indicative timetable**

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

Event	Date & Time
Date of issuance of the REIT Circular	18 June 2012
Date of issuance of the Yuexiu Property Circular	18 June 2012
In the case of the Unitholders, latest date and time for lodging transfers of Units to participate in the REIT EGM	9 July 2012 at 4:30 p.m.
In the case of the Shareholders, latest date and time for lodging transfers of Shares to qualify to participate in the Yuexiu Property EGM	9 July 2012 at 4:30 p.m.
Latest date and time for lodging proxy forms for the REIT EGM	9 July 2012 at 11:30 a.m.
Latest date and time for lodging proxy forms for the Yuexiu Property EGM	9 July 2012 at 10:00 a.m.
EGM Record Date	11 July 2012
Date and time of the Yuexiu Property EGM	11 July 2012 at 10:00 a.m.

Event	Date & Time
Date and time of the REIT EGM	11 July 2012 at 11:30 a.m.
If the approvals sought at the REIT EGM and the Yuexiu Property EGM are obtained:	
In the case of the Unitholders, last day of dealings in the Units to qualify for entitlement to the Special Distribution	12 July 2012
In the case of the Unitholders, first day of dealings in the Units ex-entitlement to the Special Distribution	13 July 2012
In the case of the Unitholders, latest date and time for lodging transfers of Units to qualify for entitlement to the Special Distribution	16 July 2012 at 4:30 p.m.
Distribution Record Date	16 July 2012 at 5:00 p.m.
Drawdown under the New Bank Facility	To be determined by the REIT Manager (but no later than 31 December 2012, being the Long Stop Date, or such other date agreed by the relevant parties in writing)
Close of the Unit Placement	To be determined by the REIT Manager (but no later than 31 December 2012, being the Long Stop Date, or such other date agreed by the relevant parties in writing)
Completion of the Subscription	To be determined by the REIT Manager (but no later than 31 December 2012, being the Long Stop Date, or such other date agreed by the relevant parties in writing)

Event	Date & Time
Completion of the Assignment	To be determined by the REIT Manager (but no later than 31 December 2012, being the Long Stop Date, or such other date agreed by the relevant parties in writing)
Issue of the Consideration Units	To be determined by the REIT Manager (but no later than 31 December 2012, being the Long Stop Date, or such other date agreed by the relevant parties in writing)

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

As the Transaction and the Unit Placement are conditional upon, among others, Unitholders' approval being obtained at the REIT EGM and Shareholders' approval being obtained at the Yuexiu Property EGM and may or may not complete, Shareholders and Unitholders, as well as any prospective investors of Yuexiu Property and the REIT, are advised to exercise caution when dealing in the Shares or Units.

Unitholders are reminded that: (a) the Distribution Record Date may occur before the interim results of the REIT for the first six months of 2012 are available; and (b) the Special Distribution may or may not be paid as it is conditional upon Completion. Accordingly, Unitholders should exercise caution when dealing in the Units prior to publication of such interim results and/or Completion.

5. Suspension and Resumption of Trading

At the respective requests of Yuexiu Property and the REIT, trading in the Shares of Yuexiu Property and in the Units of the REIT on the Stock Exchange was suspended from 9:00 a.m. on 9 May 2012 pending the release of this announcement. Each of Yuexiu Property and the REIT has applied to the Stock Exchange for resumption of trading in its Shares and Units, respectively, on the Stock Exchange with effect from 9:00 a.m. on 29 May 2012.

M. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2011 CPT Waiver Extension”	the extension of the 2008 CPT Waivers (as defined in the 2011 CPT Waiver Extension Circular) for three financial years ending 31 December 2013, as more fully described in the 2011 CPT Waiver Extension Circular
“2011 CPT Waiver Extension Circular”	the circular of the REIT dated 17 December 2010
“Manager Fee Units Arrangement”	has the meaning as set out in section headed A.9 “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (v) Manager Fee Units Arrangement”
“Ancillary Agreements”	the Hotel Pre-Opening Services Agreement, Hotel Pre-opening Purchasing Services Agreement, Hotel Services Agreement, Hotel Licensing Agreement and Hotel Advisory Agreement, which are contemplated under and entered into on or about the same time as the Hotel Management Agreement
“Appraised Value”	the value of the Property as at the Valuation Reference Date as appraised by the Principal Valuer, being RMB15,370 million
“Ascott”	Ascott Property Management (Shanghai) Limited
“Assigned Indebtedness”	the entire amount owing from Tower Top to Yuexiu Property as at the Completion Date
“Assignment”	the assignment by Yuexiu Property (as assignor) of the Assigned Indebtedness to the Trustee (or its nominee) (as assignee, on behalf of the REIT and acting on the instructions of the REIT Manager) pursuant to the Indebtedness Agreement (including the subscription and issuance of the Consideration Units and Deferred Units at the time and in the manner described under section B headed “Financing of the Transaction”)
“Associates”	shall bear the meaning as defined in the REIT Code

“Auditors’ Confirmation”	has the meaning as set out under section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (iv) Employee Payment Agreement”
“Authorised Issue”	3,000 million Units, being approximately three times of the number of Units in existence as at the Latest Practicable Date
“Bliss Town”	Bliss Town Holdings Ltd., a limited company incorporated under the laws of the BVI which is a wholly-owned subsidiary of Tower Top
“Borrower”	Yuexiu REIT 2012 Company Limited, as borrower under the New Bank Facility
“Building Ownership Certificate”	the Building Ownership Certificate to be granted by the Guangzhou Municipal Land Resources and Housing Administrative Bureau in respect of the Property
“Business Day”	a day on which banks in Hong Kong and the PRC are generally open for normal banking business (excluding Saturdays and Sundays)
“BVI”	British Virgin Islands
“BVI SPVs”	collectively, Bliss Town, Hoover Star, Miller Win and Shinning Opal and each a “BVI SPV”
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CPT Waiver Modification”	has the meaning as set out under section J.1 headed “Implications under the REIT Code, the Trust Deed and the Listing Rules — Implications for the REIT under the REIT Code and the Trust Deed — (f) Continuing Connected Party Transactions”
“Completion”	completion of the Transaction
“Completion Date”	the date on which Completion takes place
“connected person”	shall bear the meaning as defined in paragraph 8.1 of the REIT Code

“Connected Persons”	persons who are connected persons of the REIT as a result of their connection with the REIT Manager and the term shall bear the meaning as defined in paragraph 8.1 of the REIT Code
“Consideration Units”	the new Units proposed to be issued by the REIT to Yuexiu Property (or YXP Nominee) as part of the consideration for the Assignment pursuant to the Indebtedness Agreement.
“Deed of Top-up Payments”	the deed of top-up payments to be entered into between Yuexiu Property, the REIT Manager and the Trustee in respect of the top-up payments arrangements as further described in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (iii) Deed of Top-Up Payments”
“Deferred Units”	the new Units to be issued by the REIT to Yuexiu Property for settlement of the balance of the consideration for the Assignment pursuant to the Indebtedness Agreement
“Deferred Units Adjustment Events”	has the meaning as set out in section B.6 headed “Financing of the Transaction — Deferred Units”
“Deposited Property”	all the assets of the REIT, including the Existing Properties and, from and after Completion, the Property
“Distribution Record Date”	16 July 2012, being the date by reference to which, in the case of Unitholders, eligibility to qualify for entitlement to the Special Distribution will be determined
“DPU”	distribution per unit
“DPU from Enlarged Portfolio”	has the meaning given to this term in the section B.2 headed “Financing of the Transaction — Illustrative Financing Structure”
“DPU from Existing Properties”	has the meaning given to this term in the section B.2 headed “Financing of the Transaction — Illustrative Financing Structure”

“DPU Undertaking”	the letter dated 28 May 2012 issued from the REIT Manager to the Trustee in respect of the REIT Manager’s undertaking as further described in section B.2 headed “Financing of the Transaction — Illustrative Financing Structure”
“Due Amount”	has the meaning given to this term in the section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”
“Effective Time”	11:59 p.m. on the Business Day immediately before the Completion Date
“EGM Record Date”	11 July 2012, being the date by reference to which: (i) in the case of Unitholders, eligibility to participate in the REIT EGM, will be determined; and (ii) in the case of Shareholders, eligibility to participate in the Yuexiu Property EGM will be determined
“Employee Payment Agreement”	has the meaning given to this term in the section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (iv) Employee Payment Agreement”
“Enlarged Portfolio”	the Property and the Existing Properties
“Estimated Outstanding Construction Costs”	has the meaning given to this term in the section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”
“Ever Joint”	Ever Joint Investment International Limited (聯華投資國際有限公司), a limited company incorporated under the laws of Hong Kong which is an indirect wholly-owned subsidiary of Tower Top
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

“Existing Construction Facility”	(a) the RMB3,000 million facility for the purpose of financing the construction and operation cost of the Property, and the loan agreement in respect of which was entered into on 28 May 2007 between, amongst others, the Project Company as borrower and Bank of China Limited Guangzhou Guangdong International Building Sub-Branch as agent; and (b) the RMB1,500 million facility for the purpose of financing the construction cost of the Property, and the loan agreement in respect of which was entered into on 29 December 2011 between, amongst others, the Project Company as borrower and Bank of China Limited Guangzhou Yuexiu Sub-Branch as agent
“Existing Group Companies”	the existing companies controlled by the REIT immediately prior to Completion
“Existing Properties”	the five existing properties held by the REIT immediately prior to Completion
“Existing Properties Valuation Report”	the valuation report in respect of the Existing Properties prepared by the Principal Valuer to be included in the REIT Circular
“Fee Reference Date”	the day after the end of the period in respect of which the last Manager’s Fees were paid, assessed at the time of Completion
“First 2012 Interim Distribution”	the interim distribution payable to the Unitholders as at the relevant record date in respect of the period from 1 January 2012 to 30 June 2012, (both days inclusive)
“Forecast Period”	the period from 1 January 2012 to 31 December 2012
“Four Seasons Group”	Four Seasons Hotels and Resorts Asia Pacific PTE Ltd., a corporation incorporated under the laws of Singapore, having its registered office at 1 Orchard SpringLane #04-01, Tourism Court, Singapore, 247729

“General Mandate”	the authority conferred upon the REIT Manager under paragraph 12.2 of the REIT Code and Clause 7.5(ii) of the Trust Deed pursuant to which Units may be issued in any financial year otherwise than on a pro rata basis to all existing Unitholders, without the approval of the Unitholders, if the total number of new Units issued (after making certain adjustments) does not increase the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).
“GOP”	gross operating profit, which, in relation to the Hotel and the Serviced Apartments, means the amount computed by deducting the cost and expense of maintaining, conducting and supervising the operation of the Hotel and the Serviced Apartments from all revenues and income of any kind derived directly or indirectly from the operation the Hotel and the Serviced Apartments, in accordance with the Hotel Management Agreement and the Serviced Apartment Management Agreement, respectively
“GZCCD”	廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co. Ltd.), a company incorporated in the PRC which is owned as to 95% by Yuexiu Property and as to 5% by the Project Company Minority Shareholder
“GZYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Companies”	collectively, Ever Joint, Long Grace, Profit Link and San Bright and each a “HK Company”
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Employees”	the eight persons employed by the HK Companies as at the Latest Practicable Date
“Hoover Star”	Hoover Star International Ltd., a limited company incorporated under the laws of the BVI which is a wholly-owned subsidiary of Tower Top
“Hotel”	means the 5-star hotel described in section E.1 headed “Information on the Property — The Property — (c) 5-star hotel”
“Hotel and Serviced Apartments Market Consultant”	Horwath HTL
“Hotel and Serviced Apartments Market Consultant Report”	the letter from the Hotel and Serviced Apartments Market Consultant, which will be set out in the REIT Circular
“Hotel Employees”	has the meaning given to this term in section J.1 headed “Implications Under the REIT Code, the Trust Deed and the Listing Rules — Implications for the REIT under the REIT Code and the Trust Deed — (g) Application for waivers from certain requirements under the REIT Code — (i) Waiver from strict compliance with certain requirements under paragraph 7.5(d) of the REIT Code with respect to layers of special purpose vehicles”
“Hotel Management Agreement”	the hotel management agreement dated 4 August 2009 entered into between the Project Company and the Hotel Manager, in respect of the Hotel
“Hotel Manager”	FS Guangzhou B.V., a member of the Four Seasons Group
“IFC Operating Company”	廣州越秀資產管理有限公司(Guangzhou Yuexiu Asset Management Company Limited), a company to be incorporated in the PRC and will be a Connected Person
“Illustrative Financing Structure”	has the meaning as set out under section B.2 headed “Financing of the Transaction — Illustrative Financing Structure”

“Illustrative Issue Price”	HK\$3.97 per Unit, being the average closing price per Unit as quoted on the Stock Exchange for the last ten trading days immediately preceding the Last Trading Day
“Indebtedness Agreement”	the indebtedness agreement dated 28 May 2012 between Yuexiu Property (as assignor), the Trustee (as assignee, on behalf of the REIT and acting on the instructions of the REIT Manager) and the REIT Manager in relation to the Assignment
“Independent Third Party”	a third party independent of the REIT and not a Connected Person and not acting in concert with Yuexiu Property
“Independent Unitholder(s)”	Unitholders other than those who have a material interest in the relevant resolution (i.e., Unitholders other than Yuexiu Property, Yue Xiu and their respective Associates)
“Issue Date”	each of the dates on which the Deferred Units are issued, being 31 December of each year commencing from 31 December 2016
“Issue Price”	the price per Unit for the Placement Units, Consideration Units and Deferred Units to be issued, to be determined between the REIT Manager and the Unit Placement Underwriter(s) upon commencement of the Unit Placement having regard to market conditions
“Last Trading Day”	8 May 2012, being the last trading day of the Units immediately prior to the date of this announcement
“Latest Practicable Date”	25 May 2012, being the latest practicable date prior to the issue of this announcement for the purpose of ascertaining certain information contained in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Grace”	Long Grace Holdings Limited (遠豪集團有限公司), a limited company incorporated under the laws of Hong Kong which is an indirect wholly-owned subsidiary of Tower Top

“Long Stop Date”	31 December 2012, being the long stop date for Completion
“Manager Fee Units”	the Units to be issued to the Manager in satisfaction of part of the Manager’s Fees
“Manager’s Fees”	the base fee and service fee that the REIT Manager is entitled to pursuant to the Trust Deed, as further described in the REIT IPO Circular
“Market Consultants”	collectively, the Hotel and Serviced Market Consultants and the Office and Retail Market Consultants
“Market Consultants’ Reports”	collectively, the: (a) Hotel and Serviced Apartments Market Consultant Report, and (b) Office and Retail Market Consultant Report, both of which will be set out in the REIT Circular
“Miller Win”	Miller Win Group Ltd., a limited company incorporated under the laws of the BVI which is a wholly-owned subsidiary of Tower Top
“Neo Metropolis”	the REIT’s 72.3% interest in Yue Xiu Neo Metropolis Plaza, which was acquired on 1 June 2008
“New Bank Facility”	the 3-year term loan facility of not less than HK\$1,500 million to be extended to the Borrower for financing the Assignment, as described further in section B.5 headed “Financing of the Transaction — New Bank Facility”
“New Continuing Connected Party Transactions”	has the meaning as set out under section J.1 headed “Implications under the REIT Code, the Trust Deed and the Listing Rules — Implications for the REIT under the REIT Code and the Trust Deed — (f) Continuing Connected Party Transactions”
“New Employers”	has the meaning given to this term in section J.1 headed “Implications Under the REIT Code, the Trust Deed and the Listing Rules — Implications for the REIT under the REIT Code and the Trust Deed — (g) Application for waivers from certain requirements under the REIT Code — (i) Waiver from strict compliance with certain requirements under paragraph 7.5(d) of the REIT Code with respect to layers of special purpose vehicles”

“New Lender”	DBS Bank Ltd.
“Nominee”	Yuexiu REIT 2012 Company Limited, a wholly-owned subsidiary of the REIT and as nominee for the Trustee under the relevant agreement
“Offices”	means the grade A offices described in E.1 headed “Information on the Property — The Property — (b) Grade A offices”
“Office and Retail Market Consultant”	Jones Lang LaSalle Limited
“Office and Retail Market Consultant Report”	the letter from the Office and Retail Market Consultant, which will be set out in the REIT Circular
“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
“Placement Units”	the Units proposed to be issued by the REIT pursuant to the Unit Placement
“PRC”	the People’s Republic of China but excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	means generally accepted accounting principles in the PRC
“PRC WFOEs”	collectively, 廣州越程實業有限公司 (Guangzhou Yuecheng Industrial Ltd.), 廣州越聲實業有限公司 (Guangzhou Yuesheng Industrial Ltd.), 廣州越匯實業有限公司 (Guangzhou Yuehui Industrial Ltd.), 廣州越力實業有限公司 (Guangzhou Yueli Industrial Ltd.) and all of which are limited liability companies incorporated in the PRC, shareholding structures of which are set out in the chart under section A.2 headed “The Transaction and REIT Related Arrangements — Current Holding Structure of the Property”; each a “PRC WFOE”

“Principal Valuer”	Savills Valuation and Professional Services Limited
“Profit Forecast”	the profit forecast set out in the REIT Circular
“Profit Link”	Profit Link Investment International Limited (德宏投資國際有限公司), a limited company incorporated under the laws of Hong Kong which is an indirect wholly-owned subsidiary of Tower Top
“Project Company”	廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.), a limited liability company incorporated in the PRC which developed and owns the Property
“Project Company Minority Shareholder”	廣州市城市建設開發集團有限公司 (Guangzhou City Construction & Development Group Co. Ltd.), a company incorporated in the PRC which owns 1% of the equity interest of the Project Company
“Property”	the real property known as “Guangzhou International Finance Center” (廣州國際金融中心), located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, PRC, particulars of which are set out in section E headed “Information on the Property” in this announcement
“Property Management Agreement”	has the meaning as set out under section E.5 headed “Information on the Property — Property Management” — (a) Property Management Agreement”
“Property Valuation Report”	the valuation report in respect of the Property prepared by the Principal Valuer to be included in the REIT Circular
“Qualifying Unitholders”	the Unitholders whose names appear on the register of unitholders of the REIT and any person holding Units through CCASS at the 5:00pm on the Distribution Record Date
“Reimbursement”	has the meaning as set out under section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (iv) Employee Payment Agreement”

“REIT”	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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
“REIT Circular”	the circular to be dispatched by the REIT Manager to the Unitholders containing, among other things: (i) a letter from the REIT Manager Board to the Unitholders containing details of the Transaction Matters Requiring Approval, the New Bank Facility and the Trust Deed Amendments; (ii) the opinion of the REIT Independent Financial Adviser with respect to the Transaction Matters Requiring Approval; (iii) the opinion of the REIT Manager Independent Board Committee with respect to the Transaction Matters Requiring Approval; (iv) the views of the Trustee in respect of the Transaction Matters Requiring Approval; (v) the Property Valuation Report, Existing Properties Valuation Report, Market Consultants’ Reports and other expert reports; (vi) a notice of the REIT EGM; and (vii) form of proxy for the REIT EGM, will be sent to the Unitholders on or about 18 June 2012.
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
“REIT EGM”	the extraordinary meeting of the Unitholders to be held on or about 11 July 2012 in order to consider, and if thought fit pass, the relevant resolutions in relation to, among other things, the Transaction Matters Requiring Approval and the Trust Deed Amendments
“REIT Independent Financial Adviser”	the independent financial adviser to be appointed to advise the REIT Manager Independent Board Committee, the Independent Unitholders and the Trustee on the Transaction Matters Requiring Approval
“REIT IPO Circular”	the offering circular dated 12 December 2005 in connection with the initial public offering of Units by the REIT in December 2005

“REIT Manager”	Yuexiu REIT Asset Management Limited (in its capacity as manager of the REIT), a company incorporated under the laws of Hong Kong
“REIT Manager Board”	the board of directors of the REIT Manager
“REIT Manager Connected Persons”	persons who are connected persons of the REIT as a result of their connection with the REIT Manager
“REIT Manager Directors”	the directors of the REIT Manager
“REIT Manager Independent Board Committee”	the independent committee of the board of directors of the REIT Manager established to advise the Independent Unitholders on the Transaction Matters Requiring Approval, comprising all the independent non-executive directors of the REIT Manager
“REIT Related Arrangements”	arrangements related to the Transaction, being: (a) the Deed of Top-up Payments; (b) the Settlement Agency Agreement; (c) the Naming Rights Agreement, (d) the Employee Payment Arrangement; and (e) the Manager Fee Units Arrangement
“Relevant SAA Amount”	the monies deposited in the SAA Account less payments made by the Settlement Agent (on behalf of the Project Company) pursuant to the Settlement Agency Agreement
“RMB”	Renminbi, the official currency of the PRC
“SAA Account”	Means the account as described in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”
“San Bright”	San Bright Holdings Limited (生輝集團有限公司), a limited company incorporated under the laws of Hong Kong which is an indirect wholly-owned subsidiary of Tower Top
“Second 2012 Interim Distribution”	the interim distribution payable to the Unitholders as at the relevant record date in respect of the period from 1 July 2012 to 31 December 2012, both days inclusive

“Serviced Apartments”	means the luxury serviced apartments described in section E.1 headed “Information on the Property —The Property”
“Serviced Apartments Employees”	has the meaning given to this term in section J.1 headed “Implications Under the REIT Code, the Trust Deed and the Listing Rules — Implications for the REIT under the REIT Code and the Trust Deed — (g) Application for waivers from certain requirements under the REIT Code — (i) Waiver from strict compliance with certain requirements under paragraph 7.5(d) of the REIT Code with respect to layers of special purpose vehicles”
“Serviced Apartments Manager”	Ascott Property Management (Shanghai) Limited
“Serviced Apartments Management Agreement”	the serviced apartments management agreement dated 2 August 2010 entered into between the subsidiary of the Project Company and the Serviced Apartments Manager, in respect of the Serviced Apartments
“Settlement Agency Agreement”	means the agreement described in the section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”
“Settlement Agent”	GZCCD, as the settlement agent under the Settlement Agency Agreement
“SFC”	The Securities and Futures Commission of Hong Kong
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share”	ordinary shares of HK\$0.10 each in the issued share capital of Yuexiu Property
“Shareholder”	any person registered as holding a Share on the register of members of Yuexiu Property and any person holding Shares through CCASS
“Shinning Opal”	Shinning Opal Management Ltd., a limited company incorporated under the laws of the BVI which is a wholly-owned subsidiary of Tower Top

“Significant Holder”	has the meaning ascribed to this term in the REIT Code
“Special Distribution”	the conditional distribution described in as described in section F.1 headed “Declaration of the Special Distribution by the REIT — Special Distribution”
“sqm”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Trustee (as subscriber, on behalf of the REIT and acting on the instructions of the REIT Manager) of Subscription Shares for the amount of the Subscription Monies on the terms and subject to the conditions of the Subscription Deed
“Subscription Deed”	the deed for the subscription of shares in Tower Top Development Ltd. dated 28 May 2012 between the Trustee (as subscriber, on behalf of the REIT and acting on the instructions of the REIT Manager), the REIT Manager, Tower Top (as issuer) and Yuexiu Property (as co-warrantor) in relation to the Subscription
“Subscription Monies”	the sum of US\$9,999 (i.e. approximately RMB62,394), being the consideration for the Subscription Shares in Tower Top to be subscribed by the Trustee (as subscriber, on behalf of the REIT and acting on the instructions of the REIT Manager)
“Subscription Shares”	9,999 shares of Tower Top to be subscribed by the Trustee (or its nominee) at Completion under the Subscription Deed and each a “Subscription Share”
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as amended from time to time)
“Tenancy Services Agreement”	has the meaning as set out under section E.5 headed “Information on the Property — Property management” — (d) Tenancy Services Agreement”
“Third Supplemental Trust Deed”	the supplemental deed to be entered into to effect the Trust Deed Amendments

“Total Consideration”	the total consideration for the Transaction, being the Subscription Monies to be paid to Tower Top and the consideration for the Assignment to be paid to Yuexiu Property as detailed in section A.1 headed “The Transaction and REIT Related Arrangements — Introduction”
“Total Distributable Income”	has the meaning as defined in the Trust Deed
“Total Working Capital”	the total consolidated current assets of the Tower Top Group (excluding deferred assets, intercompany accounts receivable, property under development, prepayment relating to the amount transferred by the Project Company to the Settlement Agent (being the Estimated Outstanding Construction Costs less the Withheld Construction Costs) pursuant to the Settlement Agency Agreement and such other items as the REIT Manager, Tower Top and Yuexiu Property may agree) less the total consolidated current liabilities of the Group, in each case as at the Effective Time (excluding construction costs (being the Estimated Outstanding Construction Costs), bank borrowings, intercompany payables, due to minority interests and such other items as the REIT Manager, Tower Top and Yuexiu Property may agree)
“Tower Top”	Tower Top Development Ltd., a limited liability company incorporated under the laws of the BVI which is a wholly-owned subsidiary of Yuexiu Property and owns indirectly (through intermediate holding companies) 99% of the equity interest in the Project Company which in turn owns (and developed) the Property
“Tower Top Distribution”	has the meaning as set out under section A.4 headed “The Transaction and REIT Related Arrangements — Financial information of the Tower Top Group”
“Tower Top Group”	Tower Top and its subsidiaries
“trading day”	a day on which, in the usual course, the Stock Exchange is open for the conduct of trading of securities

“Transaction”	collectively, the Subscription and the Assignment
“Transaction Matters Requiring Approval”	the matters which require the approval of the Unitholders by way of Ordinary Resolution at the REIT EGM being: (1) the Subscription and the consummation of transactions contemplated under the Subscription Deed; (2) the Assignment and the consummation of the transactions contemplated under the Indebtedness Agreement; (3) the issue of Consideration Units to Yuexiu Property (or YXP Nominee); (4) the issue of Deferred Units to Yuexiu Property (or YXP Nominee); (5) the transactions contemplated under the Deed of Top-up Payments; (6) the transactions contemplated under the Settlement Agency Agreement; (7) the transactions contemplated under the Naming Rights Agreement; (8) the transactions contemplated under the Employee Payment Agreement; (9) the Manager Fee Units Arrangement; (10) the Unit Placement; and (11) the CPT Waiver Modification.
“Transfer Value”	has the meaning as set out under section A.4 headed “The Transaction and REIT Related Arrangements — Financial Information of the Tower Top Group”
“Trust Deed”	the trust deed constituting the REIT dated 7 December 2005 and entered into between the Trustee and the REIT Manager, as the same may be amended and supplemented from time to time
“Trust Deed Amendments”	has the meaning as set out in section H headed “Trust Deed Amendments”
“Trustee”	HSBC Institutional Trust Services (Asia) Limited, a company incorporated under the laws of Hong Kong, in its capacity as trustee of the REIT. All references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of the REIT and on the instructions of the REIT Manager.
“Unit”	one undivided unit in the REIT
“Unitholder(s)”	any person registered as holding a Unit on the register of unitholders of the REIT and any person holding Units through CCASS

“Unit Placement”	the placing of new Units by the REIT
“Unit Placement Pricing Date”	the date on which the Unit Placement commences
“Unit Placement Underwriters”	the underwriters of the Unit Placement, who will be selected closer to the date of the Unit Placement and are Independent Third Parties
“Valuation Reference Date”	31 March 2012
“Withheld Construction Costs”	has the meaning given to this term in section A.9 headed “The Transaction and REIT Related Arrangements — REIT Related Arrangements — (i) Settlement Agency Agreement”
“Yuexiu Group”	collectively, Yuexiu Property and its subsidiaries
“Yuexiu JLL”	廣州越秀城建仲量聯行物業服務有限公司 (Guangzhou Yue Xiu City Construction JLL Property Management Company Limited, a limited liability company established in the PRC which is owned as to 60% by GZCCD and as to 40% by Jones Lang LaSalle (Beijing) Property Management Company Limited
“Yuexiu Property”	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 123) and on the SGX-ST
“Yuexiu Property Board”	the board of directors of Yuexiu Property
“Yuexiu Property Circular”	the circular to be dispatched by Yuexiu Property to the Shareholders containing, among other things: (i) a letter from the Yuexiu Property Board to the Shareholders containing details of the Transaction and the Yuexiu Property Related Arrangements; (ii) a notice of the Yuexiu Property EGM; and (iii) form of proxy for the Yuexiu Property EGM
“Yuexiu Property Directors”	the directors of Yuexiu Property

“Yuexiu Property EGM”	the extraordinary general meeting of the Shareholders to be held on or about 11 July 2012 in order to consider, and if thought fit, pass the relevant resolutions in relation to, among other things, the Transaction and the Yuexiu Property Related Arrangements
“Yuexiu Property Related Arrangements”	collectively, the Deed of Top-up Payments and the Waiver given by members of Yuexiu Group who are Unitholders and Yue Xiu in relation to receiving their pro-rata portion of the Special Distribution as described in section F.1 headed “Declaration of the Special Distribution by the REIT — Special Distribution”
“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong which is wholly owned by GZYX
“YXP Nominee”	a wholly-owned subsidiary of Yuexiu Property designated by Yuexiu Property for the purposes of holding the Consideration Units and Deferred Units in accordance with the Indebtedness Agreement

** For identification purposes only*

For the purpose of this announcement and for illustration purposes only, amounts denominated in RMB have been converted into HK\$ using the exchange rate of RMB0.81 = HK\$1.00, and amounts denominated in US\$ have been converted in to RMB using the exchange rate of US\$1.00 = RMB6.24. No representation is made that any amount in HK\$, US\$ or RMB could have been or could be converted at such rate or at any other rates at all.

By order of the board of directors of
Yuexiu Property Company Limited
LU Zhifeng
Chairman

By order of the board of directors of
Yuexiu REIT Asset Management Limited
(as manager of
Yuexiu Real Estate Investment Trust)
LIANG Ningguang
Chairman

Hong Kong, 28 May 2012

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

Executive Directors: Messrs. LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, CHEN Zhihong and LAM Yau Fung Curt

Independent Non-executive Directors: Messrs. YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose

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

Executive Directors: Messrs. LIANG Ningguang (Chairman) and LIU Yongjie

Independent Non-executive Directors: Messrs. CHAN Chi On Derek, LEE Kwan Hung Eddie and CHAN Chi Fai Brian