
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect in this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in Yuexiu Real Estate Investment Trust, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(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



CIRCULAR TO UNITHOLDERS IN RELATION TO

- (I) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS;
(II) PROPOSED RE-ELECTION OF DIRECTORS;
AND
(III) NOTICE OF EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

Independent Financial Adviser to
the Independent Board Committee of the REIT Manager,
the Independent Unitholders and the Trustee



A letter to the Unitholders is set out on pages 7 to 20 of this Circular.

A notice convening the EGM to be held at Plaza 3 and 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 11 December 2014 at 10:30a.m. is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of the REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

25 November 2014

TABLE OF CONTENTS

	<i>Page</i>
CORPORATE INFORMATION	1
DEFINITIONS	2
LETTERS TO UNITHOLDERS	7
1. INTRODUCTION	7
2. 2014 WAIVER EXTENSION AND NEW ANNUAL CAPS	8
3. RE-ELECTION OF DIRECTORS	15
4. VOTING AT THE EGM	17
5. RECOMMENDATIONS	18
6. EXTRAORDINARY GENERAL MEETING	19
7. RESPONSIBILITY STATEMENT	20
8. ADDITIONAL INFORMATION	20
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	23
APPENDIX I	35
APPENDIX II	36
APPENDIX III	37
NOTICE OF EGM	N-1

CORPORATE INFORMATION

The REIT	Yuexiu Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time
The Manager	Yuexiu REIT Asset Management Limited 24/F, Yue Xiu Building 160 Lockhart Road Wanchai Hong Kong
Directors of the REIT Manager	<i>Executive Directors:</i> Mr. LIU Yongjie (Chairman) Mr. LIN Deliang <i>Non-executive Director:</i> Mr. LI Feng <i>Independent Non-executive Directors:</i> Mr. CHAN Chi On Derek Mr. CHAN Chi Fai Brian Mr. CHEUNG Yuk Tong
Trustee	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Unit Registrar and Transfer Office	Tricor Investor Services Limited 22/F Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the REIT Manager	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong
Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Central Hong Kong

DEFINITIONS

In this Circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“2008 CPT Waivers”	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC in 1 February 2008, which is more fully described in the circular dated 4 February 2008 issued by the REIT to the Unitholders
“2011 Extended CPT Waiver”	the extension to the 2008 CPT Waivers for the three financial years ended 31 December 2013 (and subject to new annual caps and conditions) granted by the SFC on 6 January 2011, which is more fully described in the circular dated 17 December 2010 issued by the REIT to Unitholders
“2012 Circular”	the circular dated 30 June 2012 issued by the REIT to Unitholders
“2012 Modified and Extended Waiver”	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of the New Continuing Connected Party Transactions granted by the SFC on 20 July 2012, which is more fully described in the 2012 Circular
“2014 Waiver Extension”	has the meaning ascribed to this term in section 2.3 headed “ <i>2014 Waiver Extension and New Annual Caps — Extension of the 2012 Modified and Extended Waiver</i> ”
“2014 Extended Waiver”	the resulting modified and extended 2012 Extended Waiver, if the proposed 2014 Waiver Extension and New Annual Caps are approved by the Independent Unitholders at the EGM
“Annual Report”	the annual report of the REIT for the year ended 31 December 2013 published on 17 April 2014
“Articles”	the articles of association of the Manager
“associate”	has the meaning ascribed to this term in the REIT Code
“Audit Committee”	the audit committee of the Manager
“Board”	the board of directors of the Manager
“Board Composition Announcement”	the announcement dated 7 October 2014 issued by the REIT to its Unitholders
“Compliance Manual”	the compliance manual of the Manager
“Connected Leasing Transactions”	has the meaning ascribed to this term in section 2.4.2 headed “ <i>2014 Waiver Extension and New Annual Caps — New Annual Caps — In respect of Connected Leasing Transactions</i> ”

DEFINITIONS

“connected person”	has the meaning ascribed to this term in the REIT Code
“Connected PMAs”	has the meaning ascribed to this term in section 2.4.3 headed “2014 Waiver Extension and New Annual Caps — New Annual Caps — In respect of Connected PMAs”
“Connected TSAs”	has the meaning ascribed to this term in section 2.4.4 headed “2014 Waiver Extension and New Annual Caps — New Annual Caps — In respect of Connected TSAs”
“Director(s)”	director(s) of the Manager
“Disclosures Committee”	the disclosures committee of the Manager
“EGM”	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
“EGM Notice”	the notice included in the Circular in respect of the EGM to consider, and if thought fit, approve the EGM Resolutions
“EGM Resolutions”	the Ordinary Resolutions to be passed at the EGM, as set out in the EGM Notice and explained in this Circular
“Finance Committee”	the finance and investment committee of the Manager
“Guangzhou IFC”	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, which is a premium mixed-use commercial development with a total gross floor area of 457,357 sqm. comprising five major components, namely: (i) a shopping mall; (ii) a Grade-A office building; (iii) a 5-star hotel;(iv) a luxury serviced apartments tower; and (v) a car park (and other ancillary areas), particulars of which are more fully described in the 2012 Circular
“GZYYX”	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), a State-owned limited liability company incorporated in the PRC beneficially wholly owned by the Guangzhou Municipal People’s Government of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

* translation purpose.

DEFINITIONS

“Independent Board Committee”	the independent committee established by the Board to advise the Independent Unitholders on the 2014 Waiver Extension and the New Annual Caps, comprising Mr. Chan Chi On Derek, Mr. Chan Chi Fai Brian and Mr. Cheung Yuk Tong, being all of the INEDs
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Trustee on the 2014 Waiver Extension and the New Annual Caps for the purpose of paragraph 10.10(p) of the REIT Code
“Independent Unitholders”	Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of paragraph 8.11 of the REIT Code, and who are entitled to vote at the EGM
“INED”	independent non-executive Director
“Interim Report”	the interim report of the REIT for the six months ended 30 June 2014 published on 29 August 2014
“Latest Practicable Date”	20 November 2014 being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	Yuexiu REIT Asset Management Limited (in its capacity as the manager of the REIT), a company incorporated under the laws of Hong Kong
“Matters Requiring Approval”	collectively, (i) the 2014 Waiver Extension and the New Annual Caps; and (ii) the Re-election of Directors
“Mr. Brian Chan”	Mr. Chan Chi Fai Brian
“Mr. Cheung”	Mr. Cheung Yuk Tong
“Mr. Derek Chan”	Mr. Chan Chi On Derek
“Naming Rights Agreement”	the naming rights agreement dated 9 May 2012 entered into between Tower Top Development Ltd. and Yuexiu Property, which is more fully described in the 2012 Circular

DEFINITIONS

“New Annual Caps”	the proposed new annual cap amounts for the New Continuing Connected Party Transactions for the years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively, as set out in section 2.4 headed “ <i>2014 Waiver Extension and New Annual Caps — New Annual Caps</i> ”
“New Continuing Connected Party Transactions”	collectively, the Connected Leasing Transactions, the Connected PMAs and the Connected TSAs
“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
“PRC”	The People’s Republic of China
“Record Date”	11 December 2014
“Re-election of Directors”	collectively, the proposed re-elections of each of Mr. Cheung, Mr. Derek Chan and Mr. Brian Chan as an INED
“REIT”	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Hong Kong Stock Exchange), and the companies controlled by it, as the context requires
“REIT Code”	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
“Remuneration and Nomination Committee”	the remuneration and nomination committee of the Manager
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Significant Holders”	has the meaning ascribed to this term in the REIT Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Trustee”	HSBC Institutional Trust Services (Asia) Limited, a company incorporated under the laws of Hong Kong, in its capacity as trustee of the REIT
“Trust Deed”	the trust deed constituting the REIT dated 7 December 2005 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time
“Unit”	one undivided unit in the REIT
“Unitholder(s)”	any person registered as holding a Unit on the register of Unitholders of the REIT
“White Horse Units”	means nine strata units in White Horse Building located at Nos.14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC and represented by Title Certificate numbers C3895226, C3895227, C3895228, C3895229, C3895230, C3895231, C3895232, C3895233 and C3895234
“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong which is wholly owned by GZYX
“Yuexiu Connected Persons Group”	collectively, (i) the Yuexiu Holders; (ii) associates of the Yuexiu Holders; and (iii) entities or persons which are from time to time connected persons of the REIT as a result of their connection with the Yuexiu Holders
“Yuexiu Group”	collectively, Yuexiu Property and its subsidiaries
“Yuexiu Holders”	subsidiaries of GZYX that are Significant Holders
“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: 00123) and on the SGX-ST

References to persons shall include corporations. Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

For the purpose of this Circular and for illustration purposes only, amounts denominated in RMB have been converted into HK\$ using the exchange rate of RMB0.79193 = HK\$1.00. No representation is made that any amount in HK\$ or RMB could have been or could be converted at such rate or at any other rates at all.

LETTERS TO UNITHOLDERS



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

Directors of the Manager:

Executive Directors

Mr. Liu Yongjie (*Chairman*)

Mr. Lin Deliang

Non-executive Director

Mr. Li Feng

Independent Non-executive Directors

Mr. Chan Chi On Derek

Mr. Chan Chi Fai Brian

Mr. Cheung Yuk Tong

Registered Office:

24/F, Yue Xiu Building,

160 Lockhart Road,

Wanchai,

Hong Kong

25 November 2014

To: Unitholders of the REIT

Dear Sir or Madam,

CIRCULAR TO UNITHOLDERS IN RELATION TO

(I) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS;

(II) PROPOSED RE-ELECTION OF DIRECTORS;

AND

(III) NOTICE OF EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

1. INTRODUCTION

References are made to the Board Composition Announcement and the announcement dated 25 November 2014 by the REIT in connection with, among other things: (i) the 2014 Waiver Extension

LETTERS TO UNITHOLDERS

and the New Annual Caps; and (ii) the Re-election of Directors. The purposes of this Circular are to: (1) provide you with further information in respect of, among other things, the Matters Requiring Approval; (2) set out the recommendation of the Board in relation to the Matters Requiring Approval; (3) set out the recommendation of the Independent Board Committee in relation to the 2014 Waiver Extension and the New Annual Caps; (4) set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2014 Waiver Extension and the New Annual Caps; and (5) serve notice of the EGM.

The EGM Resolutions seek: (a) Independent Unitholders' approval for the 2014 Waiver Extension and the New Annual Caps; and (b) Unitholders' approval for the Re-election of Directors, in each case as more particularly described in this Circular.

2. 2014 WAIVER EXTENSION AND NEW ANNUAL CAPS

2.1 Existing Waivers in relation to certain continuing connected party transactions under Chapter 8 of the REIT Code

As disclosed in the 2012 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between the REIT on the one hand and certain connected persons on the other hand.

On 6 January 2011, the REIT obtained the 2011 Extended CPT Waiver which extended the 2008 CPT Waivers for three financial years ended 31 December 2013, and set new annual cap amounts for the then existing continuing connected party transactions for such period.

On 20 July 2012, the SFC granted the 2012 Modified and Extended Waiver in respect of the New Continuing Connected Party Transactions for a period of three financial years ending 31 December 2014, which superseded the 2011 Extended CPT Waiver. The 2012 Modified and Extended Waiver broadens the categories of the then existing continuing connected party transactions to additionally include those continuing connected party transactions with the Yuexiu Connected Persons Group in respect of Guangzhou IFC that arose as a result of the REIT's acquisition of Guangzhou IFC in 2012 and set new annual cap amounts to accommodate such new continuing connected party transactions for the three financial years ending 31 December 2014. Details of such new continuing connected party transactions and the 2012 Modified and Extended Waiver are set out in the 2012 Circular.

2.2 Expiration of the 2012 Modified and Extended Waiver

The 2012 Modified and Extended Waiver will expire on 31 December 2014. In accordance with the terms of the 2012 Modified and Extended Waiver, the 2012 Modified and Extended Waiver may be extended beyond 31 December 2014, and/or the terms and the conditions of the 2012 Modified and Extended Waiver may be modified from time to time, provided that:

- (a) due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

LETTERS TO UNITHOLDERS

- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2012 Modified and Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of the REIT after the date on which the approval referred to in (a) above is obtained.

2.3 Extension of the 2012 Modified and Extended Waiver

The Manager has made a submission to the SFC to seek an extension of the 2012 Modified and Extended Waiver so that it applies for the three financial years ending 31 December 2017 (the “**2014 Waiver Extension**”). As part of its submission, the Manager has also proposed New Annual Caps for the extended period, which is more particularly described in section 2.4 headed “*2014 Waiver Extension and New Annual Caps — New Annual Caps*” below.

2.4 New Annual Caps

2.4.1 *Historical Transaction Amount and Proposed New Annual Caps*

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts stated in the table below.

The historical transaction amount in respect of each category of the New Continuing Connected Party Transactions for the three financial years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014, as well as the proposed New Annual Caps for the three financial years ending 31 December 2015, 2016 and 2017 are set out in the table below.

New Continuing Connected Party Transaction	Historical Transaction Amount <i>RMB'000</i>				New Annual Caps <i>RMB'000</i>		
	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	For the nine months ended 30 September	For the year ending 31 December	For the year ending 31 December	For the year ending 31 December
	2011	2012	2013	2014	2015	2016	2017
Connected Leasing Transactions	3,548	41,310	169,908	129,780	227,051	244,919	267,802
Connected PMAs ^{Note (1)}	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Connected TSAs	17,828	20,569	29,649	24,424	44,778	49,255	54,181

Note (1): Since the property management fees payable under the Connected PMAs are to be paid by the relevant tenants, rather than the REIT or its property holding companies, no amount of property management fees has been paid or will be payable to the REIT.

The proposed New Annual Caps have been determined with general reference to the historical transaction amounts (including but not limited to latest available data as at 30 September 2014), and are based on the anticipated aggregate value of such transactions during the relevant financial years, with an appropriate provision for contingencies and annual growth.

LETTERS TO UNITHOLDERS

2.4.2 In respect of the Connected Leasing Transactions

As part of the REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a property is either already a party to, or may from time to time enter into, leasing transactions with Yuexiu Connected Persons Group in respect of the REIT's properties (the "**Connected Leasing Transactions**"). All the Connected Leasing Transactions subsisting are on normal arm's length commercial terms entered in the ordinary and usual course of business of the REIT and at the prevailing market level as at the commencement date of each of the Connected Leasing Transactions. The details of the subsisting Connected Leasing Transactions in respect of the REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

The proposed caps for the years ending 31 December 2015, 2016 and 2017 have been determined by:

- (a) taking into account the actual rent payable to the REIT under the Connected Leasing Transactions which will be subsisting during the relevant periods. Where a Connected Leasing Transaction expires prior to 31 December 2017, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year; and
- (b) applying a buffer of 25% for the total actual/assumed rent (as calculated on the above-mentioned basis) for each of the years ending 31 December 2015, 2016 and 2017. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by the REIT during the relevant financial periods.

The Manager's use of an assumed annual rental growth rate of 10% for determining the proposed caps for the Connected Leasing Transactions is based principally on the following factors: (a) the high volatility of rentals of properties in the PRC; (b) the potential increases in rentals of comparable properties by reference to historical figures; and (c) the general inflation factor.

2.4.3 In respect of the Connected PMAs

The property management arrangements entered into with the Yuexiu Connected Persons Group (the "**Connected PMAs**") include the property management arrangements in respect of the properties of the REIT. All the Connected PMAs subsisting are on normal arm's length commercial terms entered in the ordinary and usual course of business of the REIT and at the prevailing market level as at the commencement date of each of the Connected PMAs. The details of the subsisting Connected PMAs in respect of the REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected PMAs in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

LETTERS TO UNITHOLDERS

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants, rather than the REIT or its property holding companies, no caps are required in respect of such property management fees.

2.4.4 In respect of the Connected TSAs

The tenancy services agreements which have been or will be entered into with the Yuexiu Connected Persons Group (the “**Connected TSAs**”) include the tenancy services agreements in respect of the properties of the REIT. All the Connected TSAs subsisting are on normal arm’s length commercial terms entered in the ordinary and usual course of business of the REIT and at the prevailing market level as at the commencement date of each of the Connected TSAs. The details of the subsisting Connected TSAs in respect of the REIT’s properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected TSAs in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

The proposed cap for the year ending 31 December 2015 has been determined in the following manner:

- (a) annualising the amount of actual fees paid by the REIT for the relevant Connected TSAs for the nine months ended 30 September 2014;
- (b) applying an increment of 10% to the relevant amount resulting from paragraph (a) above, as assumed rental growth rate over the year, with some minor rounding up of figures; and
- (c) applying an increment of 25% to the amount resulting from paragraph (a) above, as a buffer for contingencies such as: (i) changes in rental or other market conditions; and (ii) increase in tenancy services transaction activities with respect to the relevant properties during the relevant financial periods.

The proposed caps for the years ending 31 December 2016 and 31 December 2017 have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures.

The above proposed caps have been determined after assuming:

- (a) the leasing agents’ fees for all the properties of the REIT, with the exception of White Horse Units and Guangzhou IFC, being 4% of the annual gross rental attributable to such properties; and
- (b) leasing agents’ fees for White Horse Units and the office portion of Guangzhou IFC, being 3% of the annual gross rental attributable to such properties (excluding, in respect of the office portion of Guangzhou IFC, revenue generated pursuant to the Naming Rights Agreement).

LETTERS TO UNITHOLDERS

The Manager's use of an assumed annual rental growth rate of 10% for determining the proposed caps for the Connected TSAs is based on expected inflationary increases in tenancy works expenses and the historical growth of transaction amounts.

2.5 Waiver Conditions of the 2014 Extended Waiver

The Manager has applied to the SFC for the 2014 Extended Waiver in relation to the Connected Leasing Transactions, the Connected PMAs and the Connected TSAs on the following waiver terms and conditions which are (other than in respect of the annual caps) substantially identical to the conditions for the 2012 Modified and Extended Waiver:

(a) Due Approval by Independent Unitholders

Due approval by Independent Unitholders of the REIT and adoption of the Ordinary Resolution to approve the 2014 Extended Waiver set out in the EGM Notice, without any material amendment thereto.

(b) Extensions or Modifications

The 2014 Extended Waiver has been granted for a period of three financial years ending 31 December 2017. The 2014 Extended Waiver may be extended beyond 31 December 2017, and/or the terms and the conditions of the 2014 Extended Waiver may be modified from time to time, provided that:

- (i) due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (ii) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) any extension of the period of the 2014 Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of the REIT after the date on which the approval referred to in (b)(i) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Waiver Extension (including without limitation on the scope or nature of such transactions) as set out in this Circular must be approved by Independent Unitholders pursuant to paragraph 2.5(b)(i) condition above, and details of the proposed changes shall be disclosed in the manner as referred to in paragraph 2.5(b)(ii) condition above.

(c) Annual Caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts set out in section 2.4 headed "2014 Waiver Extension and New Annual Caps — New Annual Caps" above.

LETTERS TO UNITHOLDERS

In respect of the relevant leasing transactions, an independent valuation shall be conducted for each leasing transaction except where it is conducted on standard or published rates. In the case of Connected Party Leases with no fixed term (e.g. tenancies with monthly rollover), an independent valuation shall be conducted no less than once every 24 months.

(d) Disclosure in semi-annual and annual reports

Details of the New Continuing Connected Party Transactions shall be disclosed in the REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

(e) Auditors' review procedures

In respect of each relevant financial period, the Manager shall engage and agree with the auditors of the REIT to perform certain review procedures on the New Continuing Connected Party Transactions. The auditors shall then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all the New Continuing Connected Party Transactions:

- (i) have received the approval of the Board (including the INEDs);
- (ii) have been entered into in accordance with the pricing policies of the REIT;
- (iii) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and
- (iv) the total value in respect of which has not exceeded the respective annual cap amounts (where applicable) as set out above.

(f) Annual review by the Audit Committee and the INEDs

The Audit Committee and the INEDs shall review the relevant New Continuing Connected Party Transactions annually and confirm in the REIT's annual report for the relevant financial period that such transactions have been entered into:

- (i) in the ordinary and usual course of business of the REIT;
- (ii) based on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

LETTERS TO UNITHOLDERS

(g) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of the REIT and/or the Audit Committee and/or the INEDs will not be able to confirm the matters set out in paragraphs (e) and (f) above.

(h) Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the relevant New Continuing Connected Party Transaction to allow, the auditors of the REIT sufficient access to their records for the purpose of reporting on the transactions.

(i) Subsequent increase in annual caps with Independent Unitholders' approval

The Manager may, from time to time seek an increase in one or more of the annual cap amounts set out above, for example, when the REIT acquires additional properties and increases the scale of its operations or where there are changes in market or operating conditions, provided that:

- (i) the Manager obtains the approval of Independent Unitholders by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) the Manager discloses details of the proposal to increase the cap amounts by way of an announcement of such proposal, and issues a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) the requirements set out in paragraphs (c) to (h) above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

(j) 8.14 of the REIT Code

The Manager shall comply with all requirements under 8.14 of the REIT Code where there is any material change to the terms of the relevant New Continuing Connected Party Transactions or where there is any subsequent changes to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

2.6 Opinion of the Board

The Board (including all the INEDs) confirms that:

- (a) in its opinion, the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole;

LETTERS TO UNITHOLDERS

- (b) in its opinion, each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall be entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole.

2.7 Opinion of the Independent Financial Adviser

The Independent Financial Adviser confirms that:

- (a) in its opinion, the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) in its opinion, each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from Independent Financial Adviser" in this Circular.

3. RE-ELECTION OF DIRECTORS

3.1 Re-election of Mr. Cheung as an INED of the Manager

As referred to in the Board Composition Announcement, the Board has appointed Mr. Cheung as an INED, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee with effect from 7 October 2014.

In accordance with the Article 122 of the Articles and the Compliance Manual, Mr. Cheung shall hold office until the EGM and shall then be eligible for re-election at the EGM, and such re-election shall be approved by Unitholders by way of an Ordinary Resolution. Subject to the passing of the EGM Resolution to re-elect Mr. Cheung as an INED as set out in the EGM Notice, Mr. Cheung shall continue to hold office subject to the retirement by rotation requirements under the Articles and Compliance Manual, as amended or supplemented from time to time.

LETTERS TO UNITHOLDERS

The Manager has received from Mr. Cheung a confirmation of independence in accordance with Rule 3.13 of the Listing Rules (as if they were applicable to the REIT) as well as the Compliance Manual, and the Board is of the view that Mr. Cheung meets the director independence requirements stated therein.

Save as disclosed in this Circular, there is no other matter in connection with Mr. Cheung's re-election that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, as if they were applicable to the REIT.

Biographical details and other relevant information of Mr. Cheung are set out in Appendix III to this Circular.

3.2 Re-election of INEDs who have served more than nine years

As referred to in the Board Composition Announcement, Mr. Derek Chan and Mr. Brian Chan will retire and be eligible for re-election at the EGM. The Board proposes to re-elect: (i) Mr. Derek Chan as an INED, the chairman of the Disclosures Committee and a member of the Audit Committee, Remuneration and Nomination Committee and the Finance Committee; and (ii) Mr. Brian Chan as an INED, the chairman of the Audit Committee, a member of the Finance Committee and the Remuneration and Nomination Committee.

In accordance with Article 128 of the Articles and the Compliance Manual, as each of Mr. Derek Chan and Mr. Brian Chan has served as an INED for more than nine years, their respective further appointments shall be subject to a separate resolution to be approved by Unitholders. Accordingly, subject to the passing of the EGM Resolutions to re-elect Mr. Derek Chan and Mr. Brian Chan as INEDs as set out in the EGM Notice, Mr. Derek Chan and Mr. Brian Chan shall continue to hold office subject to the retirement by rotation requirements under the Articles and Compliance Manual, as amended and/or supplemented from time to time.

Mr. Derek Chan and Mr. Brian Chan have always contributed objectively in advising and giving independent guidance to the Board in their capacity as INEDs and as members of different Board committees (in particular, the Audit Committee). Both directors place great importance on the Manager observing high standards of corporate governance, and with their relevant financial experience, regularly monitor communications with the REIT's external auditors to ensure the integrity of the REIT's interim and annual reports. The Manager has also received annual confirmations from Mr. Derek Chan and Mr. Brian Chan regarding their independence in accordance with Rule 3.13 of the Listing Rules (as if they were applicable to the REIT) and the Compliance Manual, and the Board is of the view that both directors will continue to meet the director independence requirements stated therein. Taking into consideration the above and having considered the recommendations of the Remuneration and Nomination Committee, the Board is of the view that the lengths of service of each of Mr. Derek Chan and Mr. Brian Chan has not, in any way, diminished their independence, and that each of Mr. Derek Chan and Mr. Brian Chan is independent notwithstanding the fact that each of them has served on the Board for more than nine years as at the date of this Circular. Accordingly, the Board believes that each of Mr. Derek Chan and Mr. Brian Chan possesses the required character, integrity and experience to continue fulfilling their respective roles

LETTERS TO UNITHOLDERS

as INEDs, and their continued tenures will continue to bring valuable insights and expertise to the Board. As such, the Board believes that each of Mr. Derek Chan and Mr. Brian Chan should be re-elected as INEDs, and that their respective re-elections as INEDs are in the best interests of the REIT and the Unitholders as a whole.

Save as disclosed in this Circular, there is no other matter in connection with the re-election of Mr. Derek Chan and Mr. Brian Chan, that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, as if they were applicable to the REIT.

Biographical details and other relevant information of each of Mr. Derek Chan and Mr. Brian Chan are set out in Appendix I and Appendix II to this Circular respectively.

4. VOTING AT THE EGM

Pursuant to paragraph 3.3 of Schedule 1 to the Trust Deed, at any meeting a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. The resolutions, as set out in the EGM Notice, will be decided on a poll at the 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 as determined by the REIT Manager (where the Unitholders concerned is (are) not connected persons of the REIT Manager under the REIT Code) or the Trustee (where the Unitholders concerned is (are) connected persons of the REIT Manager under the REIT Code, if appropriate, in its absolute opinion), 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 New Continuing Connected Party Transactions, and as such, have a material interest in the resolutions relating to the 2014 Waiver Extension and the New Annual Caps. As at the Latest Practicable Date, the aggregate number of Units held by Yue Xiu and its associates (including Yuexiu Property) is 1,029,692,765. Pursuant to the Trust Deed and the REIT Code, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that their respective associates will abstain, from voting on the EGM Resolution to approve the 2014 Waiver Extension and the New Annual Caps, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given.

The Manager does not consider that any Unitholder has a material interest in the respective EGM Resolutions to approve the proposed re-election of each of Mr. Cheung, Mr. Derek Chan and Mr. Brian Chan, and therefore no Unitholder is required to abstain from voting in respect of such resolutions.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, no other Unitholder is required to abstain from voting at the EGM in respect of the EGM Resolutions.

LETTERS TO UNITHOLDERS

5. RECOMMENDATIONS

5.1 Directors

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to the 2014 Waiver Extension and the New Annual Caps as described in this Circular, the Board (including the INEDs):

- (1) considers that the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (2) considers that each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (3) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall be entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole. Accordingly, the Board recommends Independent Unitholders to vote in favour of the Ordinary Resolution in respect of the 2014 Waiver Extension and the New Annual Caps at the EGM.

Further, the Board considers that the proposed re-elections of each of Mr. Cheung, Mr. Derek Chan, Mr. Brian Chan as an INED are in the interests of the REIT and the Unitholders as a whole, and accordingly, recommends all Unitholders to vote in favour of the relevant Ordinary Resolutions at the EGM.

5.2 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same).

Your attention is drawn to (a) the "Letter from the Independent Board Committee" set out in this Circular, which contains the Independent Board Committee's recommendation to the Independent Unitholders; and (b) the "Letter from the Independent Financial Adviser" set out in this Circular, which contains among other things: (i) the Independent Financial Adviser's advice to the Independent Board Committee, the Independent Unitholders and the Trustee; and (ii) the principal factors taken into consideration by the Independent Financial Adviser, and assumptions and qualifications adopted by the Independent Financial Adviser in arriving at such opinion.

LETTERS TO UNITHOLDERS

The Independent Board Committee, having taken into account the opinion of the Independent Financial Adviser and the principal factors and reasons considered by them, considers that:

- (1) the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (2) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (3) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall be entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution in respect of the 2014 Waiver Extension and the New Annual Caps at the EGM.

5.3 Trustee

Based on and in sole reliance upon: (a) the information and assurances provided by the Manager; (b) the opinion of the Independent Financial Adviser; and (c) the letter from the Independent Board Committee, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2014 Extended Waiver are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole.

This view is being furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the 2014 Extended Waiver. The Trustee has not made any assessment of the merits or impact of the 2014 Extended Waiver, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, Unitholders who are in any doubt as to the merits or impact of the 2014 Extended Waiver should seek their own financial or other professional advice.

6. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 10:30a.m. on 11 December 2014 at Plaza 3 and 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, each of the Ordinary Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-3 of this Circular.

LETTERS TO UNITHOLDERS

In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed from 10 December 2014 to 11 December 2014 (both days inclusive) during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the unit registrar of the REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 December 2014.

You can vote at the EGM if you are a Unitholder on 11 December 2014 which is referred to in this Circular as the Record Date. You will find enclosed with this Circular the EGM Notice (see pages N-1 to N-3 of this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of the REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

7. RESPONSIBILITY STATEMENT

The Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

25 November 2014

To: The Independent Unitholders

Dear Sir/Madam,

**EXTENSION OF EXISTING CONNECTED PARTY TRANSACTION WAIVER
AND PROPOSED NEW ANNUAL CAPS FOR
CERTAIN CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the 2014 Waiver Extension and the New Annual Caps, details of which are set out in the “Letter from the Board” in the circular dated 25 November 2014 (the “**Circular**”) from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee as to whether: (1) the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and (2) each of the New Continuing Connected Party Transactions is entered into: (a) in the ordinary and usual course of business of the REIT; and (b) on terms which are normal commercial terms at arm’s length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of Somerley Capital Limited and the principal factors and reasons considered by them, we consider that:

- (1) the 2014 Extended Waiver and the basis for the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (2) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (3) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall be entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the 2014 Waiver Extension and the New Annual Caps.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
Yuexiu REIT Asset Management Limited

Chan Chi On Derek
*Independent Non-executive
Director*

Chan Chi Fai Brian
*Independent Non-executive
Director*

Cheung Yuk Tong
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited, which has been prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2014 Waiver Extension and the New Annual Caps.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

25 November 2014

*To : the Independent Board Committee,
the Trustee and the Independent Unitholders*

Dear Sirs,

EXTENSION OF EXISTING CONTINUING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Trustee and the Independent Unitholders with respect to the 2014 Waiver Extension, details of which are set out in the letter to Unitholders contained in the circular dated 25 November 2014 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 July 2012, the SFC granted the 2012 Modified and Extended Waiver in respect of the New Continuing Connected Party Transactions, which will expire on 31 December 2014. In accordance with the terms of the 2012 Modified and Extended Waiver, the 2012 Modified and Extended Waiver may be extended beyond 31 December 2014, and/or the terms and conditions of the 2012 Modified and Extended Waiver may be modified from time to time, provided that, amongst others, due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders.

Paragraph 9.9(f) of 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. Members of the Yuexiu Group are parties to the New Continuing Connected Party Transactions, and as such, have a material interest in the resolution relating to the 2014 Waiver Extension and the New Annual Caps. Pursuant to the Trust Deed and the REIT Code, each

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that their respective associates will abstain, from voting on the EGM Resolution to approve the 2014 Waiver Extension and the New Annual Caps, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Messrs. CHAN Chi On Derek, CHAN Chi Fai Brian and CHEUNG Yuk Tong, has been established to advise the Independent Unitholders on whether (a) the 2014 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as Unitholders as a whole; and (b) each of the New Continuing Connected Party Transactions is entered into: (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders, as well as the Unitholders as a whole. We have been appointed to advise the Independent Board Committee, the Trustee and the Independent Unitholders in respect of the above and as to how the Independent Unitholders should vote at the EGM.

Somerley Capital Limited is independent of, and not associated with, (i) the REIT; (ii) the Trustee; (iii) the Manager; (iv) the Yuexiu Connected Persons Group; (v) Yuexiu Property (the Significant Holder of the REIT) and its subsidiaries; (vi) each of other Significant Holders of the REIT (if any); (vii) each of the relevant connected person(s) with respect to the New Continuing Connected Party Transactions; and (viii) their respective associates. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

In formulating our opinion, we have reviewed, amongst others, (i) certain existing tenancy agreements in respect of the six properties owned by the REIT ("**Properties**"), namely, White Horse Building Units ("**White Horse Building**"), Fortune Plaza Units ("**Fortune Plaza**"), City Development Plaza Units ("**City Development Plaza**"), Victory Plaza Units ("**Victory Plaza**"), Yue Xiu Neo Metropolis Plaza Units ("**Neo Metropolis**") and Guangzhou International Finance Center ("**Guangzhou IFC**"), (ii) the annual reports of the REIT for the years ended 31 December 2012 and 2013 (the "**2012 and 2013 Annual Reports**"), and (iii) the interim report of the REIT for the six-month ended 30 June 2014 (the "**2014 Interim Report**"). We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager and the REIT. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and continue to be accurate and not misleading at the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the 2014 Waiver Extension and the basis for the New Annual Caps, we have taken into account the principal factors and reasons set out below:

1. **Background**

As disclosed in the 2012 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between the REIT on the one hand and certain connected persons on the other hand. In 2011, the REIT obtained the 2011 Extended CPT Waiver which extended the 2008 CPT Waivers for three financial years ended 31 December 2013, and set new annual cap amounts for the then existing continuing connected party transactions for such period. On 20 July 2012, the SFC granted the 2012 Modified and Extended Waiver in respect of the New Continuing Connected Party Transactions for a period of three financial years ending 31 December 2014, which superseded the 2011 Extended CPT Waiver. The 2012 Modified and Extended Waiver broadens the categories of the then existing continuing connected party transactions to additionally include those continuing connected party transactions with the Yuexiu Connected Persons Group in respect of Guangzhou IFC that arose as a result of the REIT's acquisition of Guangzhou IFC in 2012 and set new annual cap amounts to accommodate such new continuing connected party transactions for the three financial years ending 31 December 2014. Details of such new continuing connected party transactions and the 2012 Modified and Extended Waiver are set out in the 2012 Circular.

The 2012 Modified and Extended Waiver will expire on 31 December 2014. The Manager has made a submission to the SFC to seek an extension of the 2012 Modified and Extended Waiver so that it applies for the three financial years ending 31 December 2017. As part of its submission, the Manager has also proposed New Annual Caps for the extended period, which will be discussed in paragraph headed "3. The New Annual Caps" below.

2. **Terms of the New Continuing Connected Party Transactions**

Set out below are the categories of New Continuing Connected Party Transactions:

2.1 *Connected Leasing Transactions*

As part of the REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a Property is either already a party to, or may from time to time enter into, leasing transactions with Yuexiu Connected Persons Group in respect of its Properties. As advised by the Manager, all the Connected Leasing Transactions subsisting are entered into in the ordinary and usual course of business of the REIT, are on normal arm's length commercial terms and at the then prevailing market level when the leases were entered into, and are fair and reasonable and in the interests of the REIT and Independent Unitholders as a whole. The details of the subsisting Connected Leasing Transactions in respect of the Properties are set out in the REIT's 2014 Interim Report. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the letter to Unitholders, we note that an independent valuation shall be conducted for each leasing transaction except where it is conducted on standard or published rates. The Connected Leasing Transactions only involve City Development Plaza, Neo Metropolis, Fortune Plaza and Guangzhou IFC. We have reviewed certain Connected Leasing Transactions (including all Connected Leasing Transactions involving City Development Plaza, Neo Metropolis and Fortune Plaza, and 14 out of 38 Connected Leasing Transactions of Guangzhou IFC which have been selected randomly by us), the underlying independent valuation reports prepared by Savills Valuation and Professional Services Limited (the “**Principal Valuer**”), and the lease transactions entered into between the REIT and the independent third parties (the “**Independent Leases**”) in respect of the aforesaid Properties in 2013 and 2014. Based on our review, we note that: (i) the independent valuation reports mentioned above had confirmed that the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into; and (ii) the rental fees of the Connected Leasing Transactions are generally comparable to those of the Independent Leases except for the parking lot on basement levels 2/F and 3/F of Neo Metropolis where there are no Independent Leases. Based on our review of the above, we concur with the Principal Valuer’s confirmation as set out above.

In respect of the parking lot on basement levels 2/F and 3/F of Neo Metropolis, we have obtained the information of the 3 comparable transactions with respect to the carparks in Guangzhou which are considered appropriate for direct comparison purposes in terms of location and building quality selected by the Principal Valuer as reference to support the underlying valuation report confirming that the Connected Leasing Transaction was at the then prevailing market rates when the lease was entered into (the “**Comparable Transactions**”). Two of such Comparable Transactions are entered into by independent third parties and the remaining is actually the asking price quoted by the property manager in respect of Neo Metropolis, which is considered to be an appropriate comparable transaction as the quotation is available in the market to the general public including both the Yuexiu Connected Persons Group and independent third parties. As advised by the Principal Valuer, certain adjustments have been made to the rental rates under these Comparable Transactions to take into account that (i) the asking prices, which are normally at a premium over the actual transaction prices, are quoted for the Comparable Transactions; (ii) master lease discount has been given as there are over 100 parking spaces leased under the Connected Leasing Transaction of Neo Metropolis, whereas the Comparable Transactions include only leases for individual parking spaces; and (iii) certain discount has also been given for the parking lot leased under the Connected Leasing Transaction on basement levels 2/F and 3/F of Neo Metropolis as they are less convenient than the parking spaces under the Comparable Transactions which are situated on the basement level 1/F. Having considered that the rental charged for the parking lot of Neo Metropolis is comparable to the market rates of the Comparable Transactions as adjusted by the Principal Valuer, we concur with the Principal Valuer’s confirmation that the rental fee of the Connected Leasing Transaction of Neo Metropolis is at the then prevailing market level and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also compared the terms other than the rental fees (e.g. deposits and break clauses) of certain Connected Leasing Transactions (including all Connected Leasing Transactions involving City Development Plaza, Neo Metropolis and Fortune Plaza, and 14 out of 38 Connected Leasing Transactions of Guangzhou IFC which have been selected randomly by us) to the Independent Leases, and note that the terms of the Connected Leasing Transactions are no more favorable than those of the Independent Leases. Having considered that (i) the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into as confirmed by independent valuation reports prepared by the Principal Valuer; (ii) the terms (including the rental fees, deposits and break clauses) of the Connected Leasing Transactions are generally comparable to those of the Independent Leases; (iii) the rental charged for the parking lots of Neo Metropolis is comparable to the market rates of the Comparable Transactions as adjusted by the Principal Valuer; and (iv) the terms (other than the rental fee) for the parking lots of Neo Metropolis are generally comparable to those of the Independent Leases, we consider the terms of the subsisting Connected Leasing Transactions to be fair and reasonable and are on normal arm's length commercial terms and at the then prevailing market level when the leases were entered into.

2.2 *Connected PMAs*

The property management arrangements entered into with Yuexiu Connected Persons Group (the "**Property Management Agreements**") are set out in section 12.3.2 headed "*Continuing Connected Party Transactions — New Continuing Connected Party Transactions — Property Management Arrangements*" in the 2012 Circular. As advised by the Manager, all the Connected PMAs subsisting are entered into in the ordinary and usual course of business of the REIT, are on normal arm's length commercial terms and at the then prevailing market level as at the commencement date of each of the Connected PMAs, and are fair and reasonable and in the interests of the REIT and Independent Unitholders as a whole. The Manager confirms that the types of Connected PMAs in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

As the property management fees payable under the Connected PMAs will be paid by the relevant tenants, rather than the REIT or its property holding companies, no caps are required in respect of such property management fees.

We have been provided with all the existing and expired Property Management Agreements entered into with Yuexiu Connected Person Group in respect of all the Properties. Since the 2012 Modified and Extended Waiver was granted in 2012, 4 out of 6 Property Management Agreements have been renewed on either 1 January 2014 or 19 July 2013 and the remaining 2 remain subsisting. With the exception of Neo Metropolis which revised the monthly management fee in respect of its offices upwards from RMB10 per sqm to RMB13 per sqm commencing from 1 January 2014, the terms of the Property Management Agreements remain the same as the expired agreements upon renewal. We observe that the monthly management fees for offices under the Property Management Agreements range from RMB13 per sqm to RMB33 per sqm or represent 12.5% to 20.6% of the unit rent per month of the relevant Properties (inclusive of the Independent Leases) as at 30 June 2014. The management fee per unit rent in respect of the office portion of Neo Metropolis remains the lowest within the REIT's office portfolio after such revision. We also note that the unit rents of the Properties as stated in the 2012 and 2013 Annual Reports have shown a general upward trend since the 2012 Modified and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extended Waiver is granted. On this basis, we consider the monthly management fees in respect of the Properties (including the revision of management fee for the office portion of Neo Metropolis) under the Property Management Agreements with the Yuexiu Connected Persons Group are to be acceptable.

We have also been provided with information on the prevailing management fee payable by and to third parties independent of the REIT and its connected persons (the “**Independent Third Parties**”) in respect of comparable properties by Jones Lang LaSalle Ltd. (“**JLL**”), a property consultancy, valuation and real estate agency firm. We observed that the monthly management fee under the Connected PMAs are in general similar and comparable to those payable by and to Independent Third Parties in respect of comparable properties after taking into account, among other things, the level of property management services required for the respective properties.

Having considered that (i) with the exception of Neo Metropolis which revised the monthly management fee in respect of its offices upwards from RMB10 per sqm to RMB13 per sqm commencing from 1 January 2014, the terms of the Property Management Agreements remain the same as the expired agreements upon renewal; (ii) the revised management fee per unit rent in respect of the office portion of Neo Metropolis is acceptable and remains the lowest within the REIT’s office portfolio; (iii) the property management fees payable under the Connected PMAs will be paid by the relevant tenants under both Connected Leasing Transactions and Independent Leases; and (iv) the monthly management fee under the Connected PMAs are in general similar and comparable to those payable by and to the Independent Third Parties in respect of comparable properties as provided by JLL, we consider the terms of the Property Management Agreements to be fair and reasonable and are on normal commercial terms.

2.3 *Connected TSAs*

The tenancy services agreements entered into with Yuexiu Connected Persons Group (the “**Tenancy Services Agreements**”) are set out in section 12.3.3 headed “*Continuing Connected Party Transactions — New Continuing Connected Party Transactions — Tenancy Services Agreements*” in the 2012 Circular. As advised by the Manager, all the Connected TSAs subsisting are entered into in the ordinary and usual course of business of the REIT, are on normal arm’s length commercial terms and at the then prevailing market level as at the commencement date of each of the Connected TSAs, and are fair and reasonable and in the interests of the REIT and Independent Unitholders as a whole. The Manager confirms that the types of Connected TSAs in respect of which the 2014 Waiver Extension is sought are the same as those set out in the 2012 Circular.

We have reviewed the extended and expired Tenancy Services Agreements and noted that 5 out of 6 Tenancy Services Agreements have been extended from 31 December 2013 to 31 December 2014 with other terms remaining the same. The leasing agents, Yuexiu Connected Persons Group, are entitled to receive in respect of the provision of services a monthly fee of 3% or 4% (as the case may be) of the gross revenue of the Properties. We have discussed with JLL on the prevailing tenancy services fees payable by and to Independent Third Parties in respect of comparable properties. We are advised that the tenancy service fees under the Connected TSAs are in general similar and comparable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to those payable by and to the Independent Third Parties and are in line with the prevailing market practice. Having considered that (i) the basis of the tenancy services fee under the Tenancy Services Agreements are the same as the expired ones and the fees payable is with reference to the gross revenue that the REIT receives; and (ii) the tenancy services fees under the Connected TSAs are in general similar and comparable to those payable by and to the Independent Third Parties in respect of comparable properties as provided by JLL, we consider the terms of the Tenancy Services Agreements to be fair and reasonable, on normal commercial terms and are in line with prevailing market practice.

3. The New Annual Caps

3.1 The New Annual Caps for the Connected Leasing Transactions

The historical transaction amounts in respect of the Connected Leasing Transactions for the two financial years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, as well as the proposed New Annual Caps for the three financial years ending 31 December 2015, 2016 and 2017 are set out in the below table.

	Historical Transaction Amount <i>RMB'000</i>			Projected Transaction Amount <i>RMB'000</i>		
	For the year ended 31 December 2012	For the year ended 31 December 2013	For the nine months ended 30 September 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Connected Leasing Transactions	41,310	169,908	129,780	181,641	195,935	214,242
Buffer (25%)	n.a. ⁽¹⁾	n.a. ⁽¹⁾	n.a. ⁽¹⁾	45,410	48,984	53,560
Total	<u>41,310</u>	<u>169,908</u>	<u>129,780</u>	<u>227,051</u>	<u>244,919</u>	<u>267,802</u>
Existing/New Annual Caps	113,813.4⁽¹⁾	221,619.2⁽¹⁾	231,185.0⁽¹⁾	227,051	244,919	267,802

Note 1: The existing annual caps included a buffer of 30% adopted by the Manager to determine the annual caps of the Connected Leasing Transactions for the three years ending 31 December 2014 under the 2012 Modified and Extended Waiver.

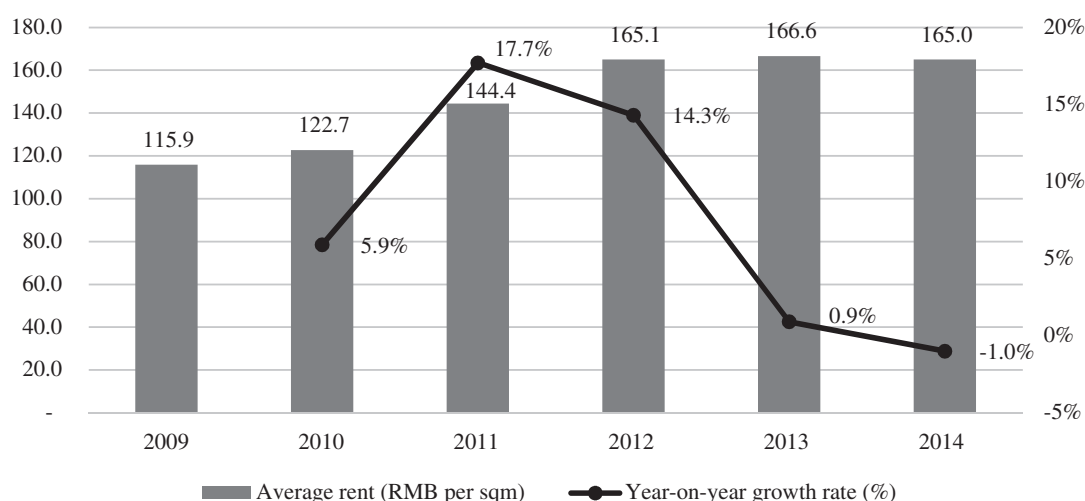
We have discussed with the Manager the basis of the New Annual Caps for the Connected Leasing Transactions, details of which are set out in the letter to Unitholders in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the aforesaid New Annual Caps, we have reviewed the terms of certain existing lease agreements entered into by the Yuexiu Connected Persons Group in respect of the Properties and we note that the computation of the New Annual Caps is agreed to the rental of aforesaid existing lease agreements. Certain existing lease agreements entered into by the Yuexiu Connected Persons Group in respect of the Properties will expire during the three years ending 31 December 2017. The Manager anticipates these leases will be renewed upon their expiries and applies a 10% increase in rent upon renewal and a 10% annual increase thereafter.

In order to assess the reasonableness of rental increase as applied by the Manager, we have reviewed the research reports titled “Property Times” issued by DTZ Research, an independent research company focusing on real estate markets, which indicates a growing trend of Grade A office rental in Guangzhou over the five-year period from 2009 to 2013 as illustrated below:

Figure 1: Grade A Office Rent in Guangzhou



Note: The rental amounts for 2009 to 2013 represent the average rent in the 4th quarter of the respective years, while the rental amount for 2014 represents the average rent in the 3rd quarter of the year.

Source: DTZ Research

The average rent of Grade A offices in Guangzhou has increased from RMB115.9 per sqm in 2009 to RMB166.6 per sqm in 2013, showing year-on-year growth rates of 0.9% to 17.7% or a compound annual growth rate (“CAGR”) of 9.5%. The rent is stabilised in 2014 with a slight decline of 1.0% to RMB165.0 per sqm in the third quarter of 2014 as compared to the fourth quarter of 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed three Independent Leases selected by us randomly for each of the six Properties which have been renewed in 2014, and noted that the rental increment upon renewal of the expired Independent Leases ranged from 3% to 29%.

We have noted that the gross rental income of the REIT increased by approximately 9.0% from RMB489.8 million for the six months ended 30 June 2013 to RMB533.7 million for the six months ended 30 June 2014, and consider that the projected annual growth rate of gross rental income is generally in line with the existing leases and projected future leases in respect of the Properties, as well as the recent performance of the REIT. Also taking into account (i) the increase in average rent of Grade A offices in Guangzhou by a CAGR of 9.5% from 2009 to 2013; and (ii) the 3% to 29% rental increment for Independent Leases of the Properties which have been renewed in 2014, we consider the increment of 10% for the purpose of estimating the rental income derived from the Connected Leasing Transactions for 2015-2017 to be reasonable.

In determining the New Annual Caps for the three years ending 31 December 2017, the Manager applies a buffer of 25% to the estimated rental income as discussed above. We consider that the additional 25% can provide buffer or contingency to accommodate possible fluctuations resulted from any changes in rental or other market conditions as shown in Figure 1 and the unexpected additional lease of office space of the Properties by the Yuexiu Connected Persons Group which was demonstrated by the significant increase in the aggregate transaction amount for Connected Leasing Transactions of City Development Plaza, Neo Metropolis and Fortune Plaza by 94.5% from RMB7,374,881 for the year ended 31 December 2012 to RMB14,343,323 for the year ended 31 December 2013. The transaction amount for Connected Leasing Transactions of Guangzhou IFC was excluded from the above, as the acquisition of Guangzhou IFC was only completed in October 2012 and therefore the Connected Leasing Transactions of Guangzhou IFC for the years ended 31 December 2012 and 2013 are considered not appropriate for comparison purposes. The aggregate occupancy rate for the Properties as at 30 June 2014 was 93.48%, and 28.3%, 30.5% and 25% of the leases of the Properties by rental income are due for expiry in 2014, 2015 and 2016 and beyond respectively, which indicates that there is further room for additional leases to be entered into with the Yuexiu Connected Persons Group.

After taking into account (i) the possible unexpected additional lease of office space of the Properties by the Yuexiu Connected Persons Group as mentioned above; (ii) the possible upside of the rental income receivable from the Properties and an allowance for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions as shown in Figure 1; and (iii) the buffer of 25% is within the range of the buffers between 5% to 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of a buffer of 25% for the purpose of determining the annual limits reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *The New Annual Caps for the Connected TSAs*

The historical transaction amounts in respect of the Connected TSAs for the two financial years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, as well as the proposed New Annual Caps for the three financial years ending 31 December 2015, 2016 and 2017 are set out in the below table.

	Historical Transaction Amount			Projected Transaction Amount		
	<i>RMB'000</i>			<i>RMB'000</i>		
	For the year	For the year	For the nine	For the year	For the year	For the year
			months			
ended 31	ended 31	ended 30	ending 31	ending 31	ending 31	
	December	December	September	December	December	December
	2012	2013	2014	2015	2016	2017
Connected TSAs	20,569	29,649	24,424	35,822	39,404	43,345
Buffer (25%)	n.a. ⁽¹⁾	n.a. ⁽¹⁾	n.a. ⁽¹⁾	8,956	9,851	10,836
Total	<u>20,569</u>	<u>29,649</u>	<u>24,424</u>	<u>44,778</u>	<u>49,255</u>	<u>54,181</u>
Existing/New						
Annual Caps	26,840.5⁽¹⁾	34,404.3⁽¹⁾	37,503.4⁽¹⁾	44,778	49,255	54,181

Note 1: The existing annual caps included a buffer of 20% adopted by the Manager to determine the annual caps of the Connected TSAs for the three years ending 31 December 2014 under the 2012 Modified and Extended Waiver.

Based on our discussion with the Manager, we understand that the Manager applies an increment of 10% to the annualized amount of the Connected TSAs for 2014 when determining the proposed cap for the year ending 31 December 2015. The proposed caps for the years ending 31 December 2016 and 31 December 2017 have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures.

The Manager projected the annual growth rate of the gross rental income of the Properties will be 10% and the same annual growth rate will apply to the Connected TSAs (which is payable based on 3% or 4% of the gross rental income of the Properties) for the three years ending 31 December 2017. As mentioned above, we have reviewed three Independent Leases selected by us randomly for each of the six Properties which have been renewed in 2014 and noted that the increment of 10% falls within the range of rental increment from 3% to 29% for these Independent Leases upon renewal. We have also noted that the gross rental income of the REIT increased by approximately 9.0% from RMB489.8 million for the six months ended 30 June 2013 to RMB533.7 million for the six months ended 30 June 2014, and consider that the projected annual growth rate of gross rental income is generally in line with the existing leases and projected future leases in respect of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Properties, as well as the recent performance of the REIT. Based on our review above and for the purpose of determining the New Annual Caps, we consider the Manager's assumption of annual growth rate of 10% in the Connected TSAs which is equivalent to either 3% or 4% of the gross rental income of the relevant Properties to be reasonable.

In assessing the buffer of 25% added to the projected tenancy service fees for the year ending 31 December 2015, we have considered the scenario that the leasing of the Properties may outperform the overall occupancy rate of the Properties of approximately 93.48% as at 30 June 2014, and achieve a full occupancy in 2015. Also taking into account (i) the possible upside of the rental income receivable from the Properties and an allowance for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions as shown in Figure 1; and (ii) the buffer of 25% is within the range of buffers between 5% to 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the buffer of 25% for the year ending 31 December 2015 estimated by the Manager reasonable.

4. 2014 Waiver Extension

As is the case for the 2012 Modified and Extended Waiver, the Manager considers that it will be unduly burdensome, and not in the interests of the Unitholders, for the REIT to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to such transactions in relation to the Properties, on each and every occasion when they arise. Accordingly, the Manager seeks for the Unitholders to approve the 2014 Waiver Extension.

The 2014 Waiver Extension will be also subject to standard disclosures in interim and annual reports, review by auditors and independent non-executive Directors procedures as more particularly set out in the letter to Unitholders. Any subsequent changes to New Annual Caps or material changes to the terms of the relevant connected party transactions will also require approval of Independent Unitholders and/or notifications to the SFC.

We are of the opinion that (1) the 2014 Waiver Extension and the basis for the 2014 Waiver Extension (including the New Annual Caps and the basis for arriving at the same), are fair and reasonable and in the interests of the REIT, the Independent Unitholders as well as Unitholders as a whole; (2) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into (i) in the ordinary and usual course of business of the REIT; and (ii) on terms which are normal commercial terms, at arm's length and are fair and reasonable and in the interests of the REIT, the Independent Unitholders as well as the Unitholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having considered the above reasons and factors, we consider that the New Continuing Connected Party Transactions are/will be entered into on normal commercial terms, arm's length basis, fair and reasonable, in the interests of the REIT and the Independent Unitholders as a whole, and in the ordinary and usual course of business of the REIT, and that the 2014 Waiver Extension (including the New Annual Caps and the basis for arriving at the same) is fair and reasonable and in the interests of the REIT, the Independent Unitholders as well as the Unitholders as a whole. We advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders to vote in favour of the EGM resolution to approve the 2014 Waiver Extension (including the New Annual Caps) at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M.N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Mr. Chan Chi On Derek, aged 51, has been an INED of the Manager since 2005.

Mr. Derek Chan has over 25 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

Mr. Derek Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities businesses in Hong Kong respectively. He worked for the Stock Exchange from 1989 to 1996 and has been an executive director of Haitong International Securities Group Limited (Stock Code: 665) (formerly known as Taifook Securities Group Limited), a company listed on the Main Board of the Stock Exchange and had been the head of its corporate finance division for 16 years until the end of 2012.

Mr. Derek Chan is also currently an independent non-executive director of Longfor Properties Co. Ltd. (Stock Code: 960) and China Conch Venture Holdings Limited (Stock Code: 586), both of which are companies listed on the Main Board of the Stock Exchange. Until his resignation in July 2012, Mr. Derek Chan was an independent non-executive director of Sheng Yuan Holdings Limited (Stock Code: 851), which is also a company listed on the Main Board of the Stock Exchange. Mr. Derek Chan is also currently an adjunct professor in the School of Accounting and Finance of the Hong Kong Polytechnic University.

Mr. Derek Chan graduated from the Hong Kong University of Science and Technology with a Master's degree in Business Administration in 1994 and from the University of Hong Kong with a Bachelor's degree in Social Sciences (majoring in Economics) in 1985.

Mr. Derek Chan has not entered into any service contract with the Manager, nor was he appointed for a specific term. Notwithstanding the above, pursuant to the Articles and Compliance Manual, one-fourth of the INEDs who are subject to retirement by rotation or, if their number is not four or a multiple of four, then the number nearest to one-quarter (subject to a minimum of one INED), will retire at each annual general meeting of the REIT.

All director's fees payable to Mr. Derek Chan will be paid and borne by the Manager out of its own resources. Save as disclosed above, Mr. Derek Chan has not held directorship in other public companies, the securities of which are listed in Hong Kong or overseas, in the past three years preceding the date of this announcement. Save as disclosed above, Mr. Derek Chan does not have any relationship with any other Directors, senior management or substantial or controlling Unitholders of the REIT. As at the date of this announcement, Mr. Derek Chan does not have any interest in the REIT within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other matter in connection with Mr. Derek Chan's re-election that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, as if they were applicable to the REIT.

Mr. Chan Chi Fai Brian, aged 59, has been an INED of the Manager since 2005.

Mr. Brian Chan is currently also the chief financial officer of the Hong Kong Parkview Group. He has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, the PRC, Singapore and the United Kingdom, the Hong Kong Parkview Group is principally engaged in property development and hospitality.

Prior to joining the Hong Kong Parkview Group, Mr. Brian Chan worked in the banking sector from 1978 to 1989, the first seven years of which was with a reputable international bank. The last position Mr. Brian Chan held before leaving his banking career was as Group Financial Controller of IBI Asia (Holding) Limited. During his 11 years in banking, Mr. Brian Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr. Brian Chan is a director of Primeline Energy Holdings Inc. which is listed on the TSX Venture Exchange (stock code: PEH.V).

Mr. Brian Chan is a certified public accountant with professional accounting qualifications in Hong Kong and the United Kingdom, and has a higher diploma in business studies from the Hong Kong Polytechnic University.

Mr. Brian Chan has not entered into any service contract with the Manager, nor was he appointed for a specific term. Notwithstanding the above, pursuant to the Articles and Compliance Manual, one-fourth of the INEDs who are subject to retirement by rotation or, if their number is not four or a multiple of four, then the number nearest to one-quarter (subject to a minimum of one INED), will retire at each annual general meeting of the REIT.

All director's fees payable to Mr. Brian Chan will be paid and borne by the Manager out of its own resources. Save as disclosed above, Mr. Brian Chan has not held directorship in other public companies, the securities of which are listed in Hong Kong or overseas, in the past three years preceding the date of this announcement. Save as disclosed above, Mr. Brian Chan does not have any relationship with any other Directors, senior management or substantial or controlling Unitholders of the REIT. As at the date of this announcement, Mr. Brian Chan does not have any interest in the REIT within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other matter in connection with Mr. Brian Chan's re-election that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, as if they were applicable to the REIT.

Mr. Cheung Yuk Tong, aged 57, joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China merger and acquisition practice until June 2013 when he ceased to be a partner of Baker & McKenzie. His practice was focused in the areas of mergers and acquisitions and corporate finance.

Mr. Cheung is a member of the Judging Panel for the Corporate Governance Excellence Awards organized by the Hong Kong Chamber of Listed Companies. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission of Hong Kong from April 2012 to March 2014.

Mr. Cheung graduated from the University of Hong Kong with an LL.B. and a Postgraduate Certificate in Laws, and from the London School of Economics with an LL.M.. He is admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

Mr. Cheung has not entered into any service contract with the Manager, nor was he appointed for a specific term. Notwithstanding the above, pursuant to the Articles and Compliance Manual, one-fourth of the INEDs who are subject to retirement by rotation or, if their number is not four or a multiple of four, then the number nearest to one-quarter (subject to a minimum of one INED), will retire at each annual general meeting of the REIT.

All director's fees payable to Mr. Cheung will be paid and borne by the Manager out of its own resources. Mr. Cheung has not held directorship in other public companies, the securities of which are listed in Hong Kong or overseas, in the past three years preceding the date of this announcement. Save as disclosed above, Mr. Cheung does not have any relationship with any other Directors, senior management or substantial or controlling Unitholders of the REIT. As at the date of this announcement, Mr. Cheung does not have any interest in the REIT within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other matter in connection with Mr. Cheung's re-election that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, as if they were applicable to the REIT.

NOTICE OF EGM



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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the unitholders (the “**Unitholders**”) of Yuexiu Real Estate Investment Trust (the “**REIT**”) will be held at 10:30a.m. on 11 December 2014 at Plaza 3 and 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 25 November 2014 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is here given for the 2014 Waiver Extension and the New Annual Caps for the financial years ending 31 December 2015, 2016 and 2017, in each case, as more fully described in the Circular; and
- (b) authorization be granted to the Manager, any director of the Manager and the Trustee and any authorized signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the Manager, or such director of the Manager may consider expedient or necessary or in the interest of the REIT to give effect to all matters in relation to the 2014 Waiver Extension and the New Annual Caps.

2. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is here given for the re-election of Mr. Cheung Yuk Tong as an independent non-executive director, the chairman of the Remuneration and Nomination Committee and member of the Audit Committee of Yuexiu REIT Asset Management Limited; and

NOTICE OF EGM

- (b) authorization be granted to the Manager, any director of the Manager and the Trustee and any authorized signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the Manager, or such director of the Manager may consider expedient or necessary or in the interest of the REIT to give effect to all matters resolves upon in paragraph (a) of this resolution.

3. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is here given for the re-election of Mr. Chan Chi On Derek as an independent non-executive director, the chairman of the Disclosures Committee and a member of the Audit Committee, Remuneration and Nomination Committee and the Finance Committee of Yuexiu REIT Asset Management Limited; and
- (b) authorization be granted to the Manager, any director of the Manager and the Trustee and any authorized signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the Manager, or such director of the Manager may consider expedient or necessary or in the interest of the REIT to give effect to all matters resolves upon in paragraph (a) of this resolution.

4. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is here given for the re-election of Mr. Chan Chi Fai Brian as an independent non-executive director, the chairman of the Audit Committee, a member of the Finance Committee and the Remuneration and Nomination Committee of Yuexiu REIT Asset Management Limited; and
- (b) authorization be granted to the Manager, any director of the Manager and the Trustee and any authorized signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the Manager, or such director of the Manager may consider expedient or necessary or in the interest of the REIT to give effect to all matters resolves upon in paragraph (a) of this resolution.

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

Hong Kong, 25 November 2014

Registered Office:
24/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

NOTICE OF EGM

Notes:

- (a) A Unitholder is entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the unit registrar of the REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (c) Where there are joint registered Unitholders of a unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders in respect of such unit shall alone be entitled to vote in respect thereof.
- (d) The Register of Unitholders will be closed from 10 December 2014 to 11 December 2014, both days inclusive, during which period no transfer of units will be registered. For those Unitholders who are not on the Register of Unitholders, in order to be qualified to attend and vote at the Extraordinary General Meeting of the REIT, all unit certificates accompanied by the duly completed transfer forms must be lodged with the unit registrar of the REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 9 December 2014.
- (e) In compliance with the Trust Deed and the REIT Code, each of Yuexiu Property and Yuexiu shall abstain from voting on the Ordinary Resolution to approve for the 2014 Waiver Extension and the New Annual Caps, and will procure that their respective associates will abstain from voting on the Ordinary Resolution to approve the 2014 Waiver Extension and the New Annual Caps, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given.

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

Executive Directors:

Mr. Liu Yongjie (Chairman) and Mr. Lin Deliang

Non-executive Director:

Mr. Li Feng

Independent Non-executive Directors:

Mr. Chan Chi On Derek, Mr. Chan Chi Fai Brian and Mr. Cheung Yuk Tong