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 stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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

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

CIRCULAR TO UNITHOLDERS IN RELATION TO
(1) MAJOR ACQUISITION RELATING TO THE PURCHASE OF A COMMERCIAL PROPERTY IN SHANGHAI
AND
(2) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial advisers to the Manager (in alphabetical order)

DBS

Morgan Stanley

Standard Chartered

A letter to the Unitholders is set out on pages 16 to 55 of this Circular.

A notice convening the EGM to be held at Plaza 3 & 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 24 August 2015 at 10:30a.m. is set out on pages N-1 to N-2 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 Yuexiu 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.

6 August 2015

This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Words and expressions not defined herein shall have the same meaning as in the main body of this Circular unless otherwise stated. Meanings of defined terms may be found in the "Definitions" section of this Circular.

ACQUISITION OF THE PROPERTY

On 31 July 2015, the Purchaser and the Seller entered into the Share Purchase Deed, pursuant to which the Seller agreed to sell to the Purchaser the Target Company Shares with the rights attaching to them as at and from the Completion Date. Upon Completion, Yuexiu REIT will (through the Target Company and Project Company) hold the Property.

The Target Property Price of RMB2,627.2 million, being the asset value of the Property agreed by the parties and the basis for the Final Acquisition Price, represents a discount of approximately 5.2% to the Appraised Value (being RMB2,770 million).

THE PROPERTY

The Property, known as "Hongjia Tower", comprises a 25-storey (plus 2-level basement) Grade A office building with a retail portion and car parking spaces with a total gross floor area of 62,139.35 sq.m located in the Zhuyuan central business district of Pudong, Shanghai. Further details regarding the Property are set out in section 5 headed "Information on the Property and the Target Group".

The table below sets out a summary of selected information on the Property as at 30 June 2015.

Address	388 Fushan Road, Pudong, Shanghai
Year and month of completion	September 2010
Term of land use rights[(1)]	Office and Retail: 50 years (expiring on 6 January 2055) Car park: 50 years (expiring on 6 January 2055)
Building ownership right	Building ownership certificate obtained on 29 September 2011. No expiry date.
Gross floor area	Office: 39,769.63 sq.m. Retail: 6,256.70 sq.m. Car park: 13,502.58 sq.m. Area for special use (management office, owners' committee office, bicycle park, refuge floor): 2,610.44 sq.m. **Total:** 62,139.35 sq.m.
Gross rentable area	Office: 39,769.63 sq.m. Retail: 6,256.70 sq.m. Car park: 13,502.58 sq.m. **Total:** 59,528.91 sq.m.

Number of car parking spaces	Aboveground: 27 Underground: 273
Number of tenants	107
Average rent (RMB/sq.m/day) (excluding car parking spaces) (for the month of June 2015) (2)	Office: 7.68 Retail: 6.07
Monthly rental income of car park space for the month of June 2015	RMB142,460
Percentage of gross rentable area leased to top 10 tenants (as at 30 June 2015) (3)	30.14%
Percentage of total monthly rent from top 10 tenants (as at 30 June 2015) (3)	32.17%
Occupancy rate(4)	Office: 99.29% Retail: 94.69%
Net Property Income for the six months ended 30 June 2015 (5)	RMB46 million
Appraised Value as at 30 June 2015	RMB2,770 million

Notes:

(1) As advised by the Manager's PRC legal adviser, King & Wood Mallesons, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term, and approval shall be granted unless where the land needs to be expropriated for public interest. Upon approval on extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. Further, there is no expiry date regarding the building ownership right. As such, as advised by King & Wood Mallesons, unless the government plans to expropriate the land due to public interest, there will not be any material legal impediment for extension of the land use right.

(2) Average rent per leased sq.m is based on current gross (base) rent.

(3) Top 10 tenants (all being Independent Third Parties) by gross rentable area as at 30 June 2015.

(4) The occupancy rate is calculated based on leased gross rentable area excluding the car parking spaces as at 30 June 2015.

(5) Calculated by deducting property operating expenses from Gross Revenue based on information provided by the Seller. "**Gross Revenue**" consists of gross rental income and all income accruing or resulting from the operation of the Property, including property management fee income, advertising revenue and other revenues. Property operating expenses include direct property related expenses incurred by the Target Company, including, without limitation, property management fees, property agency fee, utilities expenses, insurance expenses, tax related expenses and expenses related to repairs and maintenance.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Well-established property and quality asset in strategic location with proven performance and promising outlook

The Property is a Grade-A office building located in the Zhuyuan central business district of Pudong, Shanghai, two kilometres away from the Little Lujiazui Finance and Trade Zone. The Property enjoys excellent accessibility, being within five minutes driving distance to Lujiazui, having direct access to three underground tunnels across the Huangpu River and being less than 10 minutes walking distance to four metro lines. Zhuyuan central business district is also located in the Shanghai Pilot Free Trade Zone, the development of which will further promote office demand in the region. Zhuyuan central business district has been enjoying and is expected to continue to enjoy high occupancy and rental growth for office space. According to the Market Consultant's Report, the Shanghai Pilot Free Trade Zone will endeavour to facilitate convenient investment, free trade, internationalization of finance and innovation of supervisory system and set up an internal market-oriented business environment. A large number of companies have recently registered in the zone, which resulted in an increase in the demand and rental rate for office premises. The vacancy rate of Zhuyuan central business district was 1.0% as at 30 June 2015. The average annual rental increase for Grade-A offices in Zhuyuan central business district was 6.6% from 2010 to 2014. The average rental rate in Zhuyuan central business district was RMB7.3 per sq.m per day as at 30 June 2015 and is expected to reach RMB9.53 per sq.m per day by 2019, showing the potential of properties in Zhuyuan central business district.

Zhuyuan central business district also serves as an extension of Shanghai's financial district and hosts key financial exchanges including Shanghai Futures Exchange and Shanghai Diamond Exchange. It is set to benefit from the rental growth and surging demand for office buildings in Zhuyuan central business district. The maturing of the area as a central financial district in Shanghai, moving in of Shanghai Stock Exchange and China Securities Depository and Clearing Corporation, and the development of the Shanghai Pilot Free Trade Zone are expected to increase the business activities in Zhuyuan central business district and create stronger demand for Grade-A office buildings. These will translate into strong growth potential for the Property. According to the Market Consultant's Report, the sale of en-bloc office buildings in the Zhuyuan central business district is scarce and the Property is regarded as a rare investment opportunity.

Expansion of footprint beyond Guangzhou and more diversified property portfolio

The Acquisition will be the first step for Yuexiu REIT to expand its footprint beyond Guangzhou. The Acquisition demonstrates Yuexiu REIT's strong ability to grow in other Tier 1 cities in the PRC. In addition, the Acquisition will enlarge Yuexiu REIT's investment portfolio by approximately 11.5%. The Manager believes that the Acquisition will complement Yuexiu REIT's strong establishment in Guangzhou with a new presence in Shanghai, capturing the growth potential from main financial and business hubs of the PRC. The Appraised Value of the Property as at 30 June 2015 will represent approximately 10.3% of Yuexiu REIT's enlarged investment portfolio (on the basis of the Existing Properties' independent valuation as at 30 June 2015). The Acquisition will diversify the sources of Yuexiu REIT's income and the current property portfolio of Yuexiu REIT.

The Acquisition is consistent with Yuexiu REIT's investment objectives and growth strategy

The Manager's principal investment strategy for Yuexiu REIT is to invest in high quality income-producing commercial real estate in Guangzhou and other tier 1 cities in the PRC with capital appreciation potential. Given that the Property is a Grade-A office building located in one of the central business districts of Shanghai, the Manager believes the Acquisition is in line with Yuexiu

REIT's investment objectives and growth strategy. The Acquisition will be the first acquisition from an independent third party for Yuexiu REIT and demonstrates Yuexiu REIT's ability to successfully source and secure quality assets from parties other than its sponsor Yuexiu Property and outside of its traditional home market of Guangzhou. The Manager believes the successful completion of the Acquisition will enhance Yuexiu REIT's growth prospects through both third party and sponsor related acquisition opportunities.

Positive outlook of strong reversion growth

As at the end of the second quarter of 2015, the average rental rate of the office portion of the Property was RMB7.68 per sq.m per day, which exceeded the daily average rental rate of office properties in the Zhuyuan central business district by approximately 5.2%. The average rental rate of office properties in Little Lujiazui as at 30 June 2015 was at RMB10.7 per sq.m per day compared to the average rental rate of office properties in Zhuyuan central business district of only RMB7.3 per sq.m per day. Given the proximity of the Little Lujiazui and Zhuyuan central business district, Zhuyuan central business district will take up excess demand from Little Lujiazui and there is potential rental reversion of the Property.

According to the Market Consultant's Report, the comparable buildings, namely China Fortune tower, Lujiazhui Fund Tower, Lujiazhui Investment Tower and Lujiazhui Financial Service Plaza, were 100% occupied in the second quarter of 2015 due to strong demand from high quality tenants. The recent leasing transactions in Zhuyuan central business district ranged from RMB8.5 to RMB9.5 per sq.m per day. Based on the latest new lease of the Property, the highest rental rate of the office portion has reached at RMB9.5 per sq.m per day, representing a substantial increase of 23.7% compared with the average rental rate of RMB7.68 per sq.m per day for the office portion of the Property as at 30 June 2015 and a 9.2% increase as compared to the Shanghai overall grade A office rents of RMB8.7 per sq.m per day as at 30 June 2015. For the leases renewed in the full year 2013, 2014 and first half of 2015, the average rental rate of the office portion has reached RMB6.8 per sq.m per day, RMB7.8 per sq.m per day and RMB9.0 per sq.m per day respectively, representing a growth of 14.7% in 2014 and 15.4% in the first half of 2015. As at 30 June 2015, the occupancy rates for the retail and office portions of the Property were 94.69% and 99.29% respectively. Following this positive trend, future rental growth will feed into a promising reversion rental growth upon the expiry of existing tenancies in the years 2016 and 2017 when the majority of the tenancies will expire, which will provide the Property with a more steady and positive future in the years to come.

Enhance the overall quality of Yuexiu REIT's tenant mix and a steady income stream

The Property has strong occupancy and rental rates and a diversified tenant portfolio. As at 30 June 2015, the occupancy rates for the retail and office portions of the Property were 94.69% and 99.29% respectively. As at 30 June 2015, the average rental rate per sq.m per day was RMB7.68 for the office portion and RMB6.07 for the retail portion. This offers a stable and attractive rental income stream for Yuexiu REIT after Completion. According to the Market Consultant's Report, the tenant distribution of Zhuyuan central business district is similar to that of Lujiazui, which is characterized by a large proportion of financial and securities companies. The Property has a high quality tenant mix that feature both large local and multinational tenants, which will further enhance the overall quality of the tenant mix of the property portfolio of Yuexiu REIT.

FINANCING OF THE ACQUISITION

On the assumption that there is no difference between the Benchmark Acquisition Price and the Final Acquisition Price, the Final Acquisition Price of USD381,684,710 (equivalent to approximately RMB2,335 million, as calculated based on the rate of USD1 = RMB6.1169) and the One-Off Fees and

Charges of approximately RMB77 million shall be financed by drawing down on the New Offshore Facility of US$394 million (which is equivalent to approximately RMB2,400 million) in full and approximately RMB12 million of Yuexiu REIT's internal resources. Part of the Existing Onshore Facility will be repaid before Completion by the Project Company using RMB72 million of Yuexiu REIT's internal resources. The New Onshore Facility of RMB300 million will be used in full to fully repay the remaining outstanding amount of the Existing Onshore Facility (being RMB300 million) at Completion.

New Offshore Facility

The Manager has entered into a commitment letter with the New Offshore Lenders for the provision of the New Offshore Facility, which is intended to be drawn down in full at Completion to finance (together with Yuexiu REIT's internal resources) the payment of the Final Acquisition Price and the One-Off Fees and Charges.

The New Offshore Facility, to be provided to the Purchaser, will comprise two tranches:

(1) A tranche of up to US$177 million, which will bear interest as follows: (i) first 6 months (LIBOR + 1.7% per annum); (ii) 7th to 12th month (LIBOR + 1.75% per annum); and (iii) thereafter (LIBOR + 2.123% per annum). Such tranche will mature and become repayable 1 year from the date of the New Offshore Facility agreement, and is extendable for another 2 years at the sole discretion of the Purchaser.

(2) A tranche of up to US$217 million, which will bear interest as follows: (i) first 12 months (LIBOR + 1.88% per annum); and (ii) thereafter (LIBOR + 2.055% per annum). Such tranche will mature and become repayable 3 years from the date of the New Offshore Facility agreement.

The New Offshore Facility will be secured by unconditional and irrevocable guarantees from the Trustee in favour of the New Offshore Lenders.

New Onshore Facility

Pursuant to the Share Purchase Deed, the Seller shall procure that the Project Company shall cooperate in good faith with the New Onshore Lender for the provision of the New Onshore Facility at the reasonable direction of the Purchaser or the Manager, including but not limited to executing the documents and taking the actions as reasonably requested by the Purchaser, the Manager or the New Onshore Lender as contemplated under the Share Purchase Deed. Part of the Existing Onshore Facility will be repaid before completion by the Project Company using RMB72 million of Yuexiu REIT's internal resources. The New Onshore Facility will be used in full to fully repay the remaining outstanding amount of the Existing Onshore Facility at Completion. The New Onshore Loan requires majority lender's consent from the lenders under the Existing Onshore Loan, which is expected to be obtained prior to Completion.

Pursuant to a commitment letter entered into with the New Onshore Lender, the New Onshore Facility will be an amortized term facility of up to RMB300 million with minimum repayment semi-annually and its final maturity date will occur on a day that falls 3 years from the date of the New Onshore Facility agreement. The New Onshore Facility will bear interest at 110% of the PBOC lending rate per annum. The New Onshore Facility will be secured by an unconditional and irrevocable guarantee from the Trustee.

This section only provides some (but not all) of the risk factors in relation to the transaction structure and the Property. Unitholders should note that the REIT is also subject to risks relating to the political and economic conditions of the PRC, risks relating to the Existing Properties, general risks regarding investing in real estate as well as a variety of other commercial, market, financial, legal, regulatory and tax risks. Unitholders should read and consider carefully the risk factors as more fully described in Appendix 6 before deciding to vote on the EGM Resolution.

KEY RISK FACTORS

1. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of the Project Company to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government.

2. Fluctuations in the value of RMB could adversely affect accounting profit and the value of distributions paid in respect of the Units in Hong Kong dollars.

3. Any limitation on the ability of the entities controlled by Yuexiu REIT to make distribution payments could affect Yuexiu REIT's ability to pay distributions to the Unitholders.

4. Risks associated with leveraging and limitations on Yuexiu REIT's ability to leverage, Yuexiu REIT's current and future borrowings and dependence on external financing for Completion.

5. Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space in the Property as leases expire.

6. Failure by the Seller to fulfil its obligations under the Share Purchase Deed may have a material adverse effect on Yuexiu REIT's operations.

7. The Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights.

8. The Project Company may not be able to renew its original operating term. Failure of renewal may have an adverse effect on Yuexiu REIT's business, financial conditions or results of operations.

9. The Property is located in Shanghai. The Manager does not have prior experience with owning, operating and managing properties in Shanghai.

10. The Property is exposed to the risk of tenant delinquency and default in the overall retail and offices property markets.

11. The due diligence on the Property prior to completion of the Acquisition may not have identified all material defects, breaches of laws and regulations and other deficiencies.

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YUEXIU REAL ESTATE INVESTMENT TRUST

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(Stock Code: 00405)

Managed by

越秀房託資產管理有限公司
YUEXIU REIT ASSET MANAGEMENT LIMITED

CIRCULAR TO UNITHOLDERS IN RELATION TO

(1) MAJOR ACQUISITION RELATING TO THE PURCHASE OF A COMMERCIAL PROPERTY IN SHANGHAI AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial advisers to the Manager (in alphabetical order)

DBS   Morgan Stanley   Standard Chartered

A letter to the Unitholders is set out on pages 16 to 55 of this Circular.

A notice convening the EGM to be held at Plaza 3 & 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 24 August 2015 at 10:30a.m. is set out on pages N-1 to N-2 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 Yuexiu 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.

6 August 2015

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CORPORATE INFORMATION

Yuexiu 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 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
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 Manager as to Hong Kong laws	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong
Legal Advisers to the Manager as to PRC laws	King & Wood Mallesons 17th Floor, One ICC, Shanghai ICC 999 Huai Hai Road (M) Shanghai 200031, P.R. China
Legal Advisers to the Trustee as to Hong Kong law	Mayer Brown JSM 16th-19th Floors, Prince's Building 10 Chater Road Central Hong Kong

Reporting Accountants	PricewaterhouseCoopers 22nd Floor, Prince's Building 10 Chater Road Central Hong Kong
Financial Advisers to the Manager (in alphabetical order)	DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 32nd Floor, Standard Chartered Bank Building, 4-4A Des Voeux Road Central Hong Kong
Independent Property Valuer	Vigers Appraisal and Consulting Limited 10/F The Grande Building 398 Kwun Tong Road Kowloon Hong Kong
Market Consultant	Savills (Hong Kong) Limited 23/F, Two Exchange Square Central Hong Kong
Building Consultant	Vigers Building Consultancy Limited 10/F The Grande Building 398 Kwun Tong Road Kowloon Hong Kong

In this Circular, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, those defined terms are not included in the table below:

"2012 Circular"	the circular dated 30 June 2012 issued by Yuexiu REIT to Unitholders
"2014 Annual Report"	the annual report of Yuexiu REIT for the year ended 31 December 2014
"2014 Extended Waiver"	the waiver extension granted by the SFC on 11 December 2014 in respect of certain continuing connected party transactions between Yuexiu REIT and certain Connected Persons, details of which are further set out in the circular of Yuexiu REIT dated 25 November 2014
"Accountant's Report"	the report dated 6 August 2015 from the Reporting Accountants regarding the Target Company, the text of which is set out in Appendix 2 headed "Accountant's Report of the Target Company" in this Circular
"Acquisition"	the proposed acquisition by the Purchaser from the Seller of the Target Company Shares pursuant to the Share Purchase Deed
"Acquisition Fee"	the acquisition fee that the Manager is entitled to, as more particularly described in section 2.7.1 headed "Fees payable by Yuexiu REIT to the Manager and the Trustee in relation to the Acquisition" in this Circular
"Adjudged Seller Stamp Duty Share"	the Seller's one half share of the total stamp duty payable as finally determined by the Stamp Office in respect of the transfer and the sale and purchase of the Target Company Shares
"Appraised Value"	the value of the Property as at 30 June 2015 as appraised by the Independent Property Valuer, being RMB2,770 million
"Audited Completion Balance Sheets"	the audited Completion Balance Sheets as more particularly described in section 2.3.1 headed "Consideration" in this Circular
"Auditor Confirmation"	has the meaning given to this term in section 2.3.1 headed "Consideration" in this Circular

"Benchmark Acquisition Price"	the amount equal to the Target Property Price plus all current assets of the Project Company (other than deferred assets) and minus all liabilities (other than shareholder's loan from the Target Company to the Project Company and deferred tax liability, if any) in the unconsolidated balance sheets of each member of the Target Group, in each case as at the Benchmark Date, as contained in and adjusted in the manner set out in the Illustration, being USD381,684,710 (equivalent to approximately RMB2,335 million, as calculated based on the rate of USD1 = RMB6.1169)
"Benchmark Date"	31 July 2015
"Board"	the board of Directors
"Building Consultant"	Vigers Building Consultancy Limited
"Bulletin 7"	the Tax notice issued by the PRC State Administration of Taxation titled "State Administration of Taxation's Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (State Administration of Taxation Bulletin [2015] No. 7 (國家稅務總局公告2015年第7號))", as may be amended or supplemented from time to time and including any similar or replacement notice or law on the PRC tax treatment of offshore indirect transfers of property of an "establishment or place" situated in the PRC, real estates situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the *Enterprise Income Tax Law of the PRC*, including any applicable laws in the PRC against the avoidance of PRC tax
"Bulletin 7 Escrow Account"	(a) in respect of the payment (or procurement of payment) by the Purchaser of the Bulletin 7 Escrow Amount pursuant to the Share Purchase Deed and, if applicable, the payment (or procurement of payment) by the Seller of any additional amount pursuant to the Share Purchase Deed, a designated trust (client) bank account in the name of the Escrow Agent with the Escrow Bank, being a multi-currency non-interest bearing bank account; or (b) if applicable, such alternative account as may be directed by the Seller and the Purchaser in accordance with the Bulletin 7 Escrow Letter

"Bulletin 7 Escrow Amount"	US$14,500,000
"Bulletin 7 Escrow Letter"	the letter for the establishment and administration of the Bulletin 7 Escrow Account entered into among the Purchaser, the Seller and the Escrow Agent on the date of the Share Purchase Deed
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in the United States of America, Singapore, Hong Kong and the PRC
"BVI"	British Virgin Islands
"Car Park Master Lease Agreement"	has the meaning given to this term in section 5.5.2.3 headed "Car Park Master Lease Agreement" in this Circular
"Claim"	means: (i) any tax claim; (ii) any claim for losses by the Purchaser against the Seller in respect of any of the Seller's warranties and/or indemnifications under the Share Purchase Deed; or (iii) any claim for the amount of the accounts receivable of each member of the Target Group as reflected in the Audited Completion Balance Sheets as assets of any member of the Target Group that have not been recovered (after the Purchaser has used its best efforts to do so) as of the Holdback Amount Second Release Date, if any, provided that this amount shall not be subject to any Seller limitations set out in the Share Purchase Deed and as summaried in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy"
"Completion"	completion of the Acquisition pursuant to the Share Purchase Deed
"Completion Balance Sheets"	the unconsolidated balance sheets for each member of the Target Group as at the Completion Date, as more particularly described in section 2.3.1 headed "Consideration" in this Circular
"Completion Confirmations"	has the meaning given to this term in section 2.3.6 headed "Completion" in this Circular
"Completion Date"	the date on which Completion occurs, as more particularly described in section 2.3.6 headed "Completion" in this Circular
"Completion Payment"	the payment amount, as more particularly described in section 2.3.1 headed "Consideration" in this Circular

"Conditions"	the conditions precedent to Completion, as more particularly described in section 2.3.7 headed "Conditions Precedent" in this Circular
"Connected Person"	has the meaning ascribed to this term in the REIT Code
"Connected TSAs"	the "tenancy services agreements" described in the 2014 Extended Waiver
"Control"	has the meaning as defined under the Takeovers Code
"Deposit Escrow Account"	(a) in respect of the payment (or procurement of payment) by the Purchaser of the Initial Payment pursuant to the Share Purchase Deed, the designated trust (client) bank account number in the name of the Escrow Agent and with the Escrow Bank, being a multi-currency non-interest bearing bank account; or (b) if applicable, such alternative account as may be directed by the Seller and the Purchaser in accordance with the Deposit Escrow Letter
"Deposit Escrow Letter"	the letter for the establishment and administration of the Deposit Escrow Account entered into among the Purchaser, the Seller and the Escrow Agent on the date of the Share Purchase Deed
"Deposited Property"	all the assets of Yuexiu REIT, including the Existing Properties held in Yuexiu REIT's portfolio and, from and after Completion, the Property
"Directors"	the directors of the Manager
"Draft Final Acquisition Price Statement"	has the same meaning ascribed to it in section 2.3.1 headed "Consideration" in this Circular
"EGM"	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
"EGM Notice"	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolution
"EGM Record Date"	23 August 2015, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
"EGM Resolution"	the Ordinary Resolution to be passed at the EGM, as set out in the EGM Notice and explained in this Circular
"Enlarged Group"	collectively, Yuexiu REIT and the Target Group

"Escrow Agent"	Mayer Brown JSM
"Escrow Bank"	The Hongkong and Shanghai Banking Corporation Limited, the bank at which the Deposit Escrow Account, the Bulletin 7 Escrow Account and the Holdback Escrow Account are maintained
"Escrow Letters"	collectively, the Deposit Escrow Letter, the Bulletin 7 Escrow Letter and the Holdback Escrow Letter
"Estimated Seller Stamp Duty Share"	has the same meaning ascribed to it in section 2.3.1 headed "Consideration" in this Circular
"Existing Offshore Facility"	the US$185 million secured term loan facility granted to the Seller (as borrower) by a syndicate of lenders
"Existing Offshore Loan Amount"	US$185,000,000
"Existing Onshore Facility"	the RMB380 million secured term loan facility granted to the Project Company (as borrower) by a syndicate of lenders
"Existing Properties"	the 6 properties currently held by Yuexiu REIT as at the Latest Practicable Date as described in the 2014 Annual Report
"Existing Property Management Agreement"	the property management agreement between the Project Company and the Existing Property Manager dated 26 May 2014
"Existing Property Manager"	Colliers International Shanghai Limited 上海高力國際物業服務有限公司, the existing property manager of the Property pursuant to the Existing Property Management Agreement
"Final Acquisition Price"	has the same meaning ascribed to it in section 2.3.1 headed "Consideration" in this Circular
"Gearing Ratio"	at the time of a new borrowing, the aggregate of the existing borrowings of Yuexiu REIT and such new borrowing as a percentage of the total gross asset value of the Deposited Property as set out in Yuexiu REIT's latest published audited accounts immediately prior to such new borrowing being effected (as adjusted in accordance with the Trust Deed)
"Grade A office"	has the same meaning ascribed to it in the Appendix 5 headed "Market Consultant's Report" to the Circular
"Group"	Yuexiu REIT and the companies or entities directly or indirectly held or controlled by Yuexiu REIT, and "Group Company" means any one of them

"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
"GZAM Shanghai Branch"	the Shanghai branch established on 29 May 2015 of 廣州越秀資產管理有限公司 (Guangzhou Yue Xiu Asset Management Limited), a company incorporated in the PRC which is an indirect wholly-owned subsidiary of Yuexiu Property
"GZYX"	廣州越秀集團有限公司 (Guangzhou Yuexiu 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
"HIBOR"	the rate of interest offered on Hong Kong dollar loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"Holdback Escrow Account"	(a) in respect of the payment (or procurement of payment) by the Purchaser of the Holdback Amount pursuant to the Share Purchase Deed, the designated trust (client) bank account in the name of the Escrow Agent with the Escrow Bank, being a multi-currency non-interest bearing bank account; or (b) if applicable, such alternative account as may be directed by the Seller and the Purchaser in accordance with the Deposit Escrow Letter
"Holdback Escrow Letter"	the letter for the establishment and administration of the Holdback Escrow Account entered into among the Purchaser, the Seller and the Escrow Agent on the date of the Share Purchase Deed
"Holdback Amount"	an amount equal to 1.0% of the Benchmark Acquisition Price, being USD3,816,847.10
"Holdback Amount First Release" Date	10 March 2016
"Holdback Amount Second Release Date"	10 June 2016
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Illustration"	an illustration of the calculation of the Benchmark Acquisition Price which is appended to the Share Purchase Deed
"Independent Property Valuer"	Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT
"Independent Property Valuer's Property Valuation Report"	the valuation report dated 6 August 2015 issued by the Independent Property Valuer in respect of the Property, the text of which is set out in Appendix 4 headed "Independent Property Valuer's Property Valuation Report" in this Circular
"Initial Payment"	the US$ equivalent of an amount equal to approximately 10% of the Target Property Price (as calculated based on the rate of USD1 = RMB6.1169), being US$42,949,860
"Latest Practicable Date"	29 July 2015, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
"LIBOR"	London Interbank Offered Rate, being the average interest rate estimated by leading banks in London that the average leading bank would be charged if borrowing from other banks for a specified period ranging from overnight to one year
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Long Stop Date"	20 September 2015, or such a later date as agreed by the Purchaser and the Seller in writing
"Manager"	Yuexiu REIT Asset Management Limited (in its capacity as the manager of Yuexiu REIT), a company incorporated under the laws of Hong Kong
"Market Consultant"	Savills (Hong Kong) Limited
"Market Consultant's Report"	the letter dated 6 August 2015 from the Market Consultant, the form of which is set out in Appendix 5 headed "Market Consultant's Report" in this Circular
"NAV"	net asset value

"New Property Management Agreement"	the new property management agreement to be entered into between the Project Company and Yicheng Shanghai Branch at Completion, as more particularly described in section 5.5.2.1 headed "New Property Management Agreement" in this Circular
"New Offshore Facility"	(i) a USD177 million term loan facility and (ii) a USD217 million term loan facility, in each case to be made available by the New Offshore Lenders to the Purchaser, and the details of which are further set out in section 4.1 headed "New Offshore Facility" in this Circular
"New Offshore Lenders"	a syndicate of banks arranged by DBS Bank Ltd. and Standard Chartered Bank (Hong Kong) Limited
"New Onshore Facility"	a RMB300 million term loan facility to be made available by the New Onshore Lender to the Project Company, details of which are further set out in section 4.2 headed "New Onshore Facility" in this Circular
"New Onshore Lender"	DBS Bank (China) Limited, Shanghai Branch, being the lender under the New Onshore Facility
"Offshore 1+2 Tranche"	has the meaning given to this term in section 4.1 headed "New Offshore Facility" in this Circular
"Offshore Term Tranche"	has the meaning given to this term in section 4.1 headed "New Offshore Facility" in this Circular
"One-Off Fees and Charges"	the estimated total fees and charges payable by Yuexiu REIT in relation to the Transaction as more particularly described in section 2.7 headed "Fees and Charges" in this Circular
"Ordinary Resolution"	a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
"PRC"	The People's Republic of China but excluding, for the purposes of this Circular, Hong Kong, Taiwan and the Macau Special Administrative Region
"PRC GAAP"	Generally Accepted Accounting Principles in the PRC
"Project Company"	上海宏嘉房地產開發有限公司 (Shanghai Hong Jia Real Estate Development Co., Ltd.), a limited liability company established in the PRC and a wholly-owned subsidiary of the Target Company which developed and owns the Property

"Property"	the property known as Hongjia Tower located at 388 Fushan Road, Pudong New District, Shanghai Municipality, PRC
"Purchaser"	Yuexiu REIT 2013 Company Limited, a special purpose vehicle of Yuexiu REIT that will directly hold the Target Company Shares
"Regulatory Conditions"	collectively, Conditions (5) and (6) set out in section 2.3.7 headed "Conditions precedent" in this Circular
"REIT"	Real Estate Investment Trust
"REIT Code"	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
"Reporting Accountants"	PricewaterhouseCoopers
"RMB"	Renminbi, the official currency of the PRC
"Seller"	Century Holding Company Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands, which is owned in the manner described in section 2.2 headed "Current and Expected Holding Structure" in this Circular
"Seller Indemnity"	has the meaning given to this term in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular
"Seller Liquidated Damages"	the amount equal to the Initial Payment
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Purchase Deed"	the deed for the sale and purchase of all the issued shares in the capital of Bestget Enterprises Limited dated 31 July 2015 entered into between the Seller and the Purchaser, and related disclosure letter, pursuant to which the Seller agrees to sell to the Purchaser the Target Company Shares with the rights attaching to them as at and from the Completion Date
"Significant Holder"	has the meaning ascribed to this term in the REIT Code
"SPV"	a special purpose vehicle that is owned and controlled by Yuexiu REIT in accordance with the REIT Code and the Trust Deed

"sq.m"	square metre
"Stamp Office"	the Stamp Office of the Inland Revenue Department of Hong Kong
"Target Company"	Bestget Enterprises Limited, a limited liability company incorporated in Hong Kong and the direct owner of the Project Company, which in turn owns the Property
"Target Company Shares"	all of the issued shares of the Target Company, to which the entire amount of share capital of the Target Company is attributable
"Target Group"	collectively (1) the Target Company; and (2) the Project Company, and "**Target Group Company**" means any one of them
"Target Property Price"	the sum of RMB2,627,200,000, which represents the asset value of the Property agreed by the Seller and the Purchaser
"Tenancy Services Agreement"	the tenancy services agreement to be entered into between the Manager, the Project Company and GZAM Shanghai Branch on or after Completion, as more particularly described in section 5.5.2.2 headed "Tenancy Services Agreement" in this Circular
"Transaction"	the Acquisition and entering into and performance of the Share Purchase Deed and all other related transactions with respect to the Transaction Documents
"Transaction Documents"	collectively: (1) the Share Purchase Deed (details of which are set out in section 2.3 headed "Share Purchase Deed" in this Circular); and (2) the Escrow Letters
"Trust Deed"	the trust deed constituting Yuexiu 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
"Trustee"	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Yuexiu REIT. All references to the Trustee in this Circular are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the Manager

"Trustee's Additional Fees"	the additional fees that the Trustee is entitled to charge for duties undertaken by the Trustee in connection with the Transaction which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Yuexiu REIT's day-to-day business operations, as more particularly described in section 2.7.1 headed "Fees payable by Yuexiu REIT to the Manager and the Trustee in relation to the Transaction" in this Circular
"Unit"	one undivided unit in Yuexiu REIT
"Unit Registrar"	Tricor Investor Services Limited, in its capacity as the Hong Kong unit registrar of Yuexiu REIT
"Unitholder"	any person registered as holding a Unit on the register of Unitholders of Yuexiu REIT
"USD" or "US$"	United States dollars, the lawful currency of the United States of America
"WI Insurance Policy"	the warranty and indemnity insurance policy purchased by, and issued to, the Purchaser by the WI Insurer on the date of the Share Purchase Deed, as more particularly described in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular
"WI Insurer"	has the meaning given to this term in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular
"Yicheng Shanghai Branch"	the Shanghai branch established on 29 May 2015 of 廣州怡城物業管理有限公司(Guangzhou Yicheng Property Management Ltd), a limited liability company established in the PRC which is 99.28% indirectly owned by Yuexiu Property
"Yue Xiu"	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated in Hong Kong which is wholly owned by GZYX
"Yuexiu Property"	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 123) and on the SGX-ST

"Yuexiu REIT"	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Stock Exchange) and the companies controlled by it, as the context requires
"%"	per cent or percentage

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. 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.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of HK$1.00 to RMB0.78893 as at the Latest Practicable Date and conversion of US$ into HK$ is calculated at the approximate exchange rate of US$1.00 to HK$7.8 as at the Latest Practicable Date. The exchange rates are for illustration purpose only and do not constitute representation that any amounts have been, could have been, or may be exchanged at the rates or any other rate at all.

Event	Date & Time
Latest date and time for lodging transfers of Units to participate and vote in the EGM	20 August 2015 at 4:30 p.m.
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	21 August 2015 to 24 August 2015
Latest date and time for lodging proxy forms for the EGM	22 August 2015 at 10:30a.m.
EGM Record Date	Close of business on 24 August 2015
Date and time of the EGM	24 August 2015 at 10:30a.m.
If the approvals sought at the EGM are obtained:	
Drawdown under the New Facilities	To be determined by the Manager (but no later than the Long Stop Date)
Completion of the Acquisition	To be determined by the Manager (but no later than the Long Stop Date)

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

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in section 2.3.7 of the Letter to the Unitholders headed "Conditions Precedent" in this Circular), which includes Unitholders' approval being obtained at the EGM, and accordingly, may or may not complete. Unitholders, as well as any prospective investors of Yuexiu REIT, are advised to exercise caution when dealing in the Units.

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

6 August 2015

To: Unitholders of Yuexiu REIT

Dear Sir/Madam,

(1) MAJOR ACQUISITION RELATING TO THE PURCHASE OF A COMMERCIAL PROPERTY IN SHANGHAI AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

1. INTRODUCTION

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the Transaction; and (2) to serve notice of the EGM at which an ordinary resolution seeking Unitholders' approval for the Transaction shall be proposed.

2. THE ACQUISITION

2.1 Overview

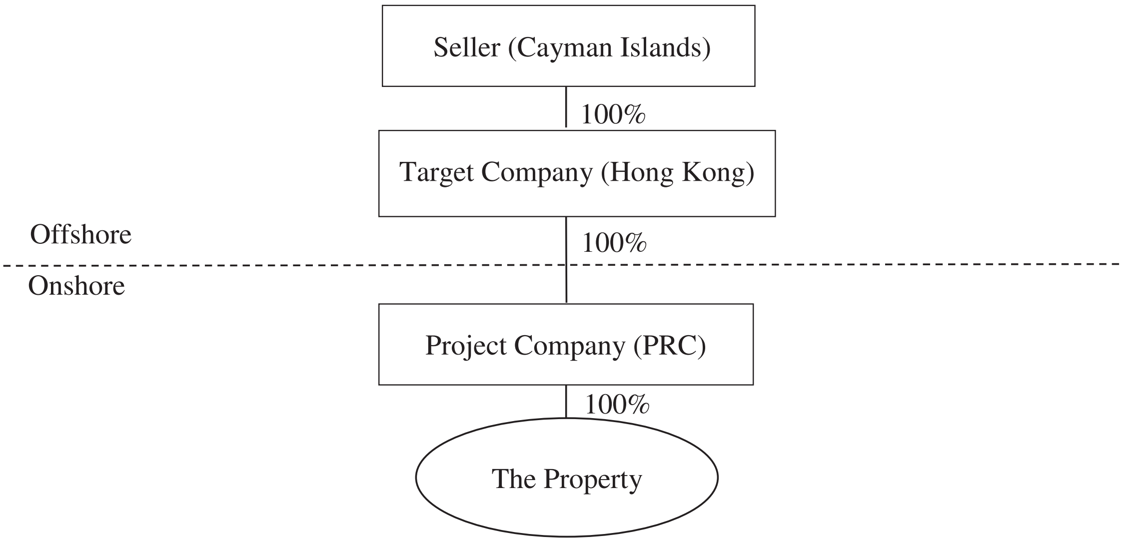
On 31 July 2015, the Purchaser and the Seller entered into the Share Purchase Deed, pursuant to which the Seller agreed to sell to the Purchaser the Target Company Shares with the rights attaching to them as at and from the Completion Date. Upon Completion, Yuexiu REIT will (through the Target Company and Project Company) hold the Property, which comprises a 25-storey (plus 2-level basement) Grade A office building with a retail portion and car parking spaces with a total gross floor area of 62,139.35 sq.m located in the Zhuyuan central business district of Pudong, Shanghai, adjacent to the Little Lujiazui Finance and Trade Zone.

The Target Property Price of RMB2,627.2 million, being the asset value of the Property agreed by the parties and the basis for the Final Acquisition Price, represents a discount of approximately 5.2% to the Appraised Value (being RMB2,770 million). As the Target Property Price also represents approximately 26.8% of the total market capitalisation of Yuexiu REIT, based on the average closing price of the Units on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of the Share Purchase Deed, the Transaction constitutes a major transaction of Yuexiu REIT and is therefore subject to, among others, approval by the Unitholders of Yuexiu REIT at the EGM in accordance with 10.7 of the REIT Code and the Trust Deed.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, the Target Group Companies and their ultimate beneficial owners, the Escrow Agent (which is a third party independent of the Purchaser and, based on information provided by the Seller, the Seller), the New Offshore Lenders, the New Onshore Lender, the WI Insurer and the tenants under the current tenancies of the Property, are not Connected Persons of Yuexiu REIT and are third parties independent of Yuexiu REIT and its Connected Persons.

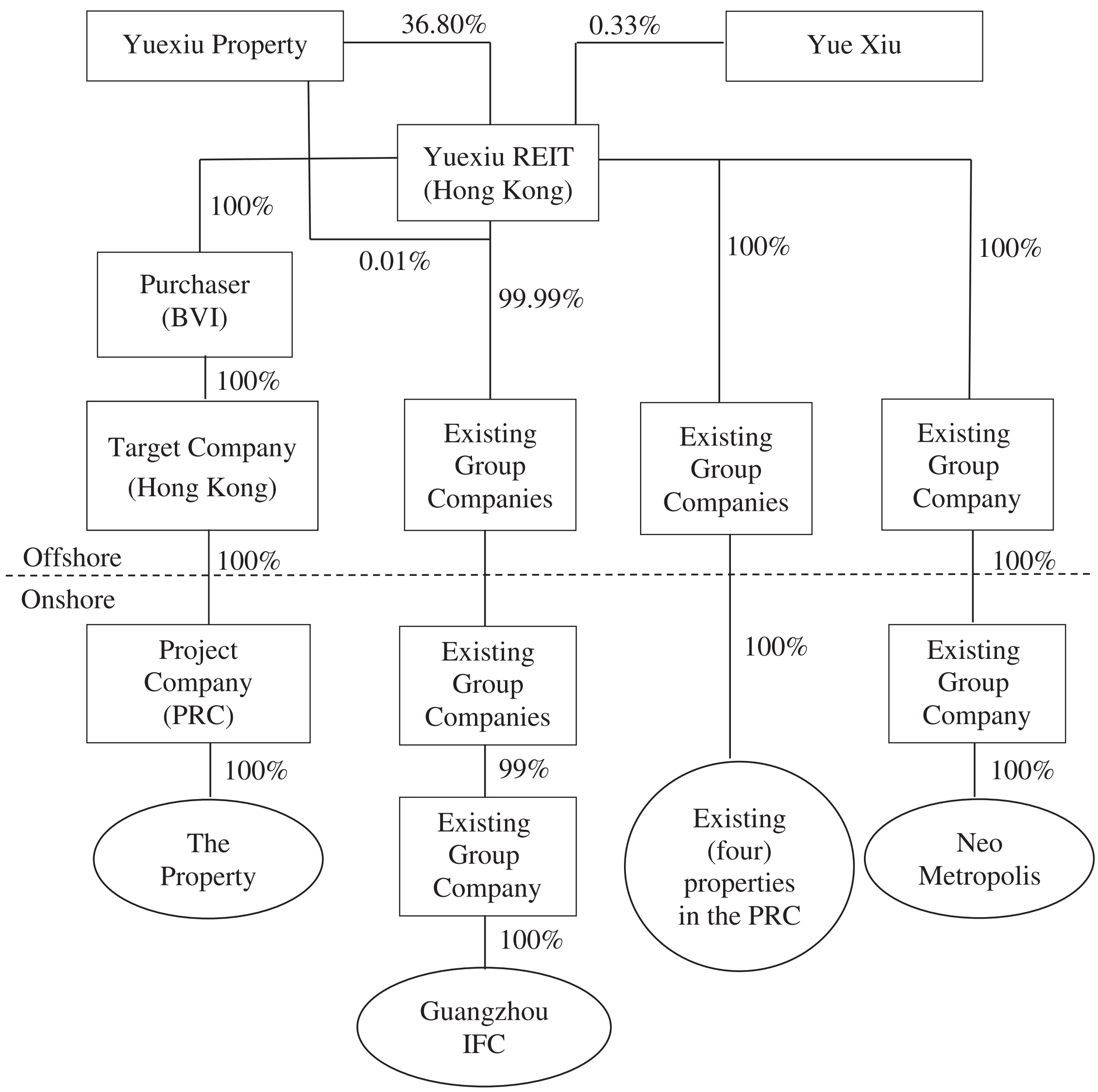
2.2 Current and Expected Holding Structure

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



The Seller is incorporated in the Cayman Islands and its principal business activity is investment holding. The Target Company is incorporated in Hong Kong and wholly-owns the Project Company, which is in turn the registered legal owner of the land use rights and building ownership rights underlying the Property. As at the Latest Practicable Date: (i) the principal business activities of the Target Company and Project Company were investment holding and property investment in the Property respectively; and (ii) neither the Target Company or the Project Company held any other property investments or operated any other businesses.

The simplified expected holding structure of the Property immediately after Completion is as follows:



2.3 Share Purchase Deed

2.3.1 Consideration

The consideration for the Transaction shall be equal to the Target Property Price plus all current assets of the Project Company (other than deferred assets) and minus all liabilities (other than shareholder's loan from the Target Company to the Project Company and deferred tax liabilities, if any) in the unconsolidated balance sheets of each member of the Target Group pursuant to the formula set out in the Draft Final Acquisition Price Statement, in each case as at the Completion Date (the "**Final Acquisition Price**"). To the extent that such amounts comprise of current assets of the Project Company or liabilities of each member of the Target Group, such amounts shall be as set forth in the

Audited Completion Balance Sheets and adjusted pursuant to the formula and notes set out in the Draft Final Acquisition Price Statement. The Target Property Price of RMB2,627.2 million, being the asset value of the Property agreed by the parties, has been arrived at on a willing buyer/seller and arm's length basis after taking into account the quality and historic performance of the Property. The Target Property Price represents a discount of approximately 5.2% to the Appraised Value (being RMB2,770 million). Based on the Accountant's Report, the Manager does not expect the current assets of the Project Company as at the Completion Date to be material since the Project Company will use its cash balance to repay part of the Existing Onshore Facility on or before Completion. The remainder of the Existing Onshore Facility is a material liability and primarily explains the difference between the Target Property Price and Benchmark Acquisition Price, as explained below in this section 2.3.1. Based on the Accountant's Report, the Manager also understands that the deferred tax liabilities mainly arise from valuation gains in respect of the Property, which in its view, are unlikely to crystalize in the future as the Property is intended to be held by Yuexiu REIT as a long term investment. A small part of the deferred tax liabilities also relates to dividend withholding tax which the Manager also believes to be immaterial, and the Manager does not expect such exclusions to materially affect Yuexiu REIT. The abovementioned shareholder loan is reflected in the assets of the Target Company and liabilities of the Project Company. As no adjustment is made for Target Company assets under the abovementioned formula, the parties have agreed that no adjustment should be made for the Project Company shareholder's loan liability.

Within 15 days after the Completion Date, the Seller shall prepare in good faith and deliver to the Purchaser and the Manager an unconsolidated balance sheet for each member of Target Group as at the Completion Date (the "**Completion Balance Sheets**").

The Purchaser (or the Manager) and Seller shall submit the Completion Balance Sheets to PricewaterhouseCoopers or any other independent firm of certified accountants of international repute agreed in writing between the Purchaser and the Seller (the "**Certifying Accountant**"), who shall, as soon as possible and in any event within 45 days after receipt of the Completion Balance Sheets; (i) complete an audit of the Completion Balance Sheets and deliver to the Seller, the Purchaser and the Manager the audited Completion Balance Sheets with adjustments proposed by the Certifying Accountant (as adjusted, the "**Audited Completion Balance Sheets**"); (ii) based on the Audited Completion Balance Sheets, produce a draft statement as to the amount of the Final Acquisition Price (the "**Draft Final Acquisition Price Statement**"); and (iii) confirm in writing, in its opinion, that the Draft Final Acquisition Price Statement has been prepared in accordance with the Share Purchase Deed (the "**Auditor Confirmation**") and deliver to the Seller, the Purchaser and the Manager the Draft Final Acquisition Price Statement and the Auditor Confirmation. The Purchaser and the Seller shall agree on the Final Acquisition Price within 5 Business Days of receipt of the Audited Completion Balance Sheets and the Draft Final Acquisition Price Statement.

Pursuant to the Share Purchase Deed, the Final Acquisition Price shall be paid in the following manner:

(1) within 5 Business Days after the date of the Share Purchase Deed, the Initial Payment shall be paid, or procured to be paid, by the Purchaser to the Escrow Agent for credit to the Deposit Escrow Account in accordance with the terms of the Deposit Escrow Letter. For further details of the Deposit Escrow Account, please refer to section 2.3.2 headed "Share Purchase Deed - Deposit Escrow Account" of this Circular;

(2) on the Completion Date, the Purchaser shall pay, or procure the payment of, an amount equal to the Benchmark Acquisition Price, being an amount calculated in a similar way to the Final Acquisition Price except that it is based on the unconsolidated balance sheets of each member of the Target Group as at the Benchmark Date, being 31 July 2015 (rather than the audited Completion Balance Sheet as at the Completion Date used for determining the Final Acquisition Price), less:

(i) the Initial Payment of US$42,949,860, which has already been paid to the Escrow Agent as per above and which will be released from the Deposit Escrow Account and paid to the Seller pursuant to the terms of the Deposit Escrow Letter (see section 2.3.2 for details);

(ii) the Existing Offshore Loan Amount of US$185,000,000, which the Purchaser shall (on behalf and at the direction of the Seller) use to directly repay the Existing Offshore Facility;

(iii) the Bulletin 7 Escrow Amount of US$14,500,000, which is to be paid to the Escrow Agent for credit to the Bulletin 7 Escrow Account (see section 2.3.3 for details);

(iv) the Holdback Amount of US$3,816,847.10 (being 1.0% of the Benchmark Acquisition Price), which is to be paid to the Escrow Agent for credit to the Holdback Escrow Account (see section 2.3.4 for details); and

(v) US$381,684.71, being the estimated Seller's one half share of the total stamp duty payable to the Stamp Office in respect of the transfer and the sale and purchase of the Target Company Shares (the "**Estimated Seller Stamp Duty Share**"),

such net amount payable to the Seller on the Completion Date being the "**Completion Payment**".

The difference between the Benchmark Acquisition Price (being USD381,684,710) (equivalent to approximately RMB2,335 million, as calculated based on the rate of USD1 = RMB6.1169) and the Target Property Price (being RMB2,627,200,000) is primarily due to: (i) the Existing Onshore Facility of RMB380 million (to be fully repaid at Completion as further described in section 4.2 of the Circular) which is a liability of the Target Group that adjusts the Target Property Price downwards for the purpose of calculating the Benchmark Acquisition Price; and (ii) RMB131,431,797 cash (part of which shall be used to repay the Existing Onshore Facility at Completion) which is an asset of the Target Group that adjusts the Target Property Price upwards for the purpose of calculating the Benchmark Acquisition Price.

(3) within 5 Business Days after the later of: (a) the Purchaser and the Seller having agreed on the Final Acquisition Price; and (b) the Stamp Office having finally determined the total stamp duty payable in respect of the transfer and the sale and purchase of the Target Company Shares:

(i) the Purchaser shall pay all or cause the payment of 100% of costs and expenses of the Certifying Accountant regarding the preparation of the Audited Completion Balance Sheets, the Draft Final Acquisition Price Statement and the Auditor Confirmation;

(ii) if the sum of the Final Acquisition Price: (1) *minus* 50% of the amount actually paid or payable by the Purchaser under (i) above; and (2) (a) *minus* the amount that the Adjudged Seller Stamp Duty Share exceeds the Estimated Seller Stamp Duty Share, or alternatively as the case may be, (b) *plus* the amount that the Adjudged Seller Stamp Duty Share is less than the Estimated Seller Stamp Duty Share:

(a) is higher than the Benchmark Acquisition Price, the Purchaser shall pay, or procure the payment of, an amount equal to such excess amount to the Seller; or

(b) is lower than the Benchmark Acquisition Price, the Seller shall refund an amount equal to such shortfall amount to the Purchaser.

The Final Acquisition Price and other payments pursuant to the Share Purchase Deed will be paid in cash in US$ calculated based on the median exchange rate between RMB and US$ published by the People's Bank of China at the relevant time as stated in the Share Purchase Deed, and will be financed by drawing down on the New Offshore Facility in full and Yuexiu REIT's internal resources.

The Final Acquisition Price shall be announced by the Manager as soon as practicable following its determination together with the quantum of the adjustment amounts.

2.3.2 Deposit Escrow Account

Within 5 Business Days after the date of the Share Purchase Deed, the Purchaser shall pay, or procure the payment of, the Initial Payment to the Escrow Agent for credit to the Deposit Escrow Account in accordance with the terms of the Deposit Escrow Letter. The Initial Payment will be refundable in the situations described in section 2.3.8 headed "Termination" of this Circular.

Subject to Completion, the Initial Payment will be released from the Deposit Escrow Account to the Seller as payment of part of the Final Acquisition Price at Completion.

2.3.3 Bulletin 7 Escrow Account

On the Completion Date, the Purchaser shall pay, or procure the payment of, the Bulletin 7 Escrow Amount to the Escrow Agent for credit to the Bulletin 7 Escrow Account in accordance with the terms of the Bulletin 7 Escrow Letter and, if applicable, the Seller shall pay, or procure the payment of, additional amount to the Bulletin 7 Escrow Account pursuant to the Seller's tax obligations under Bulletin 7 as set out in section 2.6 headed "Tax Obligations under Bulletin 7" in this Circular.

The Bulletin 7 Escrow Letter specifies the timing and the manner of which the Bulletin 7 Escrow Amount will be released: (i) to the relevant PRC tax authority in respect of the Bulletin 7 tax payable by the Seller for the Transaction; and (ii) to the Seller in respect of any remaining balance in the Bulletin 7 Escrow Account.

The Escrow Agent shall not have any responsibility for determining whether the amount and the account specified in the instructions received from the Seller and the Purchaser is correct or whether the Seller has performed its obligations.

2.3.4 Holdback Escrow Account

On the Completion Date, the Purchaser shall pay, or procure the payment of the Holdback Amount to the Escrow Agent for credit to the Holdback Escrow Account in accordance with the terms of the Holdback Escrow Letter.

The Purchaser shall be entitled to claim from the Holdback Escrow Account for all Claims for losses against the Seller which are subject to the limitations set out in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular.

On the Holdback Amount First Release Date, pursuant to the terms of an irrevocable payment instruction jointly signed by the Purchaser and the Seller, the Seller shall be entitled to receive from the Holdback Escrow Account an amount equal to two-thirds of the Holdback Amount less: (i) the amount of any successful Claims made by the Purchaser against the Seller under the Share Purchase Deed which have been agreed between the Seller and the Purchaser or otherwise finally determined in accordance with the Share Purchase Deed prior to or on the Holdback Amount First Release Date, but which have not yet been paid to the Purchaser pursuant to the Share Purchase Deed prior to or on the Holdback Amount First Release Date; (ii) the amount of any payment made pursuant to the terms of an irrevocable payment instruction jointly signed by the Purchaser and the Seller directing the Escrow Agent to release all or a portion of the amount in the Holdback Escrow Account to such person designated in the instruction or by terms of a final order or judgment ordering the payment of all or a portion of the amount in the Holdback Escrow Account prior to or on the Holdback Amount First Release Date; and (iii) any amount retained in the Holdback Escrow Account pursuant to the retention mechanism below, which have neither been agreed between the Seller and the Purchaser nor finally determined in accordance with the Share Purchase Deed, in each case prior to or on the Holdback Amount First Release Date.

On the Holdback Amount Second Release Date, pursuant to the terms of an irrevocable payment instruction jointly signed by the Purchaser and the Seller, the Seller shall be entitled to receive from the Holdback Escrow Account an amount equal to the amount remaining in the Holdback Escrow Account, if any, less: (i) the amount of successful Claims made by the Purchaser against the Seller under the Share Purchase Deed which have been agreed between the parties or otherwise finally determined in accordance with the Share Purchase Deed after the Holdback Amount First Release Date and prior to or on the Holdback Amount Second Release Date; (ii) the amount retained in the Holdback Escrow Account pursuant to the retention mechanism below which have neither been agreed between the Seller and the Purchaser nor finally determined in accordance with the Share Purchase Deed prior to or on the Holdback Amount Second Release Date; and (iii) the amount of the accounts receivable of each member of the Target Group as reflected in the Audited Completion Balance Sheets as assets of any member of the Target Group that have not been recovered (after the Purchaser has used its best efforts to do so) as of the Holdback Amount Second Release Date, if any, provided that such amount shall not be subject to any limitations set out in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular.

In the event that the Purchaser makes any Claim against the Seller in accordance with section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" in this Circular prior to or on the Holdback Amount First Release Date or the Holdback Amount Second Release Date (as the case may be), an amount equal to each individual Claim, or if more than one such Claim shall be made, the aggregate amount of such Claims shall be retained in the Holdback Escrow Account pending such Claim(s) being agreed between the Seller and the Purchaser or being finally determined by a final order, judgment, determination, award or decree of any court, tribunal or arbitrator.

2.3.5 Pre-Completion obligations

The Seller is required to satisfy a number of customary pre-completion obligations to facilitate the drawdown of the New Onshore Facility and refinancing of the Existing Onshore Facility at Completion. For details of the New Onshore Facility, which will be taken out by the Project Company prior to Completion to partly repay the Existing Onshore Facility, please refer to section 4.2 headed "New Onshore Facility" in this Circular.

In addition, the Share Purchase Deed contains general and specific restrictive covenants in terms consistent with market practice that give a significant degree of negative control to the Purchaser in relation to the operation of the Target Group during the period between signing of the Share Purchase Deed and Completion.

2.3.6 Completion

On the date that all the Regulatory Conditions have been fulfilled, the Purchaser shall confirm to the Seller in writing of such fulfilment pursuant to the Share Purchase Deed. Each of the Seller and the Purchaser shall additionally confirm to each other in writing: (a) that, as at the date of the giving of such written confirmation or the date on which such written confirmation is deemed to be given (as the case may be), the other Conditions which the relevant party has the right to waive (other than those relating to matters at Completion) (the "**Relevant Conditions**") have been fulfilled to the reasonable satisfaction of that party; and (b) the date upon which Completion is to take place in accordance with the Share Purchase Deed (the "**Completion Confirmations**").

Completion shall take place on the fifth Business Days after the date on which the Completion Confirmations have been issued and delivered by both the Purchaser and the Seller, or such later date as may be agreed by the Purchaser and the Seller in writing. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred.

2.3.7 Conditions Precedent

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

(1) the Seller having complied in all material respects with its obligations, commitments, covenants and undertakings under the Transaction Documents;

(2) the warranties of the Seller remaining true, accurate and not misleading in any material respect at Completion as if repeated at Completion (by reference to the facts and circumstances existing at Completion);

(3) the Purchaser having complied in all material respects with its obligations, commitments, covenants and undertakings under the Transaction Documents;

(4) the warranties of Purchaser remaining true, accurate and not misleading in any material respect at Completion as if repeated at Completion (by reference to the facts and circumstances existing at Completion);

(5) the EGM Resolution approving the Transaction Documents and the Transaction having been passed by the Unitholders at the EGM, all in accordance with the requirements under the Trust Deed and the REIT Code;

(6) Yuexiu REIT having published the announcement(s) of the Transaction and despatched the circular to Unitholders in relation to the Transaction for the purpose of obtaining the approval of the Unitholders referred to in paragraph (5) above;

(7) there having been no fact, matter or event that causes, or is reasonably expected to cause, 30% or more of the above-ground lettable area of the Property to be unable to generate rental income for a period of not less than 12 months from the date of the occurrence of such fact, matter or event; and

(8) no statute, regulation or decision which would prohibit or materially delay the sale and purchase of the Shares or which would prohibit or materially restrict the operation of the Target Group or the Property having been enacted or taken by any governmental or official authority.

The Purchaser may waive any of the Conditions by notice in writing to the Seller, except for Conditions (3), (4), (5) and (6), which may not be waived by the Purchaser. The Seller may waive Conditions (3) and/or (4) by notice in writing to the Purchaser. Conditions (5) and (6) (being the Regulatory Conditions cannot be waived. As at the date of this Circular, Condition (6) has been fulfilled.

2.3.8 Termination

The Purchaser may terminate the Share Purchase Deed at Completion or any time prior to Completion by written notice to the Seller if: (i) Conditions (1) and (2) have not been fulfilled or waived on or before the Long Stop Date; or (ii) any of the Seller's obligations at Completion are not complied with by the Seller in any respect (other than in any non-material respect) on the Completion Date. In such case, within 5 Business Days after the date of termination: (i) the Initial Payment shall be refunded to the Purchaser in accordance with the Share Purchase Deed and the Deposit Escrow Letter; and (ii) the Purchaser may (at its sole discretion): (a) require the Seller to pay the Purchaser the Seller Liquidated Damages; or (b) seek specific performance and other remedies necessary for enforcing specific performance.

The Seller may terminate the Share Purchase Deed at Completion or any time prior to Completion by written notice to the Purchaser if: (i) Conditions (3) and (4) have not been fulfilled or waived on or before the Long Stop Date; or (ii) any of the Purchaser's obligations at Completion are not complied with by the Purchaser in any respect (other than in any non-material respect) on Completion Date. In such case, within 5 Business Days after the date of termination, the Initial Payment shall be forfeited by the Seller as liquidated damages in lieu of any further claims, and the Initial Payment shall be released to the Seller in accordance with the Share Purchase Deed and the Deposit Escrow Letter.

If Completion does not take place on or before the Long Stop Date due to any reason other than those set out in the immediately preceding paragraph, the Initial Payment shall be refunded to the Purchaser within 5 Business Days after the date of such termination.

If, at any time on or before Completion, the Shanghai municipal government or other competent government authority shall acquire or expropriate (徵用), or give written notice of acquisition or expropriation or intended acquisition or expropriation in respect of the whole or any material part of the land use rights or building ownership rights of or relating to the Property, the Seller shall promptly give written notice thereof to the Purchaser, and the Purchaser may, within 10 Business Days of receipt of written notice thereof, in its absolute discretion: (i) terminate the Share Purchase Deed by giving prior notice in writing to the Seller; or (ii) elect to effect Completion (subject to compliance with the REIT Code) and all compensation, allowance or other fees recovered or recoverable from the Shanghai municipal government or other competent government authority in the PRC in respect of such acquisition or expropriation shall, after Completion, be for the account of the Purchaser.

The Seller may, by written notice given to the Purchaser, terminate the Share Purchase Deed without liability on its part if the Purchaser fails to pay, or procure the payment of, the Initial Payment to the Escrow Agent for credit to the Deposit Escrow Account within 5 Business Days after the date of the Share Purchase Deed in accordance with the terms thereof.

2.3.9 Warranties, Indemnities and WI Insurance Policy

The Share Purchase Deed contains customary warranties (including warranties relating to tax, title of the Property and compliance with all applicable laws and regulations by each member of the Target Group in conducting its business) to be made by the Seller in respect of, among others, the Target Group and the Property.

Further, to the extent that Completion has occurred and subject to the limitations on the Seller's liability set out below, the Seller irrevocably undertakes to indemnify and to keep indemnified and hold harmless the Purchaser (for itself and as trustee for the Trustee, the Manager and each member of the Target Group (and their respective (including the Purchaser's) successors in title, officers, directors, employees and agents)) (each an "**Indemnified Person**") against any liability, losses, damages, fines, fees and costs, on a full indemnity basis, incurred, suffered or sustained by each Indemnified Person or asserted against each Indemnified Person, or any or all of them arising out of: (i) any breach of or non-compliance with any of the warranties, covenants, commitments and undertakings given by the Seller and its other obligations under the Transaction Documents; (ii) any underpayment of property tax with respect to the carparking spaces of the Property by the Project

Company; (iii) the additional land premium payable to the local government in relation to the commercial use of Units 101 and 103 of the Property, provided however, the Seller and the Purchaser agree that in no event shall such losses include losses with respect to any actual or prospective strata title sales of any portion of the Property including such Units 101 and/or 103; (iv) the potential penalties that may be imposed by the competent local authority on the Project Company for its failure to register and record the existing tenancies at the Property with the competent real estate registration authority; and (v) the severance payments to be made by the Existing Property Manager to its employees as a result of the termination of the Existing Property Management Agreement, which the Project Company shall indemnify the Existing Property Manager for the payments so made pursuant to the terms of the Existing Property Management Agreement (collectively, the "**Seller Indemnity**"), provided, however, that the Seller shall not be liable for any losses arising out of (ii), (iii) or (iv) above to the extent that such losses would not have arisen or would have been reduced or eliminated but for a voluntary act or transaction of the Purchaser or of any member of the Target Group after Completion.

The maximum aggregate liability of the Seller for a Claim shall not exceed 1.0% of the Final Acquisition Price, and is subject to a minimum per Claim threshold of US$100,000. Amounts shall only be recoverable from the Seller if the aggregate amount recoverable in respect of all Claims exceeds US$1 million and the Seller will be liable for the entire amount. Notice of any Claim must be given to the Seller within the first year from Completion. Claims shall first be satisfied by the release of the Holdback Amount (or any applicable part thereof) to the Purchaser, and thereafter, will be paid by the Seller. The Seller shall not be liable in respect of a Claim to the extent that: (i) allowance, provision or reserve in respect of the matter or thing giving rise to such a Claim has been made in the audited accounts or management accounts of the relevant member of the Target Group, the Audited Completion Balance Sheets, or has otherwise been reflected in the adjustments which have been made to the Final Acquisition Price; or (ii) it is based on forecasts, projections or forward looking statements relating to financial matters made by the Seller.

The Purchaser agrees to take all reasonable steps to mitigate any losses incurred by it as a result of any Claim (notwithstanding any indemnity given by the Seller pursuant to the Share Purchase Deed). If any member of the Target Group is entitled to claim under any insurance policy maintained by it, the amount of such insurance monies shall be used to reduce that Claim as much as possible or to extinguish that Claim. The Purchaser shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity for the same loss more than once.

In addition, the Purchaser has purchased a warranty and indemnity insurance policy ("**WI Insurance Policy**") with an insurance provider carrying financial strength ratings of A+ (S&P), A2 (Moody's) and A (AM Best) (the "**WI Insurer**") on and with effect from the date of the Share Purchase Deed to further protect itself against Claims relating to warranties and indemnities that are not recoverable under the Share Purchase Deed due to, for example, the Seller's limitation cap having been exceeded or the Seller's limitation period having lapsed, but subject to certain exclusions as stated in the WI Insurance Policy (for instance, exclusions relating to deferred tax, recoverability of future debts, structural defects, environment and contamination, anti-bribery and the specific indemnities). The maximum aggregate liability of the WI Insurer will not exceed US$35 million (representing 9.2% of the Benchmark Acquisition Price) and will be subject to a de minimis Claim threshold of RMB2,627,200 (being 0.1% of the Target Property Price). Amounts shall only be recoverable from the WI Insurer if the aggregate amount recoverable in respect of all Claims exceeds RMB26,272,000 (being 1.0% of the Target Property Price), and the WI Insurer will only be liable for Claims over and above such threshold. Notice of any Claim must be given to the WI Insurer within 7 years from Completion (for Claims relating to title, authority and tax) or within 2 years from Completion (for other Claims). The premium payable for the WI Insurance Policy is in line with market rates and will be borne wholly by the Purchaser.

Taking into consideration: (1) the abovementioned warranty and indemnity coverage from the Seller (including the Seller's limitation cap, thresholds and period with respect to Claims) which the Manager considers to be fair and reasonable, on normal commercial terms (for independent private equity vendors) after arm's length negotiations and the best terms available to the Purchaser in the circumstances, and are in the interests of Yuexiu REIT and the Unitholders as a whole; (2) the WI Insurance Policy and terms thereof which the Manager considers to be fair and reasonable, on normal commercial terms (for policy of a similar size and nature) after arm's length negotiations and in the interests of Yuexiu REIT and the Unitholders as a whole; (3) the holdback arrangements described in sections 2.3.4 and 2.3.5 (including the quantum of the Bulletin 7 Escrow Amount and Holdback Amount, as well as the timing for release of such amounts); (4) the satisfactory results of the Manager's due diligence review in respect of the Property and the Target Group; (5) the immaterial nature of the land premium and unregistered tenancy issues in the opinion of the Manager based on the conclusions of the Manager's PRC legal advisers summarised in section 2.5; and (6) the absence of any guarantee in respect of the Seller's obligations under the Share Purchase Deed, the Manager is satisfied that the interests of Yuexiu REIT and the Unitholders as a whole in respect of potential Claims are adequately and sufficiently protected.

2.4 Arm's Length Terms

The Transaction Documents and WI Insurance Policy have been entered into, or shall be entered into, by the parties thereto on normal commercial terms (including in respect of those terms relating to limitation of liability) following arm's length negotiations.

2.5 Due Diligence Review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Property and the Target Group. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual. Immediately upon Completion, Yuexiu REIT will hold good, marketable, legal and beneficial title in the Property.

The Building Consultant has also carried out an inspection and a survey of the Property. Such inspection revealed that both the building and structural fabrics, and the building services installations of the Property were maintained in good condition with only minor rectification works required to be carried out.

2.5.1 Land premium in respect of certain portions of the Property

In respect of the underground portion of the Property (being Units 101 and 103 of the Property), the Notice on Provisional Rules on Approval of Construction Land and Registration of Real Estate in relation to Shanghai Urban Underground Space issued by the Shanghai Municipal People's Government (上海市人民政府關於印發上海市城市地下空間建設用地審批和房地產登記試行規定的通知) promulgated in 2006 requires land premium to be calculated for underground operational projects. According to the Manager's due diligence, the total area of such underground operational projects at the Property is approximately 2,051 sq.m. As the land premium has not been paid for such underground area, in the event of a transfer of the underground area, the transferee may be required to pay additional land premium for such underground area.

As advised by the Manager's PRC legal advisers, King & Wood Mallesons, such additional land premium will only be payable when such underground portion is transferred by way of asset sale, and not if the transfer is made by way of an equity transfer. Therefore, no additional land premium for the underground portion is payable by the Project Company in respect of the Acquisition. The additional land premium for the underground portion in the event of an asset sale shall be assessed based on a certain percentage of the then benchmark land price of the area. As advised by the Manager's PRC legal advisers, King & Wood Mallesons, based on the current benchmark land price (which does not include the value of the physical building built on such land) and information provided by the Independent Property Valuer, the illustrative additional land premium payable (which is for illustration purposes only as the actual amount payable may differ depending on the benchmark land price at the time of such asset sale) may be approximately RMB8.7 million. However, the Manager intends to hold the Property for long term investment after Completion and has no current intention to sell the Property. In the event that the Manager decides to sell the Property, it will seek to do so in the most efficient way, which will likely be an equity transfer. Accordingly, given that the method of selling the Property (which the Manager currently has no intention of) will be entirely at the discretion of the Manager, the Manager is of the view that the likelihood of the additional land premium being required to be paid for the underground area is very remote. On this basis (including the abovementioned RMB8.7 million potential exposure), the Manager does not consider this issue to pose a material risk, and in any case, such risk is mitigated by the Seller Indemnity.

2.5.2 Non-registered tenancy agreements

Pursuant to the Regulation on House Leasing of Shanghai (上海市房屋租賃條例) as amended by the Standing Committee of Shanghai Municipal People's Congress on 17 September 2010, the contracting parties of a tenancy agreement are required to register such agreement with the real estate registration institution in the district or county level where the underlying leased property is located. By the Regulation on House Leasing of Shanghai (上海市房屋租賃條例), any tenancy agreement that is not registered may not be enforced against third parties acting in good faith, and such regulation does not stipulate that non-registration of such tenancy agreement will result in any monetary penalty.

As at the Latest Practicable Date, there were 107 tenancies at the Property, all but one of which had not been registered. The Project Company is using its best endeavours to ensure that such relevant tenancy agreements will be registered. However, as the co-operation of the relevant tenants and authorities is required to complete and perfect such registration, it is possible that, for reasons outside the Project Company's control, not all currently unregistered tenancy agreements will be registered before Completion. Following Completion, the Manager will use best endeavours to register such tenancy agreements as soon as practicable. The Manager expects that approximately 80% of the currently unregistered tenancy agreements can be registered within 3 months after Completion.

As advised by the Manager's PRC legal advisers, King & Wood Mallesons, as at the Latest Practicable Date, the competent authorities in Shanghai applied local laws and regulations in respect of tenancy registration, and pursuant to such laws and regulations, the unregistered tenancy agreements do not attract monetary penalty. However, if in the future the Shanghai municipal government decides to adopt Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法) promulgated by Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010, a fine of RMB1,000 to RMB10,000 will be imposed for each unregistered tenancy agreement, unless the Project Company rectifies the situation within a prescribed time limit upon the notification by the authority or the unregistered lease is entered into prior to the promulgation of the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法). Accordingly, the maximum aggregate amount of penalty payable by the Project Company in respect of such unregistered tenancy agreements if the Project Company fails to rectify the situation within the prescribed time limit is approximately RMB1,070,000.

As advised by the Manager's PRC legal advisers, King & Wood Mallesons, the non-registration of the tenancies at the Property would not affect the enforceability or legality of the relevant tenancy agreements, and would not adversely affect the Project Company's legal title to the Property, and the risk of the Project Company being required to pay penalties in respect of unregistered tenancies is very remote, with the amount of the estimated penalties being non-material. On this basis, the Manager does not consider this issue to pose a material risk, and in any case, such risk is mitigated by the Seller Indemnity. Further, the Manager considers such protection to be sufficient and that the interests of the Unitholders are adequately protected.

2.6 Tax Obligations under Bulletin 7

As advised by the Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, the obligation to pay taxes under Bulletin 7 is borne by the Seller, and the Purchaser only has a withholding obligation. The Manager understands from its tax adviser that pursuant to the operations of the Shanghai tax bureau and as agreed with the Seller: (i) the Seller will first make tax filing to the tax bureau; and (ii) the tax bureau will then review the figures submitted by the Seller and issue a notice to the Seller to pay the tax.

Pursuant to the Share Purchase Deed, the Seller shall, at its own expenses, as soon as possible and in any event no later than 30 days after the date of the Share Purchase Deed, report the entering into of the Share Purchase Deed and the Acquisition to the relevant PRC tax authority. The Seller shall at its own expenses: (a) as soon as possible and in any event no later than seven days after the Completion Date, inform the relevant PRC tax authority that Completion of the Transaction has occurred; and (b) as soon as possible after the Final Acquisition Price is agreed, inform the relevant PRC tax authority of the Final Acquisition Price and truly, accurately and completely report all relevant information with respect to the Transaction to the relevant PRC tax authority reasonably available to the Seller as requested to the relevant PRC tax authority. The Seller shall provide the

Purchaser with a copy of any and all of its written submission to the relevant PRC tax authority and, to the extent available, a receipt in writing (受理單/回執) issued by the relevant PRC tax authority evidencing the submission, as soon as practicable after the relevant submission has been made. The Seller shall promptly follow-up with the relevant PRC tax authority in respect of its assessment to and payment of PRC Tax on the Transaction, submit all documents supplementally requested by the relevant PRC tax authority in connection with the Transaction and promptly keep the Purchaser and the Manager informed of the foregoing (including providing the Purchaser and the Manager with certified true copies of all correspondence with the relevant PRC Tax Authority and documents issued by the relevant PRC tax authority).

The Seller has also covenanted and undertaken in the Share Purchase Deed to among other things: (a) subject to the release of the amount from the Bulletin 7 Escrow Account pursuant to the Share Purchase Deed, settle and pay in full the taxes payable by it arising out of or relating to the Transaction within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority; and (b) if the Seller reasonably expects that the amount of Taxes payable by the Seller arising out of or relating to the Transaction may be greater than the Bulletin 7 Escrow Amount (taking into account the need for conversion of the Bulletin 7 Escrow Amount from USD into RMB), pay the excess amount to the Escrow Agent for credit to the Bulletin 7 Escrow Account prior to the actual submission of the PRC Enterprise Income Tax Return (中華人民共和國扣繳企業所得稅報告表).

The Seller's liabilities under this section 2.6 headed "Tax Obligations under Bulletin 7" shall not be subject to the limitations on the minimum per Claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability of the Seller set out in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy".

PricewaterhouseCoopers Consultant (Shenzhen) Limited has advised the estimated amount of tax payable under Bulletin 7 in respect of the Acquisition. In view of the above and the advice from PricewaterhouseCoopers Consultant (Shenzhen) Limited, the Manager is of the view that the protection provided by the Seller in respect of tax obligations under Bulletin 7, including the Bulletin 7 Escrow Amount and the Seller's covenant to pay for any shortfall, is sufficient and the interests of the Unitholders are adequately protected.

2.7 Fees and Charges

The estimated total fees and charges payable by Yuexiu REIT in relation to the Transaction (including, among others, the Acquisition Fee, the Trustee's Additional Fees, advisory fees, service fees, professional fees, origination fees and expenses, fees borne by Yuexiu REIT in relation to the WI Insurance Policy and the one half share of the stamp duty borne by Yuexiu REIT) (the "**One-Off Fees and Charges**") are approximately RMB77 million. The Hong Kong stamp duty payable for the Acquisition is 0.2% of the higher of the Final Acquisition Price and the fair value of the Target Company Shares, which will be borne by the Purchaser and the Seller in equal shares. The One-Off Fees and Charges are one-off transaction expenses for the Transaction which are of a non-recurring nature.

2.7.1 Fees payable by Yuexiu REIT to the Manager and the Trustee in relation to the Transaction

On Completion, the Manager will be entitled under Clause 15.1(b)(iii) of the Trust Deed to receive an acquisition fee of RMB26,272,000, which is equal to 1.0% of the Target Property Price (i.e. RMB2,627,200,000) for the Property (the "**Acquisition Fee**"). The Manager has elected to receive the Acquisition Fee entirely in cash. The Acquisition Fee will not be subject to the adjustments set out under section 2.3.1 headed "Consideration" of this Circular.

Pursuant to Clause 15.2 of the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee in connection with the Transaction which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Yuexiu REIT's day-to-day business operations (the "**Trustee's Additional Fees**"). The Trustee has agreed with the Manager that it will charge Yuexiu REIT a one-time additional fee of up to HK$500,000 for duties undertaken by it in connection with the Transaction.

2.7.2 Ongoing fees and charges payable to the Manager and the Trustee in relation to the Property following Completion

After Completion:

(a) the Manager will be entitled to receive from the Deposited Property, fees attributable to the Property comprising: (i) a base fee of 0.3% per annum of the value of the Property as calculated and adjusted in accordance with the Trust Deed; and (ii) a service fee of 3.0% per annum of the net property income as shown in the latest published annual financial statements of Yuexiu REIT, subject to adjustment as calculated in accordance with the Trust Deed pro-rated on a time basis; and

(b) the Trustee will receive a trustee fee which is currently of 0.03% per annum of the value of the Deposited Property calculated and adjusted in accordance with the Trust Deed, subject to a minimum amount of HK$50,000 per month.

Pursuant to the Ordinary Resolution approved by independent Unitholders at the extraordinary general meeting of Yuexiu REIT held on 23 July 2012, the Manager will receive its Manager's fees described in (a) above partly in cash and partly in Units in the following proportions for the following periods:

Year	**Proportion of Manager's fees to be satisfied in the form of Units**	**Proportion of Manager's fees to be satisfied in the form of cash**
Year ending 31 December 2015	90%	10%
Year ending 31 December 2016	85%	15%
Year ending 31 December 2017	80%	20%

The Manager and the Trustee will be entitled to such fees attributable to the Property in the future for so long as the Property continues to form part of the Deposited Property. Other than as mentioned in this section 2.7 of the Circular, no other fees are payable to the Manager and the Trustee in respect of the Transaction.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Manager believes that the key benefits of the Acquisition are that:

(1) Well-established property and quality asset in strategic location with proven performance and promising outlook

The Property is a Grade-A office building located in the Zhuyuan central business district of Pudong, Shanghai, two kilometres away from the Little Lujiazui Finance and Trade Zone. The Property enjoys excellent accessibility, being within five minutes driving distance to Lujiazui, having direct access to three underground tunnels across the Huangpu River and being less than 10 minutes walking distance to four metro lines. Zhuyuan central business district is also located in the Shanghai Pilot Free Trade Zone, the development of which will further promote office demand in the region. Zhuyuan central business district has been enjoying and is expected to continue to enjoy, high occupancy and rental growth for office space. According to the Market Consultant's Report, the Shanghai Pilot Free Trade Zone will endeavour to facilitate convenient investment, free trade, internationalization of finance and innovation of supervisory system and set up an internal market-oriented business environment. A large number of companies have recently registered in the zone, which resulted in an increase in the demand and rental rate for office premises. The vacancy rate of Zhuyuan central business district was 1.0% as at 30 June 2015. The average annual rental increase for Grade-A offices in Zhuyuan central business district was 6.6% from 2010 to 2014. The average rental rate in Zhuyuan central business district was RMB7.3 per sq.m per day as at 30 June 2015 and is expected to reach RMB9.53 per sq.m per day by 2019, showing the potential of properties in Zhuyuan central business district.

Zhuyuan central business district also serves as an extension of Shanghai's financial district and hosts key financial exchanges including Shanghai Futures Exchange and Shanghai Diamond Exchange. It is set to benefit from the rental growth and surging demand for office buildings in Zhuyuan central business district. The maturing of the area as a central financial district in Shanghai, moving in of Shanghai Stock Exchange and China Securities Depository and Clearing Corporation, and the development of the Shanghai Pilot Free Trade Zone are expected to increase the business activities in Zhuyuan central business district and create stronger demand for Grade-A office buildings. These will translate into strong growth potential for the Property. According to the Market Consultant's Report, the sale of en-bloc office buildings in the Zhuyuan central business district is scarce and the Property is regarded as a rare investment opportunity. With new lettable supply mirroring historical average and upcoming demand likely to surpass historical demand, it is expected the rental levels of Zhuyuan central business district should command reasonable growth over the next three years, with rental growth likely to accelerate through 2018 and 2019 with no new supply.

(2) Expansion of footprint beyond Guangzhou and more diversified property portfolio

The Acquisition will be the first step for Yuexiu REIT to expand its footprint beyond Guangzhou. The Acquisition demonstrates Yuexiu REIT's strong ability to grow in other Tier 1 cities in the PRC. In addition, the Acquisition will enlarge Yuexiu REIT's investment portfolio by approximately 11.5% (on the basis of the Existing Properties' independent valuation as at 30 June 2015. The Manager believes that the Acquisition will complement Yuexiu REIT's strong establishment in Guangzhou with a new presence in Shanghai, capturing the growth potential from main financial and business hubs of the PRC. The Appraised Value of the Property as at 30 June 2015 will represent approximately 10.3% of Yuexiu REIT's enlarged investment portfolio (on the basis of the Existing Properties' independent valuation as at 30 June 2015. The Acquisition will diversify the sources of Yuexiu REIT's income and the current property portfolio of Yuexiu REIT.

(3) The Acquisition is consistent with Yuexiu REIT's investment objectives and growth strategy

The Manager's principal investment strategy for Yuexiu REIT is to invest in high quality income-producing commercial real estate in Guangzhou and other tier 1 cities in the PRC with capital appreciation potential. Given that the Property is a Grade-A office building located in one of the central business districts of Shanghai, the Manager believes the Acquisition is in line with Yuexiu REIT's investment objectives and growth strategy. The Acquisition will be the first acquisition from an independent third party for Yuexiu REIT and demonstrates Yuexiu REIT's ability to successfully source and secure quality assets from parties other than Yuexiu Property and outside of its traditional home market of Guangzhou. The Manager believes the successful completion of the Acquisition will enhance Yuexiu REIT's growth prospects through both third party and Yuexiu Property related acquisition opportunities.

(4) Positive outlook of strong reversion growth

As at 30 June 2015, the average rental rate of the office portion of the Property was RMB7.68 per sq.m per day, which exceeded the daily average rental rate of office properties in the Zhuyuan central business district by approximately 5.2%. The average rental rate of office properties in Little Lujiazui as at June 2015 was at RMB10.7 per sq.m per day compared to the average rental rate of office properties in Zhuyuan central business district of only RMB7.3 per sq.m per day. Given the proximity of the Little Lujiazui and Zhuyuan central business district, Zhuyuan central business district will take up excess demand from Little Lujiazui and there is potential rental reversion of the Property.

According to the Market Consultant's Report, the comparable buildings, namely China Fortune Tower, Lujiazhui Fund Tower, Lujiazhui Investment Tower and Lujiazhui Financial Services Plaza, were 100% occupied in the second quarter of 2015 due to strong demand from high quality tenants. The recent leasing transactions in Zhuyuan central business district ranged from RMB8.5 to RMB9.5 per sq.m per day. Based on the latest new lease of the Property, the highest rental rate of the office portion has reached RMB9.5 per sq.m per day, representing a substantial increase of 23.7% compared with the average rental rate of RMB7.68 per sq.m per day for the office portion of the Property as at 30 June 2015 and a 9.2% increase as compared to Shanghai overall grade A office rents of RMB8.7 per sq.m. per day as at 30 June 2015. For the leases newly signed and renewed in full year 2013, 2014 and first half of 2015, the average rental rate of the office portion has reached RMB6.8 per sq.m per day, RMB7.8 per sq.m per day and RMB9.0 per sq.m per day in their first year respectively, representing a growth of 14.7% in 2014 and 15.4% in 2015. As at 30 June 2015, the occupancy rates for the retail and office portions of the Property were 94.69% and 99.29% respectively. Following this positive trend, future rental growth will feed into a promising reversion rental growth upon the expiry of existing tenancies in the years 2016 and 2017 when the majority of the tenancies will expire, which will provide the Property with a more steady and positive future in the years to come.

(5) Enhance the overall quality of Yuexiu REIT's tenant mix and a steady income stream

The Property has strong occupancy and rental rates and a diversified tenant portfolio. As at 30 June 2015, the occupancy rates for the retail and office portions of the Property were 94.69% and 99.29% respectively. For the month of June 2015, the average rental rate per sq.m per day was RMB7.68 for the office portion and RMB6.07 for the retail portion. This offers a stable and attractive rental income stream for Yuexiu REIT after Completion. According to the Market Consultant's Report, the tenant distribution of Zhuyuan central business district is similar to that of Lujiazui, which is characterized by a large proportion of financial and securities companies. The Property has a high quality tenant mix that feature both large local and multinational tenants, which will further enhance the overall quality of the tenant mix of the property portfolio of Yuexiu REIT.

4. FINANCING OF THE ACQUISITION

On the assumption that there is no difference between the Benchmark Acquisition Price and the Final Acquisition Price, the Final Acquisition Price of USD381,684,710 (equivalent to approximately RMB2,335 million, as calculated based on the rate of USD1 = RMB6.1169) and the One-Off Fees and Charges of approximately RMB77 million shall be financed by drawing down on the New Offshore Facility of US$394 million (which is equivalent to approximately RMB2,400 million) in full and approximately RMB12 million of Yuexiu REIT's internal resources. Part of the Existing Onshore Facility will be repaid before Completion by the Project Company using RMB72 million of Yuexiu REIT's internal resources. The New Onshore Facility of RMB300 million will be used in full to fully repay the remaining outstanding amount of the Existing Onshore Facility (being RMB300 million) at Completion.

4.1 New Offshore Facility

The Manager has entered into a commitment letter with the New Offshore Lenders for the provision of the New Offshore Facility, which is intended to be drawn down in full to finance (together with Yuexiu REIT's internal resources) the payment of the Final Acquisition Price and the One-Off Fees and Charges.

The New Offshore Facility, to be provided to the Purchaser, will comprise two tranches:

(1) A tranche of up to the US$177 million, which will bear interest as follows: (i) first 6 months (LIBOR + 1.7% per annum); (ii) 7th to 12th month (LIBOR + 1.75% per annum); and (iii) thereafter (LIBOR + 2.123% per annum) (the "**Offshore 1 + 2 Tranche**"). Such tranche will mature and become repayable 1 year from the date of the New Offshore Facility agreement, and is extendable for another 2 years at the sole discretion of the Purchaser.

(2) A tranche of up to the US$217 million, which will bear interest as follows: interest as follows: (i) first 12 months (LIBOR + 1.88% per annum); and (ii) thereafter (LIBOR + 2.055% per annum) (the "**Offshore Term Tranche**"). Such tranche will mature and become repayable 3 years from the date of the New Offshore Facility agreement.

The New Offshore Facility will be secured by unconditional and irrevocable guarantees from the Trustee in favour of the New Offshore Lenders.

The terms and conditions of the New Offshore Facility described in this Circular are indicative only, and may be subject to change, depending on the market conditions at the time the New Offshore Facility is finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Offshore Facility may differ from, or may comprise additional or fewer terms and conditions as compared with, the indicative terms and conditions described in this Circular. To the extent that there are any material changes to the indicative terms and conditions described in this Circular, the Manager will issue an announcement to provide details of such changes.

4.2 New Onshore Facility

Pursuant to the Share Purchase Deed, the Seller shall procure that the Project Company shall cooperate in good faith with the provision of the New Onshore Facility by the New Onshore Lender to the Project Company at the reasonable direction of the Purchaser or the Manager, including but not limited to executing the documents, if required, in form and substance reasonably satisfactory to the Seller and taking the actions as reasonably requested by the Purchaser, the Manager or the New Onshore Lender as contemplated under the Share Purchase Deed. Part of the Existing Onshore Facility will be repaid before Completion by the Project Company using RMB72 million of Yuexiu REIT's internal resources. The New Onshore Facility will be used in full to fully repay the remaining outstanding amount of the Existing Onshore Facility at Completion. The New Onshore Loan requires majority lender's consent from the lenders under the Existing Onshore Loan, which is expected to be obtained prior to Completion.

Pursuant to a commitment letter entered into with the New Onshore Lender, the New Onshore Facility will be an amortized term facility of up to RMB300 million with minimum repayment semi-annually and its final maturity date will occur on a day that falls 3 years from the date of the New Onshore Facility agreement. The New Onshore Facility will bear interest at 110% of the PBOC lending rate per annum. The New Onshore Facility will be secured by an unconditional and irrevocable guarantee from the Trustee.

The terms and conditions of the New Onshore Facility described in this Circular are indicative only, and may be subject to change, depending on the market conditions at the time the New Onshore Facility is finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Onshore Facility may differ from, or may comprise additional or fewer terms and conditions as compared with, the indicative terms and conditions described in this Circular. To the extent that there are any material changes to the indicative terms and conditions described in this Circular, the Manager will issue an announcement to provide details of such changes.

4.3 Expected Gearing Ratio

The Manager expects the Gearing Ratio of Yuexiu REIT will increase from 31.0% (as at 30 June 2015) to approximately 36.7% immediately following Completion. Such Gearing Ratio is below the 45% limit permitted under the REIT Code.

5. INFORMATION ON THE PROPERTY AND THE TARGET GROUP

5.1 The Property

5.1.1 Description

The Property comprises a 25-storey (plus 2-level basement) Grade A office building with a retail portion and car parking spaces with a total gross floor area of 62,139.35 sq.m located in the Zhuyuan central business district of Pudong, Shanghai. After Completion, the Property will be wholly-owned by Yuexiu REIT through the Target Company and the Project Company. The Target Company is a special purpose vehicle incorporated in Hong Kong, whose principal business activity is the ownership of the entire equity interest in the Project Company, a wholly-owned foreign enterprise established in the PRC, which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Property.

A simplified chart showing the property holding structure of the Property as at the Latest Practicable Date and a simplified chart showing the property holding structure of the Property immediately after Completion are represented in section 2.2 headed "Current and Expected Holding Structure" in this Circular.

5.1.2 Surrounding Environment

The Property is located in the Zhuyuan central business district of Pudong Shanghai, two kilometers to the east of the Little Lujiazui Finance and Trade Zone. The Property has direct access to a number of metro stations by being strategically situated at the intersection of metro lines 2, 4, 6 and 9. According to the Market Consultant's Report, the Property is surrounded by a vast amount of retail and supporting facilities such as banks, convenience stores and restaurants. Zhuyuan serves as an extension of Shanghai's financial district and hosts key financial exchanges including Shanghai Futures Exchange, Shanghai Diamond Exchange and will soon be home to the Shanghai Stock Exchange as well as the China Securities Depository and Clearing Corporation which will drive demand for office spaces from financial industries. Zhuyuan is also located in the Shanghai Pilot Free Trade Zone, the development of which will further promote office demand in the region.

5.1.3 Key Information

The table below sets out certain key information on the Property as at 30 June 2015, unless otherwise indicated.

Address	388 Fushan Road, Pudong, Shanghai
Year and month of completion	September 2010
Term of land use rights(1)	Office and Retail: 50 years (expiring on 6 January 2055) Car park: 50 years (expiring on 6 January 2055)
Building ownership right	Building ownership certificate obtained on 29 September 2011. No expiry date.
Gross floor area	Office: 39,769.63 sq.m. Retail: 6,256.70 sq.m. Car park: 13,502.58 sq.m. Area for special use (management office, owners' committee office, bicycle park, refuge floor): 2,610.44 sq.m. **Total:** 62,139.35 sq.m.
Gross rentable area	Office: 39,769.63 sq.m. Retail: 6,256.70 sq.m. Car park: 13,502.58 sq.m. **Total:** 59,528.91 sq.m.
Number of car parking spaces	Aboveground: 27 Underground: 273
Number of tenants	107
Average rent (RMB/sq.m/day) (excluding car parking spaces) (for the month of June 2015)(2)	Office: 7.68 Retail: 6.07
Monthly rental income of car park space for 30 June 2015	RMB142,460
Percentage of gross rentable area leased to top 10 tenants (as at 30 June 2015)(3)	30.14%

Percentage of total monthly rent from top 10 tenants (as at 30 June 2015)(3)	32.17%
Occupancy rate(4)	Office: 99.29% Retail: 94.69%
Net Property Income for the six months ended 30 June 2015(5)	RMB46 million
Appraised Value as at 30 June 2015	RMB2,770 million

Notes:

(1) As advised by the Manager's PRC legal adviser, King & Wood Mallesons, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term, the approval shall be granted except that the land needs to be expropriated for social public interest. Upon approval on extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. Further, there is no expiry date regarding the building ownership right. As such, as advised by King & Wood Mallesons, unless the government plans to expropriate the land due to public interest, there will not be any material legal impediment for extension of the land use right.

(2) Average rent per leased sq.m is based on current gross (base) rent.

(3) Top 10 tenants (all being Independent Third Parties) by gross rentable area as at 30 June 2015.

(4) The occupancy rate is calculated based on leased gross rentable area excluding the car parking spaces as at 30 June 2015.

(5) Calculated by deducting property operating expenses from Gross Revenue based on information provided by the Seller. "**Gross Revenue**" consists of gross rental income and all income accruing or resulting from the operation of the Property, including property management fee income, advertising revenue and other revenues. Property operating expenses include direct property related expenses incurred by the Target Company, including, without limitation, property management fees, property agency fee, utilities expenses, insurance expenses, tax related expenses and expenses related to repairs and maintenance.

5.1.4 Tenant Profile and Details of Tenancy Mix

The table below sets out details of the overall tenant diversification of the Property, in terms of trade sub-sector by reference to total gross rentable area as at 30 June 2015 and total Gross Rental Income for the month ended 30 June 2015:

Trade sector	**Percentage by Gross Rentable Area**	**Percentage by Gross Rental Income**
Finance	39.93%	42.56%
Commercial service	29.54%	27.77%
Manufacturing	14.58%	13.56%
Food and beverage	2.80%	2.46%
Logistics	4.76%	4.44%
IT	5.45%	6.19%
Real estate	1.74%	1.67%
Others	1.21%	1.35%
Total	***100.0%***	***100.0%***

5.1.5 Schedule of Tenancy Expirations

Save as disclosed in this Circular, the typical tenancy terms are on normal commercial terms. The following table sets forth details of the percentage of expiries in respect of the tenancies of the Property as at 30 June 2015, which are scheduled to take place during the periods indicated below:

Period	**Gross Rentable Area of tenancies expiring as a percentage of total Gross Rentable Area[(1)]**	**Gross Rental Income of tenancies expiring as a percentage of total Gross Rental Income[(2)]**
Year ending 31 December 2015	13.61%	12.30%
Year ending 31 December 2016	28.69%	27.56%
Year ending 31 December 2017	34.54%	39.01%
Year ending 31 December 2018 and beyond	21.83%	21.13%
Vacant	1.34%	N/A
Total	100.0%	100.0%

Notes:

(1) Based on total gross rental area and total Gross Rental Income for the month ended 30 June 2015.

(2) The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies terminate after the fix lease terms.

5.1.6 Top ten tenants by monthly Gross Rental Income as at 30 June 2015 based on signed leases

No.	Trade sector	Tenancy expiry	Gross floor area (sq.m)	Proportion of gross area (sq.m)	Monthly Rent (RMB)	Proportion of monthly rent
1	Finance	28 February 2018	1,794.82	3.90%	485,873	4.71%
2	Manufacturing	15 July 2015, 30 June 2016	2,588.23	5.62%	479,569	4.64%
3	Finance	31 May 2016, 31 January 2017	1,673.59	3.64%	426,413	4.13%
4	Commercial Service	30 April 2017	1,258.32	2.73%	399,973	3.87%
5	Manufacturing	14 September 2017	1,332.76	2.90%	304,036	2.94%
6	Commercial Service	6 April 2017	1,009.18	2.19%	268,296	2.60%
7	Finance	15 October 2017	1.150.49	2.50%	262,456	2.54%
8	Logistics	21 October 2016	1,079.29	2.34%	233,082	2.26%
9	Finance	30 April 2018	836.64	1.82%	231,575	2.24%
10	Finance	10 August 2016	1,148.65	2.50%	230,591	2.23%

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

The tenants under the tenancies of the Property are not Connected Persons of Yuexiu REIT.

5.1.7 Delinquency Rates

No provision was made for unpaid rents for the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, in respect of the Property.

5.2 Property Valuation

Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has been appointed as the Independent Property Valuer to appraise the value of the Property for the purpose of the Acquisition. The Appraised Value of the Property (as assessed by the Independent Property Valuer as at 30 June 2015) was RMB2,770 million. The Target Property Price represents an approximately 5.2% discount to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method and discounted cash flow analysis cross-referenced with the direct comparison method. The income capitalisation method is based on the capitalisation of the current passing rental income as of the date of valuation and potential reversionary income over the remaining land use rights of the Property from the date of valuation on fully let basis in present value to arrive at the capital value. The discounted cash flow analysis is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Property, and is based on historical data with assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing rent. These assumptions determine the earning capability of the property upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner over a 10-year investment horizon; and the anticipated net property income stream receivable thereafter is capitalised at appropriate terminal capitalisation rate and adjusted to present value to reflect the capital value beyond the years until the end of land use rights' term. The direct comparison method is based on comparing the Property directly with other comparable properties which recently offered, changed hands or leased. For further details on the methods and bases of the valuations, please refer to Appendix 4 headed "Independent Property Valuer's Valuation Report".

As the Appraised Value only relates to the valuation of the Property, it does not take into account the financing and shareholding structure of the Property and is not equivalent to the value of the Target Group. Accordingly, the parties have agreed to adjust the Target Property Price in the manner described in section 2.3.1 headed "Share Purchase Deed - Consideration" in this circular.

5.3 Ownership

Yuexiu REIT will not directly hold the Property. Instead, the Property will be held on trust for Yuexiu REIT by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through the Purchaser, hold the Target Company. The Target Company owns the entire equity interest in the Project Company, which in turn is the legal and registered owner of the land use rights and building ownership rights underlying the Property.

The PRC legal adviser of the Manager, King & Wood Mallesons, has advised that the Project Company has legally obtained the state-owned land use rights in respect of the Property, it is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Property, and it has legal ownership of the Property and can legally own, use and deal with the Property in accordance with the relevant PRC laws. The PRC legal adviser of the Manager has also advised that the Project Company is the sole user of the land use rights and the sole owner of the building ownership rights underlying the Property and that such rights are free from encumbrances other than the existing mortgage and tenancies. The Property is currently mortgaged as security of the Existing Onshore Facility, which will be repaid and settled in full and all underlying securities relating thereto will be fully discharged and released at Completion. The PRC legal adviser of the Manager had advised that upon the discharge and release of such mortgages, the Project Company is free to sell or otherwise transfer the Property. Based on the above advice of the PRC legal adviser, the Manager is of the view that the Project Company has good, marketable, legal and beneficial title to the Property.

According to the *Law of the People's Republic of China on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term, the approval shall be granted except that the land needs to be expropriated for social public interest. Upon approval on extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. Further, there is no expiry date regarding the building ownership right. For the reasons above, the PRC legal adviser of the Manager has advised that there will not be any material legal impediments for the extension.

5.4 Tenancy Agreements

The tenancy agreements entered into for the Property are generally for terms ranging from 3 to 5 years, depending on factors such as the expiry and tenant profile of the Property. Most tenancies have fixed terms, but in some tenancy agreements the tenants and the landlord have agreed on an optional term for renewal apart from the fixed term, and in a few exceptional cases the parties have agreed on a cap for the rental increase rate within the optional term at the same time, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial office premises.

At the time of entering into a tenancy, the tenants of the Property are required to provide a security deposit, which is generally the aggregate of not more than 3 months' rent and management fees. Security deposits do not bear interest. Most of the tenants are required to pay their rents on or before the first day of each month. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, are commonly granted to the tenants by the landlord.

Under the tenancy agreements, the tenants are responsible for payment of building management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the tenants, according to most of the tenancy agreements, the landlord or the tenant shall be entitled to terminate the tenancy agreement upon serving one month's prior written notice to the other party. The tenants are not permitted to assign or sublet the premises, unless it is expressly agreed in the tenancy agreements that they may assign or sublet the leased property to affiliated enterprises of the tenants or third parties after the landlord's consent is given.

The majority of the tenancy agreements do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered therefrom and pay to the landlord an amount equivalent to three months' rental and management fees as liquidated damages. The landlord is entitled to forfeit all the security deposit paid and all the rental prepaid by such tenant to offset the liquidated damages and losses. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

5.5 Management Strategy

5.5.1 Overall Strategy

Should the Transaction be completed, the Manager intends to continue with the same key objectives and principal investment strategies for Yuexiu REIT. Certain aspects of these strategies are described below.

5.5.1.1 Increasing returns through asset enhancement

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

As at the Latest Practicable Date, the Manager had no specific plans for renovation or improvement of the Property. The Manager may or may not carry out such activities depending on the needs of the Property as the Manager considers appropriate.

5.5.1.2 Pro-actively managing and leasing properties

The Manager seeks to ensure that high quality services are provided to the tenants and customers of the properties of Yuexiu REIT. To this end, Yuexiu REIT will continue to provide professional training to its staff and monitor the performance of the property managers and the leasing agents to ensure the consistent and professional services are provided.

5.5.1.3 Maximising occupancy rate of the properties

The Manager will continue to maximise occupancy rate of the properties of Yuexiu REIT by offering competitive rental package, as well as by active marketing and promotions. The Manager will also continue to review and improve the tenant mix and facility layout of the properties so as to maximize the value of the properties of Yuexiu REIT.

5.5.2 Management of the Property

Upon Completion, the Manager will have the general power of management over the Property and its main responsibility is to manage the Property, as well as other assets and liabilities of Yuexiu REIT, for the benefit of the Unitholders.

5.5.2.1 New Property Management Agreement

At Completion, the Project Company and Yicheng Shanghai Branch shall enter into a new property management agreement (the "**New Property Management Agreement**"), pursuant to which Yicheng Shanghai Branch shall act as the property manager of the Property and provide overall management services in respect of the entire Property for a term commencing from the Completion Date to 31 December 2017.

Under the New Property Management Agreement, Yicheng Shanghai Branch will be entitled to collect a property management fee from the tenants at a rate of approximately RMB29 per sq.m per month for the office portion of the Property, and at a rate of up to RMB45 per sq.m per month for the retail portion of the Property (adjustable for Consumer Price Index increases) depending on the actual monthly property management expenses of the Property.

The fees are payable by the tenants directly to Yicheng Shanghai Branch. The property management fees collected by Yicheng Shanghai Branch will be used for payment of, among other things, the reimbursement of Yicheng Shanghai Branch's staff costs, common space maintenance expenses, cleaning and landscaping expenses, insurance expenses, relevant taxes as well as Yicheng Shanghai Branch's remuneration.

The services to be provided by Yicheng Shanghai Branch under the New Property Management Agreement include, among other things, upkeep, repair and maintenance services of the common areas and facilities of the Property, monitoring and security services, obtaining the relevant insurances required for the Property, drawing up a user manual and establishing local rules for the Property (which is subject to the approval of the Project Company), as well as producing annual property management plans (for the review and approval by the Project Company). Yicheng Shanghai Branch may appoint specialised service providers to carry out specialised property management functions but may not delegate the whole of its property management responsibilities under this agreement to another person.

Yicheng Shanghai Branch is a Connected Person of Yuexiu REIT under 8.1 of the REIT Code by virtue of being an indirectly-owned subsidiary of Yuexiu Property. Accordingly, the New Property Management Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which falls within the scope of "property management agreements" described in the 2014 Extended Waiver. For further details, please see section 7.6 in this circular.

Yicheng Shanghai Branch will also on or after Completion engage the Existing Property Manager as property management consultant of the Property for a term of 3 months to ensure the continuance of property management services, smooth transition of property management responsibility and leverage the Existing Property Manager's knowledge of local market and the Property.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Colliers is not a Connected Person of Yuexiu REIT and is a third party independent of Yuexiu REIT and its Connected Persons.

5.5.2.2 Tenancy Services Agreement

The Manager and the Project Company shall enter into a tenancy services agreement (the "**Tenancy Services Agreement"**) with GZAM Shanghai Branch on or after Completion pursuant to which GZAM Shanghai Branch will provide tenancy services to all tenants of the Property for a term commencing from the Completion Date to 31 December 2017 and as consideration for such services, an annual leasing agents' fee of 3% of the gross annual rental for the Property will be charged. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the "tenancy services agreement" described in the 2014 Extended Waiver. For further details of the fees payable and the types of services provided for under the "tenancy services agreement", please refer to the 2014 Extended Waiver.

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

GZAM Shanghai Branch is a Connected Person of Yuexiu REIT under 8.1 of the REIT Code by virtue of being an indirectly wholly-owned subsidiary of Yuexiu Property. Accordingly, the Tenancy Services Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which falls within the scope of "tenancy services agreements" described in the 2014 Extended Waiver. For further details, please see section 7.6 in this circular.

5.5.2.3 Car Park Master Lease Agreement

The Manager and the Project Company shall enter into a car park master lease agreement (the "**Car Park Master Lease Agreement"**) with Yicheng Shanghai Branch on or after Completion, pursuant to which the car parks as a whole will be master-leased to Yicheng Shanghai Branch for the period commencing from the Completion Date to 31 December 2017 for RMB1.8 million per year.

Yicheng Shanghai Branch is a Connected Person of Yuexiu REIT under 8.1 of the REIT Code by virtue of being an indirectly non-wholly owned subsidiary of Yuexiu Property. Accordingly, the Car Park Master Lease Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which falls within the scope of "leasing transactions" described in the 2014 Extended Waiver. For further details, please see section 7.6 in this circular.

5.6 Competition

The Property is located in a maturing business district and benefits from the growing population within its immediate catchment area. In addition, it is well-served by public transportation systems which add to the ease of access. The Property caters mainly to the needs and necessities of office tenants in the catchment area. The Market Consultant has prepared a report analysing, among other things, the competitive conditions of the Property. For details, please refer to Appendix 5 headed "Market Consultant's Report".

5.7 Information on the Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and the Project Company is a wholly-foreign owned enterprise established in the PRC. The Target Company owns the entire equity interest in the Project Company, which in turn is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Property. Under the business licence (營業執照) currently in force, the term of operation of the Project Company is from 26 September 2001 to 25 September 2041. The PRC legal adviser of the Manager, King & Wood Mallesons, has advised that there is no legal impediment for the renewal of the term of operation of the Project Company as such renewal will primarily involve formality procedures. As advised by the Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, the unremitted retained earnings of the Project Company will be subject to a 10.0% withholding tax based on the business nature of the Target Company in the track record period. King & Wood Mallesons has further advised that, there is no legal impediment on the remittance of dividends on retained earnings of the Project Company out of the PRC to the Target Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC foreign investment, tax and foreign exchange laws and regulations.

Based on the Seller's warranties, the Target Company and the Project Company will not at Completion have any business operations other than the investment in the Project Company and the investment, holding, leasing and management of the Property.

Based on the Seller's warranties, none of the Target Company and the Project Company currently had any employees as at 30 June 2015. Under the Share Purchase Deed, the Seller shall procure that all labour contracts and employment relationships between the Project Company and all its employees shall have been effectively terminated on or before the date of Completion in accordance with PRC laws and regulations and all amounts payable by the Project Company to its employees shall have been fully paid on or before Completion.

6. FINANCIAL EFFECTS OF THE TRANSACTION

6.1 Pro Forma Financial Effects of the Acquisition

The pro forma financial effects of the Acquisition on distributable income and NAV below are strictly for illustrative purposes and were prepared based on:

(a) the unaudited interim condensed financial information of Yuexiu REIT for the six months ended 30 June 2015; and

(b) the audited financial information of the Target Group for the six months ended 30 June 2015 as set out in Appendix 2 headed "Accountant's Report of the Target Company" to this Circular,

and assuming:

(1) the pro forma fair values of the identifiable assets and liabilities of equity interest of the Target Group approximated their respective carrying amounts;

(2) the aggregate net proceeds from the drawdown of the New Offshore Facility and the New Onshore Facility is RMB2,700,000,000; and

(3) other matters stated in sections 6.2 to 6.4 in this circular.

The Manager considers the above assumptions to be appropriate and reasonable as at the date of this Circular. However, Unitholders should consider the information outlined below in light of such assumptions and make their own assessment of the future performance of Yuexiu REIT.

Based on the pro forma financial effects of the Transaction as stated in this section as well as Appendix 3 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" which provides a more detailed illustration of the financial effects of the Transaction, the Manager does not foresee any material adverse impact on the financial position of Yuexiu REIT as a result of the Transaction.

Unitholders should note that the financial effects of the Transaction is on a pro forma basis and is subject to the assumptions set out in Appendix 3 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" to the Circular. Accordingly, they do not represent the actual financial position of Yuexiu REIT as a result of the Transaction in the future.

6.2 PRO FORMA DPU

The pro forma financial effects of the Acquisition on the DPU for the six months ended 30 June 2015, as if the Acquisition was completed on 1 January 2015, and Yuexiu REIT had held and operated the Property through to 30 June 2015, are as follows:

	Before the Acquisition(1)	**After the Acquisition**(2)
Distributable Income (RMB'000)	341,689	351,665
Issued Units ('000)	2,815,277(3)	2,831,013(4)
DPU (RMB)	0.1213(5)	0.1242(6)

Notes:

(1) Based on the unaudited interim condensed consolidated distribution statement of Yuexiu REIT for the six months ended 30 June 2015.

(2) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the Target Group as at and for the six months ended 30 June 2015; and (ii) assuming the acquisition of the Property was completed on 1 January 2015.

(3) Number of issued Units as at 30 June 2015.

(4) Number of issued Units as at 30 June 2015 and 14,003,000 new Units to be issued for the payment of the Manager's fee for Yuexiu REIT and 1,733,000 new Units to be issued pursuant to the Transaction for payment of the Manager's fee for the Target Group, assuming that the Acquisition had been completed on 1 January 2015.

(5) DPU of Yuexiu REIT for the six months ended 30 June 2015 as stated in Yuexiu REIT's 2015 interim results announcement.

(6) Computed based on the distributable income of the Enlarged Group as at 30 June 2015.

As disclosed in the 2012 Circular, the Manager's distribution policy intends (but is not obliged as the Additional Items (as defined in the 2012 Circular) do not fall within the definition of Total Distributable Income (as defined in the 2012 Circular)) to distribute, subject to certain factors disclosed therein, at least 100% of the aggregate of: (a) Total Distributable Income; and (b) the sum of certain items, including (among others) expenses incurred in connection with any transaction in which a transfer of ownership, asset or business is involved (whether in whole or in part) that are recorded in the profit and loss account and are funded by proceeds from the issue of new Units or convertible or other debt instruments, but only to the extent that such amount is not already included in the calculation of Total Distributable Income, until financial year 2016. The pro forma distributable income in respect of the Enlarged Group is determined in accordance with the calculation formula stipulated in the Trust Deed and the distribution policy as disclosed in the 2012 Circular. For the avoidance of doubt, the Manager's current distribution policy as disclosed in the 2012 Circular goes beyond the minimum distribution required under the Trust Deed.

In view of the above, the Manager intends to adjust the Total Distributable Income by the One-Off Fees and Charges in the next distribution period after Completion. Accordingly, the One-Off Fees and Charges were deducted from profit and loss as expenses but were added back as distributable income in the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in Appendix 3 of this Circular.

6.3 Pro Forma net assets attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition on the net assets attributable to Unitholders per Unit as at 30 June 2015, as if the Acquisition was completed on 30 June 2015, are as follows:

	Before the Acquisition	**After the Acquisition**
Net assets attributable to Unitholders (RMB'000)	13,447,127[(1)]	13,376,965[(2)]
Issued Units ('000)	2,815,277[(3)]	2,831,013[(4)]
Net assets (including net assets attributable to deferred Unitholders) attributable to existing Unitholders per Unit (RMB)	4.78	4.73

Notes:

(1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2015.

(2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated balance sheet of Yuexiu REIT and the audited financial information of the Target Group as at 30 June 2015; and (ii) assuming the acquisition was completed on 30 June 2015.

(3) Number of issued Units as at 30 June 2015.

(4) Number of issued Units as at 30 June 2015 and 14,003,000 new Units to be issued for the payment of the Manager's fee for Yuexiu REIT and 1,733,000 new Units to be issued pursuant to the Transaction for payment of the Manager's fee for the Target Group, assuming that the Acquisition had been completed on 1 January 2015.

6.4 Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of Yuexiu REIT as at 30 June 2015, as if Yuexiu REIT had completed the Transaction on 30 June 2015.

	Actual *(RMB'000)*	After the Acquisition *(RMB'000)*
Total debt [1]	7,809,199	10,509,199
Net assets attributable to Unitholders	13,447,127	13,376,965
Total capitalisation [2]	21,256,326	23,886,164

Notes:

(1) Total debt represents total current and non-current borrowings.

(2) Total capitalisation equals to total debt plus net assets attributable to Unitholders.

7. IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED

7.1 Independence of Counterparties

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, the Target Group Companies and their ultimate beneficial owners, as well as the Escrow Agent (which is a third party independent of the Purchaser and, based on information provided by the Seller, the Seller), the New Offshore Lenders, the New Onshore Lender, the WI Insurer and the tenants under the current tenancies of the Property, are not Connected Persons of Yuexiu REIT.

7.2 Major Transaction

As the Target Property Price represents approximately 26.8% of the total market capitalisation of Yuexiu REIT, based on the average closing price of Yuexiu REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of the Share Purchase Deed, the Transaction constitutes a major transaction of Yuexiu REIT under the Listing Rules (as if applicable to Yuexiu REIT) and requires Unitholders' approval by way of an Ordinary Resolution under the Trust Deed.

7.3 Ordinary Resolution

Please refer to the EGM Notice for the proposed EGM Resolution in relation to the Transaction. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the proposed EGM Resolution has been passed.

7.4 Restrictions on Voting

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 Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that no Unitholders are required to abstain from voting at the EGM in respect of the Transaction.

7.5 Submissions made to the SFC in respect of 7.5(d) of the REIT Code

7.5(d) of the REIT Code provides that the scheme shall have no more than two layers of SPVs. The scheme may hold real estate through special purpose vehicles ("***SPVs***") only if the scheme has no more than two layers of special purpose vehicles. As indicated in the note to 7.5(d) of the REIT Code, the Commission has the discretion to allow a scheme to have additional layer(s) of special purpose vehicles if justified by the particular circumstances.

As set out in section 2.2 headed "Current and Expected Holding Structure" in this Circular. the current holding structure of the Property involves four layers of SPVs and, upon Completion, three layers of SPVs. The current holding structure has been in place since the time of establishment of the Project Company. At such time, such a structure was put in place to facilitate:

(i) group reorganisation and the disposal of property interests through ultimate or intermediate holding companies to achieve savings in transaction costs;

(ii) investment by strategic investors, who have the option of acquiring an indirect interest in the Target Property at an offshore level; and

(iii) the arrangement of offshore financing for the Property.

The Manager has made a submission in respect of 7.5(d) of the REIT Code to the SFC for the purpose of facilitating future group reorganisation and disposal of property interests through an intermediate holding company (for example, to achieve savings in transaction costs), subject to the condition that there will be no change to the maximum number of three layers of SPVs used by Yuexiu REIT for holding of the Property without further approval of the SFC.

7.6 New Property Management Agreement, Tenancy Services Agreement and Car Park Master Lease Agreement

On 11 December 2014, the SFC granted an extension of a waiver from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions between the REIT on the one hand and certain Connected Persons on the other hand (the "**2014 Extended Waiver**").

As disclosed in section 5.5.2.1 headed "New Property Management Agreement" in this Circular, the New Property Management Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. The New Property Management Agreement and the transactions contemplated thereunder fall within the scope of the "property management arrangements" described in the 2014 Extended Waiver. As the fees payable under the New Property Management Agreement will be paid by the relevant tenants rather than Yuexiu REIT or its property holding companies, on this basis, no annual monetary caps are required in respect of such fees.

As disclosed in section 5.5.2.2 headed "Tenancy Services Agreement" in this Circular, the Tenancy Services Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the "tenancy services agreements" described in the 2014 Extended Waiver (the "**Connected TSAs**"). The Manager expects that the aggregate annual amounts of: (i) fees payable by Yuexiu REIT to GZAM Shanghai Branch under the Tenancy Services Agreement; and (ii) the aggregate amounts of fees payable by Yuexiu REIT to the relevant leasing agents under the tenancy services agreements for the Existing Properties, for each of the three financial years ending 31 December 2015, 2016 and 2017 respectively will not exceed the respective annual caps for the Connected TSAs for the three financial years ending 31 December 2015, 2016 and 2017 under the 2014 Extended Waiver granted by the SFC. Accordingly, no modification of extension of the 2014 Extended Waiver is necessary as a result of the entering into of the Tenancy Services Agreement and the transactions contemplated thereunder.

As disclosed in section 5.5.2.3 headed "Car Park Master Lease Agreement″ in this Circular, the Car Park Master Lease Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. On 11 December 2014, the SFC granted the 2014 Extended Waiver. The Car Park Master Lease Agreement and the transactions contemplated thereunder fall within the scope of the "leasing transactions" described in the 2014 Extended Waiver (the "**Connected Leasing Transactions**"). The Manager expects that the aggregate annual amounts of: (i) fees payable to Yuexiu REIT by Yicheng Shanghai Branch under the Car Park Master Lease Agreement; and (ii) the aggregate amounts of fees payable to Yuexiu REIT by the relevant lessees under the tenancy agreements for the Existing Properties, for each of the three financial years ending 31 December 2015, 2016 and 2017 respectively will not exceed the respective annual caps for the Connected Leasing Transactions for the three financial years ending 31 December 2015, 2016 and 2017 under the 2014 Extended Waiver granted by the SFC. Accordingly, no modification of extension of the 2014 Extended Waiver is necessary as a result of the entering into of the Car Park Master Lease Agreement and the transactions contemplated thereunder.

Based on the tenancy profile and information available to the Manager as at the Latest Practicable Date, the Manager confirms that other than the New Property Management Agreement, Tenancy Services Agreement and Car Park Master Lease Agreement, there are no other continuing connected party transactions that will arise as a result of the Acquisition.

The Board (including the independent non-executive Directors) considers that, subject to Completion, each of the New Property Management Agreement, Tenancy Services Agreement and Car Park Master Lease Agreement: (i) is in the ordinary and usual course of business of Yuexiu REIT; (ii) will be entered into at arm's length basis and on normal commercial terms; (iii) is fair and reasonable; and (iv) is in the interests of Yuexiu REIT , the independent Unitholders and the Unitholders as a whole.

7.7 Purchaser has Discretion

Given the Acquisition is dependent on the satisfaction of the Conditions, for the avoidance of doubt, Unitholders should note that the Purchaser has the discretion, after consultation with and taking instructions from the Manager, to not proceed with the Acquisition if any of the Conditions shall not have been fulfilled prior to the Long Stop Date.

8. RECOMMENDATIONS

8.1 Directors

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the proposed Transaction as described in this Circular, including but not limited to the terms of the Seller Indemnity and the determination of the Final Acquisition Price, the Board (including the independent non-executive Directors) considers that the Transaction: (i) is on normal commercial terms; (ii) is in the ordinary and usual course of business of Yuexiu REIT; (iii) is consistent with the investment objectives and strategy of Yuexiu REIT; (iv) will be entered into at arm's length basis and on normal commercial terms; (v) is fair and reasonable; and (vi) is in the interests of Yuexiu REIT and the Unitholders as a whole in accordance with the REIT Code and accordingly, recommend that the Unitholders vote at the EGM in favour of the resolution in respect of the Transaction.

8.2 Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; and (2) the Independent Property Valuer's Valuation Report and the Market Consultant's Report as set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code is of the view that (a) the Acquisition is consistent with Yuexiu REIT's established investment objectives and strategy; and (b) has no objection to the Purchaser proceeding with the Acquisition, subject to the approval of the Unitholders.

This view is not to be taken as a recommendation or representation by the Trustee of the merits of the Acquisition.

The Trustee has not made any assessment of the merits or impact of the Acquisition, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Acquisition, to seek their own financial or other professional advice.

9. RESPONSIBILITY STATEMENTS OF THE MANAGER AND THE DIRECTORS

For the purposes of paragraphs 5.2A and 10.10(t) of the REIT Code, 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 in this Circular misleading.

10. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 10:30 a.m. on 24 August 2015 at Plaza 3 & 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 amendments, the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-2 of this Circular.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed from 21 August 2015 to 24 August 2015 (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 Yuexiu 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 20 August 2015.

You can vote at the EGM if you are a Unitholder on 24 August 2015 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-2 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 Yuexiu 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.

11. 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

The financial information of Yuexiu REIT for the past three financial years and for the six months ended 30 June 2015 has been published in the reports as follows:

(1) the financial information of Yuexiu REIT for the six months ended 30 June 2015 is disclosed in the interim results announcement of Yuexiu REIT for the six months ended 30 June 2015 dated 28 July 2015, from pages 18 to 51;

(2) the financial information of Yuexiu REIT for the year ended 31 December 2014 is disclosed in the annual report of Yuexiu REIT for the year ended 31 December 2014 published on 13 February 2015, from pages 130 to 183;

(3) the financial information of Yuexiu REIT for the year ended 31 December 2013 is disclosed in the annual report of Yuexiu REIT for the year ended 31 December 2013 published on 13 March 2014, from pages 163 to 224; and

(4) the financial information of Yuexiu REIT for the year ended 31 December 2012 is disclosed in the annual report of Yuexiu REIT for the year ended 31 December 2012 published on 13 March 2013, from pages 174 to 228.

The interim results announcement of Yuexiu REIT for the six months ended 30 June 2015 and the annual reports of Yuexiu REIT for the years ended 31 December 2014, 2013 and 2012 have been published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of Yuexiu REIT (www.yuexiureit.com).

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

6 August 2015

The Directors
Yuexiu REIT Asset Management Limited
(as the Manager of Yuexiu Real Estate Investment Trust)

Dear Sirs,

We report on the financial information of Bestget Enterprises Limited (the "Target Company") and its subsidiary (together, the "Target Group"), which comprises the consolidated and company balance sheets of the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Yuexiu REIT Asset Management Limited (the "Manager"), the Manager of Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), and is set out in Sections I to III below for inclusion in Appendix 2 to the circular of Yuexiu REIT dated 6 August 2015 (the "Circular") in connection with the proposed acquisition of the Target Company by Yuexiu REIT.

The Target Company was incorporated in Hong Kong on 15 December 2000 as a limited liability company under the Hong Kong Companies Ordinance.

As at the date of this report, the Target Company has direct interest in the subsidiary as set out in Note 13 of Section II below.

The consolidated financial statements of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with the Target Company.

The directors of the Target Company during the Relevant Periods are responsible for the preparation of the consolidated financial statements of the Target Company that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the audited consolidated financial statements of the Target Company with no adjustment made thereon.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Financial Information

The directors of the Manager are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by Yuexiu REIT and its subsidiaries (together, the "Group") as set out in the interim results announcement of Yuexiu REIT for the six months ended 30 June 2015.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Target Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix 2 to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Company for the six months ended 30 June 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Manager are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the interim result announcement of Yuexiu REIT for the six months ended 30 June 2015.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of Yuexiu REIT Asset Management Limited (the "Manager") as at 31 December 2012, 2013 and 2014 and 30 June 2015 and for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 (the "Financial Information"):

(A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Section II Note	**Year ended 31 December**			**Six months ended 30 June**	
		2012	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	5	66,956	91,724	116,066	55,386	62,385
Operating expenses	6	(25,727)	(27,055)	(31,022)	(14,971)	(17,627)
Fair value gain/(loss) on investment property	12	137,570	304,393	37,493	13,628	(38,920)
Other income, net		2,210	3,304	2,405	206	968
Finance income	7	259	289	266	105	206
Finance expenses	8	(38,907)	(42,382)	(29,380)	(14,170)	(13,739)
Profit/(loss) before income tax		142,361	330,273	95,828	40,184	(6,727)
Income tax (expense)/credit	9	(45,998)	(105,653)	(30,766)	(12,599)	2,723
Profit/(loss) for the year/period		96,363	224,620	65,062	27,585	(4,004)
Other comprehensive income for the year/period:		—	—	—	—	—
Total comprehensive income/(loss) for the year/period		96,363	224,620	65,062	27,585	(4,004)

(B) CONSOLIDATED BALANCE SHEETS

	Section II Note	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Plant and equipment	11	50	31	13	15
Investment property	12	2,452,000	2,761,000	2,805,000	2,770,000
		2,452,050	2,761,031	2,805,013	2,770,015
Current assets					
Prepayment and other receivables	14	4,839	7,957	8,649	9,612
Cash and cash equivalents	15	83,728	50,443	112,735	126,611
		88,567	58,400	121,384	136,223
Total assets		2,540,617	2,819,431	2,926,397	2,906,238
LIABILITIES					
Current liabilities					
Amount due to the immediate holding company	24	73	71	29	38
Bank borrowings	17	8,400	4,000	372,621	370,239
Receipts in advance		10,560	11,198	11,536	11,438
Rental deposits	16	4,333	10,409	13,313	12,525
Accruals and other payables	16	19,057	4,664	8,513	2,823
Tax payable		—	—	3,889	4,049
		42,423	30,342	409,901	401,112
Non-current liabilities					
Bank borrowings	17	410,217	369,598	—	—
Rental deposits	16	17,970	19,211	24,277	25,731
Deferred tax liabilities	20	594,715	700,368	727,245	718,425
		1,022,902	1,089,177	751,522	744,156
Total liabilities		1,065,325	1,119,519	1,161,423	1,145,268
Net assets		1,475,292	1,699,912	1,764,974	1,760,970

	Section II Note	As at 31 December 2012	2013	2014	As at 30 June 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Capital and reserves attributable to equity holders of the Target Company					
Share capital	18	265,526	265,526	265,526	265,526
Retained earnings		1,209,766	1,434,386	1,499,448	1,495,444
Total equity		1,475,292	1,699,912	1,764,974	1,760,970
Total equity and liabilities		2,540,617	2,819,431	2,926,397	2,906,238

(C) BALANCE SHEET

	Section II Note	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investment in a subsidiary	13	234,954	234,954	234,954	234,954
Loan to a subsidiary	13	28,177	27,313	27,412	27,389
		263,131	262,267	262,366	262,343
Current assets					
Prepayment	14	4	—	—	—
Cash and cash equivalents	15	229	139	—	—
		233	139	—	—
Total assets		263,364	262,406	262,366	262,343
LIABILITIES					
Current liabilities					
Amount due to the immediate holding company	24	73	71	29	38
Accruals and other payables	16	76	64	40	65
		149	135	69	103
Net assets		263,215	262,271	262,297	262,240
EQUITY					
Share capital	18	265,526	265,526	265,526	265,526
Accumulated losses	19	(2,311)	(3,255)	(3,229)	(3,286)
Total equity		263,215	262,271	262,297	262,240

(D) CONSOLIDATED STATEMENT OF CASH FLOWS

	Section II Note	As at 31 December 2012	2013	2014	As at 30 June 2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Cash generated from operations	21	58,372	58,436	98,890	34,212	39,654
Interest paid		(39,509)	(41,901)	(26,357)	(12,776)	(12,121)
Tax paid		—	—	—	484	(5,937)
Net cash generated from operating activities		18,863	16,535	72,533	21,920	21,596
Cash flows from investing activities						
Additions of plant and equipment		—	—	—	—	(6)
Additions of investment property		(10,530)	(4,607)	(6,507)	(529)	(3,920)
Interest received		259	289	266	105	206
Net cash used in investing activities		(10,271)	(4,318)	(6,241)	(424)	(3,720)
Cash flows from financing activities						
Proceeds from new bank borrowings		1,584	380,000	—	—	—
Repayment of bank borrowings		(1,500)	(425,500)	(4,000)	—	(4,000)
Issuance of shares		19,858	—	—	—	—
Net cash (used in)/generated from financing activities		19,942	(45,500)	(4,000)	—	(4,000)
Net increase/(decrease) in cash and cash equivalents		28,534	(33,283)	62,292	21,496	13,876
Cash and cash equivalents at beginning of the year/period		55,199	83,728	50,443	50,443	112,735
Exchange loss on cash and cash equivalents		(5)	(2)	—	—	—
Cash and cash equivalents at end of the year/period	15	83,728	50,443	112,735	71,939	126,611

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 18)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2012	243,176	1,113,403	1,356,579
Issuance of shares	22,350	—	22,350
Comprehensive income			
Profit for the year	—	96,363	96,363
Total comprehensive income	—	96,363	96,363
At 31 December 2012	265,526	1,209,766	1,475,292
Balance at 1 January 2013	265,526	1,209,766	1,475,292
Comprehensive income			
Profit for the year	—	224,620	224,620
Total comprehensive income	—	224,620	224,620
At 31 December 2013	265,526	1,434,386	1,699,912
Balance at 1 January 2014	265,526	1,434,386	1,699,912
Comprehensive income			
Profit for the year	—	65,062	65,062
Total comprehensive income	—	65,062	65,062
At 31 December 2014	265,526	1,499,448	1,764,974
Balance at 1 January 2015	265,526	1,499,448	1,764,974
Comprehensive income			
Loss for the period	—	(4,004)	(4,004)
Total comprehensive loss	—	(4,004)	(4,004)
At 30 June 2015	265,526	1,495,444	1,760,970

	Share capital (Note 18) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2014	265,526	1,434,386	1,699,912
Comprehensive income			
Profit for the period	—	27,585	27,585
Total comprehensive income	—	27,585	27,585
At 30 June 2014	265,526	1,461,971	1,727,497

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Bestget Enterprises Limited (the "Target Company") and its subsidiaries (together the "Target Group") is principally engaged in leasing of commercial properties in Mainland China ("China").

The Target Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 1, 8/F., New Henry House, 10 Ice House Street, Central, Hong Kong.

The financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Periods") presented, unless otherwise stated.

2.1 Basis of preparation

The financial information of the Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial information has been prepared under the historical cost convention, as modified by the revaluation of investment property which is stated at fair value.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The preparation of the financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 of Section II.

At 30 June 2015, the Target Group's current liabilities exceeded its current assets by approximately RMB264,889,000. This is mainly because certain bank borrowings of approximately RMB370,239,000 will fall due within twelve months from the balance sheet date. The directors aim to obtain additional banking facilities in order to improve the liquidity of the Target Group. As such, the directors of Yuexiu REIT Asset Management Limited (the "Manager") believe that the Target Group will continue as a going concern and consequently have prepared the Financial Information on a going concern basis.

New standards and amendments, revisions and interpretation to existing standards effective in 2015

The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKAS 19 (Amendment)	Employee benefits
Annual improvements 2010-2012 cycle	Improvements to HKFRSs
Annual improvements 2011-2013 cycle	Improvements to HKFRSs

The adoption of these amended standards and interpretation did not result in any significant impact on the results and financial position of the Group.

New standards and amendments, revisions and interpretation to existing standards have been issued but are not yet effective for the six months ended 30 June 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosures Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

The directors of the Manager anticipate that the adoption of these standards, amendments to standards and interpretations would not result in any significant impact on the results and financial position of the Target Group. The Target Group will adopt these new standards, amendments to standards and interpretations when they become effective.

2.2 Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

2.3 Separate financial statements

Investment in subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investment in subsidiary is required upon receiving a dividend from these investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

The Target Group mainly engages in leasing of commercial properties in China, accordingly, there is only one business and geographical segment for the Target Group's operations.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in RMB, which is the Target Group's presentation currency. The Target Company's functional currency is RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "finance income" or "finance expenses". All other foreign exchange gains and losses are presented in the profit or loss within "other income, net".

2.6 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture, fixtures and office equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "operating expenses" in the profit or loss.

2.7 Investment property

Investment property, principally comprising shopping mall and office building, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Target Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If the information is not available, the Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cashflows projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the profit or loss.

2.8 Impairment of non-financial assets

Assets that are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Loan and other receivables

Loan and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

An allowance for impairment of loan and other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Subsequent recoveries of amounts previously written off are credited to the profit or loss.

If collection of loan and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.10 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Other payables

Other payables are obligations to pay for goods or services that have been acquired from suppliers. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Provisions

Provisions are recognised when: the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Rental deposits

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the Target Group enters into lease agreement directly with tenants. They are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current liabilities.

Rental deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. At initial recognition, the difference between the carrying amount of the financial liability and the actual consideration received is treated as initial premiums and recognised as rental income over the lease term, on a straight-line basis.

2.14 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilits are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for rental income in the ordinary course of the Target Group's activities. The Target Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities as described below.

(i) Rental income

Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the Target Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred assets included in prepayments and other receivables.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

3 Financial risk management

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: cash flow interest rate risk, credit risk, and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Cash flow interest rate risk

The Target Group's cash flow interest rate risk mainly arises from bank borrowings. Bank borrowings issued at variable rates expose the Target Group to cash flow interest rate risk which is partially offset by cash held at variable rate. If interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year/period would have been approximately RMB2,881,000, RMB2,513,000, RMB2,529,000 and RMB2,584,000 million lower/higher for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively, mainly as a result of higher/lower interest expense on floating rate borrowings, net of interest income from bank deposits.

(b) Credit risk

Credit risk arises from receivables and cash and cash equivalents.

The Target Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The carrying amounts of other receivables and cash and bank balances included in the consolidated balance sheet represents the Target Group's maximum exposure to credit risk in relation to these financial assets.

The credit risk for bank balances is considered to be minimal as such amounts are mainly placed with major international and local banks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow.

The table below analyses the Target Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year	Between one and five years	Over five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Group				
At 31 December 2012				
Amount due to the immediate holding company	73	—	—	73
Bank borrowings and interest payable	44,026	458,420	—	502,446
Rental deposits	4,333	19,811	742	24,886
Accrual and other payables	16,702	—	—	16,702
At 31 December 2013				
Amount due to the immediate holding company	71	—	—	71
Bank borrowings and interest payable	29,707	400,589	—	430,296
Rental deposits	12,635	21,524	226	34,385
Accrual and other payables	4,523	—	—	4,523
At 31 December 2014				
Amount due to the immediate holding company	29	—	—	29
Bank borrowings and interest payable	400,589	—	—	400,589
Rental deposits	16,014	27,283	—	43,297
Accrual and other payables	3,471	—	—	3,471
At 30 June 2015				
Amount due to the immediate holding company	38	—	—	38
Bank borrowings and interest payable	384,867	—	—	384,867
Rental deposits	13,702	28,838	—	42,540
Accrual and other payables	2,233	—	—	2,233

	Less than one year
	RMB'000
Target Company	
At 31 December 2012	
Amount due to immediate holding company	73
Other payables	76
At 31 December 2013	
Amount due to immediate holding company	71
Other payables	64
At 31 December 2014	
Amount due to immediate holding company	29
Other payables	40
At 30 June 2015	
Amount due to immediate holding company	38
Other payables	65

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings (including current and non-current borrowings) divided by total asset value as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2012, 2013, 2014 and 30 June 2015 were as follows:

	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total bank borrowings (Note 17)	418,617	373,598	372,621	370,239
Total assets	2,540,617	2,819,431	2,926,397	2,906,238
Gearing ratio	16%	13%	13%	13%

3.3 Fair value estimation

The carrying values of the Target Group's financial assets and liabilities are a reasonable approximation of their fair values. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

4 Critical accounting estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Estimate of fair value of investment property

The fair value of the investment property is determined at each reporting date by independent valuers based on a market value assessment. The valuers have relied on the discounted cash flow analysis, the direct comparison method and the income capitalisation approach as their primary methods. Details of the valuation techniques and assumptions have been disclosed in Note 12.

(b) Income taxes

The Target Group is subject to income taxes primarily in China. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in HKFRS that investment properties measured at fair value are recovered through sale. The investment properties of the Group are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Hence the presumption is rebutted and the deferred tax on revaluation of investment property held by the Target Group is calculated at the applicable tax rate.

5 Revenue and segment information

Turnover mainly consists of rental income and property management fee income. All the revenue of the Target Group during the Relevant Periods is from external tenants.

The Target Group's revenue from external tenants is derived solely from its operation in China and the non-current assets of the Target Group are also located in China. The additions to non-current assets for each of the Relevant Periods are the addition to the plant and equipment and investment property as set out in Note 11 and Note 12, respectively.

The Target Group's revenue by nature is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental income	56,933	76,960	99,954	47,340	54,254
Property management fee income	10,023	14,764	16,112	8,046	8,131
	66,956	91,724	116,066	55,386	62,385

6 Expenses by nature

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Property management fee	3,030	3,152	4,172	1,715	1,973
Property agency fee	5,802	4,348	4,674	2,662	3,743
Real estate tax	4,321	4,321	5,667	2,170	2,833
Business tax and other taxes	3,591	5,471	6,784	3,392	3,430
Depreciation of plant and equipment *(Note 11)*	22	19	18	9	4
Cleaning	1,330	1,452	1,365	707	698
Security expense	1,013	1,043	1,096	550	588
Utilities	3,276	3,461	3,174	1,400	1,319
Repair and maintenance	876	1,862	1,809	865	1,727
Legal and professional fee	593	143	255	198	135
Auditor's remuneration	260	342	350	350	316
Insurance expense	334	265	228	114	113
Others	1,279	1,176	1,430	839	748
	25,727	27,055	31,022	14,971	17,627

7 Finance income

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income from bank deposits	259	289	266	105	206

8 Finance expenses

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings wholly repayable within five years	34,819	32,557	25,927	12,925	12,115
Upfront fee on bank borrowings wholly repayable within five years	4,088	9,825	3,453	1,245	1,624
	38,907	42,382	29,380	14,170	13,739

Note: The average interest rate of borrowing for the years ended 31 December 2012, 2013, 2014 and for the six months ended 30 June 2014 and 2015 were 8.17%, 7.85%, 7.32%, 6.86% and 6.52% respectively.

9 Income tax (credit)/expense

For the subsidiary incorporated and operates in China, it is subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

China corporate income tax is provided on the Target Group's subsidiary in China at 25% for the year ended 31 December 2014 and for the six months ended 30 June 2015. No current China corporate income tax is provided for the years ended 31 December 2012 and 2013 since the Target Group's subsidiary has no assessable profit.

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Current taxation					
China corporate income tax	—	—	3,889	—	6,097
Deferred taxation					
Origination and reversal of temporary difference	45,998	105,653	26,877	12,599	(8,820)
	45,998	105,653	30,766	12,599	(2,723)

The taxation on the Target Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
(Loss)/profit before taxation	142,361	330,273	95,828	40,184	(6,727)
Calculated at China corporate income tax rates of 25%	35,590	82,568	23,957	10,046	(1,682)
Expenditure not deductible	90	256	79	40	49
Withholding tax (Note)	10,318	22,829	6,730	2,513	(1,090)
Taxation charges/(credit)	45,998	105,653	30,766	12,599	(2,723)

Note: Withholding tax on the unremitted earnings of subsidiary in China is calculated at a rate of 10%.

10 Target Company's directors' and senior management's emoluments

None of the directors and senior management of the Target Company received any emoluments in respect of their services rendered to the Target Group during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

11 Plant and equipment

Target Group

	Furniture, fixtures and office equipment *RMB'000*
At 1 January 2012	
Cost	97
Accumulated depreciation	(25)
Net book amount	72
Opening net book amount at 1 January 2012	72
Depreciation	(22)
Closing net book amount	50
At 31 December 2012	
Cost	97
Accumulated depreciation	(47)
Net book amount	50
Opening net book amount at 1 January 2013	50
Depreciation	(19)
Closing net book amount	31
At 31 December 2013	
Cost	97
Accumulated depreciation	(66)
Net book amount	31
Opening net book amount at 1 January 2014	31
Depreciation	(18)
Closing net book amount	13

	Furniture, fixtures and office equipment
	RMB'000
At 31 December 2014	
Cost	97
Accumulated depreciation	(84)
Net book amount	13
Opening net book amount at 1 January 2015	13
Additions	6
Depreciation	(4)
Closing net book amount	15
At 30 June 2015	
Cost	103
Accumulated depreciation	(88)
Net book amount	15
Opening net book amount at 1 January 2014	31
Depreciation	(9)
Closing net book amount	22
At 30 June 2014	
Cost	97
Accumulated depreciation	(75)
Net book amount	22

12 Investment property

Target Group

	For the year ended 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year	2,303,900	2,452,000	2,761,000	2,805,000
Additions	10,530	4,607	6,507	3,920
Fair value gain/(loss)	137,570	304,393	37,493	(38,920)
End of the year	2,452,000	2,761,000	2,805,000	2,770,000

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties and direct operating expenses relating to investment properties that were vacant are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Direct operating expenses relating to investment properties	20,400	25,375	28,969	16,424
Direct operating expenses relating to investment properties that were vacant	3,173	—	—	—

The investment property was revalued at 31 December 2012 by independent professional qualified valuer, CBRE HK Limited ("CBRE") employed by the Target Group. The investment property was revalued at 31 December 2013 and 2014 by independent professional qualified valuer, Colliers International (Hong Kong) Limited ("Colliers"), employed by the Target Group. The investment property was revalued at 30 June 2015 by independent profession qualified valuer, Vigers Appraisal and Consulting Limited ("Vigers") by the Target Group. CBRE and Colliers principally conducted the valuation by using direct comparison approach and discounted cashflow method. Vigers principally conducted the valuation by using the income capitalisation method and discounted cashflow method given the investment property became mature with more stable rental income.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the investment property was pledged as collateral for the Target Group's bank borrowings (Note 17).

The Target Group's interest in investment property at their net book amounts are analysed as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In China:				
Leases or land use rights of between 10 and 50 years	2,452,000	2,761,000	2,805,000	2,770,000

Valuation processes of the Group

The Group measures the investment property at fair value. The investment property was revalued by CBRE at 31 December 2012 and 2013, Colliers at 31 December 2014 and Vigers at 30 June 2015, all being independent qualified valuer not related to the Group.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties in China are generally derived using the direct comparison method and discounted cash flow analysis.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

For discounted cash flow analysis, both income and expenses over the coming five to ten years from the date of valuation are itemised and projected annually taking into account the rental revenue, associated operating expenses and the expected growth of income and expenses. The net cash flow over the five to ten-year period is discounted at an appropriate rate of return.

The income capitalisation method is used to capitalise the unexpired rental income of contractual tenancies. It has also taken into account the reversionary market rent after the expiry of tenancies in capitalisation. The prevailing market rents adopted in the valuation have made reference to recent lettings and other similar comparable properties in the vicinity.

There was change from discounted cash flow analysis and direct comparison approach to discounted cash flow analysis and income capitalisation method by Vigers at 30 June 2015. As at 31 December 2012, 2013, 2014 and 30 June 2015, the investment property is included in level 3 fair value hierarchy.

Significant inputs used to determine fair value

The adopted valuation assumptions in direct comparison method are summarised as follows:

Selling price per sq.m. *(RMB'000)*	**31 December 2012**	**31 December 2013**	**31 December 2014**	**30 June 2015**
Office	52	60	61	N/A
Retail	86	55 to 87	70 to 90	N/A

The adopted valuation assumptions in discounted cash flow analysis are summarised as follows:

As at 31 December 2012

	Monthly Market Unit Rent (RMB per sq.m.)	**Discount Rate**	**Stabilised Occupancy Rate**
Office	195 to 274	7.5%	95%
Retail	457	7.5%	95%

As at 31 December 2013

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	210 to 270	8%	98.5%
Retail	135 to 450	8%	98.5%

As at 31 December 2014

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	240 to 255	9%	95%
Retail	144 to 480	9%	95%

As at 30 June 2015

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	261 to 317	9%	100%
Retail	34 to 520	9%	95%

The adopted monthly market unit rents and capitalisation rates used in the income capitalisation method are summarised as follows:

As at 30 June 2015

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	261 to 317	4.75%
Retail	34 to 520	4.75%

Capitalisation rate and discount rates are estimated by CBRE and for 31 December 2012, Colliers for 31 December 2013 and 2014 and Vigers for 30 June 2015 based on the risk profile of commercial property being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for commercial properties in China, within the subject property and other comparable properties. The lower the rents, the lower the fair value.

Market selling prices are estimated based on recent sales for commercial properties in China, within the subject property and other comparable properties. The lower the selling price, the lower the fair value.

Stabilised occupancy rates are estimated based on market demand and recent performance for lettings of commercial properties in China, within the subject property and other comparable properties. The higher the rates, the higher the fair value.

13 Investment in and loan to a subsidiary

(a) Investment in a subsidiary

	Target Company			
	As at 31 December			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in unlisted shares, at cost	234,954	234,954	234,954	234,954

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Company directly held the entire equity interests in the following subsidiary:

Name	**Date of incorporation**	**Place of incorporation/ establishment and kind of legal entity**	**Principal activity**	**Interest held**
Shanghai Hongjia Real Estate Development Co., Ltd. (Note)	26 September 2001	China, limited liability company	Commercial property holding and leasing	100%

Note:

The statutory financial statements of the subsidiary for the years ended 31 December 2012, 2013 and 2014 were audited by PricewaterhouseCoopers Zhong Tian LLP, Certified Public Accountants.

(b) Loan to a subsidiary

The loan to a subsidiary is unsecured, interest free, not repayable within 12 months from the balance sheet date and denominated in USD.

14 Prepayment and other receivables

	Target Group			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property maintenance fund	3,842	3,842	3,842	3,842
Lease incentive	300	3,557	2,897	4,434
Prepaid insurance	318	283	280	75
Deferred assets (Note)	253	153	1,509	1,140
Others	126	122	121	121
	4,839	7,957	8,649	9,612

	Target Company			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Others	4	—	—	—

Note:

Rental income is recognised on an accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The timing difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets. The deferred assets are denominated in RMB.

15 Cash and cash equivalents

	Target Group			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	83,705	50,389	112,651	126,527
Cash on hand	23	54	84	84
	83,728	50,443	112,735	126,611
Maximum exposure to credit risk	83,705	50,389	112,651	126,527

	Target Company			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	229	139	—	—
Maximum exposure to credit risk	229	139	—	—

Cash and cash equivalents of the Target Company are denominated in USD. The carrying amounts approximate their fair values.

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	Target Group			
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	81,634	46,544	111,543	125,420
USD	2,094	3,899	1,192	1,191
	83,728	50,443	112,735	126,611

The Target Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

16 Rental deposits, accruals and other payables

	Target Group			
	As at 31 December			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rental deposits				
Current portion	4,333	10,409	13,313	12,525
Non-current portion	17,970	19,211	24,277	25,731
	22,303	29,620	37,590	38,256
Accrual for construction related costs	9,404	1,441	—	447
Business tax, real estate tax and other tax payables	2,355	141	5,042	590
Other payables	7,298	3,082	3,471	1,786
Accruals and other payables	19,057	4,664	8,513	2,823

	Target Company			
	As at 31 December			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	76	64	40	65

17 Bank borrowings

	Target Group			
				As at
	As at 31 December			**30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion of long term borrowings	8,400	4,000	372,621	370,239
Long-term borrowings	410,217	369,598	—	—
Total long-term borrowings	418,617	373,598	372,621	370,239

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target Group's bank borrowings were repayable as follows:

				As at
	As at 31 December			**30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,400	4,000	372,621	370,239
Between 1 and 2 years	410,217	369,598	—	—
	418,617	373,598	372,621	370,239

The bank borrowings as at 31 December 2012, 2013 and 2014 and 30 June 2015 were secured and denominated in RMB. The nominal interest rate of the bank borrowings is the People's Bank of China lending rate.

The bank borrowings were secured by mortgages of the Target Group's investment property (Note 12) as at 31 December 2012, 2013 and 2014 and 30 June 2015.

The effective interest rates of the borrowings as at 31 December 2012, 2013 and 2014 and 30 June 2014 and 2015 were 8.17%, 7.85%, 7.32%, 6.86% and 6.52% per annum respectively.

18 Share capital

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised capital: (Note a)				
1,000,000,000 ordinary shares of HK$1 each, equivalent to RMB1.03 each (Note b)	1,030,000	1,030,000	—	—
Issued capital:				
257,614,000 share of HK$1 each, equivalent to RMB1.03 each	265,526	265,526	265,526	265,526

	Number of shares	Share capital
	('000)	*RMB'000*
At 31 December 2011	229,630	243,176
Issue of shares:		
By conversion of loan from immediate holding company on 31 January 2012	3,081	2,492
By cash:		
On 5 March 2012	9,828	7,947
On 28 August 2012	14,625	11,911
At 31 December 2012, 2013 and 2014 and 30 June 2015	257,164	265,526

Notes:

(a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Target Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

19 Reserves

Target Company

	Accumulated losses
	RMB'000
Balance at 1 January 2012	(1,973)
Comprehensive loss	
Loss for the year	(338)
Other comprehensive income	—
Total comprehensive loss	(338)
At 31 December 2012	(2,311)
Balance at 1 January 2013	(2,311)
Comprehensive loss	
Loss for the year	(944)
Other comprehensive income	—
Total comprehensive loss	(944)
At 31 December 2013	(3,255)
Balance at 1 January 2014	(3,255)
Comprehensive income	
Profit for the year	26
Other comprehensive income	—
Total comprehensive income	26
At 31 December 2014	(3,229)
Balance at 1 January 2015	(3,229)
Comprehensive loss	
Loss for the year	(57)
Other comprehensive income	—
Total comprehensive loss	(57)
At 30 June 2015	(3,286)

20 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

	Target Group			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
— Deferred tax liabilities to be recovered after more than 12 months	594,715	700,368	727,245	718,425

The movements on the deferred tax liabilities account are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year	548,717	594,715	700,368	727,245
Deferred taxation (credited)/charged to profit or loss (Note 9)	45,998	105,653	26,877	(8,820)
End of the year	594,715	700,368	727,245	718,425

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Target Group
	Tax losses
	RMB'000
At 1 January 2012	6,620
Credited to profit or loss	2,819
At 31 December 2012	9,439
At 1 January 2013	9,439
Charged to profit or loss	(2,104)
At 31 December 2013	7,335
At 1 January 2014	7,335
Charged to profit or loss	(7,335)
At 31 December 2014 and 30 June 2015	—

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Fair value gain	Withholding tax in respect of unremitted earnings of a subsidiary	Accelerated depreciation allowance and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	424,564	127,369	3,404	555,337
Charged to profit or loss	34,394	10,318	4,105	48,817
At 31 December 2012	458,958	137,687	7,509	604,154
At 1 January 2013	458,958	137,687	7,509	604,154
Charged to profit or loss	76,098	22,829	4,622	103,549
At 31 December 2013	535,056	160,516	12,131	707,703
At 1 January 2014	535,056	160,516	12,131	707,703
Charged to profit or loss	9,373	6,730	3,439	19,542
At 31 December 2014	544,429	167,246	15,570	727,245
At 1 January 2015	544,429	167,246	15,570	727,245
(Credited)/charged to profit or loss	(9,730)	(1,090)	2,000	(8,820)
At 30 June 2015	534,699	166,156	17,570	718,425

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheets:

	Target Group			
	As at 31 December			**As at 30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities				
— China enterprise income tax	594,715	700,368	727,245	718,425

There were no other material unprovided deferred taxation as at 31 December 2012, 2013 and 2014 and 30 June 2015.

21 Note to the consolidated statements of cash flows

Reconciliation of profit/(loss) before income tax to cash generated from operations:

	Year ended 31 December			**For the six months end 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit/(loss) before income tax	142,361	330,273	95,828	40,184	(6,727)
Adjustments for:					
— Depreciation	22	19	18	9	4
— Fair value (gain)/loss on investment property	(137,570)	(304,393)	(37,493)	(13,628)	38,920
— Finance income	(259)	(289)	(266)	(105)	(206)
— Finance expenses	38,907	42,382	29,380	14,170	13,739
Changes in working capital:					
— Prepayment and other receivables	2,287	(3,118)	(692)	(3,871)	(963)
— Amount due to the immediate holding company	73	—	(42)	(99)	9
— Receipts in advance	7,277	638	338	(4,426)	(98)
— Rental deposits	5,299	7,317	7,970	2,505	666
— Accruals and other payables	(25)	(14,393)	3,849	(527)	(5,690)
Cash generated from operations	58,372	58,436	98,890	34,212	39,654

Significant non-cash transaction

Issuance of shares amounted RMB2,492,000 is by conversion of loan from immediate holding company on 31 January 2012.

22 Future minimum rental payments receivable

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Target Group			
				As at
		As at 31 December		**30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	69,060	76,322	87,778	131,035
Between one year and five years	88,613	79,653	89,484	109,936
Over five years	228	69	—	—
	157,901	156,044	177,262	240,971

23 Other commitments

	Target Group			
				As at
		As at 31 December		**30 June**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital commitments in respect of plant and equipment and investment property				
— Contracted but not provided for	70	3,802	1,424	100

The Target Company did not have any significant capital commitments as at 31 December 2012, 2013, 2014 and 30 June 2015.

	Target Group			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating lease commitments in respect of plant and equipment				
Within one year	12	12	30	30
Between one year and five years	—	—	26	11
	12	12	56	41

24 Significant related party transactions

(a) Related parties

The table below summarises the names of significant related parties, with whom the Target Group has significant transactions during the year, and their relationship with the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015:

Significant related party	Relationship with the Target Company
Century Holding Company Ltd.	Immediate holding company

(b) Transactions with related party

Save as disclosed elsewhere in the Financial Information, the Target Group had no transactions with related party during the Relevant Periods.

(c) Balances with related party

	Target Group and Target Company			
	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to the immediate holding company	73	71	29	38

These balances are unsecured, interest free, repayable on demand and denominated in USD.

(d) Key management compensation

The directors are regarded as key management. Directors' emoluments are disclosed in Note 10 to the Financial Information.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this Circular, from PricewaterhouseCoopers, certified public accountants, in relation to the unaudited pro forma financial information of the Enlarged Group.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the assets and liabilities and the consolidated statement of comprehensive income of the Enlarged Group as if the Acquisition had been completed on 30 June 2015 for the unaudited consolidated statement of assets and liabilities and on 1 January 2015 for the unaudited pro forma consolidated statement of comprehensive income.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the unaudited interim condensed consolidated balance sheet and the unaudited interim condensed consolidated statement of comprehensive income of the Group as at and for the six months ended 30 June 2015, as set out in its published interim results announcement for the six months ended 30 June 2015; and (ii) the pro forma adjustments prepared to reflect the effects of the Acquisition as explained in the notes set out below that are directly attributable to the Acquisition and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Group for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2015 or 1 January 2015 or any future date.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2015

			Pro forma adjustments				
	The Group as at 30 June 2015	The Target Group as at 30 June 2015					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*
ASSETS							
Non-current assets							
Property, plant and equipment	2,384,350	15					2,384,365
Land use rights	1,552,467	—					1,552,467
Investment properties	19,753,500	2,770,000					22,523,500
Deferred assets	161,846	—					161,846
Goodwill	160,324	—			492,291		652,615
Top-up payment asset, non-current portion	76,644	—					76,644
	24,089,131	2,770,015					27,351,437
Current assets							
Inventories	4,827	—					4,827
Trade receivables	10,291	—					10,291
Amounts due from related parties	335,554	—					335,554
Tax recoverable	1,108	—					1,108
Prepayments, deposits and other receivables	35,132	9,612					44,744
Top-up payment asset, current portion	82,593	—					82,593
Short-term bank deposits	7,169	—					7,169
Cash and cash equivalents	655,543	126,611	2,700,000	(370,239)	(2,253,261)	(70,162)	788,492
	1,132,217	136,223					1,274,778
Total assets	25,221,348	2,906,238					28,626,215

	The Group as at 30 June 2015	The Target Group as at 30 June 2015	Pro forma adjustments				Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*
LIABILITIES							
Non-current liabilities, other than net assets attributable to unitholders							
Rental deposits, non-current portion	168,238	25,731					193,969
Receipt in advance	24,404	—					24,404
Borrowings	7,809,199	—	2,700,000				10,509,199
Deferred tax liabilities	2,678,462	718,425					3,396,887
	10,680,303	744,156					14,124,459
Current liabilities							
Trade payables	12,871	—					12,871
Rental deposits, current portion	86,563	12,525					99,088
Receipts in advance	61,125	11,438					72,563
Accruals and other payables	778,882	2,823					781,705
Amounts due to related parties	65,877	38					65,915
Borrowings	—	370,239		(370,239)			—
Tax payable	—	4,049					4,049
	1,005,318	401,112					1,036,191
Total liabilities, other than net assets attributable to unitholders	11,685,621	1,145,268					15,160,650
Net assets attributable to unitholders	13,447,127	—				(70,162)	13,376,965
Total liabilities	25,132,748	1,145,268					28,537,615
NET ASSETS	88,600	1,760,970					88,600

Notes:

1 The balances were extracted from the unaudited interim condensed consolidated balance sheet of the Group as at 30 June 2015 as set out in the Yuexiu REIT's published interim results announcement for the six months ended 30 June 2015.

2 The balances were extracted from the audited consolidated balance sheet of the Target Group as at 30 June 2015 as set out in Appendix 2 to this circular.

3 The amounts represent the drawdown of the New Onshore and Offshore Facility of RMB2,700,000,000 to finance the Acquisition.

4 The amounts represent the repayment of the Existing Onshore Facility of the Target Group upon completion of the Acquisition.

5 Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Company at fair value under the acquisition method of accounting in accordance with HKFRS 3 (Revised), "Business Combinations".

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors have assumed that the pro forma fair values of the identifiable assets and liabilities of equity interest of the Target Group approximated their respective carrying amounts.

	RMB'000
Cash consideration	2,253,261
Less: Carrying amount of Target Group's net assets as at 30 June 2015	1,760,970
Goodwill	492,291

Since the fair values and carrying amounts of the identifiable net assets of the Target Group as at the Completion Date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Group upon completion may be materially different from the estimated amounts shown in this Appendix.

For the purpose of this Unaudited Pro Forma Financial Information, the Group has performed the impairment assessment on goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") which is consistent with the accounting policy of the Group. On the basis of such assessment, the Directors concluded that there is no impairment in goodwill.

6 The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisition of approximately RMB70,162,000.

7 Apart from the above, no other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 30 June 2015. In particular, no adjustments have been made in respect of any changes in fair value of the investment properties of the Group and the Target Group subsequent to 30 June 2015. The fair value of the Property of the Group and the Target Group as at 30 June 2015 have been set out in the Independent Property Valuer's Property Valuation report prepared by Vigers Appraisal and Consulting Limited and included in the Appendix 4 to this Circular.

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015

	The Group for the six months ended 30 June 2015	The Target Group for the six months ended 30 June 2015	Pro forma adjustments						Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	*Note 10*
Revenue	790,391	62,385					(8,131)	125	844,770
Operating expenses	(473,629)	(17,627)	(6,542)	(511)		(70,162)	8,192	(7)	(560,286)
Fair value gains/(losses) on investment properties	434,589	(38,920)							395,669
Other income, net	—	968					(564)		404
Finance income	26,713	206							26,919
Finance expenses	(174,709)	(13,739)			(20,375)				(208,823)
Profit/(loss) before income tax and transactions with unitholders	603,355	(6,727)							498,653
Income tax (expense)/credit *(Note 9)*	(58,327)	2,723			863		126	(29)	(54,644)
Profit/(loss) after income tax and transactions with unitholders	545,028	(4,004)							444,009
Transactions with unitholders	(590,765)	4,004							(489,746)
Loss after income tax and transaction with unitholders	(45,737)	—							(45,737)

			Pro forma adjustments						
	The Group for the six months ended 30 June 2015	**The Target Group for the six months ended 30 June 2015**							**Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	*Note 10*
Other comprehensive income for the year:									
Items that will not be reclassified to profit or loss									
Change in fair value of property, plant and equipment									
— Gross	66,169	—							66,169
— Tax	(18,532)	—							(18,532)
Other comprehensive income for the year, net of tax	47,637	—							47,637
Total comprehensive income for the year	1,900	—							1,900
Total distributable income *(Note 11)*	341,689	9,976							351,665
Distribution per unit *(Note 12)*	RMB0.1213								RMB0.1242

Notes:

1 The amounts represent the financial results of the Group for the six months ended 30 June 2015, which are extracted from the unaudited interim condensed consolidated statement of comprehensive income of the Group for the six months ended 30 June 2015 as set out in the published interim results announcement of the Group for the six months ended 30 June 2015.

2 The amounts are derived from the audited consolidated statement of comprehensive income of the Target Group for the six months ended 30 June 2015 included in the Accountant's Report on the Target Group as set out in Appendix 2 to this Circular.

3 Pursuant to the trust deed constituting Yuexiu REIT (the "Trust Deed"), the Manager of the Yuexiu REIT is entitled to receive in aggregate of manager's fee calculated at 3% per annum of the net property income of properties owned by Yuexiu REIT, as defined in Section 5.1.3 in this Circular, and a base fee of 0.3% per annum on the carrying value of the Deposited Property. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional manager's fee of RMB6,542,000 for the six months ended 30 June 2015 would be charged. The adjustment has a recurring nature.

4 Pursuant to the Trust Deed, Yuexiu REIT will pay the Trustee a fee of 0.03% per annum of the carrying value of the Deposited Property. The carrying value of the Target Group's Deposited Property is RMB3,404,867,000 which represents the total assets of the Target Group after pro forma adjustments. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional trustee fee of RMB511,000 for the six months ended 30 June 2015 would be charged. The adjustment has a recurring nature.

5 The adjustment represents the interest expenses of RMB32,490,000 on the drawdown of the New Onshore and Offshore Facility of RMB2,700,000,000, netted off with the interest expenses of the Existing Onshore Facility of RMB12,115,000. The tax credit of RMB863,000 is in relation to the New and Existing Onshore Facilities. The interest rates of the New Onshore and Offshore Facilities range from 1.9% to 5.8%. The adjustment has a recurring nature.

6 The adjustment represents the direct costs of RMB70,162,000 incurred for the Acquisition. The direct cost does not include the tax liabilities under Circular 698 and Bulletin 7, which will be borne by the Seller.

7 Pursuant to the Tenancy Service Agreement and the Property Service Agreement, the property management service of the Target Group will be handled by YiCheng Property Management Company — Shanghai Branch ("YiCheng"). The property service fee to YiCheng will be calculated based on 3% per annum of the rental income to be received by the Target Group. The Target Group will not receive management fee of RMB8,131,000 and other income related to property management of RMB564,000 directly from its tenants after the Acquisition. In addition, adjustments also include the related property management expenses incurred by the Target Group of RMB8,192,000 including the property service fee payable by the Target Group to YiCheng and related tax expenses of RMB126,000 for the six months ended 30 June 2015. The adjustment has a recurring nature.

8 Pursuant to the Car Park Master Lease Agreement, the car park of the Target Group will be master-leased to YiCheng after the Acquisition. The Target Group will receive an income of RMB1,800,000 per annum. The Target Group will not receive car park income directly from its tenants after the Acquisition. The adjustment represents the reversal of the existing car park income of RMB775,000 and the recognition of Car Park Master Lease income of RMB900,000 and related income tax expenses of RMB29,000 for the six months ended 30 June 2015. The adjustment has a recurring nature.

9 Withholding tax on the unremitted earnings of the Project Company in China is calculated at a tax rate of 10% in the Accountant's Report on the Target Group as set out in Appendix 2 to this Circular.

10 Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2015. Unless otherwise stated the adjustments above do not have a recurring effect.

11 Total distributable income in respect of the Enlarged Group is determined in accordance with the Trust Deed, the 2012 Circular and the interim results announcement of the Group for the six months ended 30 June 2015, that is, the consolidated profit after income tax before transactions with unitholders attributable to unitholders for the six months ended 30 June 2015, after adjusting fair value gains/(losses) on investment properties, deferred taxation in respect of fair value gain/(loss) on investment properties charged to profit or loss, cash received and/or receivable according to the Deed of Top-up Payments, depreciation and amortisation of property, plant and equipment and land use rights under HKFRS, deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights, Manager's fee paid and payable in units in lieu of cash, interest income and fair value loss from top-up payment asset and other non-cash adjustments.

12 The distribution per unit of the Group for the six months ended 30 June 2015 is as disclosed in the published interim results announcement of the Group for the six months ended 30 June 2015.

The calculation of distribution per unit of the Enlarged Group is arrived at on the basis of the total distributable income of the Enlarged Group of RMB351,665,000 and on the basis that 2,815,277,000 Units were in issue as at 30 June 2015 and 15,736,000 new Units issued pursuant to the Transaction for payment of manager's fee for the Enlarged Group assuming the Acquisition has been completed on 1 January 2015.

Number of Units in issue as at 30 June 2015 ('000)		2,815,277
Add:		
— New Units issued for the payment of manager's fee for the Group ('000)	(a)	14,003
— New Units issued pursuant to the Transaction for payment of manager's fee for the Target Group assuming the Acquisition has been completed on 1 January 2015 ('000)	(a)	1,733
Total number of Units entitled to the dividend payments ('000)		2,831,013

(a) For the purpose of the unaudited Pro Forma Financial Information of the Enlarged Group, an assumed issue price of HK$4.31 per unit is adopted for the New Units to be issued as payment of 90% of the Manager's Fee for the Enlarged Group, which is based on the higher of the average closing price 10 days from 30 June 2015 or the closing unit price on 30 June 2015, pursuant to the Trust Deed.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF THE MANAGER OF YUEXIU REAL ESTATE INVESTMENT TRUST

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its controlled entities (collectively the "Group") and Bestget Enterprises Limited and its subsidiary (the "Target Group") (collectively the "Enlarged Group") by the directors of the Manager of Yuexiu REIT, Yuexiu REIT Asset Management Limited (the "Manager") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities, unaudited pro forma consolidated statement of comprehensive income and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages A3-1 to A3-8 of Yuexiu REIT's circular dated 6 August 2015, in connection with the proposed acquisition of the Target Group (the "Acquisition") by Yuexiu REIT. The applicable criteria on the basis of which the directors of the Manager of Yuexiu REIT have compiled the Unaudited Pro Forma Financial Information are described on pages A3-1 to A3-8.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Manager of Yuexiu REIT to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2015 and its financial performance for the six months ended 30 June 2015 as if the Acquisition had taken place at 30 June 2015 and 1 January 2015, respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Manager of Yuexiu REIT from the Group's unaudited interim condensed financial information for the six months ended 30 June 2015, on which an interim results announcement has been published.

Responsibility of Directors of the Manager of Yuexiu REIT for the Unaudited Pro Forma Financial Information

The directors of the Manager of Yuexiu REIT are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), as if paragraph 4.29 of the Listing rules were applicable to Yuexiu REIT and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, as if paragraph 4.29 of the Listing rules were applicable to Yuexiu REIT on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Manager of Yuexiu REIT have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, as if paragraph 4.29 of the Listing rules were applicable to Yuexiu REIT and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2015 and 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Manager of Yuexiu REIT in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager of Yuexiu REIT on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules, as if paragraph 4.29 of the Listing rules were applicable to Yuexiu REIT.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 6 August 2015

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Vigers Appraisal and Consulting Limited, the Principal Valuer of Yuexiu REIT, in connection with the valuation of the Property to be acquired by Yuexiu REIT for Investment purpose as at 30th June 2015.

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

24th Floor, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hong Kong

AND

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

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

Vigers Appraisal and Consulting Limited
General Practice Sector

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Website: www.Vigers.com

10/F The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

6 August 2015

Our Ref.: DC/FW/SN/WW/VA22181-2015

Dear Sirs,

RE: HONGJIA TOWER, NO. 388 FUSHAN ROAD, LOT NO. QIU 2/9 JIEFANG 302, WEIFANG XINCUN STREET, PUDONG NEW DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

We refer to the joint instruction from the Manager and the Trustee of "Yuexiu Real Estate Investment Trust" ("Yuexiu REIT") for us to assess the market value of the Property in existing state and physical condition as at 30th June 2015 ("Valuation Date") for acquisition purpose. We confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of value of the Property as at the Valuation Date.

BASIS OF VALUE

Our valuation is our opinion of market value of the Property which is defined as intended to mean "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*". Our valuation has been prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation — Professional Standards (January 2014)" published by the "Royal Institution of Chartered Surveyors" ("RICS"), relevant provisions in the "Companies Ordinance", relevant chapters in the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board)" published by "The Stock Exchange of Hong Kong Limited" ("HKEx"), and relevant chapters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)" ("REIT Code") , in particular Paragraph 6.5 and Paragraph 6.8, published by "Securities and Futures Commission" ("SFC").

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION APPROACHES

In the course of our valuation, we have adopted the income approach using income capitalization method and discounted cash flow analysis to arrive at our opinion of value of the Property; and we have cross-checked our valuation result using the market approach in which recent transactions and/or offering of comparable properties in the locality are analysed and compared with the Property. As defined in the "International Valuation Standards 2013" published by the "International Valuation Standards Council" ("IVSC"), income approach "*provides an indication of value by converting future cash flows to a single current capital value*"; whilst market approach "*provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available*". Both income approach and market approach are applicable for the valuation of the Property, but priority is given to the income approach as the Property is primarily income producing which is particularly relevant for real estate investment trust ("REIT") based purchasers. In our valuation, no consideration has been taken into account of alternative use(s) or development option(s); nor have we considered any redevelopment potential of the Property.

Income Capitalization Method

The Property is subject to existing tenancies, we have firstly adopted income capitalisation method which estimates the value of the Property on a market value basis by capitalising net rental income of current rent passing as of the Valuation Date (the "term value"), and adding up with the reversionary interests by taking into account of the current market rents upon leases' expiry on fully let basis (the "reversionary value") in present value.

Discount Cash Flow Analysis

The discounted cash flow analysis adopted in our valuation is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Property, which is a well-accepted valuation method within the income approach to valuation. Our discounted cash flow analysis for the Property is established based on our analyses of historical data, including rent passing and occupancy rates, and on assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing market rent. These assumptions determine the earning capability of the Property upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner over a 10-year investment horizon; and the anticipated net property income stream receivable thereafter is capitalised at terminal capitalisation rate of 4.46% based on active property investors in the market as purchasers of commercial properties and adjusted to present value to reflect the capital value beyond the years until the end of land use-rights' term. The discount rate of 9.00% adopted in our discounted cash flow analysis theoretically reflects the rate of return that adequately compensates the investors for the risks taken and rental growth.

Supportive Method — Comparison Method of Valuation

As a supportive method to our valuation drawn from the income approach, we have also considered the comparison method of valuation whereby comparisons based on actual sales transactions and/or offering of comparable properties in the locality on a unit selling price basis have been made. Comparable properties with similar character, location, size, building quality and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at a fair comparison of value.

Approach to Value

In arriving at the market value of the Property, we have adopted the average of value derived from income capitalization method and discounted cash flow analysis. The Property is primarily income producing in nature, we have therefore applied the income approach as primary valuation approach and the average of the income capitalization method and discounted cash flow analysis on a unit rate basis is in line with current market offers and transactions.

TITLE INVESTIGATIONS

The Property is located in the People's Republic of China (the "PRC"), and we have been given extracted copies of relevant title documents for the Property but we have not checked the titles to the Property nor scrutinized the original title documents. We have relied on the advice given by the Manager and its legal adviser on the laws of the PRC, King & Wood Mallesons (hereinafter referred to as the "PRC Legal Adviser") regarding titles to the Property. For the purpose of our valuation, we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title, ownership, encumbrances and so on of the Property. While we have exercised our professional judgement in arriving at our valuation, you are urged to consider our valuation assumptions with caution.

VALUATION CONSIDERATION

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Manager, particularly planning approvals or statutory notices, easements, land-use rights' term, site and floor areas, occupancy status and rental information of the Property as well as in the identification of the Property. We have also made reference to the Building Consultant's Report prepared by "Vigers Building Consultancy Limited" (the "Building Consultant") regarding the physical condition, maintenance plan and capital expenditure of the Property as well as the Market Consultant's Report prepared by "Savills (Hong Kong) Limited" (the "Market Consultant") regarding the prevailing property market trend in where the Property is located. We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager, the Building Consultant and the Market Consultant, and we have been advised by the Manager that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the Property but we have assumed that the site and floor areas shown on the documents handed to us are accurate and reliable. All dimensions, measurements and areas included in our valuation report are based on the information contained in the documents provided to us by the Manager and are therefore approximations.

On-site inspection to the Property was carried out by Mr. David W. I. CHEUNG *MRICS MHKIS RPS(GP) CREA*, Mr. Franky C. H. WONG *MSc(RealEst) MCIM MRICS MHKIS RPS(GP)*, Mr. Jeff M. C. LIU *BSc(Hons)* and Mr. Stephen C. H. NG *BSc(Hons)* on 8th May 2015 and 9th May 2015. During the course of our inspection, no serious defect was noted; and the condition of the Property is considered to be reasonable commensurate to its age and use. Centralized air-conditioning system and automatic sprinkler system as well as supply of electricity, water and drainage are all available throughout the Property. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Property which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Property is free from any structural or non-structural defect.

MARKET COMMENTARY

Overview

Zhuyuan central business district is located in the southern side of Lujiazui Business Area. Two nearby metro stations, namely Century Avenue Station and Pudian Station, are located in short walking distance to the Property. In September 2013, Shanghai Pilot Free Trade Zone was initiated by the government to act as a pilot zone for the PRC to upgrade its economic structure. Since March 2015, the Shanghai Pilot Free Trade Zone has been expanding to Lujiazui financial area, Zhangjiang High-tech Park zone and Jinqiao area as economic reform deepens in the country. In the first quarter of 2015, fixed asset investment in Shanghai Pilot Free Trade Zone amounted to RMB10.1 billion, or 31.5% of the total in Pudong New District, as reported by the committee of Shanghai Pilot Free Trade Zone.

Supply and Demand

In the past three years, overall supply of Grade A office in Shanghai has increased. Lujiazui Century Financial Plaza and Oriental Financial Center were launched in the fourth quarter of 2014. New supply in core districts remained scarce and by 2014, office property market in Pudong New District was close to fully occupied. Most available land has been fully utilized for the rapid development in Pudong New District over the previous years. Tertiary industries such as finance, insurance, professional and business services have become a major demand for high quality office space.

Outlook

On the supply font, new supply will be extremely limited after completion of Shanghai Tower in Little Lujiazui in 2015. As a result, companies in need of office space may need to look in areas outside Little Lujiazui. Zhuyuan central business district is a growing business district nearby to accommodate the overflow office demand in Little Lujiazui. Shanghai Stock Exchange, Clearing Centre and other financial institutions will move to Zhuyuan central business district by 2017 or 2018. Demand from food and beverage industry, infrastructure upgrading industry, and educational institutions are expected to favour office rents in medium term. Moreover, only two new projects located on Century Avenue will be completed by then. Newly established companies, large domestic owner-occupiers, and expanding companies would prefer Zhuyuan central business district, a beneficial location in Lujiazui financial area with lower rental prices. As such, office rent in Pudong New District will continue to increase further and the average vacancy rate is expected to remain low in the upcoming years.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state subject to the existing tenancies but without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value of the Property, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner of the Property has free and uninterrupted rights to use and assign the Property during the whole of the unexpired land-use rights' term granted subject to payment of usual land-use fee. Our valuation for the Property is carried out on the basis of a cash purchase, and no allowance has been made for interest and/or funding cost in relation to the sale or purchase of the Property.

We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. According to the PRC legal opinion issued by the PRC Legal Adviser, all necessary consents, approvals and licences from relevant government authorities have been granted for the development of the Property.

Our market value assessment of the Property is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property has been disregarded. In our valuation, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

REMARKS

We hereby confirm that:

(1) we have no present or prospective interest in the Property and are not a related corporation of nor having a relationship with the Manager, the Trustee or other party / parties who, Yuexiu REIT is contracting with, except the Building Consultant.

(2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties; and

(3) our valuation has been prepared on a fair and unbiased basis.

(4) the valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

(5) we are independent of Yuexiu REIT, the Trustee and the Manager and each of the significant shareholders of Yuexiu REIT within the meaning of Paragraph 6.5 and Parapragh 8.1(d) of the REIT Code.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi ("RMB"), the lawful currency of the PRC.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. CHEUNG
MRICS MHKIS RPS(GP) CREA
RICS Registered Valuer
Executive Director

Franky C. H. WONG
MSc(RealEst) MCIM MRICS MHKIS RPS(GP)
RICS Registered Valuer
Director

Note: Mr. David W. I. CHEUNG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong"), and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 32 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom ("UK"), Canada and the United States of America ("USA"). Mr. Cheung has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has been employed by "Vigers Appraisal and Consulting Limited" as qualified valuer since 2006.

Graduated from The University of Hong Kong with a Master of Science in Real Estate, Mr. Franky C. H. WONG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 14 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Japan, UK and USA. Mr. Wong has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by the HKIS and "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Wong has been employed by Vigers Appraisal and Consulting Limited as valuer since 2006 and as a qualified valuer since 2009.

VALUATION REPORT

Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
Hongjia Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	Completed in 2010, the Property, named "Hongjia Tower" is a 25-storey (including refuge floor on 14th floor) commercial building with a 2-level basement carpark. Portion of Basement 1 as well as 1st and 2nd floors of the Property is devoted to retail use; whilst the upper floors (except 14th Floor) are designed for office use. The Property has a site area of about 10,641 square metres and a total gross floor area of about 62,139.35 square metres with breakdown as follows. Use * — Gross Floor Area Retail — 6,256.70 square metres Office — 39,769.63 square metres Carpark — 13,502.58 square metres Bicycle Carpark — 1,296.18 square metres Management Offices — 276.53 square metres Refuge Floor — 1,037.73 square metres Total — 62,139.35 square metres * Note: The gross floor areas of the Property for retail, office and carpark uses are quoted from Shanghai Certificate of Real Estate Ownership of the Property; whilst the remainder is quoted from Registers of Real Estate of Shanghai Municipality of the Property. The Property provides 273 private car parking spaces on basement and 27 aboveground private car parking spaces. The Property is held under granted land use rights from 7th January 2005 to 6th January 2055 for commercial and office uses.	Pursuant to the rent roll as of the Valuation Date, large majority of the retail and office portions of the Property having an aggregate gross floor area of about 45,693.99 square metres was leased out or pre-leased at an aggregate monthly rent of about RMB10,200,563 with the last expiry date on 15th March 2019; whilst the carpark portion of the Property was let either on hourly or monthly basis with average monthly rental income of RMB150,000 only.	RMB2,770,000,000

Note:

1. Pursuant to Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Pu Zi (2011) No. 060397) registered on 29th September 2011, the land use rights of the Property is vested in the name of "Shanghai Hong Jia Real Estate Development Co., Ltd" for commercial and office uses for a term of 50 years from 7th January 2005 to 6th January 2055; and the building ownership of the Property is also vested in the name of "Shanghai Hong Jia Real Estate Development Co., Ltd" with no expiry date.

2. Pursuant to Registers of Real Estate of Shanghai Municipality registered on 19th December 2013, the retail, office and carpark portions of the Property with an aggregate gross floor area of about 59,528.91 square metres are subject to mortgage (Document No.: Pu 201314072944) in favour of "法國巴黎銀行(中國)有限公司".

3. The PRC Legal Adviser has stated in its legal opinion including but not limited to the following:

   (1) "Shanghai Hong Jia Real Estate Development Co., Ltd" has legally obtained the state-owned land use rights of the Property;

   (2) "Shanghai Hong Jia Real Estate Development Co., Ltd" is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Property;

   (3) "Shanghai Hong Jia Real Estate Development Co., Ltd" has legal ownership of the Property and can legally own, use and deal with the Property in accordance with the relevant PRC laws;

   (4) "Shanghai Hong Jia Real Estate Development Co., Ltd" is the sole user of the land use rights and the sole owner of the building ownership rights underlying the Property and that such rights are free from encumbrances other than the existing mortgages and tenancies. Upon the discharge and release of such mortgages, "Shanghai Hong Jia Real Estate Development Co., Ltd" is free to sell or otherwise transfer the Property;

   (5) additional land premium for part of the underground portion of about 2,051 square metres will only be payable when such underground portion is transferred by way of asset sale, and not if the transfer is made by way of an equity transfer. Therefore, no additional land premium for the underground portion is payable by "Shanghai Hong Jia Real Estate Development Co., Ltd" in respect of the Acquisition. There is no payable but unpaid land premium in respect of the land use rights of the land on which the Property is located and in respect of the construction process of the Property;

   (6) the onshore loan agreement of the Property complies with the laws of the PRC and is valid;

   (7) almost all of the tenancies have not been registered as at the Latest Practicable Date, the non-registration of the tenancies at the Property would not affect the enforceability or legality of the tenancies, and would not adversely affect the legal title of "Shanghai Hong Jia Real Estate Development Co., Ltd" over the Property.;

   (8) the use of the Property does not constitute any breach of environmental regulations; and

   (9) there is no investigations, notices, pending litigation, breaches of law or title defects registered against the Property.

4. "Shanghai Hong Jia Real Estate Development Co., Ltd" is a wholly-foreign owned enterprise established in the PRC, which will be held on trust for Yuexiu REIT by the Trustee in accordance with the provisions of the Trust Deed upon Completion.

5. As confirmed by the Manager, there is no plan for construction, renovation, improvement or development of the Property, and there is no plan to dispose of or change the use of the Property.

6. Annual rental income as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows.

Uses	**Total Lettable Area**	**Leased Lettable Area**	**Annual Rental Income**
	(square metres)	*(square metres)*	*(Approximately)*
Retail	6,256.70	5,924.36	RMB12,660,000
Office	39,769.63	39,769.63	RMB109,740,000
Carpark	13,502.58	13,502.58	RMB1,800,000
Total	59,528.91	59,196.57	RMB124,200,000

Based on the above, the occupancy rates of the retail and office portions of the Property as of the Valuation Date were 94.69% and 100.00% respectively, including the pre-leased portion as of the Valuation Date.

7. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property is set out below.

Lease Term Greater Than (Year)	**Lease Term Less Than or Equal To (Year)**	**Proportion by Floor Area**
0	1	0.70%
1	2	1.68%
2	3	26.12%
3	4	58.94%
4	5	0.00%
5	Or More	12.56%
Total	=	100.00%

8. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the office and retail portions of the Property is set out below.

Year of Expiry		**Proportion by Floor Area**
End of 2015		13.79%
In 2016		29.08%
In 2017		35.01%
In 2018		21.11%
In 2019 and Afterward		1.01%
Total	=	100.00%

9. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Property.

10. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.

11. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Retail	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discount Cash Flow Analysis	Discount Rate	9.00% per annum
Office	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discount Cash Flow Analysis	Discount Rate	9.00% per annum
Carpark	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discount Cash Flow Analysis	Discount Rate	9.00% per annum

12. We have summarized our valuations of the Property by income capitalization method and discount cash flow analysis as follows.

Income Capitalization Method	RMB2,770,000,000
Discount Cash Flow Analysis	RMB2,770,000,000
Market Value as at 30th June 2015 (Average of the Above)	RMB2,770,000,000

The Property is primarily income producing in nature, we have therefore taken the average of the income capitalization method and discounted cash flow analysis as our opinion of value.

13. The estimated net yield of the Property is 4.48% which is derived from the estimated rental received in June 2015 divided by the market value as at the Valuation Date.

The following is the reproduction of the text of a letter received from Savills (Hong Kong) Limited, the Market Consultant, for the purpose of incorporation in this circular.

savills
第一太平戴維斯

The Directors
Yuexiu REIT Asset Management Limited
24/F, Yue Xiu Building
160 Lockhart Road
Wan Chai, Hong Kong

6 August 2015

Dear Sir,

As requested we have prepared a Shanghai Grade A office and supporting retail market research to be included in the circular to Unitholders relating to the proposed acquisition by Yuexiu REIT of an office building in Shanghai.

1.0 MACRO OVERVIEW

Shanghai is located on the Huangpu River, a tributary of the Yangtze River which is the main link between central China and the sea. The city covers a total area of 6,341 sq km, and is composed of 16 districts and one county, with an average population density of 6,956 per sq km, the population density is comparable to Tokyo (around 7,000 people per sq km), and far exceeds that of Paris (3,540 people per sq km) and London (4,760 people per sq km).

The city plans to focus on the development of its finance, shipping, trade and other emerging industries as the pillars of the city's economy going forwards.

Figure 1: Shanghai Map

Source: Savills Project & Development Consultancy

1.1 Major Economic Indicators of Shanghai

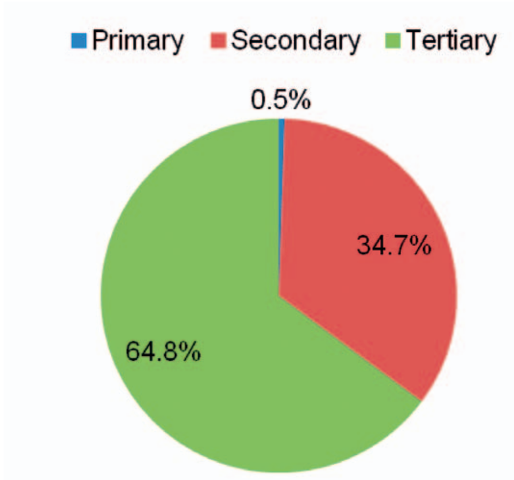
Table 1: Key economic indicators of Shanghai, 2010-2014

	2010	2011	2012	2013	2014
Real GDP (RMB billion)	1,716.60	1,919.60	2,018.17	2,181.82	2,356.09
CPI (previous year = 100)	103.10	105.20	102.80	102.30	102.70
FDI (USD billion)	11.12	12.60	15.19	16.78	18.17

Source: Shanghai Statistics

The Shanghai's economy grew at a steady pace at a CAGR of 8.2% per annum over the past five years, with real GDP reaching RMB2,356 billion in 2014. With the strong economic growth over the period, inflation was kept at 3.2% per annum over the same period. The solid economic performance as well as a low inflationary environment have provided a good business environment for both domestic and foreign enterprises in Shanghai, leading to their business expansions and increase in office demand. This trend is also evident by increasing foreign direct investment (FDI) into Shanghai, which increased from USD11.12 billion in 2010 to USD18.17 billion in 2014, or at a CAGR of 13.1% per annum.

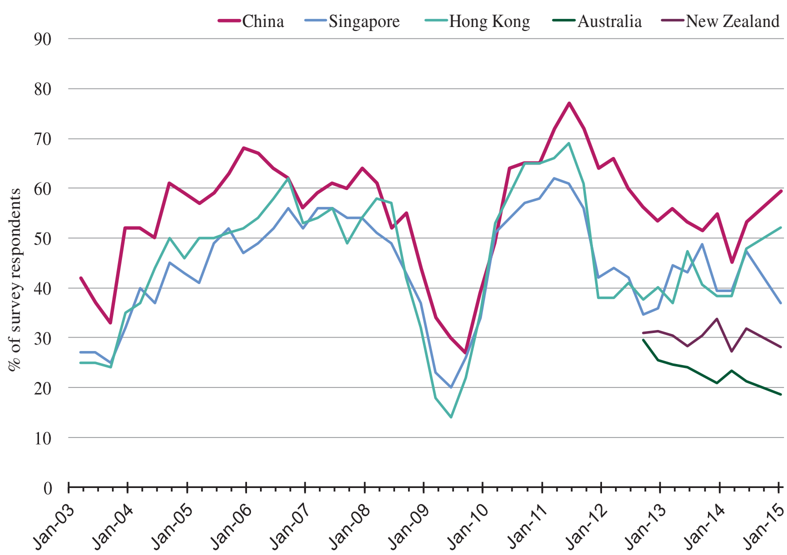
Chart 1: Shanghai's economic structure, 2014



Source: Shanghai Statistics

The tertiary industry accounted for 64.8% of Shanghai's gross GDP in 2014, a 1.6% increase from previous year. The higher the percentage of the tertiary industry, the greater the demand for offices, as banking, business services and business administrative support of manufacturing enterprises, etc., which are prime office space occupiers, all fall within this category. Shanghai's evolving economic structure towards the tertiary industry should therefore enhance structural demand for offices.

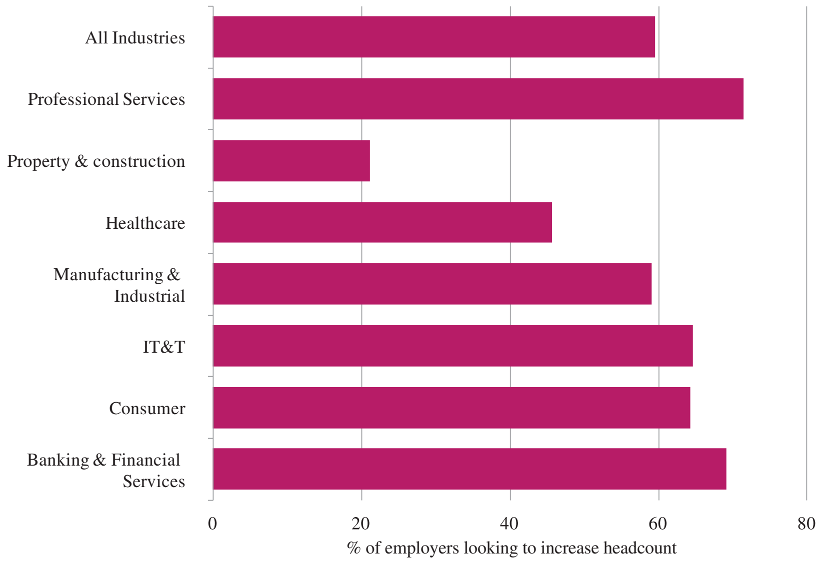
Chart 2: Employment Expectations for multinationals (MNCs) for the Next 6 Months



Source: Hudson

A higher percentage of MNCs in China is expected to increase headcounts over the next six months than other countries / regions in Asia. Although MNCs have been cautious on expansion in China over the past year or so, they anticipate that the economy will start picking up in the first half of 2015 and thus are more willing to go into expansion mode.

Chart 3: Estimates of Long-term Employment Expectations for Employers in China, January-June 2015



Source: Hudson

Employment expectations remain positive for the first half of 2015 and professional services is the strongest sector, implying consistently high demand for Grade A office in the future.

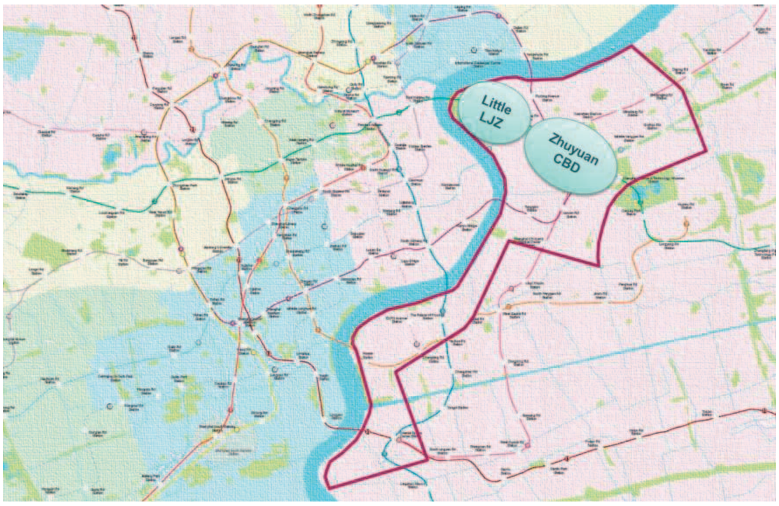
1.2 Shanghai Free Trade Zone (FTZ)

In recent years, Shanghai has been working on developing into the national economic, trade and financial center. Preferential policies in various aspects and formation of the Shanghai Free-Trade Zone over the past few years have brought to Shanghai a higher level of first-mover advantage. Although the detailed rules and regulations of Shanghai Free-Trade Zone have not been formally introduced, they are taking shape. Great hope has been placed on the Shanghai Free Trade Zone, which is built on the basis of four existing bonded areas. Large number of companies have recently registered in the zone, so offices in the zone are now in great demand and the rents are increasing quickly. It shows that various companies, especially financial institutions, have confidence in the development of the Shanghai Free-Trade Zone and have taken quick action. After the inclusion of the Lujiazui Finance & Trade Zone into the Free-Trade Zone, several reforms in the financial sector are forthcoming.

FTZ Lujiazui Finance Area

FTZ Lujiazui Finance Area is not only the core part of the Shanghai international financial center, but also the high-end servicing area for the Shanghai international maritime center and the clustering area for the Shanghai international trade center. Lujiazui Finance & Trade District covers an area of 24.39 square km which stretches east to the Huangpu River, South to Long Yang Road and Jin Xiu Road, west to Jin Xiu Road and Luo Shan Road, and north to the Huangpu River, which Zhuyuan CBD forms a key part of it.

Figure 2: Program Scope of FTZ Lujiazui Finance Area



Source: Savills Project & Development Consultancy

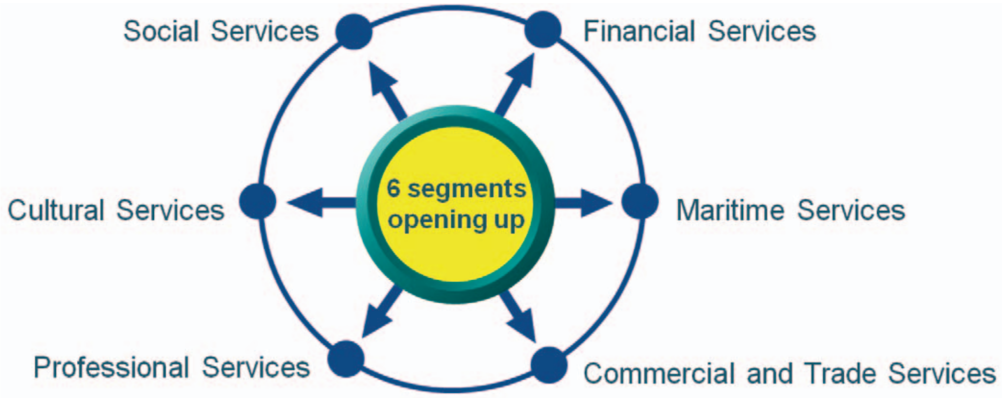
Key policy initiatives

Financial systems that are in compliance with international rules and adapt to the development of the modern services industry geared towards "headquarters economy" will be explored and established in FTZ Lujiazui Finance Area. Furthermore, it will endeavor to facilitate convenient investment, free trade, internationalization of finance and innovation of supervisory systems and set up an international market-oriented business environment that follows the rule of law.

Some of the innovative, pilot measures include the free exchange of Renminbi, managerial system reform, opening up and reform in trade and other industries and directional funds to encourage MNCs to set up regional headquarters, such as the global commodity trading house Trafigura setting up its office in Shanghai IFC.

The Shanghai Free Trade Zone broadens the opening up of the service industry. The first step is to select six segments and establish an equal environment for all market entrants by suspending or abolishing market entry restrictions on investor qualification, shareholding ratio and business scope, etc. (excluding banking institutions and IT and communication services) so as to establish a system of policies supporting investment and innovation.

Figure 3: Opening up Segments of FTZ



Source: Savills Project & Development Consultancy

Other important policies include:

- Further shortening of the negative list (some areas of economy being monopolised by the government)
- Simplified credit vetting
- Ease of restriction on overseas finance
- Allowing banks in the FTZ to provide preferential foreign currency services

Impact on the Shanghai office market

The Shanghai office market gains great momentum from the opening up of the modern services and professional services industries. Regulations require that the opening up policies for the six segments only apply to enterprises registered in the China (Shanghai) Pilot Free Trade Zone. As a result, the office market in the FTZ has gone up rapidly because many companies have decided to rent offices for registry and to seize opportunities to settle in.

The high occupancy rate of offices in Lujiazui District (including Little Lujiazui (LJZ) CBD (98.4%) and Zhuyuan CBD (99.0%)) indicates that various companies are very optimistic about the prospects of this area. After relevant policies are formally implemented, this area will possibly attract more internationally or domestically renowned companies to locate their global or regional headquarters in this area.

1.3 Shanghai's key investment prospects

1.3.1 Shanghai as an international city

With the improvement of its GDP and an increase in commercial needs, Shanghai has become an international metropolis with optimistic economic prospects. The city has the following advantages:

- ➢ Compared with the metropolises of major developed countries, Shanghai shows great potential in many aspects. According to London City Ranking, Shanghai ranked 35 in the first half of 2009, and ascended quickly to 10 in the second half of 2009. By 2011, Shanghai was among the top 5. According to the forecast of London City Ranking, Shanghai will become one of the top 3 developed cities around the world, having a great edge over other first-tier cities in China, such as Beijing, Shenzhen and Guangzhou.

- ➢ Shanghai has improved infrastructure, abundant professionals, a comfortable living environment, and offers competitive advantage in living and business costs.

- ➢ The local government of Shanghai has made policies geared towards the development of headquarters economy to attract more enterprises to set up their headquarters in Shanghai.

- ➢ Fully market-oriented operation makes the business environment in Shanghai more adaptable for international enterprises, so most enterprises newly entering China have chosen Shanghai as their base in China.

- ➢ Shanghai is an international metropolis, it has an export-oriented economy and its overall consumption ability is strong.

Table 2: The International Status of Shanghai

	2007.3	2007.9	2008.3	2008.9	2009.3	2009.9	2010.3	2010.9	2011.3	2020（F）
1	London	London	London	London	London	London	London	London	London	
2	New York	New York	New York	New York	New York	New York	New York	New York	New York	Shanghai
3	Hong Kong	Hong Kong	Hong Kong	Singapore	Singapore	Hong Kong	Hong Kong	Hong Kong	Hong Kong	
4	Singapore	Singapore	Singapore	Hong Kong	Hong Kong	Singapore	Singapore	Singapore	Singapore	
5	Zurich	Zurich	Zurich	Zurich	Zurich	Shenzhen	Tokyo	Tokyo	**Shanghai**	
6	Frankfurt	Frankfurt	Frankfurt	Geneva	Geneva	Zurich	Chicago	**Shanghai**	Tokyo	
7	Sydney	Geneva	Geneva	Tokyo	Chicago	Tokyo	Zurich	Chicago	Chicago	
8	Chicago	Chicago	Chicago	Chicago	Frankfurt	Chicago	Geneva	Zurich	Zurich	
9	Tokyo	Sydney	Tokyo	Frankfurt	Boston	Geneva	Sydney	Geneva	Geneva	
10	Geneva	Tokyo	Sydney	Sydney	Dublin	**Shanghai**	Shenzhen	Sydney	Sydney	
11	Paris	Paris	Boston	Boston	Toronto	Sydney	**Shanghai**	Frankfurt	Toronto	
12	Toronto	Boston	San Francisco	Toronto	Guernsey	Frankfurt	Toronto	Toronto	Boston	
13	San Francisco	Toronto	Dublin	Dublin	Jersey Island	Toronto	Frankfurt	Boston	San Francisco	
14	Boston	San Francisco	Paris	Jersey Island	Luxembourg	Jersey Island	Boston	Shenzhen	Frankfurt	What We Expect
15	Edinburgh	Dublin	Toronto	Luxembourg	Tokyo	Guernsey	Beijing	San Francisco	Shenzhen	
16	Cayman Island	Amsterdam	Jersey Island	Guernsey	Sydney	Luxembourg	San Francisco	Beijing	Seoul	
17	Hamilton	Luxembourg	Luxembourg	San Francisco	San Francisco	San Francisco	Wasington D.C.	Wasington D.C.	Beijing	
18	Melboune	Wasington D.C.	Edinburgh	Edinburgh	Isle of Man	Boston	Luxembourg	Paris	Wasington D.C.	
19	British Channels	Melboune	Guernsey	Isle of Man	Paris	Paris	Jersey Island	Taipei	Paris	
20	Wasington D.C.	Edinburgh	Wasington D.C.	Paris	Edinburgh	Wasington D.C.	Paris	Luxembourg	Taipei	
Shanghai	24	30	31	34	35	10	11	6	5	

Source: London City Ranking, Savills Project & Development Consultancy

1.3.2 Shanghai's key indicators comparison with other first tier cities

Table 3: Key economic indicators, Beijing, Shanghai, Guangzhou and Shenzhen, 2014

Indices \ Cities	Beijing	Shanghai	Guangzhou	Shenzhen
Population (million persons)	21.15	24.3	13.1	10.78
GDP (RMB billion)	1,950.1	2,356.1	1,670.7	1,600.2
YoY growth rate (%)	7.7	7.0	8.6	8.8
GDP per capita (RMB)	93,213	97,300	127,724	149,497
Disposable income per capita (RMB)	40,321	47,710	42,955	40,948
CPI (previous year = 100)	103.3	102.7	102.3	102.0
Retail sales (RMB billion)	837.5	871.9	688.3	484.4
Actual foreign direct investment (FDI) (US$ billion)	8.52	18.2	5.1	5.8

Source: National Bureau of Statistics

Shanghai compared favourably in terms of most economic indicators such as GDP, disposable income per capita and actual FDI to Beijing, Guangzhou and Shenzhen.

1.3.3 Shanghai 2040

The Shanghai Government has recently commissioned a study for long-term planning of Shanghai named 'Shanghai 2040', the key directives are as follows:

- ➢ Strict control on the scale of city development by restricting further city development mainly by optimizing and upgrading existing commercial stock, reducing industrial land use and increasing green and public facilities land usage. Mixed use development and underground development on new land plots are encouraged.

- ➢ To further increase the proportion and quality of the tertiary industry and to ultimately upgrade the city to a serviced-oriented society that is comparable with major global cities.

- ➢ To enhance regional planning regime and to further integrate and cooperate with other cities and regions within the Yangtze River Delta.

Falling within these directives are three key strategic research areas for the long-term planning of Shanghai development:

- ➢ To increase the international competitiveness of Shanghai to attract global talent pool

➢ To enhance sustainability of the city's development to improve its living quality and attractiveness

➢ To enhance the metropolitan status of Shanghai with further integration with the Yangtze River Delta

We can conclude based on the above as well as the 'Four centres' development theme for Shanghai in 2020 that in the long run the Shanghai office market is going to benefit from the followings:

➢ With the severe lack of developable land in core areas in Shanghai, the Shanghai government would likely to tighten approval of further land supply in core areas, leading to a potential decline in both residential and commercial properties in these core areas

➢ To further enhance the proportion of the tertiary industry and thus by 2040, we are likely to see a much higher proportion of service related businesses within the economic structure, meaning higher demand for office spaces

➢ To enhance integration with the Yangtze River Delta and to strengthen Shanghai as the leading city within the region, meaning that more regional and national headquarters would be opening offices in Shanghai, again leading to stronger office demand for 'headquarter economy'

2.0 GRADE A OFFICE MARKET OVERVIEW

2.1 Shanghai Grade A Office Market[1]

2.1.1 Overview

Executive summary highlight of Shanghai Grade A office market:

➢ **Average rents close to pre Global Financial Crisis (GFC) levels**

Rents decreased by almost 27% from their peaks in mid-2008 to mid-2010, but have rebounded since then by 31% to the end of 2014.

➢ **Domestic corporations and SOEs have been the dominant demand drivers**

The past few year saw strong take-up from domestic corporations and SOEs in the office sector, mainly with purchasing en-bloc buildings for self-use. Ping'an bought Greenland Center 2 (75,920 sq m) for self-use for RMB4.4 billion at the beginning of 2015.

1 Savills' definition of Shanghai Grade A offices can be found in Appendix 1.

➢ **Rents have stabilized in Puxi, but rental growth remains strong in Pudong**

➢ Prime RMB9.0-11.5 per sq m per day

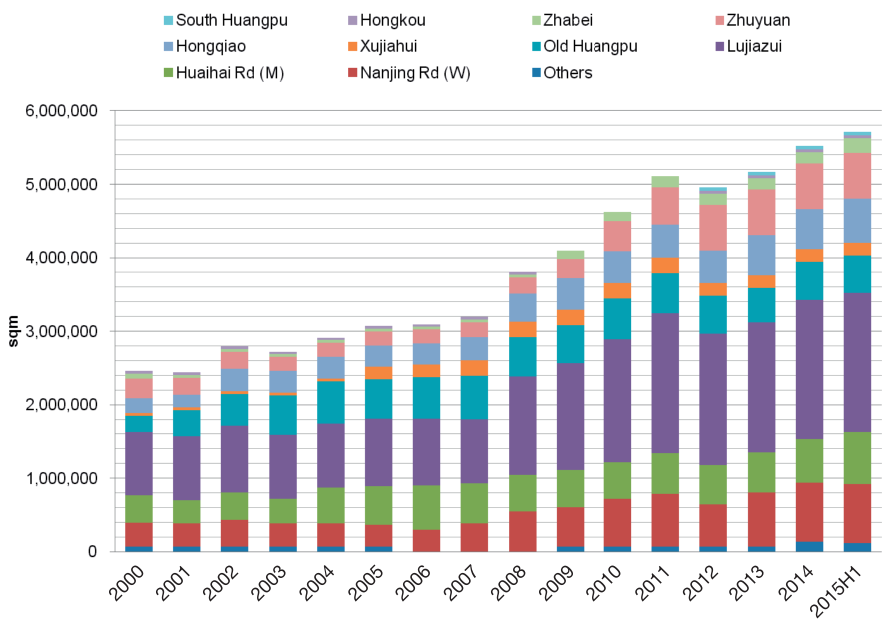
➢ Non-prime RMB6.5-8.5 per sq m per day

➢ Business Park RMB3.0-5.0 per sq m per day

➢ **Supply to increase in the short run** (approx. 1.0 million sq m in 2015) **but most are concentrated in non-prime areas**

2.1.2 Stock and Distribution

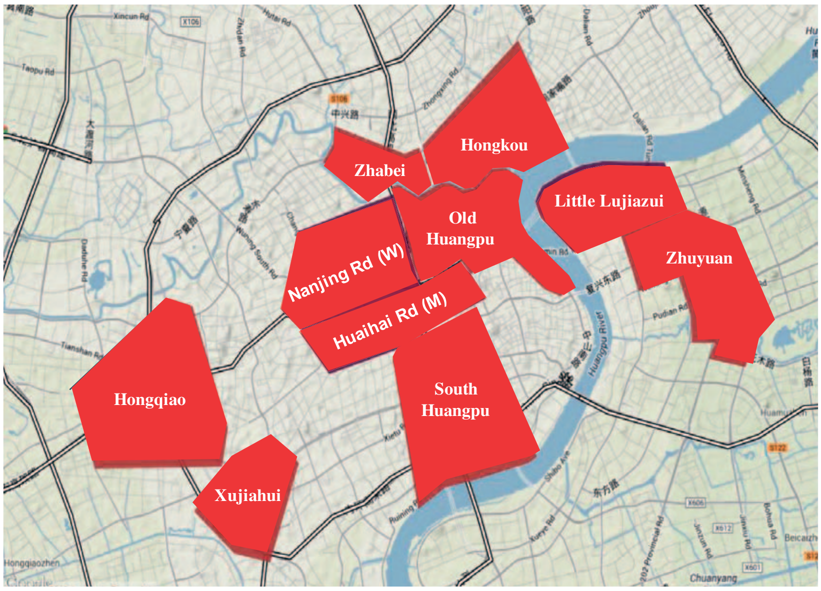
Chart 4: Shanghai Grade A Office Stock by District, 2015H1



Source: Savills Project & Development Consultancy

Grade A office stock has more than doubled over the past fifteen years and reached an historical high in 2012, impressive considering that roughly 145,000 sq m is downgraded per annum. Due to aging and deteriorating quality of some older Grade A offices, we have demoted around 500,000 sq m of Grade A offices to Grade B, thus reducing the stock in 2013. By the end of the first half year of 2015, Shanghai Grade A office stock stood at 5.71 million sq m.

Figure 4: Core Business Districts



Source: Savills Project & Development Consultancy

Shanghai Grade A office market is divided into 10 main core business districts (CBDs), details of which are as follows:

Table 4: Shanghai's Grade A Office Stock by District, 2015Q2

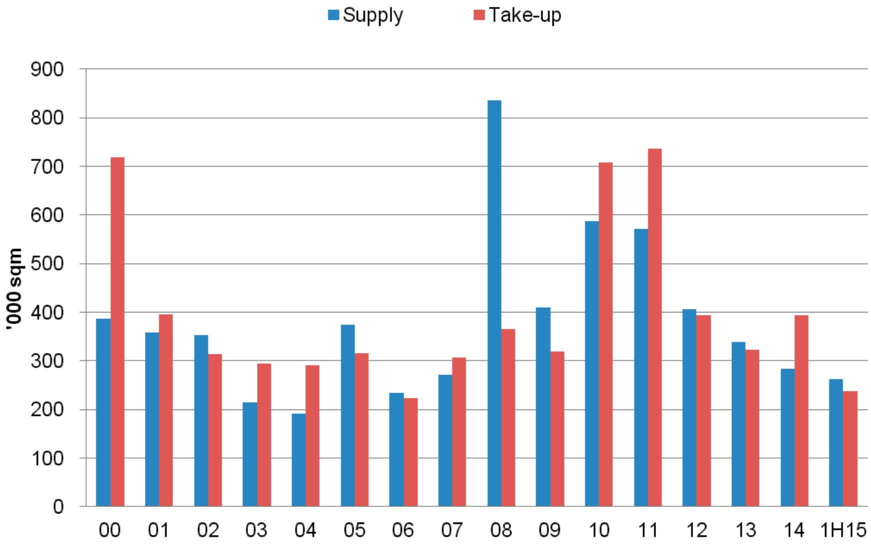
CBD	Average Rent (rmb pspd)	Vacancy	Share of Stock
'Little' Lujiazui	10.7	1.4%	33.1%
Nanjing Rd (W)	10.0	3.9%	14.1%
Huaihai Rd (M)	9.7	10.4%	12.3%
Old Huangpu	7.6	4.3%	9.0%
Xujiahui	7.8	0.9%	3.0%
Hongqiao	7.2	10.2%	10.5%
South Huangpu	6.9	0.7%	0.8%
Zhuyuan	7.3	1.0%	10.9%
Zhabei	5.3	7.3%	3.5%
Hongkou	5.0	1.7%	0.7%

* Pudong others (not showing on the map) shares 2.0% of stock

Source: Savills Project & Development Consultancy

2.1.3 Supply, Take-up, Vacancy Rate and Rent

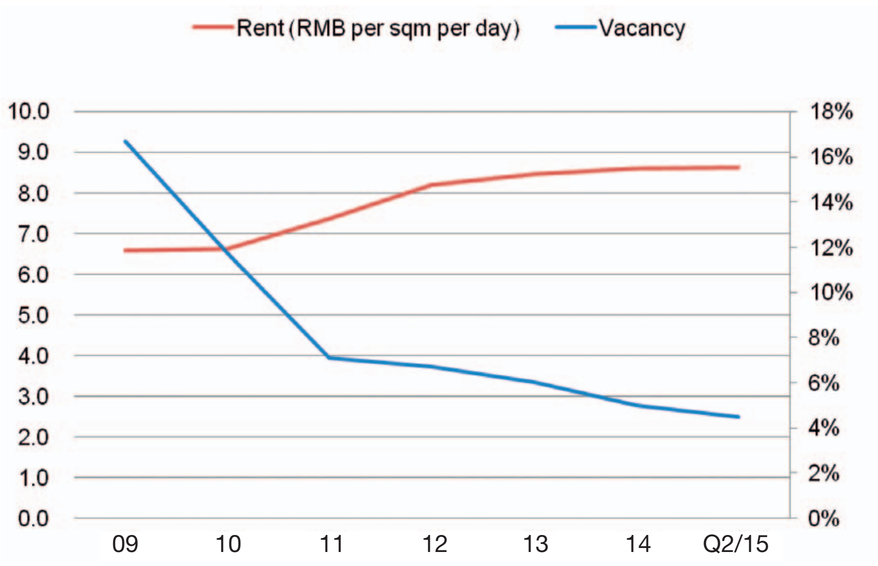
Chart 5: Shanghai Grade A Supply and Take-up, 2015H1



Source: Savills Project & Development Consultancy

Overall supply averaged 385,000 sq m per annum between 2000 and 2014, while overall take-up outpaced supply over the same period, averaging 407,000 sq m per annum. Over the past three years, the continued high demand from domestic financial and professional services companies lead to strong take-up levels, especially in prime areas, while supply has gradually declined. Supply and demand were in equilibrium in 2015H1 with 262,473 sq m of new Grade A office supply launched to the market, while 236,591 sq m of office space was taken up over the first-half.

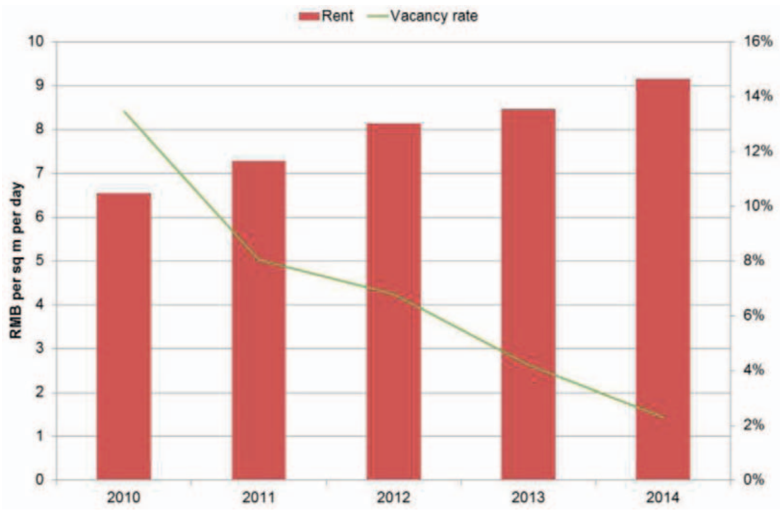
Chart 6: Shanghai Grade A Vacancy Rate and Rent, 2009-2015Q2



Source: Savills Project & Development Consultancy

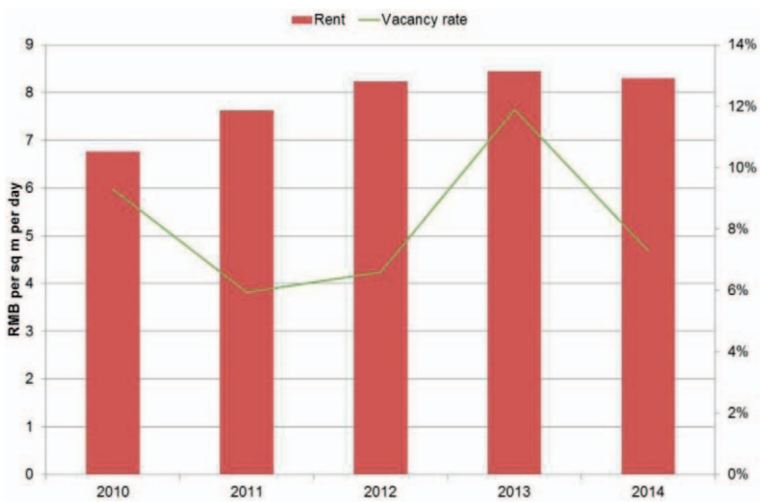
Since the GFC, office demand has increased substantially leading to a marked decrease in vacancy rate from over 9% in 2010 to around 5% in 2014. Grade A office rents increased by 31% over the same period as a result, and by the end of 2015Q2, Shanghai overall grade A office rents stood at RMB8.7 per sq m per day, a record high over the past 15 years.

Chart 7: Pudong Grade A Vacancy Rate and Rent, 2010-2014



Source: Savills Project & Development Consultancy

Chart 8: Puxi Grade A Vacancy Rate and Rent, 2010-2014

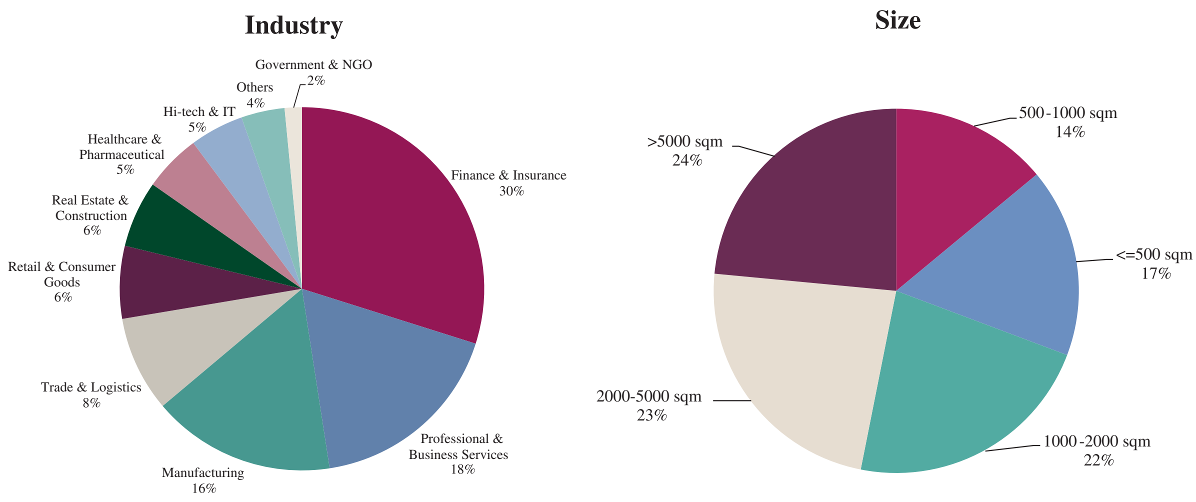


Source: Savills Project & Development Consultancy

Looking at the Pudong and Puxi markets separately, we can see that demand for Pudong offices has been much stronger over the past few years, mainly due to increasing demand from both domestic financial and professional services companies, as well as the gradual establishment of Zhuyuan CBD as an extension of Little LJZ CBD attracting increasing occupation interests from financial and securities firms. Office rents in Pudong rose by 38.1% from 2010 to 2014 with vacancy declining to 2.3% as a result, outpacing the rental growth of Puxi (22.8%) over the same period.

2.1.4 Tenant Profile

Chart 9&10: Tenant Profile of Shanghai Grade A Offices, 2014

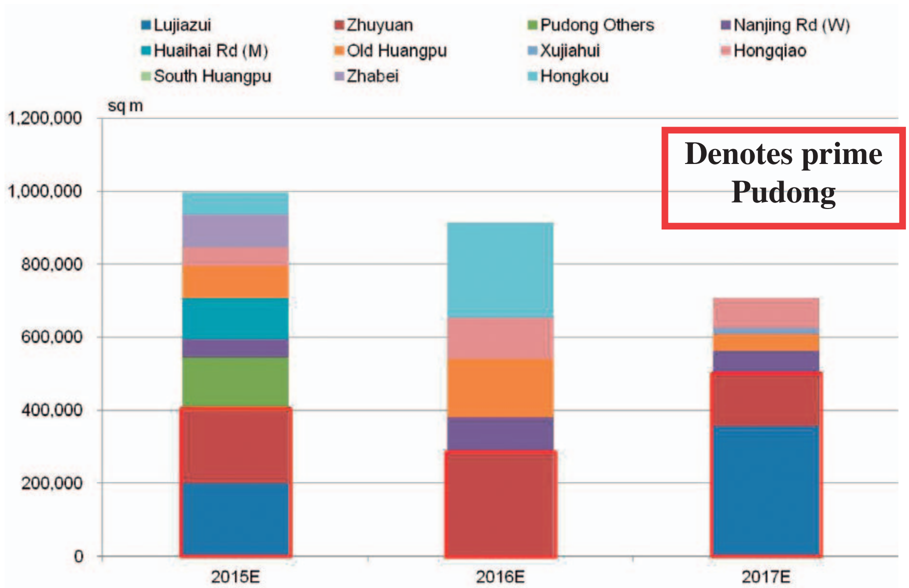


Source: Savills Project & Development Consultancy

Well diversified industry breakdown with finance & insurance industry dominating demand; as the market continues to mature, more than 50% of the space are occupied by whole or multi-floor tenants.

2.1.5 Future Supply and Rental Forecast

Chart 11: Shanghai Grade A Future Supply, 2015E-2017E



Source: Savills Project & Development Consultancy

Shanghai's Grade A office market is expected to register an average annual supply of roughly 872,000 sq m between 2015 and 2017. Recent supply pressure is attributed to the development of many plots, which were purchased during the flood of credit following the global financial crisis, now coming on line, as well as the outward expansion of the city.

As such, it is understandable that majority of new supply over the next three years are coming from other non-prime Pudong or the Puxi area, which amounts to 1.4 million sq m or 55% of total new supply, with the rest to be located in prime Pudong area.

Meanwhile, strong demand growth, in particular from domestic corporations, is still expected, based on the following assumptions:

➢ Domestic demand accounted for around 34% by 2014, and is estimated to account for 40% to 50% of new demand in the future;

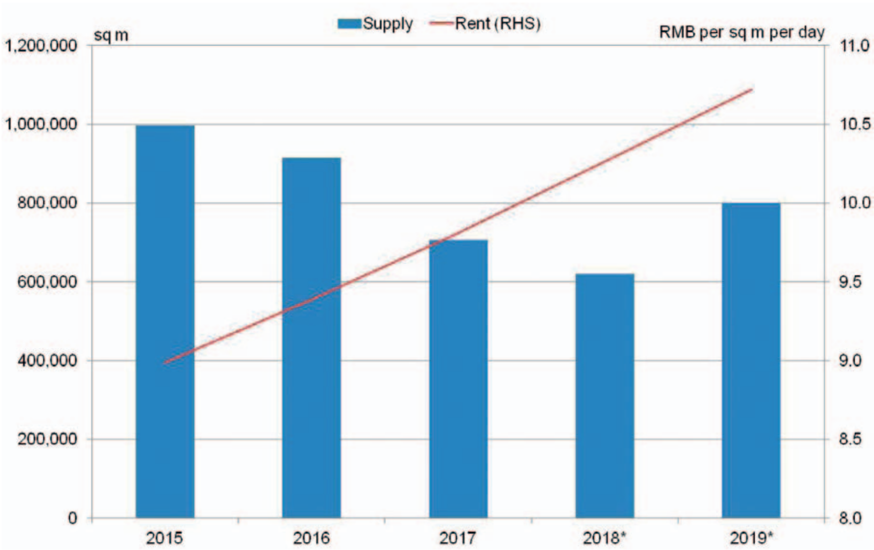
➢ Domestic firms purchasing for self use may mitigate supply pressure and thus could push up the rental growth;

➢ As rental and price sensitivities of domestic firms are lower, they are more receptive to leasing or buying into new office supply in Shanghai without too heavy discount;

➢ The trend of national and/or regional headquarters relocating to Shanghai due to improved infrastructure, expertise, liveability and competitive costs is likely to continue.

Therefore, we expect Shanghai Grade A office rents to remain resilient over the next few years, with rental growth, in particular in the Pudong area, expected to rise by an average of 4.5% per annum over the next five years.

Chart 12: Shanghai's Grade A office Forecast, 2015E-2019E



* There exists high uncertainty in 2018 and 2019

Source: Savills Project & Development Consultancy

2.2 ZHUYUAN CBD

2.2.1 Overview

Location: Zhuyuan CBD is surrounded by Dongfang Rd., Zhangyang Rd., Yuanshen Rd. and Pudian Rd., and covers about 90 hectares. It is located in the Lujiazui Finance & Trade zone and is less than 2 km away from Little LJZ CBD. Zhuyuan Century Avenue that runs crosswise through this area, is the axis of the whole Zhuyuan CBD and links it with Little LJZ CBD.

Figure 5: Location of Zhuyuan CBD

Source: Savills Project & Development Consultancy

Transport: Zhuyuan CBD can be reached from Puxi via three tunnels — Yan'an Rd., Ren Min Rd., and East FuXing Rd. The area starts from the intersection of three main roads — Century Ave., Dong Fang Rd. and Zhang Yang Rd. It can also be accessed by metro lines No. 2, 4, 6 and 9 via the Century Avenue Station located here.

Features: As the focal point for the Shanghai Futures Market, the Zhuyuan CBD has already attracted domestic well-known enterprises like CNPC and China UnionPay. Even Shanghai Stock Exchange relocated its office to Zhuyuan CBD as well. International enterprises such as Mitsubishi Motors or Dow Jones have also set up their representative offices here. In addition, it is adjacent to Zhangjiang Hi-tech Park (7.0km to Zhuyuan CBD) and Jinqiao Export Processing Zone (7.0km to Zhuyuan CBD), which also attract many multinational manufacturing, bio-medical and electronic technology companies as well as export enterprises.

2.2.2 Office Market Development and Characteristics

Currently the office leasing market is well developed in the Zhuyuan CBD. The tenants are mostly financial institutions. At the second quarter of 2015, the average daily rent of a Grade A office was RMB7.3 per sq m, resulting in relatively lower business costs than Little LJZ CBD, where the average daily rent has rocketed to over RMB10 per sq m. Many tenants and investors will see improving facilities and great potential for value increase.

Zhuyuan CBD serves as an extension of Shanghai's financial district and lures key financial exchanges, including Shanghai Future Exchange, Shanghai Diamond Exchange and will soon be home to the Shanghai Stock Exchange as well as the China Securities Depository and Clearing Corporation, which will drive demand for office space from financial institutions.

Table 5: Shanghai Grade A Office Market Comparison, 2015Q2

	Stock (sq m)	Percentage of Stock	Rent (RMB pspd)	Vacancy Rate
Central Business District	3,403,337	59.6%	10.2	3.8%
Zhuyuan CBD	623,720	10.9%	7.3	1.0%
Secondary Business District	2,309,041	40.4%	7.1	5.1%
Shanghai	5,712,378	—	8.7	4.4%

Source: Savills Project & Development Consultancy

The Zhuyuan CBD accounts for 11% of the stock of Shanghai's core business district. Its rents are lower than the central business district (represented by Little LJZ CBD) but higher than the secondary business district, and its current vacancy rate is among the lowest due to limited supply. The development of the office market of the Zhuyuan CBD can be divided into three major phases:

I. 1995-2009 (15 years): Foundation and 2008 Global Financial Crisis

The debut of the first Grade A office building project in Zhuyuan CBD inaugurated the development of this business area. The completion of Shanghai Futures Tower marked Zhuyuan CBD's orientation towards the financial industry. However, it saw no new high-grade projects completed during the period 2000-2005. With declining quality and capacity of the buildings, the market stagnated until UC Tower was set up in 2006. Then the global financial crisis ensued and the whole Shanghai office market fell into recession.

II. 2010-2015 (6 years): Upgrading Quality and Economic Recovery

In the second half of 2010, Hongjia Tower became the first high-quality office building that was completed in Zhuyuan CBD after the financial crisis. Then CNPC and SOHO China acquired buildings in succession as headquarters or leasehold premises, which helped improve the overall quality and market activity of offices in the whole area. It also indicated that MNCs had come back to the market after the global financial crisis.

III. 2015-2019 and beyond: Sprouting Landmarks and High-speed Development

Two large-scale patches of commercial land on both sides of the Century Avenue Metro Station have attracted adequate market attention for many years. Hutchison Whampoa's "Century Link" (to be completed in phases in 2015 and 2016) and "Century Metropolis" of Lujiazui Group (to be completed in 2015), which stands across the street from Century Avenue, have largely had their roofs sealed and exteriors completed. In addition, Shanghai Stock Exchange is expected to settle into the Shanghai International Financial Center, which will definitely help upgrade the development and facilitate the clustering of the financial industry in the area.

Table 6: Market Characteristics of Zhuyuan CBD in the Three Phases (Rent and Vacancy Rate for Grade A Office Buildings Only)

Phase	Year	Total Supply (sq m)	Rent (RMB pspd)	Vacancy Rate	Representatives
I	1995-2009	494,309	5.6	13.5%	Shanghai Futures Tower Lujiazui Commercial Plaza China Fortune Tower
II	2010-2015H1	725,320	7.3	1.0%	Hongjia Tower Oriental Financial Plaza SOHO Century Plaza
III	2015H2-2019 and beyond	537,700	n/a	n/a	Century Link Century Metropolis Shanghai International Financial Center

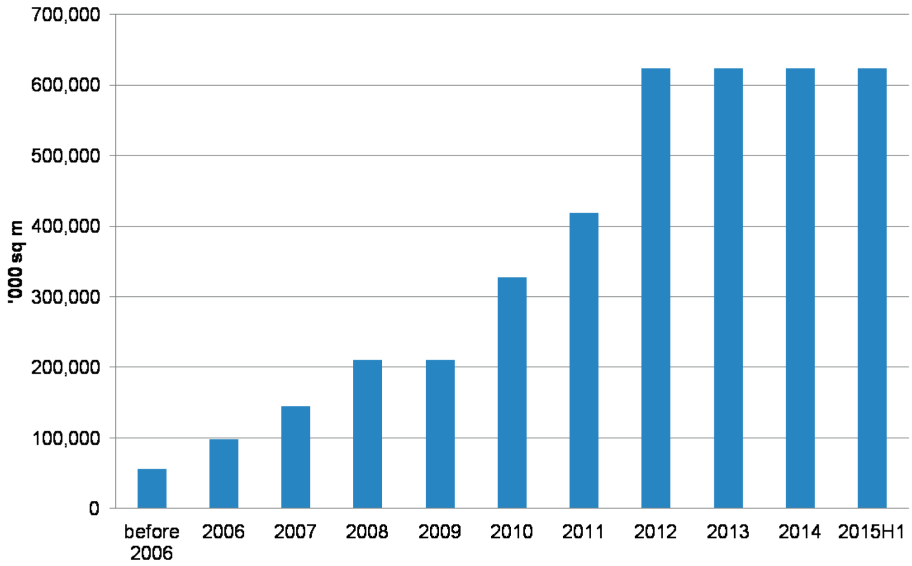
Source: Savills Project & Development Consultancy

As an important part of Lujiazui district and a functional extension and derivative segment of the Lujiazui Finance and Trade Zone, the Zhuyuan CBD takes up the excess demand from Little LJZ CBD while adjusting to local conditions to develop in diverse ways with its unique competiveness and advantages. There is no doubt that Zhuyuan CBD will attract more high-quality demand as a reputable core business district in Shanghai as the market matures in the future.

2.3 GRADE A OFFICE MARKET OF ZHUYUAN CBD

2.3.1 Stock, Supply and Project Distribution

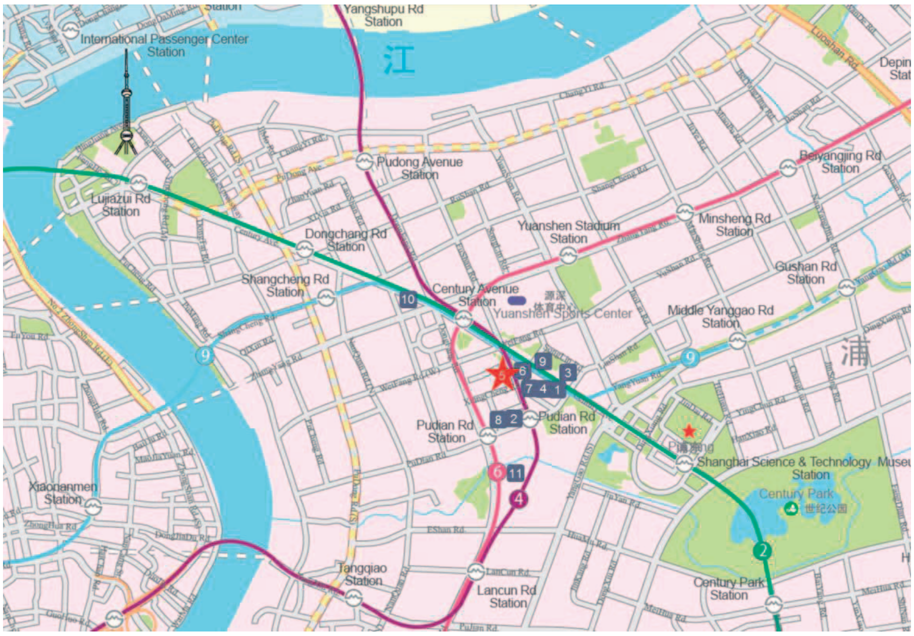
Chart 13: Stock of Grade A offices in Zhuyuan CBD, 2015H1



Source: Savills Project & Development Consultancy

Zhuyuan CBD has a considerable stock of Grade A offices totalling 0.62 million sq m. Grade A office buildings in this area are mainly distributed along Century Avenue, Zhang Yang Rd. and Fu Shan Rd.

Figure 6: Distribution of Grade A Offices in Zhuyuan CBD



Source: Savills Project & Development Consultancy

Table 7: Supply of Grade A Offices in Zhuyuan CBD (Numbers corresponding to Figure 6)

No.	Projects	Year of Completion	Quarter	Office GFA (sqm)	Developer
1	LJZ Commercial Plaza	1999	Q4	55,450	LJZ Group
2	UC Tower	2006	Q3	42,260	上海利德房地產發展有限公司
3	Chang Tai International Finance Building	2007	Q4	47,690	Shanghai Chang Jia Properties Ltd.
4	China Fortune Tower	2008	Q2	65,000	China Construction Corporation
5	Hongjia Tower	2010	Q3	39,759	Shanghai Hongjia Real Estate Development Co. Ltd.
6	Shengda International Plaza	2010	Q4	77,469	Shanghai Shengda Real Estate
7	LJZ Fund Tower	2011	Q3	45,332	LJZ Group
8	LJZ Investment Tower	2011	Q3	46,000	LJZ Group
9	SOHO Century Plaza	2012	Q3	37,760	SOHO China
10	Oriental Financial Plaza	2012	Q3	95,000	Oriental Financial Plaza Development Co. Ltd.
11	LJZ Financial Service Plaza	2012	Q3	72,000	LJZ Group

Source: Savills Project & Development Consultancy

Most Grade A office projects in Zhuyuan CBD are located around the Century Avenue Station where lines No. 2, 4, 6 and 9 intersect and Pu Dian Rd. Station where line 4 stops. Currently there are 11 Grade A office projects in Zhuyuan CBD that have been completed and have entered the market, mostly developed by LJZ Group and other reputable developers.

Amongst the 11 Grade A office projects, we have identified five of them as high quality Grade A offices, based on the year of completion (2008 or after), ownership (wholly-owned), availability (for lease only), building quality (high building quality and handover standards), property management (by international or renowned local service providers) as well as tenant profile (with national / multinational core tenants). The five high quality Grade A offices are Hongjia Tower and four comparable buildings including China Fortune Tower, LJZ Fund Tower, LJZ Investment Tower and LJZ Financial Service Plaza.

Table 8: Characteristics of high quality Grade A offices

Project Name	Launch Time*	Rent start date*	Start Rent (RMB psm pday)*	Rent (RMB psm pday) Q4/2013	Q4/2014	Q2/2015	Rental increment** Building	Zhuyuan	Occupancy rate***	PM	Core Tenant
Lujiazui Investment Tower	2011Q3	2011Q4	6.45	7.44	7.89	7.89	22.3%	18.3%	100%	LJZ Group	Moen
Lujiazui Fund Tower	2011Q3	2011Q4	6.45	7.78	7.89	7.89	22.3%	18.3%	100%	LJZ Group	Ferrero Rocher
China Fortune Tower	2008Q2	2009Q1	6.39	7.00	7.78	7.78	21.8%	7.5%	100%	Zhonghai Property	CITIC Securities, Ford Mazda
Lujiazui Financial Services Plaza	2012Q3	2013Q3	6.11	6.11	7.17	7.67	25.5%	6.1%	100%	LJZ Group	Yili, Volvo
Hongjia Tower	2010Q3	2010Q3	5.51	5.83	7.23	7.68	39.4%	34.5%	100% (office)	JLL	Nabtesco, US Money Gram

* launch time is when the project is launched to the market, where rent start date is when the lease started with rental income

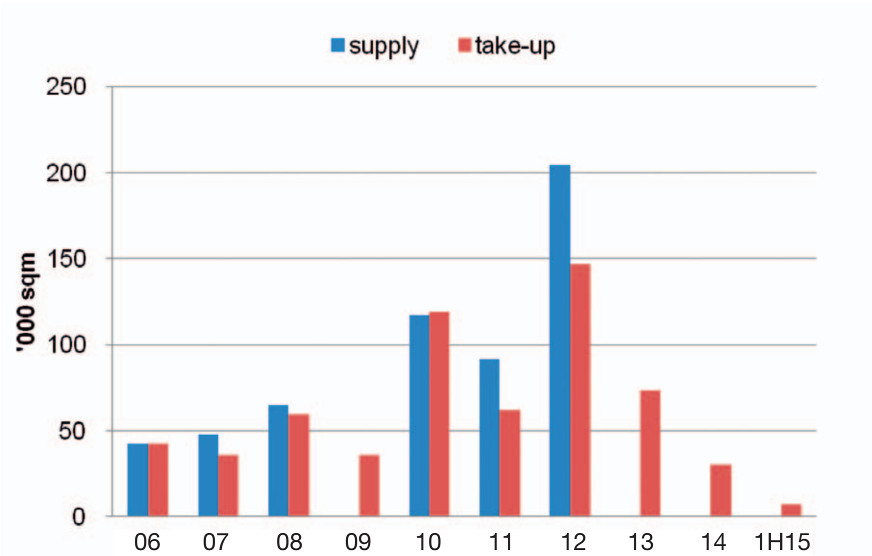
** calculated based on Q2/2015 rent and the start rent

*** as at Q2/2015

Source: Savills Project & Development Consultancy

2.3.2 Take-up, Vacancy Rate and Rent

Chart 14: Supply and Take-up of Grade A Offices in Zhuyuan CBD, 2006-2015H1



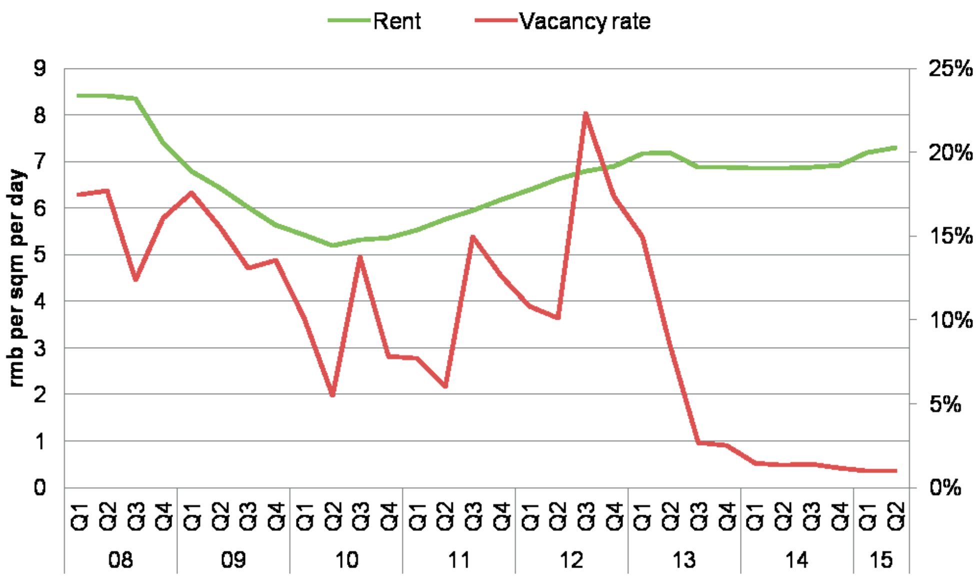
Source: Savills Project & Development Consultancy

There was a balance between supply and demand in the Grade A office market in Zhuyuan CBD during the 2006-2012 period. The market became increasingly mature (i.e. sustaining large amount of supply and take-up capacity) since 2010, and take-up recovered rapidly as the economy recovered from the financial crisis. The trend sustained except in 2012 when excessive supply resulted in a temporary excess of supply over demand. In 2013, 2014 and 2015H1, no incremental supply came into the market.

In the nine years from 2006 to 2014, the average annual supply and take-up are 63,141 sq m and 67,282 sq m respectively. Generally the demand exceeds supply by 6.6%. The establishment of new projects will upgrade the overall quality of offices in the area and eventually attract more high-end enterprises.

High quality Grade A offices in Zhuyuan are highly sought after over the years and in H1/2015, Hongjia Tower and all four comparables were 100% occupied (office portion), with core tenants including Nabtesco, Ferrero Rocher, CITIC Securities and Volvo, etc.

Chart 15: Rent and Vacancy Rate of Grade A Offices in Zhuyuan CBD, Q1/2008-Q2/2015



Source: Savills Project & Development Consultancy

Affected by the Global Financial Crisis, the rent of Grade A offices in Zhuyuan CBD fell from the second half of 2008 until the first half of 2010, reflecting the change in pricing strategy of the owners during the unusual situation. As the economy began to recover in the second half of 2010, rents as a whole began rising steadily during the next 20 quarters, having risen by 40% as of the second quarter of 2015 as compared with the lowest point during the financial crisis.

Meanwhile, the vacancy rate has fluctuated drastically, indicating that this business district is developing, adjusting and improving. The vacancy rate rose significantly in 2012, because several projects such as SOHO Century Plaza, Oriental Financial Plaza, etc. all came into the market during that period, and then experienced a sharp decline in 2013 and 2014 as those new projects were being gradually taken-up and no new supply were coming on stream.

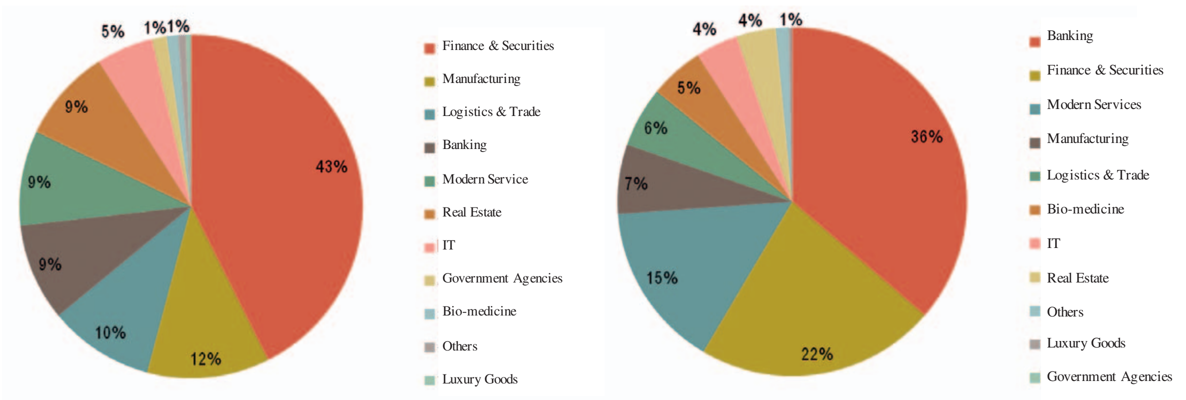
The average daily rental rate and vacancy rate of Grade A offices in Zhuyuan CBD were RMB7.3 per sq m and 1.0% respectively at 2015Q2.

Both rental levels and rental growth of high quality Grade A offices were higher than the Zhuyuan CBD Grade A average, with the four comparable buildings' rents averaged RMB7.8 per sq m per day in Q2/2015, 8% higher than the Zhuyuan CBD average, while their rental growth from their respective inception to Q2/2015 were 6% to 20% higher than the market rental growth over those respective periods.

2.3.3 Tenants

Chart 16 & 17: Industries Distribution of Grade A Office Tenants: Zhuyuan CBD vs. Little LJZ CBD

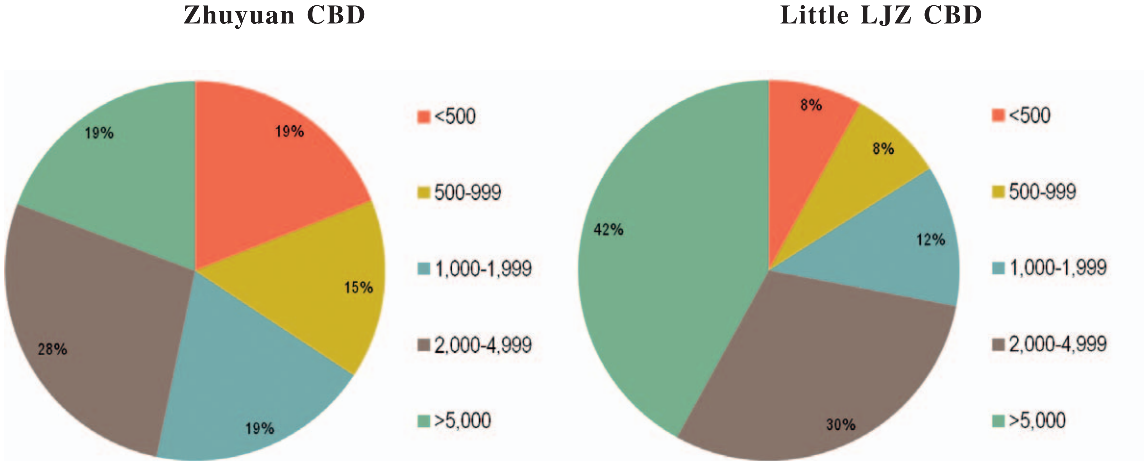
Zhuyuan CBD **Little LJZ CBD**



Source: Savills Project & Development Consultancy

The broad tenant distribution of the Zhuyuan CBD is similar to that of Little LJZ CBD, which is characterized by a large proportion of financial industry (52% vs 58%). Nevertheless, the nature of financial institutions of the two areas is different. As Little LJZ CBD is the only area where multinational banks can operate their RMB businesses, the area attracts most multinational banks to set up their offices. Meanwhile, Zhuyuan CBD attracts a more diversified tenant profile, such as finance and securities companies, with a balanced mix of domestic and foreign enterprises. It is expected that with the imminent relocation of the Shanghai Stock Exchange and other securities-related exchanges in Zhuyuan CBD, the area would be able to attract more financial institutions to open offices in the area.

Chart 18 & 19: Area Demand (sq m) of Grade A Office Tenants: Zhuyuan CBD vs. Little LJZ CBD



Source: Savills Project & Development Consultancy

The area demand for Zhuyuan CBD's tenants is evenly distributed, nearly 50% of whom rented the entire floor or multiple floors (i.e. 2,000 sq m and over). For Little LJZ CBD, the percentage is over 70%. The numbers of clients and area taken by tenants who rent less space have grown significantly as compared with Little LJZ CBD. Therefore, large companies make up a smaller proportion in Zhuyuan CBD as compared to Little LJZ CBD. The tenants are mostly medium- and small-sized enterprises, which tend to pay higher average rents.

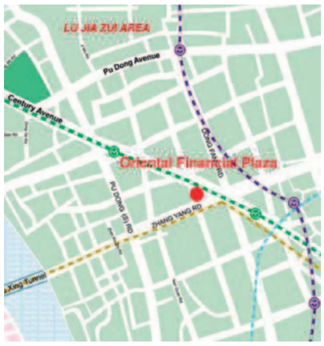
2.3.4 Major Plot Transactions

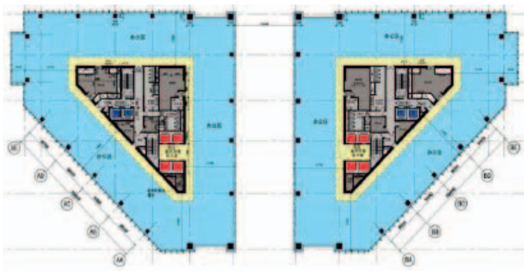
From 2011 to 2015, there were two major plot transactions in Zhuyuan CBD, i.e. the Oriental Financial Plaza adjacent to Little LJZ CBD and SOHO Century Plaza (previously Jia Rui Tower) near the main road of Century Avenue. The former was purchased for the buyer's own use, while the latter was acquired for leasing purposes. Both buyers had made the acquisition before the two buildings were completed for delivery.

As major plot transactions were extremely scarce in Zhuyuan CBD, any launch of en-bloc office buildings for sale within the area should be regarded as rare investment opportunity.

Table 9: Office Building Acquisition in Zhuyuan CBD - Case 1

Time of Acquisition	Target	Area (sqm)	Unit Price (rmb ps)	*Rate of Return	Transaction Type	Seller	Buyer
Q3/2012	Oriental Financial Plaza Block A (5 storeys)	11,751	61,063	4.1%	Domestic Asset	High-way Group	Cathay Life





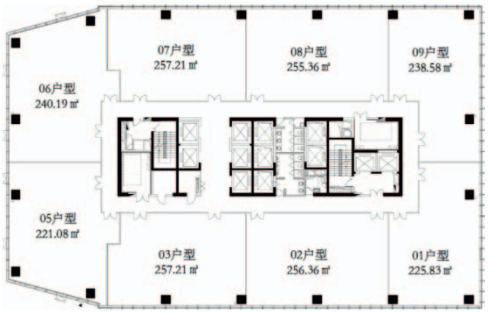
Time of Completion	July 2012	
Address	No. 1168, Century Avenue	
Developer	Oriental Financial Plaza Enterprise Development Co.Ltd.	
GFA	114,889 sqm, 95,000 sqm of which is office area	
Storeys	21F(Block A), 28F(Block B)	
Standard Storey Area	2,327~2,457 sqm	
Delivery Specifications	Clear Height	2.8m, (Trading Floor)3.1m (raised flooring 100mm)
	Efficiency rate	73%
	Elevators	16
	Air-conditioning	4-tube VAV Central Air-conditioning
Transportation	3-minute drive from Lujiazui CBD	
	3-minute walk from Century Avenue Station where one can interchange metro line 2/4/6/9	
	17-minute drive from People Square	

* Rate of return is estimated according to the prevailing rent level in Zhuyuan CBD at the time of delivery.

Source: Savills Project & Development Consultancy

Table 10: Office Building Acquisition in Zhuyuan CBD - Case 2

Time of Acquisition	Target	Area (sqm)	*Rate of Return	Transaction Type	Seller	Buyer
Q3/2011	SOHO Century Plaza (previously Jia Rui Tower)	42,972	5.0%	Domestic Asset	Long Cang Properties	SOHO China



Time of Completion	Q3/2012	
Address	No. 288, Xiang Cheng Rd.	
Developer	SOHO China (previously Shanghai Long Cang Properties Co. Ltd.)	
GFA	60,450 sqm, 37,760 sqm of which is office area	
Storeys	24F	
Standard Storey Area	2,000 sqm	
Delivery Specifications	Clear Height	2.85m (raised flooring 120mm)
	Efficiency rate	83%
	Elevators	10
	Air-conditioning	VAV+FCU central air-conditioning
Transportation	4-minute drive from Lujiazui CBD	
	6-minute walk from Century Avenue Station where one can interchange metro line 2/4/6/9	
	20-minute drive from People Square	

* Rate of return is estimated according to the prevailing rent level in Zhuyuan CBD at the time of delivery.

Source: Savills Project & Development Consultancy

2.3.5 Upcoming Supply & Market Forecast

Table 11: Upcoming Supply of Grade-A Office Projects in Zhuyuan CBD, 2015E-2017E

No.	Projects	*Year of Completion	Quarter	GFA (sqm)	Developer
1	Century Link-phase 1	2015	Q4	64,850	Hutchison Whampoa
2	Century Metropolis	2015	Q4	134,000	LJZ Group
3	Century Link-phase 2	2016	Q1	64,850	Hutchison Whampoa
4	Shanghai Financial Trading Plaza**	2017	Q2	220,000	Shanghai Stock Exchange, China Financial Futures Exchange, China Securities Depository and Clearing Co. Ltd.
5	Lujiazui 2-16-2	2017	Q4	54,000	LJZ Group

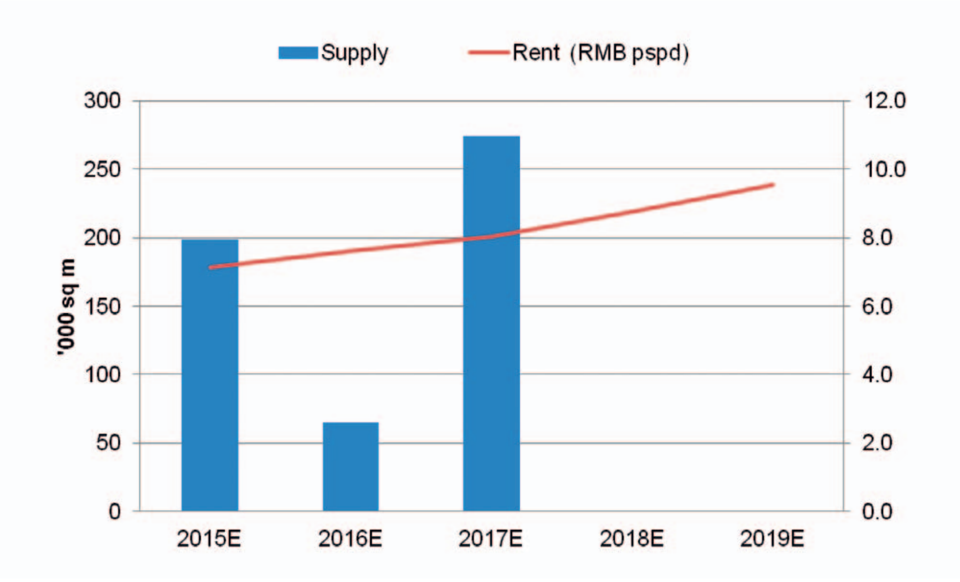
* Year of completion is estimated and may be adjusted according to construction

** Shanghai Financial Trading Plaza will be self-used by the three developers

Source: Savills Project & Development Consultancy

It is estimated that from 2015 to 2017, four new office projects — including Century Link in two phases — are to be set up in Zhuyuan CBD with an incremental supply of 537,700 sq m. The supply of offices is expected to increase by 107,540 sq m per year on average for the next five years.

Chart 20: Rent Estimate for Grade-A Office Projects in Zhuyuan CBD, 2015E-2019E



Source: Savills Project & Development Consultancy

According to statistics in the past five years (2010-2014), the average year-on-year rental increase for Grade A offices in Zhuyuan CBD is 6.6%. As for the rental forecast for the next five years (which may fluctuate due to incremental supply year by year), the rent in Zhuyuan CBD will be RMB9.53 per sq m by 2019, representing a CAGR of 6.6% per annum.

Although supply will amount to 537,700 sq m from 2015 to 2019, most of the new supply coming on stream are of high quality, and thus should be attracting high quality tenants spilling over from the tight Little LJZ CBD market.

Notably, the largest supply in the pipeline, the Shanghai Financial Trading Plaza (220,000 sq m), is going to be owner occupied by its three developers, namely Shanghai Stock Exchange, China Financial Futures Exchange and China Securities Depository and Clearing Co. Ltd. Stripping this out from the equation and new supply available for lease will dramatically decline to 317,700 sq m over the next five years, or 63,540 sq m per annum, at par with 2006-2014 historical supply (63,141 sq m per annum) and lower than historical take-up over the same period (67,282 sq m per annum). Notably there is no known supply pipeline in 2018 and 2019.

With the Shanghai Stock Exchange to be relocated to the area in 2017, we expect a lot of related financial and securities firms will follow suit and flock into the area, taking up the other available space on offer. Zhuyuan CBD is also expected to further establish itself as the extension of Little LJZ CBD under various policy supports. Therefore, with new lettable supply mirroring historical average and upcoming demand likely to surpass historical demand, we expect rental levels of Zhuyuan CBD should still command reasonable growth over the next three years, with rental growth likely to accelerate through 2018 and 2019 with no new supply.

2.3.6 Zhuyuan CBD Market Prospects

The stock of Grade A offices in Zhuyuan CBD accounts for 11% of the overall stock in Shanghai. The office rents in this area are lower than those in Little LJZ CBD, West Nanjing Road and Middle Huaihai Road, but are higher than the average rents of Grade A offices in the other CBDs. Thus, the office rents in this area are above the average level. Also, its vacancy rate is relatively low among all the business districts in Shanghai. (As at the second quarter of 2015, the average daily rent in this area was RMB7.3 per sq m, and the vacancy rate was only 1.0%).

In Zhuyuan CBD, newly launched or good quality office projects generally can achieve a higher rental level (Hongjia Tower, China Fortune Tower, etc.). Offices with earlier completion time and older facilities can only achieve rental levels at the low end spectrum, which pull down the Zhuyuan CBD average rents. Meanwhile there are also some self use offices such as Shanghai Futures Tower and CNPC Building.

Table 12: Recent leasing transactions in Zhyuan CBD, Q1/2014-Q1/2015

Tenant	Country	Project Name	Area Leased (sqm)	Rent (RMB psm pday)
Zhanhong Investment	CHN	Hongjia Tower	108	9.5
Tecan Trading	EU-Swiss	Hongjia Tower	790	9.1
Huahui Investment	CHN	Hongjia Tower	837	9.1
Mitsubishi Motors	JAP	China Fortune Tower	2,000	9.0
SMA	EU-Germany	China Fortune Tower	500	8.9
Dekang Consulting	EU-Germany	China Fortune Tower	300	8.5

Source: Savills Project & Development Consultancy

According to the recent leasing transactions as above, the most recent achievable market rents in Zhuyuan can reach RMB8.5 to RMB9.5 per sq m per day level, in particular for high quality Grade A offices, and there are a number of such transactions in both Hongjia Tower and China Fortune Tower.

Also we have analysed rental differentials between wholly-owned offices and strata-titled offices in Zhuyuan, Hongqiao and Hongkou CBD as below.

Table 13: Rental comparison of wholly-owned and strata-titled offices in three CBDs

CBD	Project Name	Rent (RMB psm pday)
Zhuyuan	Leasing-Lujiazui Plaza	8.2
	Sales-Tomson Financial Building	4.4
Hongqiao	Leasing-L'Avenue	9.3
	Sales-Shanghai Mart	4.4
Hongkou	Leasing-CITIC Shenhong Plaza	5.0
	Sales-Shanghai Bund International Tower	4.0

Source: Savills Project & Development Consultancy

In general, wholly-owned offices commanded 20% to 110% over their strata-titled counterparts within the same district, as the quality of tenants, their rental affordability and space occupied in wholly-owned offices are much higher than those in strata-titled offices.

The office market in this area is in a stable and healthy development stage. Although there were no new supplies during 2013 and 2014, in the coming years there will be several high-quality projects completed and entering the market. For example, the Shanghai Stock Exchange will be located in this area in 2017, which certainly will bring a surge in the demand for prime offices especially in the Zhuyuan CBD, and result in the centralization of the office demand from the financial and relevant service industry chain led by financial trading platforms.

Also Zhuyuan CBD should benefit from the continuous development of Shanghai into a service economy as well as the leader of the Yangtze River Delta, which should bring about more general office demand from service industry and more headquarter demand from regional and national corporations. As part of the Shanghai FTZ, Zhuyuan CBD should also enjoy all the preferential policies and thus enhancing demand from the financial sector. Zhuyuan CBD's strategic location adjacent to Little LJZ CBD should continue to enable the area to receive spill-over demand from Little LJZ CBD; the relocation of the Shanghai Stock Exchange, together with the existing exchanges already residing in Zhuyuan CBD, should help create a critical mass for exchange-related financial institutions and commodity traders to relocate to the area in the long run, possibly boosting office rental growth in Zhuyuan CBD ahead of LJZ CBD in the longer term.

2.4 Target Project Analysis

2.4.1 Location and Vicinity

Hongjia Tower is strategically located at Fushan Road near Wifang Road, which is at the heart of Zhuyuan CBD. Hongjia Tower is also located in an established office cluster within the area, which runs along Fushan Road, Pudian Road and Century Avenue. The target project is also in close proximity (within 5 to 10 minutes walking time) to two metro stations (Metro Line 4 and 6 respectively). There are vast amount of auxiliary retail and supporting facilities, such as banks, convenience stores, leisure and business restaurants, as well as serviced apartment such as Jazz Plaza.

2.4.2 Analysis of Target Office Project

Hongjia Tower became available for lease since the third quarter of 2010 and its average daily rent and vacancy rate were RMB5.51 per sq m and 90.7% respectively until the end of 2010. For the following four years it kept adjusting the tenant structure and business strategies (e.g. the introduction of high quality customers and optimizing subdivided unit areas, etc.). As a result, rents rose steadily and vacancy rate dropped rapidly until after 2013 when its growth became stable with considerable and sustained occupancy rates. The quality and strategic location of the building also attracted a well balanced tenant profile, with 40% of tenant coming from the finance industry, 30% coming from commercial service and 15% coming from manufacturing, in terms of GRA.

As of 30 June 2015, the average daily rent of Hongjia Tower was RMB7.68 per sq m and the office portion was fully occupied. For the leases newly signed and renewed in full year 2013, 2014 and first half of 2015, the average rental rate of the office portion has reached RMB 6.8 per sq.m per day, RMB 7.8 per sq.m per day and RMB 9.0 per sq.m per day in their first year respectively, representing a growth of 14.7% in 2014 and 15.4% in 2015. Furthermore, average daily rent for newly signed contract in February 2015 reached RMB9.5 per sq m, approximating the average rent in Little LJZ CBD.

2.4.3 Forecast for Target Office Project

Over the period from 2014 to 2019, the average rent of Hongjia Tower will be higher than the overall market of Zhuyuan CBD, which is quite remarkable for an office project that only came to market less than five years ago. The high quality of the building, exhaustive lease strategy together with favourable supporting policies for the whole area have brought significant market competitiveness to Hongjia Tower and laid a firm foundation for its long-term development in the future.

It is worth mentioning that the newly agreed rent of Hongjia Tower has reached RMB9.5 per sq m per day, which is close to the rent in Little LJZ CBD, showing its potential for catching up with the premises in core CBDs. As future supply in Zhuyuan CBD is likely to be matched by upcoming demand as discussed previously, we expect vacancy rate for Hongjia Tower to stay close to full occupancy.

2.4.4 Prospects of the Subject Property

Hongjia Tower was built and completed at the end of the Global Financial Crisis when the global economy was recovering. It is the first prime office premises in Zhuyuan CBD, thus having great historical significance. Its building quality, handover standards, property management and other aspects are still among the best practices in Zhuyuan CBD. Together with its strategic location at the heart of Zhuyuan CBD and its close proximity to metro station, the average rent of the premises is higher than the overall level in Zhuyuan CBD. The occupancy rate is also relatively high and the building has a well diversified tenant profile. Besides, based on the previously mentioned rental forecast of Hongjia Tower, we believe that its rental growth will outpace that of Zhuyuan CBD.

2.4.5 SWOT Analysis for the subject property

Table 14: SWOT of Hongjia Tower

Strength
- ➢ First prime office premises in Zhuyuan CBD
- ➢ Building quality, handover standards and property management among the best practice in Zhuyuan CBD
- ➢ Close to full occupancy with above market rental levels and well diversified tenant profile
- ➢ Strategically located at the heart of Zhuyuan CBD with an established office cluster in its vicinity
- ➢ In close proximity to metro station at Century Avenue and Pudian Road

Opportunities
- ➢ Zhuyuan CBD to benefit from preferential policies of FTZ
- ➢ Zhuyuan CBD to capture spill-over demand from the tight Little LJZ CBD
- ➢ The relocation of the Shanghai Stock Exchange to Zhuyuan CBD to create further demand from financial industry
- ➢ Rarity of lettable and wholly-owned Grade A offices with high quality should enhance above-market rental growth

Weakness
- ➢ Façade not as modern as surrounding offices
- ➢ Supporting retail provision less appealing than surrounding offerings

Threats
- ➢ Relatively high level of new supply over the next three years, albeit the largest one of them to be owner-occupied

Source: Savills Project & Development Consultancy

3 SUPPORTING RETAIL MARKET

3.1 Research on Supporting Retail Market in the Area

3.1.2 Overview

Zhuyuan CBD is a part of Lujiazui Financial and Trade District and is under the influence of Little LJZ CBD. The demand for offices in Little LJZ CBD exceeded supply recently, and Little LJZ CBD recorded the lowest vacancy rate in Shanghai. Zhuyuan CBD, as an extension of Little LJZ CBD, is favoured by large numbers of spillover tenants. There are large numbers of office staff in this area, but there is not enough supporting retail. The trade mix in this area is relatively simple, including mainly financial services and food and beverage services. The supporting retail in this area serves the office staff by meeting their business and office needs. The trade mix is relatively independent, and retailers are not in strong connection. Besides, they do not need too much public space or activity space.

Because of policy guidance and convenient traffic conditions, the retail market in Zhuyuan CBD is mainly occupied by banking halls, convenience stores and restaurants offering light meals. The average rent of the ground floor has reached RMB9 per sq m per day, while ground floors of prime office buildings can command average rent close to RMB16 per sq m per day, and average rent of ground floor of large commercial buildings has achieved RMB33 per sq m per day.

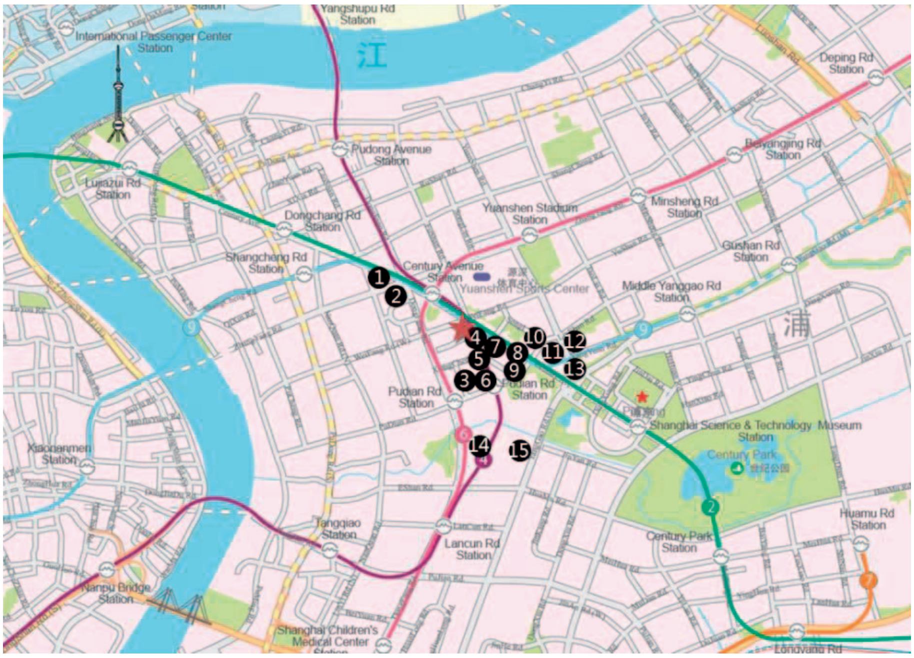
As an extension of Little LJZ CBD, Zhuyuan CBD meets the demands of spillover tenants from Little LJZ CBD. The high consumption level of business population and the future landmark projects — Century Link and Century Metropolis will bring great vitality to Zhuyuan CBD, which will push up the rents in this area and boost the adjustment and upgrade of tenant composition.

3.1.3 Introduction to the Supporting Retail Market

Scope of Research:

This report studies Grade A offices and the supporting retail market in Zhuyuan CBD, mainly focusing on retail premises under 15,000 square meters. The main retail premises in this area are as follows:

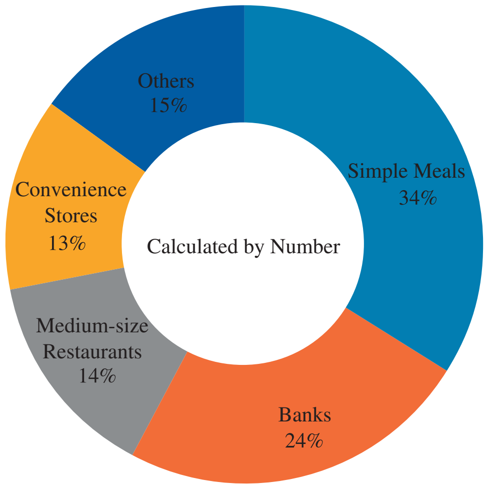
Figure 7: The Distribution of Main Retail Premises in Zhuyuan CBD



No.	Projects
1	Oriental Financial Plaza
2	Tomson Financial Tower
3	Lujiazui Investment Tower
4	Suntime International Mansion
5	Tongsheng Mansion
6	UC Tower
7	Lujiazui Fund Building
8	China Fortune Tower
9	LJZ Commercial Plaza
10	Chang Tai International Finance Building
11	Lujiazui Diamond Tower
12	Gezhouba Tower
13	East Hope Plaza
14	LJZ Financial Service Plaza
15	YoYo Century Plaza

3.1.4 Trade Mix and Rents of Retail Premises in the Area

Chart 21: Composition of Trade Mix of Retail Premises in the Area



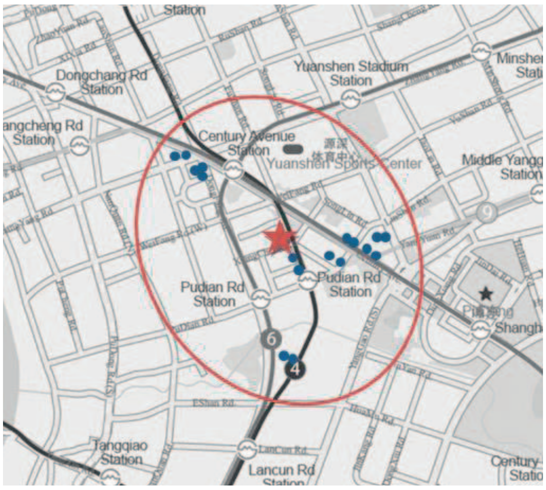
The main trade of supporting retail market in Zhuyuan CBD is providing western simple meals, which accounts for 34%. Western simple meals are to meet the demands for fast and convenient meals for staff in the surrounding offices. Banking halls are next to simple meals, accounting for 24% of the trade mix. Almost each office building has a banking hall, while some of them have two and more banking halls. Similar to Little LJZ CBD, this area has attracted large number of banking service institutions, which distinguishes Zhuyuan CBD from other business districts.

Currently, the supporting retail premises and street shops in this area are almost fully occupied. The average rents are as follows:

Table 15: The Average Rents of Supporting Retail Market in Zhuyuan CBD

Scope of Research	Average Rents (RMB per square meter per day)
Street shops in Zhuyuan CBD	7-12
Ground floor of prime office building	13-18
Ground floor of large commercial buildings	30-35

Figure 8: Distribution of Financial Tenants in the Area



Financial Tenants	Number	Rents (RMB per square meter per day)
CITIC Bank	1	15-20
Pudong Development Bank	2	
Industrial Bank	2	
Tianjin Bank	1	
Minsheng Bank	2	
Woori Bank	1	
Merchants Bank	2	
Everbright Bank	1	
Beijing Bank	1	
Industrial and Commercial Bank of China	1	
Fubon First Sino Bank	1	
Bank of Communications	1	
Bank of China	1	

Figure 9: Distribution of Other Main Tenants in the Area

Simple Meal Tenants	Number	Rents (RMB per square meter per day)
Starbucks	7	12-22
COSTA	1	
Pacific Coffee	2	
Subway	3	
Ancestry	1	
SUNFLOUR CAFÉ	1	
EAT&JOY	1	
Some of the Business Dinner Tenants	**Number**	**Rents (RMB per square meter per day)**
Canton Palace Restaurant	1	4-6
South Asian Kitchen	1	
Tian Cai Jia Yan	1	
Some of the Convenience Store Tenants	**Number**	**Rents (RMB per square meter per day)**
7-11	2	8-12
Family Mart	2	
Convenience Store	2	
Lawson	2	

➢ Banking halls: there are many banking halls in the area, which are densely distributed. Most of them are state-owned banks, and few are local banks and foreign banks. Bank tenants can and will pay higher rents than other tenants in this area. The average rents are RMB15-20 per sq m per day.

➢ Restaurants: the number of restaurants providing light meals is quite large. Their rents are next only to those of financial institutions, including banks. Examples include Starbucks and Subway, whose rents are about RMB12-22 per square meter per day. Most medium-size restaurants are not on the ground floor, and their kitchens always cover a large area. For these two reasons, such tenants cannot afford high rents. Their average rents are RMB4-6 per sq m per day.

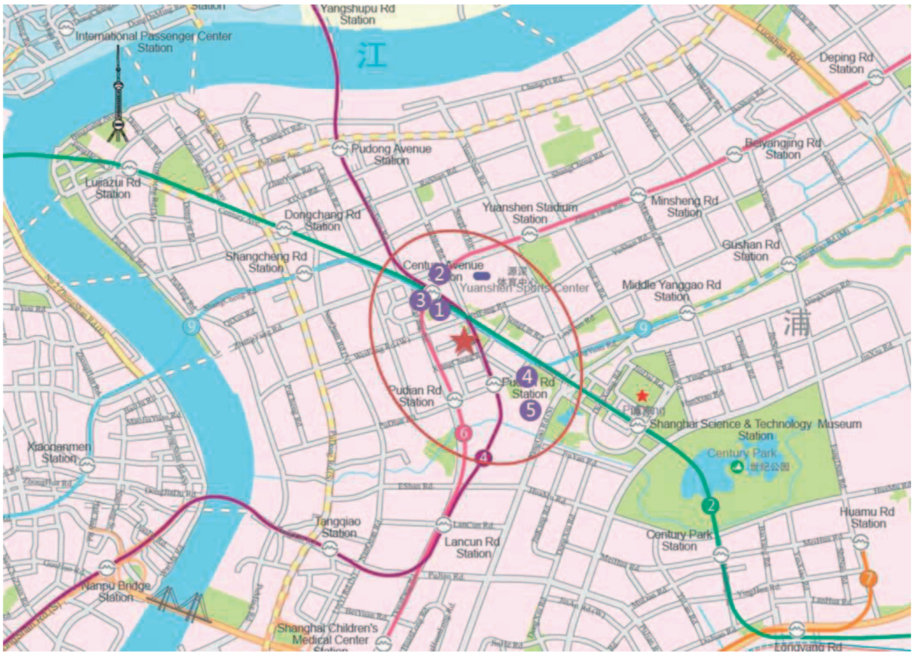
➢ 24-hour convenience stores: because these stores cover a small area, they can afford relatively high rents. The average rents are RMB8-12 per sq m per day. The rent of Lawson in Tomson Financial Tower is over RMB20 per sq m per day because of its good location.

➢ Staff restaurants: they can only afford relatively low rents. Staff restaurants are always on the B1 floor and their rents are often below RMB2 per sq m per day.

3.1.5 Forecasts for Future Market Supply (for next 5 years)

Within the next 5 years, 5 large commercial complexes will be completed and all of them are of high quality. Century Link and Century Metropolis are the future landmarks of Zhuyuan CBD. These two are large-volume buildings and will be introduced to the market as shopping malls. They will play a leading role in this area and attract more people and companies. The increase of business population is good news to the supporting retail market. Besides, the introduction of Shanghai International Financial Center will bring to the area large numbers of high net worth individuals, which can help to upgrade the brands and levels of commercial tenants. According to the research data of our company, the supporting retail market of secondary business districts recorded a rent increase of 2% per year. Based on the recent trends, the increase rate of rents in the next 5 years will remain at 2% per year.

Figure 10: Distribution of Future Commercial Projects in the Area



No.	Future Projects	Time of Completion
1	Century Link I	2015
2	Century Metropolis	2015
3	Century Link II	2016
4	Lujiazui Project No. 2-16-2	2017
5	Shanghai International Financial Center	2017

3.2 Research on the Target Project

3.2.2 Trade Mix and Rents of the Supporting Retail Market

Compared with the supporting retail premises of other prime office buildings in Zhuyuan CBD, the target office building comprises of diversified tenants, including gym, dental care and household stores.

In terms of lease area, Will's is the biggest tenant in the supporting retail area, which accounts for 34% of the whole retail area. Next to Will's is Markor Furnishings and the staff restaurant, covering 20% and 15% respectively.

On average, the ground floor rental price of the target supporting retail premise is lower than the average ground floor rental price of the whole Zhuyuan CBD. It is recommended to renew the leases or to replace the tenants in order to increase the rental prices.

Restaurants providing simple meals and gyms match the overall trade mix of the area. Their rental prices are above RMB13 per sq m per day, which is about the average ground floor rental price of prime office buildings in the area. Meanwhile, their rental price growth rate is higher, improving profitability.

Although currently there is demand for the services of the staff restaurant and another restaurant providing simple meals, they need to improve their image and profitability. Their rents are relatively low.

The most current monthly rent for carpark is RMB1,200 per space, while the hourly rate for causal parking is around RMB10 per hour. However, parking spaces on the street only charge RMB20 per day, which is much less expensive than parking in office buildings around. That is the reason behind the 70% occupancy of the car park of the target building, which has room for improvement.

3.2.3 Forecast and Recommendations for the Future Development of the Supporting Retail Market (for next 5 years) of the Target Project

The supporting retail premise of the target project mainly serves the staff working in the target building. We believe that the large complexes which will come to the market in the next 5 years are of high quality, and will help to push up the rental prices in the supporting retail market. It is estimated that the average annual growth rate of rental prices for the next 5 years will exceed the historical average record of 6%.

Secondly, due to the trade mix in the supporting retail premises, its profitability is quite limited at the moment. It is recommended to replace some of the current tenants with others with higher affordability and good image, such as banking halls, convenience stores and restaurants providing simple meals, which complies with the policy of building Zhuyuan CBD into a gathering area of financial institutions. Meanwhile, to improve the profitability of B1 floor, it is recommended to introduce tenants who can afford higher rents. It is also recommended to improve the traffic conditions within the building by increasing the number of escalators.

Appendix 1

Definition of Grade A office

	Grade A
Location	Within primary or secondary business locations
Development Size	Total GFA above 20,000 sq. m. with floor plate larger than 1,600 sq. m. (Gross)
Transportation	Access to main road arteries or Mass Transit Public Transportation (Metro, etc)
Surrounding Area	Cluster of office projects and with adequate support facilities within the immediate vicinity
Parking Spaces	Minimum of 1 car parking space per 200 sq. m. (Gross) of office
Hand Over Condition	False ceiling with light fixtures (min 500 lux)
Power	Minimum of 70Va per sq. m.
Generators	Two incoming power sources with emergency back up generator
Water Chiller	Separate dedicated 24 hr. supply of chilled or condenser water for tenant server rooms
Loading	Loading of at least 400KG per sq. m.
Ceiling Height	At least 2.6m
Elevators	At least 1 lift per 4 office levels
HVAC	Centrally controlled A/C system
Telecoms	Min of 1 direct line per 15 sq .m. and availability of ISDN, DDN, T1 and Leased Lines.
Data	Fibre Optic Backbone. Multiple Service providers available.
Property Management	Experienced Management Company
Efficiency	Minimum of 70% efficiency for whole floor occupation
Tenant Profile	Occupied mainly by well known national or multinational whole floor or multi-floor tenants

Source: Savills Project & Development Consultancy

Limitations on the report

This report contains forward-looking statements which state Savills (Hong Kong) Limited's (the "Consultant") beliefs, expectations, forecasts or predictions for the future. The Consultant stresses that all such forecasts and statements, other than statements of historical fact, outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of any one variable may significantly affect outcomes and the Consultant draws your attention to this.

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Yours sincerely,
Savills (Hong Kong) Limited
Simon Smith
Senior Director
Head of Research & Consultancy

An investment in real estate involves risks. Unitholders should consider carefully, together with all other information contained in this Circular, the risk factors described below before deciding to vote on the EGM Resolution.

Risks relating to Yuexiu REIT

1. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of the Project Company to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government

The Project Company receives almost all of its revenue in RMB, and RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies, including the Hong Kong dollar, despite significant relaxation over the years of the PRC government's control over routine foreign exchange transactions on the current account.

As advised by the PRC legal advisers to the Manager, for a foreign-invested company, (such as the Project Company), under the existing PRC foreign exchange regulations, its dividends (whether in a foreign currency or in RMB) representing the profit distributed to its foreign investor are treated as current account items and can be legally remitted out of the PRC to its foreign investor without the need to obtain the prior approval or authorisation of the relevant foreign exchange bureau by complying with certain procedural requirements.

Yuexiu REIT's distribution policy is that two distributions are made in respect of each year, being distributions with respect to the six-month period ending 30 June and 31 December, which are anticipated to be paid in November and May each year, respectively. There is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If, due to the relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB indirectly from Project Company to Yuexiu REIT and/or the conversion of RMB to Hong Kong dollars, there could be a delay in the timing of payment of distributions to the Unitholders. Further, if the Project Company is not able to repatriate funds out of the PRC in RMB, Yuexiu REIT's ability to pay distributions to the Unitholders will be affected.

2. Fluctuations in the value of RMB could adversely affect accounting profit and the value of distributions paid in respect of the Units in Hong Kong dollars

The Government of the PRC introduced a limited floating currency system in July 2005 under which the RMB is pegged against a basket of currencies. The exchange rates between the RMB and each of the other currencies comprised in the basket may fluctuate to a significant extent and the RMB may also be revalued in the future. In addition, if the PRC converts to a fully floating currency system, the RMB may experience wide fluctuations as a result of market forces.

Yuexiu REIT receives all its revenue in RMB, which will have to be translated to HK$ for payment as distributions to Unitholders. A substantial portion of Yuexiu REIT's borrowings are denominated in HK$ or US$. Any decrease in the value of the RMB may adversely affect accounting profit of Yuexiu REIT and will adversely affect the value of distributions paid in HK$.

3. Any limitation on the ability of the entities controlled by Yuexiu REIT to make distribution payments could affect Yuexiu REIT's ability to pay distributions to the Unitholders

Yuexiu REIT will operate the Property through the Project Company. Dividend payments by the Project Company will be made to Yuexiu REIT. Yuexiu REIT relies on such dividend payments and other payments and/or distributions for its income and cash flows to satisfy its payment obligations and to make distributions to Unitholders. PRC regulations currently permit PRC subsidiaries (such as the Project Company) to pay dividends only out of their retained profits, if any, as determined in accordance with PRC accounting standards and regulations The profits available for distribution by the Project Company are determined in accordance with PRC GAAP. Such profits available for distribution by such entities may differ from those by Yuexiu REIT, which will be determined using HKFRS, in certain significant respects, including but not limited to differences in the accounting treatments of depreciation, amortisation and impairment loss in the properties and other fixed assets of the Project Company and deferred tax thereon. Thus, the amount of profit which is available for distribution by the Project Company as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be payable by Yuexiu REIT to the Unitholders under HKFRS pursuant to its distribution policy.

In addition, PRC subsidiaries are required to set aside a certain amount of their retained profits each year, if any, to fund certain statutory reserves.

These reserves may not be distributed as cash dividends. Accordingly, the ability of the Project Company to make distributions may therefore be restricted by, among other things, its business and financial condition and the availability of distributable profits, which in turn are affected by the net operating profit generated by Yuexiu REIT.

The net operating profit earned from property investments depends on, among other things, the amount of rental income received, and the level of property, operating and other expenses incurred.

The ability of the Project Company to make distributions may also be restricted by applicable laws and regulations (that may restrict the repatriation in RMB or other currencies of rental and other income by the Project Company out of the PRC). See the section headed " Risk Factors — RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC and the ability of the Project Company to remit RMB offshore and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government." above. Given the restrictions of remittance of funds from the PRC, the Manager has obtained offshore bridging loans to facilitate Yuexiu REIT's semi-annual distribution to Unitholders.

4. Risks associated with leveraging and limitations on Yuexiu REIT's ability to leverage, Yuexiu REIT's current and future borrowings and dependence on external financing for Completion

Yuexiu REIT will enter into the New Offshore Facility, which will be secured by unconditional and irrevocable guarantees from the Trustee. For details, see section 4.1 headed "New Offshore Facility" in this Circular. The Project Company also has a loan in the amount of RMB380 million bearing an interest rate of 110% of the PBOC benchmark interest rate per annum, which will be partially refinanced by the New Onshore Loan Facility to be obtained by the Project Company on or before Completion. In addition, Yuexiu REIT may also use leverage in connection with its other investments, and may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business, to achieve its investment strategies and/or to refinance existing debt obligations. Borrowings by Yuexiu REIT are subject to the borrowing limits under the REIT Code which currently limit the Gearing Ratio to 45%. If the 45% borrowing limit is crossed due to circumstances beyond the Manager's control, and/or there is a depreciation in the value of the REIT's properties or any redemption of Units, Yuexiu REIT will not be allowed to incur additional borrowings until the Gearing Ratio falls below 45%. This may potentially affect the Manager's ability in carrying out its plans which involve a large capital requirement including asset enhancement projects or acquisitions.

Yuexiu REIT's Gearing Ratio immediately following Completion will be approximately 36.7%. The Manager believes that this level is prudent under the current market conditions and is within the borrowing limit under the REIT Code. However, there can be no assurance that Yuexiu REIT's borrowings will not cross such borrowing limit due to circumstances beyond the Manager's control, and/or if there is a depreciation in the value of Yuexiu REIT's properties or any redemption of Units. From time to time, Yuexiu REIT may need to draw down on its banking facilities and use overdrafts, but may be unable to do so due to the above-mentioned borrowing limits.

Furthermore, Yuexiu REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Yuexiu REIT with insufficient cash resources to operate its properties or make distributions to Unitholders necessary to maintain its REIT qualification. Yuexiu REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may be unable to borrow additional funds as needed or on commercially acceptable terms; (iii) it may be unable to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness; (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities; (v) it is subject to restrictive covenants and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Yuexiu REIT's operations, such as its ability to incur additional indebtedness, acquire properties, make certain other investments, make capital expenditures, or make distributions to Unitholders, and affirmative covenants, which may require them to set aside funds for maintenance or repayment of security deposits; (vi) it may violate restrictive covenants under current facility agreement and in future loan documents, which would entitle the lenders to accelerate its debt obligations; and (vii) its default under any one of its loan agreements could result in a cross default under other indebtedness, which may result in the lending banks enforcing the security and demanding immediate payment of all outstanding loans and other sums payable under such loan agreements.

If any one or more of these events were to occur, Yuexiu REIT's financial condition, results of operations, cash flow, cash available for distributions to Unitholders, per Unit trading price, and its ability to satisfy its debt service obligations could be materially adversely affected.

5. Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space in the Property as leases expire

As at 30 June 2015, approximately 13.61%, 28.69% and 34.54% of leases (calculated in terms of gross rentable area) of the Property were scheduled to expire during each of the three years ending 31 December 2015, 2016 and 2017 respectively. The Manager cannot assure that leases will be renewed or that new leases will be entered into for the vacant spaces at rental equal to or above the current rental upon or promptly after the expiry of the current leases. Tenants of the Property may also decide not to renew their leases or to terminate their leases early, and Yuexiu REIT may not be able to re-lease the space. If the rental for the Property decreases, Yuexiu REIT's existing tenants do not renew their leases or Yuexiu REIT is unable to enter into new leases in respect of a significant portion of its available space and space for which leases are scheduled to expire, Yuexiu REIT's financial condition, results of operations, cash flow, trading price of the Units, and its ability to satisfy its debt service obligations could be materially adversely affected.

6. Failure by the Seller to fulfil its obligations under the Share Purchase Deed may have a material adverse effect on Yuexiu REIT's operations

Under the Share Purchase Deed, the Seller is subject to certain obligations in favour of the Purchaser which will continue after Completion, including, among others, the following obligations (being the "**Continuing Obligations**"):

(1) to pay amounts that may be due to the Purchaser pursuant to the adjustment mechanisms stated in the Share Purchase Deed;

(2) to compensate the Purchaser in the event of any breach of the warranties made by the Seller under the Share Purchase Deed; and

(3) to indemnify the Purchaser for losses suffered arising out of breach of or non-compliance with any warranties, covenants and undertakings given by the Seller and its other obligations under the Share Purchase Deed and for certain tax liabilities as described in the Share Purchase Deed.

For a further description of the Continuing Obligations, please see section 2.3 headed "Share Purchase Deed" in this Circular. After completing the sale of the Property to the Purchaser and distributing the net proceeds of the sale to its shareholders, the Seller will not have any assets.

Furthermore, the amounts in the Holdback Escrow Account, the Bulletin 7 Escrow Account and the WI Insurance may not be sufficient to discharge all of the Continuing Obligations. Failure by the Seller to fulfil any of the Continuing Obligations may have a material adverse effect on Yuexiu REIT's operations.

In addition, the Purchaser has not obtained a guarantee in respect of the Seller's liability under the Share Purchase Deed. Although the Manager is satisfied that the interests of Yuexiu REIT and the Unitholders as a whole in respect of potential Claims are adequately and sufficiently protected after taking into consideration, among other things, the warranty and indemnity coverage from the Seller, the WI Insurance Policy and the holdback arrangements, these protections are subject to limitations, for instance, the Seller's limitation of liability and certain exclusions as stated in the WI Insurance Policy as described in section 2.3.9 headed "Warranties, Indemnities and WI Insurance Policy" of this Circular. As the WI Insurance Policy only covers Claims to the extent they relate to warranties or indemnities, and is subject to various exclusions, there may be situations where a Claim cannot be made under the WI Insurance Policy notwithstanding the fact that such Claims are permitted under the Share Purchase Deed (i.e. the scope of protection under the WI Insurance Policy does not mirror the scope of protection under the Share Purchase Deed). Further, there is no assurance that the Manager will be successful in making a Claim against the Seller under the Share Purchase Deed or against the WI Insurer pursuant to the WI Insurance Policy.

7. The Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights

The land and real estate laws of the PRC, including laws relating to land use right and building ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Yuexiu REIT. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of Yuexiu REIT's resources and management attention.

The term of land use rights for the Property will expire on 6 January 2055. It is expected that the Project Company will, prior to this date, submit an application for extension of the land use rights. Under the current applicable PRC laws and regulations, the application for extension of non-residential land use rights will typically be approved except for public interest considerations concerning the land. Where the application for extension of land use rights is granted, a new land grant contract must be executed and a premium must be paid by the Project Company in respect of the relevant land use rights and additional conditions may also be imposed. The current PRC laws and regulations do not specify the terms and conditions of such new land grant contract or the amount of such premium. In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and withdraw early the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. In the event that Yuexiu REIT's application for extension of the land use right for the Property is granted, but the terms and conditions of the new land grant contracts are less favourable than the existing land grant contracts, or there is a significant increase in the premium payable by the Project Company, the business operations of the Project Company, in turn Yuexiu REIT's business, financial condition, results of operations, cash flow and cash available for distributions to Unitholders, may be materially and adversely affected.

In the event that the application for extension of land use rights for the Property is not approved, the land use rights, together with the buildings and auxiliaries thereon, must be returned to the PRC government for no consideration when the land use rights expire and Yuexiu REIT would lose the entire value of the Property. In that case, the business operations of the Project Company, in turn Yuexiu REIT's business, financial condition, results of operations, cash flow and cash available for distributions to Unitholders, may be materially and adversely affected.

8. The Project Company may not be able to renew its original operating term. Failure of renewal may have an adverse effect on Yuexiu REIT's business, financial conditions or results of operations

Similar to most other PRC companies, the duration of the Project Company is not unlimited. The Project Company's approved original operating term is 40 years with possible extension. The expiry date of the original operating term (being 25 September 2041) is significantly earlier than the expiry dates of the land use right terms (being 6 January 2055).

The Project Company may apply for an extension to its operating term (for the period up to 50 years) to the Shanghai Municipal Administration of Industry and Commerce no earlier than 12 months and no later than 6 months before the time of expiration of the current operating term.

In the event that the operating term of the Project Company cannot be extended, the Project Company will need to be dissolved and its residual assets (i.e., after payment of employee wages, social insurances, compensation payable to employees as prescribed by law, outstanding tax liabilities and the company's debts and all costs and expenses arising from the liquidation process) will be distributed to its shareholders in proportion to their respective shareholding in the Project Company. Such an event, particularly if the Property cannot be transferred or otherwise disposed of at such a price reflecting the going concern value based on the actual circumstances of the Property and taking into account the market value based on an independent appraisal and internationally accepted principles due to reasons beyond our control, may have an adverse affect on our business, financial conditions or results of operations.

9. The Property is located in Shanghai. The Manager does not have prior experience with owning, operating and managing properties in Shanghai

The Existing Properties of Yuexiu REIT are all located in Guangzhou. The Acquisition of the Property represents Yuexiu REIT's first acquisition of a property outside of Guangzhou. Although the

Manager has experience with property management in Guangzhou, it has no operating history in Shanghai. The Manager's experience in property management in Guangzhou may not be applicable in other regions. Given the differences in the economic conditions, local property market conditions and property values and rental rates between the two cities, there is no assurance that the Manager will be successful in managing the Property.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces, and they may have different and varying applications and interpretations in different parts of the PRC. Accordingly, although the Manager might be familiar with the laws, rules, regulations and policies applicable in Guangzhou, this may not be applicable in Shanghai.

Any failure by the Manager to understand and adapt to the property market in Shanghai may have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations.

10. The Property is exposed to the risk of tenant delinquency and default in the overall retail and offices property markets

The operating income of the Property may be adversely affected by the insolvency or downturn in the business of retail and offices tenants in the Zhuyuan central business district of Pudong, Shanghai, where the Property is located. The property values and rental rates for office properties in the major cities in the PRC are cyclical and volatile in nature. Property values and rental rates in Shanghai have been affected by, among other factors, supply and demand dynamics, economic conditions, interest rates, inflation and political developments in the PRC. The value of the Property may be adversely affected by these and a number of local property market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for commercial space.

In particular, there are numerous shopping centers, office buildings and other types of commercial properties and developments, including many Grade A office properties, in Shanghai, that may compete with the Property in attracting tenants and result in downward pressure on rental rates.

If the financial performances of retail and offices tenants operating in the Property decline significantly, these tenants may be unable to pay their minimum rents or expense recovery charges. In the event of defaults by tenants whose rents make up the operating income of the Property, Yuexiu REIT is likely to experience delays and costs in enforcing its rights as landlord, as well as finding sufficient numbers of replacement tenants.

The value of the Property could be adversely affected by the loss of an anchor tenant in the event that such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such tenants not to renew their leases. Space that has been vacated by an anchor tenant can reduce the demand for and value of other spaces within that Property because of the loss of the departed anchor tenant's customer drawing power. Any of these events could materially and adversely affect Yuexiu REIT's businesses and results of operation.

11. The due diligence on the Property prior to completion of the Acquisition may not have identified all material defects, breaches of laws and regulations and other deficiencies

Prior to the entering into of the Share Purchase Deed, the Manager had, or had instructed its advisers to, conduct physical and technical inspection and investigation of the Property. Nevertheless, there can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Yuexiu REIT or the Manager have relied upon to proceed to completion of the Share Purchase Deed) would have revealed all defects or deficiencies affecting the Property.

In particular, there can be no assurance as to the absence of: (1) latent or undiscovered defects or deficiencies; or (2) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Yuexiu REIT's business, financial condition and results of operations.

Risks relating to the Property and the industries in which Yuexiu REIT operates

12. General risks attached to investments in real estate and the Property

The acquisition of the Property involves general risks relating to acquisition of real estate, including but not limited to:

(1) adverse changes in political or economic conditions;

(2) adverse local market conditions;

(3) the financial condition of tenants and buyers and sellers of properties;

(4) changes in availability of debt or equity financing, which may result in an inability by Yuexiu REIT to finance future acquisitions on favourable terms or at all;

(5) changes in interest rates and other operating expenses as a result of a variety of factors, many of which are outside the control of Yuexiu REIT, including but not limited to:

- increases in prices, energy costs and maintenance costs;
- increases in agent commission expenses for procuring new tenants;
- increases in property tax assessments and other statutory charges;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increases in sub-contracted service costs;
- increases in the rate of inflation;

- increases in insurance premiums and interest rates; and

- increases in costs relating to adjustment of the tenant mix.

(6) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies;

(7) environmental claims arising in respect of real estate;

(8) changes in market rents;

(9) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;

(10) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms;

(11) inability to renew tenancies or re-let space as existing tenancies expire;

(12) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise;

(13) insufficiency of insurance coverage or increases in insurance premiums;

(14) increases in the rate of inflation;

(15) inability of the Manager to provide or procure the provision of adequate maintenance and other services;

(16) defects affecting the Property which need to be rectified, or other required repair and maintenance of the Property, leading to unforeseen capital expenditure;

(17) unapproved uses of the Property which may result in the Project Company being in breach of the terms and conditions in the relevant land use rights, which may give rise to the right on the part of the relevant PRC governmental authority to terminate the land use rights and re-enter the Property;

(18) the relative illiquidity of real estate investments;

(19) considerable dependence on cash flows for the maintenance of, and improvements to, the Property;

(20) increased operating costs, including real estate taxes;

(21) any interest and encumbrance that cannot be or has not been revealed by a land search conducted at the relevant Land Resources and Housing Administrative Bureau at the time of the search;

(22) fire or other damage to the Property; and

(23) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, resulting in a materially adverse effect on the value of real estate and income derived from real estate. The annual valuation of the Property will reflect such factors and as a result, such valuation may fluctuate significantly upwards or downwards. The capital value of the Property may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Guangzhou, Shanghai or the PRC.

13. The Project Company may suffer risks arising from non-registered tenancy agreements

Pursuant to the *Regulation on House Leasing of Shanghai* (上海市房屋租賃條例) as amended by the Standing Committee of Shanghai Municipal People's Congress on 17 September 2010, the contracting parties of a tenancy agreement are required to register such agreement with the real estate registration institution in the district or county level where the underlying leased property is located. By the *Regulation on House Leasing of Shanghai* (上海市房屋租賃條例), any tenancy agreement that is not registered may not be enforced against third parties acting in good faith but such Regulation keeps silent on whether non-registration of such tenancy agreement will result in any monetary penalty.

As at the Latest Practicable Date, there were 107 tenancies at the Property, all but one of which had not been registered. The Project Company is using its best endeavours to ensure that such relevant tenancy agreements will be registered. However, as the co-operation of the relevant tenants and authorities is required to complete and perfect such registration, it is possible that, for reasons outside the Project Company's control, not all currently unregistered tenancy agreements will be registered before the Completion Date.

As of the Latest Practicable Date, the competent authorities in Shanghai applied local laws and regulations in respect of tenancy registration, and pursuant to such laws and regulations, the unregistered tenancy agreements do not attract monetary penalty. However, if in the future the Shanghai municipal government decides to adopt *Administrative Measures for Leasing of Commodity Housing* (商品房屋租賃管理辦法) promulgated by Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010, a fine of RMB1,000 to RMB10,000 will be imposed for each unregistered tenancy agreement, unless the Project Company rectifies the situation within a prescribed time limit or the unregistered lease is entered into prior to the promulgation of the *Administrative Measures for Commodity House Leasing* (商品房屋租賃管理辦法). Accordingly, the maximum aggregate amount of penalty payable by the Project Company in respect of such unregistered tenancy agreements is approximately RMB1,070,000.

Accordingly, Yuexiu REIT may be adversely affected if the applicable laws and regulations in Shanghai are changed or interpreted in a manner that would subject the Project Company to penalties or fines for leases that have not been registered. Further, the Seller will provide an indemnity in respect of the above, as further detailed in section 2.3.9 headed " Warranties, Indemnities and WI Insurance Policy".

14. Yuexiu REIT may be adversely affected by the illiquidity of property investments

Property investments are relatively illiquid, particularly investments in high value properties such as those in which Yuexiu REIT has already invested or intends to invest, including the Property. Such illiquidity may affect Yuexiu REIT's ability to vary its investment portfolio or liquidate part of the Property in response to changes in economic, property market or other conditions. For example, Yuexiu REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Yuexiu REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real property due to the illiquid nature of real property assets. These factors could have an adverse effect on Yuexiu REIT's business, financial condition or results of operations, with a consequential adverse effect on Yuexiu REIT's ability to make expected distributions to Unitholders.

Risks relating to the PRC

15. The Property may be compulsorily acquired or expropriated by the PRC government

The PRC government has the power to compulsorily acquire any land in the PRC to meet the demand of public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in the PRC, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the Property is compulsorily acquired by the PRC government, the level of compensation paid to Yuexiu REIT pursuant to this basis of calculation may be less than the price which Yuexiu REIT paid for the Property and/or the amount of the Property's current valuation as shown in Yuexiu REIT's financial statements.

16. Changes in the PRC's economic, political and social conditions as well as governmental policies could affect Yuexiu REIT's business

The economy of the PRC differs from the economies of most developed countries in many respects, including (a) the amount and degree of the PRC government involvement, (b) economic and political structure, (c) level of development, (d) growth rate, (e) uniformity in the implementation and enforcement of laws, (f) control of foreign exchange, and (g) allocation of resources.

While the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among different sectors of the economy. The PRC government authorities from time to time implement various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of, or in anticipation of, changes in PRC's economic conditions. In addition, the PRC government continues to regulate industry development by imposing top-down policies and control over the PRC's economic growth through various means such as the allocation of resources, monetary policy, control over foreign currency denominated payment obligations and provision of preferential treatment to particular industries and companies. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. Although the Manager believes the reforms will have a positive effect on Yuexiu REIT's overall and long term development, it cannot predict whether changes in the PRC's economic and other policies will have any adverse effect on Yuexiu REIT's current or future business and financial conditions and results of operations.

17. Uncertainties with respect to the PRC legal system could limit the protections available to Yuexiu REIT

As the Property is located in the PRC, its operation is governed principally by laws and regulations in the PRC. The PRC legal system is based on written statues. Prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and due to the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. Further, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to Yuexiu REIT. For example, we may have to resort to administrative and court proceedings to enforce legal protections under law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate and predict the outcome of PRC administrative and court proceedings and the enforceability of rights in PRC as compared to more developed legal systems.

18. Accounting standards in China are subject to change

The financial statements of Yuexiu REIT may be affected by the introduction of new accounting standards in the PRC. The extent and timing of these changes in accounting standards are currently unknown. The Manager has not quantified the effects of such possible changes and there can be no assurance that these changes will not have a significant impact on the presentation of Yuexiu REIT's financial statements or on Yuexiu REIT's financial condition and results of operations. In addition, such changes may adversely affect the ability of Yuexiu REIT to make distributions to Unitholders.

1. DISCLOSURE OF INTERESTS IN UNITS

Interests held by the Manager and the Directors and chief executive officer

The REIT Code requires that Connected Persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable, among other things, to the Manager, the Directors and the chief executive of the Manager.

The interests and short positions held by Directors and chief executive officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and short positions in the Units:

		As at the Latest Practicable Date	
Name of Directors	**Nature of Interest**	**Beneficial interests in Units**	**Approximate Percentage of Unitholdings**
Mr. Liu Yongjie	—	—	—
Mr. Lin Deliang (*Note 1*)	—	—	—
Mr. Li Feng	Personal	1,825	0.000065%
Mr. Chan Chi On Derek	—	—	—
Mr. Chan Chi Fai Brian	—	—	—
Mr. Cheung Yuk Tong	—	—	—

Notes

1. Mr. Lin Deliang is also the chief executive officer of the Manager.

Unitholdings of Significant Holders

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

		As at the Latest Practicable Date	
Name of Unitholder	**Nature of interest**	**Beneficial interests in Units**	**Approximate % of interest**
GZYX(1)	Deemed	1,778,454,358(3)	63.17(4)%
	Total	1,778,454,358(3)	63.17(4)%

Name of Unitholder	Nature of interest	As at the Latest Practicable Date Beneficial interests in Units	Approximate % of interest
Yue Xiu	Beneficial	27,320	—
	Deemed	1,778,427,038[(3)]	63.17[(4)]%
	Total	1,778,454,358[(3)]	63.17[(4)]%
Yuexiu Property[(2)]	Beneficial	—	—
	Deemed	1,769,192,773[(3)]	62.84[(4)]%
	Total	1,769,192,773[(3)]	62.84[(4)]%
Dragon Yield Holding Limited (“**Dragon Yield**”)	Beneficial	1,697,125,730[(3)]	60.28[(4)]%
	Deemed	—	—
	Total	1,697,125,730[(3)]	60.28%
Yuexiu International Investment Limited (“**YXII**”)	Beneficial	72,067,043	2.56%
	Deemed	—	—
	Total	72,067,043	2.56%

Notes:

1. Further information in relation to interests of corporations controlled by GZYX:

Name of controlled corporation	Name of controlling shareholder	% Control	Direct interest (Y/N)	Number of Shares Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
	GZYX	100.00	N	1,778,427,038[(3)]	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,777,127,808[(3)]	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,769,192,773[(3)]	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
Yuexiu Property	Bosworth International Limited	33.89	N	1,769,192,773[(3)]	—
Dragon Yield	Yuexiu Property	100.00	Y	1,697,125,730[(3)]	—

Name of controlled corporation	Name of controlling shareholder	% Control	Direct interest (Y/N)	Number of Shares Long Position	Number of Shares Short Position
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
YXII	Yuexiu Property	100.00	Y	72,067,043	—

2 The deemed interest in 1,769,192,773 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of Yuexiu Property.

3. The number of Units includes 733,280,494 deferred units. Commencing from 31 December 2016, Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or its nominee) at an issue price of HK$4.00 per unit. Further details are included in the 2012 Circular and the announcement of Yuexiu REIT dated 27 September 2012.

4. After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 37.13%, while the approximate interest in Yuexiu REIT held by Yuexiu Property, Dragon Yield and YXII will be approximately 36.80%.

Unitholdings of other Connected Persons

Senior executives of the Manager

Name of Senior Executive	Nature of Interest	As at the Latest Practicable Date Beneficial interests in Units	 Approximate Percentage of Unitholdings
Mr. Cheng Jiuzhou	Personal	480	0.000017%
Mr. Liao Ningjun	Personal	1,250	0.000044%
Ms. Chen Huiqing	Personal[(1)]	510	0.000018%
Ms. Ou Haijing	Personal	1,000	0.000036%
Mr. Liu Bihong	Personal	225	0.000008%

Notes:

(1) 255 Units held by spouse.

No person is proposed to be appointed as a Director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

Trustee

Relationship with the Trustee	Nature of Interest	As at 30 June 2015 Beneficial interests in Units	 Approximate Percentage of Unitholdings
Controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the Trustee	Beneficial	200,000	0.0071%

Save as disclosed above, none of the Manager, the Directors and the chief executive of the Manager is interested (or deemed to be interested) in Units, or held any short position in Units, and the Manager is not aware of any Connected Persons of Yuexiu REIT who were interested (or deemed to be interested) in Units as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors or chief executive of the Manager:

(a) none of the Directors or the Unitholders with an interest in more than 5% of all Units in issue had an interest, direct or indirect, in the Acquisition;

(b) no person (other than a Director) is interested (or deemed to be interested in) Units, or holds any short position in Units, which were required to be disclosed to the Manager and the Hong Kong Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO; and

(c) none of the Directors or chief executives of the Manager had any interests or short positions in the Units of Yuexiu REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), which the Trust Deed, subject to certain exceptions, deems to apply to the Directors and chief executive of the Manager, the Manager and each Unitholder and all persons claiming through or under them.

2. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES

Save as disclosed in this Circular, as at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have been, since the date that the latest published audited accounts of Yuexiu REIT were prepared, acquired or disposed of by (or leased to) or are proposed to be acquired or disposed of by (or leased to) Yuexiu REIT;

(b) none of the Directors was materially interested in any contract or arrangement entered into by Yuexiu REIT and subsisting at the date of this Circular which was significant in relation to Yuexiu REIT's business; and

(c) none of the Directors or any of their associates had interests in a business which competes or is likely to compete, either directly or indirectly, with Yuexiu REIT's business.

3. STATEMENT IN RELATION TO FINANCIAL POSITION

The Manager confirms that, as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of the REIT since the date that the latest published audited accounts of Yuexiu REIT were prepared.

4. WORKING CAPITAL

Taking into account the expected completion date of the Transaction and the financial resources available to the Enlarged Group, including its internally generated funds, existing banking facilities and the New Facilities, the Manager believes that the Enlarged Group has sufficient liquid assets to meet its working capital and operating requirements for the 12 month period commencing from the date of this Circular.

To the extent that Yuexiu REIT makes any acquisitions, it may be required to rely on external borrowings to finance such acquisitions.

5. INDEBTEDNESS

Indebtedness of Yuexiu REIT

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, Yuexiu REIT had secured bank borrowings of RMB2,675 million, the details of which are as follows:

(i) The RMB3,000 million facility for the purpose of financing the construction and operating costs of Guangzhou IFC, and the loan agreement in respect of which was entered into on 28 May 2007 between, amongst others, an existing Group Company as borrower and Bank of China Limited Guangzhou Guangdong International Building Sub-Branch as agent. This facility is secured by: (a) the mortgage over land use rights and buildings of Guangzhou IFC; (b) the several liabilities guarantees issued by 廣州市城市建設開發有限公司; 廣州市祥港房地產開發有限公司 and 廣州 市城市建設開發集團有限公司on a 75%, 24% and 1% agreed proportion; and (c) the several liabilities guarantee issued by 廣州越程實業有限公司, 廣州越聲實業有限公司, 廣州越匯實業有限公司 and 廣州越力實業有限公司 in proportion to their ownership interests (i.e. 25%, 25%, 25% and 24%) in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.), being the project company which developed and directly owns Guangzhou IFC. Further details (including the denomination, maturity date, repayment schedule and interest rate) are described in section 2.4.3 headed "Existing Construction Facility" of the 2012 Circular. The amount of the facility which was drawn down as at 30 June 2015 was RMB3,000 million. As at 30 June 2015, RMB1,200 million has been repaid and the outstanding balance is RMB1,800 million;

(ii) The RMB1,500 million facility for the purpose of financing the construction cost of Guangzhou IFC, and the loan agreement in respect of which was entered into on 29 December 2011 between, amongst others, an existing Group Company as borrower and Bank of China Limited Guangzhou Yuexiu Sub-Branch as agent. This facility is secured by the same guarantees and land mortgage as the facility set out above. Further details (including the denomination, maturity date, repayment schedule and interest rate) are described in section 2.4.3 headed "Existing Construction Facility" of the 2012 Circular. The amount of the facility which was drawn down as at 30 June 2015 was RMB1,500 million. As at 30 June 2015, RMB625 million has been repaid and the outstanding balance is RMB875 million;

(iii) An issue of an aggregate principal amount of US$350 million 3.10% guaranteed notes due 2018 on 14 May 2013 by Yuexiu REIT MTN Company Limited, a special purpose vehicle wholly-owned and controlled by Yuexiu REIT, with Bank of China (Hong Kong) Limited, BOCI Asia Limited, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc as joint lead managers;

(iv) A 3-year term loan facility of HK$2,850 million bearing an interest at HIBOR plus 1.78% per annum, which was entered into on 13 December 2013 between, amongst others, Yuexiu REIT 2012 Company Limited, a wholly-owned subsidiary of Yuexiu REIT, as borrower and

DBS Bank Ltd., Hong Kong Branch as agent. This facility was secured by, among others: (1) irrevocable and unconditional joint and several guarantees from the Trustee, Tower Top Development Ltd., Bliss Town Holdings Ltd., Hoover Star International Ltd., Miller Win Group Ltd. and Shinning Opal Management Ltd. and Ever Joint Investment International Limited, Long Grace Holdings Limited, Profit Link Investment International Limited and San Bright Holdings Limited; and (2) a first priority charge over the HK$ interest bearing current account and HK$ interest bearing fixed deposit account maintained by the borrower with the agent. As at 30 June 2015, none has been repaid and the outstanding balance is HK$2,850 million;

(v) A term loan facility of HK$600 million bearing an interest at HIBOR plus 1.83% per annum which was entered into on 30 July 2014 between, amongst others, GZI REIT (Holding) 2005 Company Limited, a wholly-owned subsidiary of Yuexiu REIT, as borrower and DBS Bank Ltd., Hong Kong Branch as agent for general capital expenses. This facility was secured by a guarantee issued by the Trustee in favour of the agent. As at 30 June 2015, none has been repaid and the outstanding balance is HK$600 million; and

(vi) A term loan facility of HK$900 million bearing an interest at HIBOR plus 1.83% per annum which was entered into on 17 April 2015 between, amongst others, GZI REIT (Holding) 2005 Company Limited, a wholly-owned subsidiary of Yuexiu REIT, as borrower and DBS Bank Ltd., Hong Kong Branch as agent for general capital expenses. This facility was secured by a guarantee issued by the Trustee in favour of the agent. As at 30 June 2015, HK$400 million out of the HK$900 million facility has been drawn.

Save as disclosed above and apart from the intra-group liabilities, Yuexiu REIT did not have any loan capital issued and outstanding, nor had Yuexiu REIT agreed to issue any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities, in each case as at the close of business on the Latest Practicable Date.

6. EXPERTS AND CONSENTS

Each of the Reporting Accountant, the Independent Property Valuer, the Market Consultant , the Building Consultant and the Financial Adviser has given and has not withdrawn its written consent to the inclusion of its name in this Circular. Each of the Reporting Accountant, the Independent Property Valuer, the Market Consultant and the Financial Adviser where relevant has also given their consent to the inclusion of its name in the accountant's report of the Target Company as set out in Appendix 2 headed "Accountant's Report of the Target Company", Appendix 3 headed "Pro Forma Financial Information of the Enlarged Group", the Independent Property Valuer's Property Valuation Report, the Market Consultant's Report and all references thereto, in the form and context in which they are included in this Circular.

The following are the qualifications of the experts who have been named in this Circular or have given opinion or advice which are contained in this Circular.

PricewaterhouseCoopers	Certified Public Accountants
Savills (Hong Kong) Limited	Market Consultant
Vigers Appraisal and Consulting Limited	Independent Property Valuer
Vigers Building Consultancy Limited	Building Consultant

As at the Latest Practicable Date, none of the experts had any interest in Yuexiu REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Yuexiu REIT.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of Yuexiu REIT were made up (being 31 December 2014), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to Yuexiu REIT.

7. LITIGATION

As at the Latest Practicable Date, none of Yuexiu REIT, the Manager, the Trustee (in its capacity as the trustee of Yuexiu REIT), the Purchaser, any of the Target Group Company or any of the Group Companies were involved in any litigation or claims of material importance and no litigation or claims of material importance, by or against Yuexiu REIT, the Manager, the Trustee (in its capacity as the trustee of Yuexiu REIT), the Purchaser, any of the Target Group Company or any of the Group Companies, was pending or threatened.

8. MATERIAL CONTRACTS

Save as disclosed in Yuexiu REIT's announcements to Unitholders, and save for the documents referred to in paragraph 9(a) below, Yuexiu REIT has not entered into any other material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date in this Circular. Please refer to section 2.3 headed "Share Purchase Deed" in this Circular for further details of the Transaction Documents.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at no charge during normal business hours at the offices of the Manager from 9:00 a.m. to 5:00 p.m. on Business Days, from the date of this Circular, up to and including the date falling three months after the date of this Circular:

(a) the Share Purchase Deed (and the attachments thereto, and all material contracts relating to the Acquisition mentioned in this Circular);

(b) the Accountant's Report of the Target Company from PricewaterhouseCoopers as set out in Appendix 2 to this Circular;

(c) the report on the unaudited pro forma financial information of the Enlarged Group from PricewaterhouseCoopers as set out in Appendix 3 to this Circular;

(d) the Independent Property Valuer's Property Valuation Report;

(e) the Market Consultant's Report;

(f) the written consents referred to in section 6 headed "Experts and Consents" of this Appendix;

(g) the announcement dated 2 August 2015 made by the Manager in relation to the Transaction;

(h) the interim results announcement of Yuexiu REIT for the six months ended 30 June 2015 and the annual reports of Yuexiu REIT for the 3 years ended 31 December 2014 referred to in Appendix 1 headed "Financial Information of the REIT"; and

(i) all material contracts disclosed under section 8 headed "Material Contracts of this Appendix".

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Yuexiu REIT continues to be in existence.

The following summary of possible taxes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to investors. Investors should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Units.

PRC Taxation of the Project Company

(a) Bulletin 7

The "Circular on Strengthening of Administration of Corporate Income Tax Liability on Income of Non-Resident Enterprises from Transfer of Equity Interest, Guoshuihan [2009] No. 698 (關於加強非居民企業股權轉讓所得税管理的通知(國税函[2009]698號))" ("**Circular 698**") issued by State Taxation Administration in 2009 provided that if the offshore investor indirectly transfers the equity interest in a Chinese resident enterprise through abusive use of investment vehicles or other arrangement without reasonable business purposes, the tax authorities may re-characterize the indirect transfer based on the economic substance and disregard the existence of offshore holding company. In such circumstances, the capital gains obtained from the indirect transfer will be deemed as China sourced income and thus subject to withholding tax in China.

In February 2015, a new legal document named "Announcement concerning Several Matters relating to Corporate Income Tax on Indirect Transfer of Properties by Non-resident Enterprises, State Administration of Taxation Bulletin No. 7 (關於非居民企業間接轉讓財產企業所得税若干問題的公告(國家税務總局公告2015年第7號))" was issued by State Taxation Administration ("**Bulletin 7**"). Bulletin 7 is regarded as an updated version of Circular 698 and largely replaces the previous guidance in Circular 698.

It is important to note some key points of Bulletin 7 below:

(i) if an offshore investor indirectly transfers the equity interest or other assets in a Chinese resident enterprise through arrangement without reasonable business purposes to evade the taxation obligation of paying the corporate income tax, the tax authorities may re-characterize the indirect transfer and recognize it as direct transfer of equity interest, which implies that such transfer would then be subject to PRC corporate income tax;

(ii) the following factors should be considered when assessing whether the transfer lacks a "reasonable business purpose":

(A) whether the main value of the equity of the Overseas Enterprise (i.e., whose equity and other similar rights is transferred under the indirect transfer transaction by the offshore investor) is derived directly or indirectly from the Taxable Properties in China (i.e., properties of an establishment or place in China, real estate in China, equity investments in a Chinese resident enterprise, etc.);

(B) whether a majority of the assets of the Overseas Enterprise is directly or indirectly comprised of investments in China, or whether a majority of its income is directly or indirectly derived from China;

(C) whether the actual functions performed and risks undertaken by the Overseas Enterprise and its subsidiaries which directly or indirectly hold the Taxable Properties in China can substantiate the economic substance of the corporate structure;

(D) the existence duration of the shareholders, business model of the Overseas Enterprise and related organizational structure;

(E) the situation regarding overseas income tax payment for the indirect transfer of Taxable Properties in China;

(F) whether the indirect investment or the indirect transfer of the Taxable Properties in China by the equity transferor can be substituted by a direct investment or a direct transfer of the Taxable Properties in China;

(G) the information regarding whether Tax Treaties or Tax Arrangements can apply to the income from indirect transfer of Taxable Properties in China; and

(H) other related factors.

(iii) Unless Article 5 or Article 6 of Bulletin 7 is applicable, where the overall arrangements related to the indirect transfer of Taxable Properties in China meets all of the following conditions, it shall be straight away considered as having no reasonable commercial purpose and there is no need to assess the above-mentioned factors in (ii):

(A) 75% or more of the value of the Overseas Enterprise is directly or indirectly derived from Taxable Properties in China;

(B) At any time within one year before the indirect transfer of Taxable Properties in China, 90% or more of the total assets of the Overseas Enterprise (excluding cash) is directly or indirectly comprised of investments in China, or 90% or more of Overseas Enterprise's income in the year before the indirect transfer of Taxable Properties in China is directly or indirectly derived from China;

(C) The Overseas Enterprise and its subsidiaries which directly or indirectly hold the Taxable Properties in China are incorporated in that country (region) to satisfy the legal requirement of the organizational format, but actually only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance;

(D) The overseas income tax payable for the indirect transfer of Taxable Properties in China is less than the possible tax burden in China on the direct transfer of such Taxable Properties in China.

Article 5 of Bulletin 7 refers to either the transfer of shares of the listed overseas enterprises or relevant tax treaty or tax arrangement of tax exemption applies to such transfer.

Article 6 of Bulletin 7 refers to the intragroup restructuring transactions and certain conditions shall be satisfied.

(iv) For the income from indirect transfer of real estate or indirect transfer of equity interest which shall be subject to corporate income tax in accordance with Bulletin 7, the purchaser that has the direct obligation to pay the relevant sum to the equity vendor in accordance with the relevant laws or contract shall be the "withholding agent".

If the withholding agent does not withhold the tax or does not withhold enough amount (i.e., 10% of the income), the vendor shall report the transaction to the in-charge tax authority and settle the tax payments within 7 days from when the tax obligation arises.

If the withholding agent does not withhold tax and the vendor does not pay the corporate income tax due, the in-charge tax authority can go after the withholding agent in relation to its withholding obligation; but if the withholding agent has submitted the documents required within 30 days of signing the equity transfer agreement, the legal obligation can be reduced or waived.

If the withholding agent does not withhold tax and the transferor does not pay the corporate income tax due, the in-charge tax authority will, in addition to the collection of such tax, also charge the vendor for an interest at a rate equivalent to the benchmark lending rate published by People's Bank of China for the same duration on a daily basis.

(v) The date when the tax obligation arises shall refer to the date when the equity transfer agreement comes into force and the equity transfer of the Overseas Enterprise has been achieved.

(b) Enterprise Income Tax

Prior to 2008, the income tax of a PRC company was generally computed on its taxable income at the rate of 30.0% and local income tax was computed on its taxable income at the rate of 3.0%. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the People's Congress of the PRC on 16 March 2007, since 1 January 2008, the applicable income tax rate for the PRC company has been reduced from 33.0% to 25.0% and no additional local income tax is levied.

Under the PRC Enterprise Income Tax Law, dividends earned after 1 January 2008 paid by a foreign invested enterprise in the PRC to its foreign investor who is a non-resident enterprise will be subject to a 10.0% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income (內地和香港特別行政區關於所得避免雙重徵稅和防止偷漏稅的安排) agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign invested enterprise in the PRC to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5.0%, if the foreign investor owns directly at least 25.0% of the shares of the foreign invested enterprise, subject to approval by the relevant tax authorities. However, according to a circular (Guo Shui Han [2009] No. 81) issued by the State Administration of Taxation in October 2009, tax treaty benefits will be denied to ''conduit companies'' or shell companies without business substance. Therefore, dividends paid by the Project Company to the HK Companies will be subject to withholding tax at a rate of 5.0% subject to approval by the relevant tax authorities.

In addition, under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with its ''de facto management body'' within the PRC is considered a ''resident enterprise'' and will be subject to the PRC enterprise income tax at the rate of 25.0% on its worldwide income. The "de facto management body'' is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. As at the Latest Practicable Date, Yuexiu REIT has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the PRC enterprise income tax. If the PRC tax authorities subsequently determine that Yuexiu REIT should be classified as a resident enterprise, then Yuexiu REIT's worldwide income will be subject to PRC enterprise income tax at a uniform rate of 25.0%, which will decrease its earnings from operations. Notwithstanding the foregoing provision, the PRC Enterprise Income Tax Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Yuexiu REIT is classified as a resident enterprise, the dividends that it receives from Project Company may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company having ownership interest in a PRC enterprise. In addition, if Yuexiu REIT is treated as a PRC tax resident enterprise by PRC tax authorities in the future, any gain realised by the non-resident enterprise Unitholders from the transfer of the Unit may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10.0% PRC withholding tax.

(c) Business Tax and Value-added Tax

The Provisional Regulations of the People's Republic of China Concerning Business Tax (中華人民共和國營業税暫行條例) issued by the State Council on 13 December 1993 and amended on 10 November 2008 set forth various types of business activities that are subject to the business tax. Under the regulations, the business tax at 5.0% is levied on sellers of real property and land use rights located in PRC. Rental income derived from the leasing of real properties is also subject to the business tax at 5.0% of the gross rental. Construction services are generally subject to the business tax at 3.0%. Beginning from 2012, the PRC government has launched a tax reform to replace the business tax by value-added tax, which had, as at the Latest Practicable Date, covered most of the industries other than consumer services, financial services, real estate and construction. According to the tax reform plan issued by the PRC government, the tax reform on value-added tax was targeted to be completed by 2015. In the event that new rules and regulations regarding value-added tax in respect of real estate industry are introduced, promulgated and/or implemented by the PRC government, rental income derived from leasing of real estates will be subject to value-added tax in place of business tax, which may have an impact on the Project Company. As advised by the Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, as at the Latest Practicable Date, the PRC government has not published any circulars or guidelines relating to the value-added tax for real estate industry.

(d) Real Estate Tax

Pursuant to the Tentative Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例) issued by the State Council on 15 September 1986 (with effect from 1 October 1986) and amended on 8 January 2011, the real estate tax is applicable to real property owners. The real estate tax rate and the tax base for computing it will differ. For self-used properties, the real estate tax is 1.20% of the adjusted cost (with a 10.0% to 30.0% deduction from the original cost) of the property. The said deduction rate is 20.0% in Shanghai pursuant to the Implementing Rules of Shanghai Municipality Regarding Real Estate Tax (上海市房產稅實施細則) issued by the Shanghai Government on 23 December 1986 (with effect from 1 January 1987 and as amended on 2 February 1991). Where properties are held for lease, the tax is 12.0% of the rental income. As advised by the Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, as at the Latest Practicable Date, the Project Company was subject to real estate tax on a property value basis, being 1.20% of the adjusted cost (with a 20.0% deduction from original cost) of the Property in accordance with Hushuizhen2 [1987] No. 189 (滬稅政二[1987] No. 189), which will continue to be effective until 30 April 2020 based on the Announcement of the Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Local Taxation Bureau [2015] No. 2 (上海市國家稅務局上海市地方稅務局公告 [2015] No. 2) unless otherwise repealed by the relevant authorities in the PRC. In the event that the aforesaid local rule and practice are repealed or otherwise amended by the relevant authorities in the PRC, the Project Company may be subject to real estate tax on a rental basis, being 12.0% on the rental income, which may have a negative impact on the profits of the Project Company based on its current operations. The Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, however does not expect that there would be a claw-back on the real estate tax should there be such a change in the relevant rule and practice in the future.

(e) Urban and Township Land Use Tax

Pursuant to the Tentative Regulations of the People's Republic of China on Urban and Township Land Use Tax (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in 1998 and revised on 31 December 2006, the Shanghai Government issued the Rules for the Implementation of Shanghai Urban Land Use Taxes (上海市城鎮土地使用稅實施規定) on 12 November 2007. Under the said standards, the annual tax on every square meter of the Property is RMB 20.

(f) Deed Tax

Under the PRC Tentative Regulations on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on 7 July 1997 (effective from 1 October 1997), a deed tax is chargeable to transferees of land use rights and/or building ownership in PRC. The deed tax rate applicable in Shanghai is 3% pursuant to the Certain Opinions of Shanghai Municipal People's Government on Implementation of the PRC Tentative Regulations on Deed Tax in Shanghai (上海市人民政府關於上

海市貫徹《中華人民共和國契稅暫行條例》的若干意見) issued by the Shanghai Government on 31 December 1997. In respect of the land on which the Property locates, the Project Company has paid up the deed tax chargeable on the grant of the land use rights by the Shanghai Municipal Land Resources and Housing Administrative Bureau.

(g) Stamp Duty

Under the Tentative Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) issued by the State Council on 6 August 1988 (effective from 1 October 1988) and amended on 8 January 2011, for building transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for building leases, the duty rate is 0.1% of the rental; and for supply and purchase instruments, the duty rate is 0.03% of the amount stated therein. As advised by the Manager's tax adviser, PricewaterhouseCoopers Consultant (Shenzhen) Limited, the duty rate of 0.05% for building transfer instruments is only applicable to direct transfer of property and therefore not applicable to the Transaction, which is an indirect transfer of property.

(h) Vehicle and Vessel Tax

The vehicle and vessel tax is levied at a fixed amount annually on the owners of vehicles and vessels used in the PRC. The Vehicle and Vessel Tax Law of the People's Republic of China (中華人民共和國車船稅法) issued by the Standing Committee of the People's Congress on 25 February 2011 (effective from 1 January 2012) stipulates that the tax amounts applicable to vehicles and vessels shall be determined in accordance with the Table of Vehicle and Vessel tax Items and Tax Amounts attached to the law.

(i) Municipal Maintenance Tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) issued by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer of the consumption tax, value-added tax and business tax whose domicile in an urban area must pay the municipal maintenance tax at a rate of 7.0% based on the consumption tax, value-added tax and business tax which have been paid by such tax payer.

(j) Education Surcharge

Pursuant to the Interim Provisions on Imposition of Education Surcharge (徵收教育附加費的暫行條例) issued by the State Council on 28 April 1986 and amended on 8 January 2011, the education surcharge applicable in Shanghai is 3.0% of the consumption tax, value-added tax and business tax which have been paid by a tax payer.

(k) Local Education Surcharge

In November 2010, the Ministry of Finance issued a circular (caizong [2010] No. 98) unifying the local education surcharge at 2.0% for all enterprises and individuals. Following the promulgation of the Circular, by the "Administrative Measures of Shanghai Municipality for the Collection of Local

Educational Surcharge (上海市地方教育附加徵收管理辦法 in Chinese)" effective as of 1 January 2011, all units and individuals (including foreign-invested enterprises, foreign enterprises and foreign individuals) that are subject to payment of value-added tax, consumption tax and business tax in Shanghai shall pay local educational surcharge which shall be based on the sum of the actual payment of value-added tax, consumption tax and business by the units and individuals with the collection rate being 2.0%.

(l) Fees for the Construction, Maintenance and Administration of Water Engineering

In accordance with the "Circular on the Levy of Fees for the Construction, Maintenance and Administration of Water Engineering in This Municipality (關於本市河道工程修建維護管理費徵收事項的通知 in Chinese)" effective as of 13 March 2006, starting on January 1, 2006, the fees for the construction, maintenance and administration of water engineering shall continue to be levied at 1% of the value added tax, business tax or consumption tax paid that year.

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the unitholders (the "**Unitholders**") of Yuexiu Real Estate Investment Trust ("**Yuexiu REIT**") will be held at Plaza 3 & 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 24th August 2015 at 10:30a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution 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 6 August 2015 (the "**Circular**").

ORDINARY RESOLUTION

"**THAT** approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Transaction, being the Acquisition (including the Purchaser entering into the Share Purchase Deed and the Escrow Letters) and the consummation of transactions contemplated under the Share Purchase Deed as more particularly described in the Circular and on the terms and conditions set out in the Share Purchase Deed (as more fully described in the Circular);

AND THAT authorisation be granted to the Manager, any director of the Manager, the Purchaser and any authorised signatory of the Purchaser to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Purchaser or such authorised signatory of the Purchaser, as the case may be, may consider expedient or necessary or in the interest of Yuexiu REIT to give effect to all matters in relation to the Transaction generally."

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, 6 August 2015

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

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 Yuexiu 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) In order to determine which Unitholders will qualify to attend and vote at the Extraordinary General Meeting, the Register of Unitholders will be closed from 21 August 2015 to 24 August 2015, 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 Yuexiu REIT, all unit certificates accompanied by the duly completed transfer forms must be lodged with the unit registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 20 August 2015.

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*

FORM OF PROXY

越秀房地產投資信託基金
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Managed by

越秀房託資產管理有限公司
YUEXIU REIT ASSET MANAGEMENT LIMITED

FORM OF PROXY FOR USE BY UNITHOLDERS AT THE EXTRAORDINARY GENERAL MEETING

I/We, ______________________________ (Name) of

______________________________ (Address)

being a registered holder(s) of units (the "**Unitholder(s)**") in Yuexiu Real Estate Investment Trust ("**Yuexiu REIT**"), hereby appoint ______________________________

(Name) of ______________________________ (Address)

or, failing him/her, the Chairman of the Extraordinary General Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf ______________ units of Yuexiu REIT (the "**Units**") at the Extraordinary General Meeting of Yuexiu REIT to be held at Plaza 3 & 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 24th August 2015 at 10:30am or any adjournment thereof and vote for me/us on the undermentioned resolution as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at its discretion, as it will on any other matter arising at the Extraordinary General Meeting.

ORDINARY RESOLUTION	VOTE FOR[4]	VOTE AGAINST[4]
To approve the Transaction (as defined in the Circular dated 6 August 2015).		

AS WITNESS my hand this ______________ day of ______________________

____

Signature(s) of Unitholder(s)

____

Signature of Witness

Notes:

1. A Unitholder entitled to attend and vote at the meeting convened by the above notice 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 proxy need not be a Unitholder.

2. If any proxy other than the Chairman of the Extraordinary General Meeting is preferred, a Unitholder should insert the name and address of the proxy desired in the space provided and strike out the words "or, failing him/her, the Chairman of the Extraordinary General Meeting".

3. A Unitholder should insert the total number of Units registered in his/her name. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.

4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK ("✔") THE APPROPRIATE BOX MARKED "VOTE FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, PLEASE TICK ("✔") THE APPROPRIATE BOX MARKED "VOTE AGAINST".** If no specific direction as to voting is given, the proxy will vote or abstain from voting at its discretion, as it will on any other matter arising at the Extraordinary General Meeting.

5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a legal person, must either be executed under its seal or under the hand of a legal representation or other person duly authorized to sign the same. If this form of proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

6. In order to be valid, this 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 Yuexiu 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 appointed for holding the meeting or any adjournment thereof. Completion and return of the form of 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.

7. Where there are joint registered Unitholders, any one of such Unitholders may be 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 of Yuexiu REIT in respect of such Unit shall be alone be entitled to vote in respect thereof.

8. Pursuant to the trust deed constituting Yuexiu REIT, 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.

9. On a poll every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them in the same way.