
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 00405)

Managed by



**CIRCULAR TO UNITHOLDERS IN RELATION TO
(I) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY
TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND CLOSURE OF REGISTER OF UNITHOLDERS**

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



A letter to the Unitholders is set out on pages 10 to 25 of this circular.

A notice convening the EGM to be held at Plaza 1-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 9 December 2020 at 10:30 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of the REIT, Tricor Investor Services Limited of Level 54, 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.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page 1 of this document for measures being taken to try to prevent and control the spread of the coronavirus disease 2019 ("COVID-19") at the extraordinary general meeting, including:

- compulsory wearing of face masks and attendees who do not wear face masks may be requested to leave or denied entry into the extraordinary general meeting venue
- compulsory hand sanitizing at the entrance of extraordinary general meeting venue
- compulsory body temperature checks at the entrance of the extraordinary general meeting venue
- no distribution of refreshments and gift coupons

The Manager wishes to remind Unitholders that they may, by using proxy forms with voting instructions inserted, appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the extraordinary general meeting as an alternative to attending the extraordinary general meeting in person. Completion and return of the proxy forms will not preclude the Unitholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

24 November 2020

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 pandemic and recent recommendations for prevention and control of its spread, the Manager will implement the following precautionary measures at the EGM to protect attending Unitholders, staff and other persons from the risk of infection:

- (i) all attendees must wear face masks inside the EGM venue at all times and the attendees who do not wear face masks may be requested to leave or denied entry into the EGM venue;
- (ii) all attendees must wash their hands with alcohol-based hand sanitizer before entering the EGM venue;
- (iii) compulsory body temperature checks will be conducted on all attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue; and
- (iv) no refreshments or gift coupons will be distributed.

To the extent permitted under law, the Manager reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the health and safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and in view of the recent COVID-19 guidelines for prevention and control, the Manager wishes to remind all Unitholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Unitholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person. Completion and return of the proxy forms will not preclude the Unitholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

The proxy form is attached to this circular for Unitholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "Investor Relations" section of Yuexiu REIT's website at <http://www.yuexiureit.com> and the Stock Exchange's website at www.hkexnews.hk. If you are not a registered Unitholder (if your Units are held via banks, brokers or custodians), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of a proxy.

If Unitholders choosing not to attend the EGM in person have any questions about the relevant resolutions, or about Yuexiu REIT or any matters for communication with the Board, they are welcome to contact the Manager via the following means:

Email: yxft.ir@yuexiureit.com

Tel: (852) 2593 2385

Fax: (852) 2519 6473

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
Manager	Yuexiu REIT Asset Management Limited 17B, Yue Xiu Building 160 Lockhart Road Wanchai Hong Kong
Directors of the Manager	<i>Executive Directors:</i> Mr. Lin Deliang (Chairman) Mr. Cheng Jiuzhou Ms. Ou Haijing <i>Non-executive Director:</i> Mr. Li Feng <i>Independent Non-executive Directors:</i> Mr. Chan Chi On, Derek Mr. Chan Chi Fai, Brian Mr. Cheung Yuk Tong Mr. Chen Xiaoou
Trustee	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT) 1 Queen's Road Central Hong Kong
Unit Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Manager	Dechert 31/F Jardine House One Connaught Place Central, Hong Kong

CORPORATE INFORMATION

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

Somerley Capital Limited
20/F, China Building
29 Queen's Road
Central
Hong Kong

Independent Property Valuer

Savills Valuation and Professional Services
Limited
1208, Cityplaza One
1111 King's Road, Taikoo Shing
Hong Kong

DEFINITIONS

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, these defined terms are not included in the table below:

2008 CPT Waivers	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC on 1 February 2008, which is more fully described in the circular dated 4 February 2008 issued by Yuexiu REIT to the Unitholders
2011 Extended CPT Waiver	the extension to the 2008 CPT Waivers for the three financial years ended 31 December 2013 (and subject to new annual caps and conditions) granted by the SFC on 6 January 2011, which is more fully described in the circular dated 17 December 2010 issued by Yuexiu REIT to Unitholders
2012 Circular	the circular dated 30 June 2012 issued by Yuexiu REIT to Unitholders
2012 Modified and Extended Waiver	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of the new continuing connected party transactions for that period granted by the SFC on 20 July 2012, which is more fully described in the 2012 Circular
2014 Circular	the circular dated 25 November 2014 issued by Yuexiu REIT to Unitholders
2014 Extended Waiver	the extension to the 2012 Modified and Extended Waiver for the three financial years ending 31 December 2017 (and subject to new annual caps and conditions) granted by the SFC on 11 December 2014, which is more fully described in the 2014 Circular
2017 Circular	the circular dated 15 November 2017 issued by Yuexiu REIT to Unitholders
2017 Extended Waiver	the extension to the 2014 Extended Waiver for the three financial years ending 31 December 2020 (and subject to new annual caps and conditions) granted by the SFC on 4 December 2017, which is fully described in the 2017 Circular

DEFINITIONS

2020 Extended Waiver	the resulting extended 2017 Extended Waiver, if the proposed 2020 Waiver Extension and New Annual Caps are approved by the Independent Unitholders at the EGM
2020 Waiver Extension	has the meaning ascribed to this term in the section headed “Extension of the 2017 Extended Waiver”
Announcement	the announcement of Yuexiu REIT in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and New Annual Caps dated 20 November 2020
Annual Report	the annual report of Yuexiu REIT for the year ended 31 December 2019 published on 23 April 2020
associated company	has the meaning ascribed to this term in the REIT Code
Audit Committee	the audit committee of the Manager
Board	the board of Directors
Connected Leasing Transactions	has the meaning ascribed to this term in section 2.4.2 headed “In respect of the Connected Leasing Transactions”
connected person	has the meaning ascribed to this term in the REIT Code
Connected PMAs	has the meaning ascribed to this term in section 2.4.4 headed “In respect of the Connected PMAs”
Connected TSAs	has the meaning ascribed to this term in section 2.4.3 headed “In respect of the Connected TSAs”
Director(s)	the director(s) of the Manager
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in this circular in respect of the EGM to consider and, if thought fit, approve the New Continuing Connected Party Transactions, the 2020 Waiver Extension and New Annual Caps

DEFINITIONS

EGM Record Date	9 December 2020, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
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
GZYX	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), a state-owned limited liability company incorporated in the PRC beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
Independent Board Committee	the independent committee established by the Board to advise the Independent Unitholders on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, comprising Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian, Mr. Cheung Yuk Tong and Mr. Chen Xiaou, being all of the INEDs
Independent Financial Adviser	Somerley Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and New Annual Caps for the purpose of the REIT Code
Independent Property Valuer	Savills Valuation and Professional Services Limited, being the principal valuer of Yuexiu REIT
Independent Unitholders	Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of 8.11 of the REIT Code, and who are entitled to vote at the EGM
INED(s)	independent non-executive Director(s)

DEFINITIONS

Interim Report	the interim report of Yuexiu REIT for the six months ended 30 June 2020 published on 27 August 2020
Latest Practicable Date	20 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Manager	Yuexiu REIT Asset Management Limited (in its capacity as the manager of Yuexiu REIT), a company incorporated under the laws of Hong Kong
New Annual Caps	the proposed new annual cap amounts for the New Continuing Connected Party Transactions for the years ending 31 December 2021, 2022 and 2023, respectively, as set out in section 2.4 headed “New Annual Caps”
New Continuing Connected Party Transactions	the certain categories of continuing connected party transactions in respect of which the 2020 Waiver Extension is sought, which are fully described 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
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
RMB	Renminbi, the official currency of the PRC
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

Shanghai Yue Xiu Tower	the real property known as “Yuexiu Tower” (越秀大廈), located at No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, PRC
significant holder	has the meaning ascribed to this term in the REIT Code
Stock Exchange	The Stock Exchange of Hong Kong Limited
Trust Deed	the trust deed constituting Yuexiu REIT dated 7 December 2005 and entered into between the Trustee and the Manager, as may be amended and supplemented from time to time
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Yuexiu REIT. All references to the Trustee in this circular are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the Manager
Unit	one undivided unit in Yuexiu REIT
Unitholder	any person registered as holding a Unit on the register of Unitholders
White Horse Building Units	nine strata units in White Horse Building located at Nos.14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC and represented by Title Certificate numbers 01400018848, 01400018851, 01400018853, 01400018855, 01400018856, 01400018858, 01400018860, 01400018862 and 01400018864
Yue Xiu	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated in Hong Kong which is wholly-owned by GZYX
Yuexiu Connected Persons Group	collectively, (i) the Yuexiu Holders; (ii) associates of the Yuexiu Holders; and (iii) entities or persons which are from time to time connected persons of Yuexiu REIT as a result of their connection with the Yuexiu Holders
Yuexiu Holders	subsidiaries of GZYX that are significant holders
Yuexiu Group	collectively, Yuexiu Property and its subsidiaries

DEFINITIONS

Yuexiu Property

Yuexiu Property Company Limited, 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)

Yuexiu REIT

Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorized 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 two decimal places.

* *For identification purposes only.*

LETTER TO UNITHOLDERS



(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



Directors of the Manager:

Executive Directors:

Mr. Lin Deliang (Chairman)

Mr. Cheng Jiuzhou

Ms. Ou Haijing

Registered Office:

17B, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

Non-executive Director:

Mr. Li Feng

Independent Non-executive Directors:

Mr. Chan Chi On, Derek

Mr. Chan Chi Fai, Brian

Mr. Cheung Yuk Tong

Mr. Chen Xiaoou

24 November 2020

To: Unitholders of the REIT

Dear Sir or Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(I) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY
TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND CLOSURE OF REGISTER OF UNITHOLDERS**

1. INTRODUCTION

Reference is made to the Announcement. The purposes of this circular are: (i) to provide you with further information in respect of, among other things, the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps; (ii) to set out the recommendation of the Board in relation to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps; (iii) to set out the recommendation of the Independent Board Committee in relation to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps; (iv) to set out the recommendation of the Independent Financial Adviser in relation to the New Continuing

LETTER TO UNITHOLDERS

Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps; and (v) to serve notice of the EGM at which the resolutions seeking Unitholders' approval for the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps shall be proposed.

2. 2020 WAIVER EXTENSION

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

As disclosed in the 2017 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between Yuexiu REIT on the one hand and certain connected persons on the other hand.

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

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

On 11 December 2014, Yuexiu REIT obtained the 2014 Extended Waiver which extended the 2012 Modified and Extended Waiver for the three financial years ended 31 December 2017, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ended 31 December 2017.

On 4 December 2017, Yuexiu REIT obtained the 2017 Extended Waiver which extended the 2014 Extended Waiver for the three financial years ending 31 December 2020, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ending 31 December 2020. Details of such continuing connected party transactions and the 2017 Extended Waiver are set out in the 2017 Circular.

2.2. Expiration of the 2017 Extended Waiver

The 2017 Extended Waiver will expire on 31 December 2020. In accordance with the terms of the 2017 Extended Waiver, the 2017 Extended Waiver may be extended beyond 31 December 2020, and/or terms and the conditions of the 2017 Extended Waiver may be modified from time to time, provided that:

- 2.2.1. due approval of Independent Unitholders is obtained by way of an Ordinary Resolution to passed in a general meeting of Unitholders;

LETTER TO UNITHOLDERS

2.2.2. disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

2.2.3. any extension of the period of the 2017 Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Yuexiu REIT after the date on which the approval referred to in paragraph 2.2.1 above is obtained.

2.3. Extension of the 2017 Extended Waiver

In light of the upcoming expiration of the 2017 Extended Waiver, the Manager has made a submission to the SFC to seek an extension of the 2017 Extended Waiver so that it will continue to apply for the three financial years ending 31 December 2023 (the “**2020 Waiver Extension**”). As part of its submission, the Manager has also proposed New Annual Caps for the extended period. The types of New Continuing Connected Party Transactions in respect of which the 2020 Waiver Extension is sought are the same as those referred to in the 2017 Circular.

2.4. New Annual Caps

2.4.1. Historical Transaction Amount and Proposed New Annual Caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts stated in the table below. The table below sets out the historical transaction amount in respect of each category of the New Continuing Connected Party Transactions for the three financial years ended 31 December 2019 and the nine months ended 30 September 2020, as well as the proposed New Annual Caps for the three financial years ending 31 December 2021, 2022 and 2023.

Categories of the New Continuing Connected Party Transactions	Historical Transaction Amounts				New Annual Caps		
	RMB'000				RMB'000		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the nine months ended 30 September 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023
Connected Leasing Transactions	151,319	249,799	277,147	194,438	394,186	425,779	468,441
Connected TSAs	40,471	47,002	47,456	32,631	59,824	65,806	72,386
Connected PMAs ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

LETTER TO UNITHOLDERS

Note:

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

2.4.2. In respect of the Connected Leasing Transactions

As part of Yuexiu REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a property is either already a party to, or may from time to time enter into, leasing transactions with the Yuexiu Connected Persons Group in respect of Yuexiu REIT's properties (the "**Connected Leasing Transactions**"). All the Connected Leasing Transactions subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected Leasing Transactions. The details of the subsisting Connected Leasing Transactions in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2020 Waiver Extension is sought are the same types of leasing transactions covered by the 2017 Extended Waiver.

The proposed New Annual Caps in relation to the Connected Leasing Transactions have been determined by:

- (a) taking into account the actual rent payable to Yuexiu REIT under the Connected Leasing Transactions which will be subsisting during the relevant periods. Where a Connected Leasing Transaction expires prior to 31 December 2023, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year; and
- (b) applying a buffer of 25% for the total actual/assumed rent (as calculated on the above-mentioned basis) for each of the years ending 31 December 2021, 2022 and 2023. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods.

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

LETTER TO UNITHOLDERS

2.4.3. In respect of the Connected TSAs

The tenancy services agreements which have been or will be entered into with the Yuexiu Connected Persons Group (the “**Connected TSAs**”) include the tenancy services agreements in respect of the properties of Yuexiu REIT. All the Connected TSAs subsisting are on normal commercial terms at arm’s length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected TSAs. The details of the subsisting Connected TSAs in respect of Yuexiu REIT’s properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected TSAs in respect of which the 2020 Waiver Extension is sought are the same types of tenancy services agreements covered by the 2017 Extended Waiver.

The proposed cap for the year ending 31 December 2021 in relation to the Connected TSAs has been determined in the following manner:

- (a) annualising the amount of actual fees paid by Yuexiu REIT for the relevant Connected TSAs for the nine months ended 30 September 2020;
- (b) applying an increment of 10% to the relevant amount resulting from paragraph (a) above, as assumed rental growth rate over the year, with some minor rounding up of figures; and
- (c) applying an increment of 25% to the amount resulting from paragraph (b) above, as a buffer for contingencies such as: (1) changes in rental or other market conditions; and (2) increase in tenancy services transaction activities with respect to the relevant properties during the relevant financial periods.

The proposed caps for the years ending 31 December 2022 and 2023 in relation to the Connected TSAs have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures.

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

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

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

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2.4.4. In respect of the Connected PMAs

The property management arrangements entered into with the Yuexiu Connected Persons Group (the “**Connected PMAs**”) include the property management arrangements in respect of the properties of Yuexiu REIT. All the Connected PMAs subsisting are on normal commercial terms at arm’s length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected PMAs. The details of the subsisting Connected PMAs in respect of Yuexiu REIT’s properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected PMAs in respect of which the 2020 Waiver Extension is sought are the same types of property management arrangements covered by the 2017 Extended Waiver.

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

2.5. Waiver Conditions of the 2020 Extended Waiver

The Manager has applied to the SFC for the 2020 Extended Waiver in relation to the New Continuing Connected Party Transactions on the waiver terms and conditions set out in this section, which are (other than in respect of the annual caps) substantially identical to the conditions for the 2017 Extended Waiver.

The Manager confirms that the conditions of the 2017 Extended Waiver will continue to apply to Yuexiu REIT until 31 December 2020 (including, for the avoidance of doubt, the existing annual caps for the year ending 31 December 2020).

2.5.1. Due Approval by Independent Unitholders

Due approval by Independent Unitholders of Yuexiu REIT and adoption of the Ordinary Resolutions to approve the 2020 Extended Waiver as set out in the EGM Notice, without any material amendment thereto.

2.5.2. Extensions or Modifications

The 2020 Extended Waiver is to be granted for a period of three financial years ending 31 December 2023. The 2020 Extended Waiver may be extended beyond 31 December 2023, and/or the terms and the conditions of the 2020 Extended Waiver may be modified from time to time, provided that:

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

LETTER TO UNITHOLDERS

- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2020 Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Yuexiu REIT after the date on which the approval referred to in paragraph 2.5.2(a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2020 Extended Waiver (including without limitation any such change on the scope or nature of such transactions) as set out in this circular must be approved by Independent Unitholders pursuant to the condition at paragraph 2.5.2(a) above, and details of the proposed changes shall be disclosed in the manner as referred to in the condition at paragraph 2.5.2(b) above.

2.5.3. Annual Caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts set out in section 2.4 headed “New Annual Caps” above.

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

2.5.4. Disclosure in semi-annual and annual reports

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

2.5.5. Auditors’ review procedures

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

- (a) have received the approval of the Board (including the INEDs);
- (b) have been entered into in accordance with the pricing policies of Yuexiu REIT;

LETTER TO UNITHOLDERS

- (c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual cap amounts (where applicable) set out in section 2.4 headed “New Annual Caps” above.

2.5.6. Annual review by the Audit Committee and the INEDs

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

- (a) in the ordinary and usual course of business of Yuexiu REIT;
- (b) based on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Yuexiu REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager’s internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

2.5.7. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of Yuexiu REIT and/or the Audit Committee and/or the INEDs will not be able to confirm the matters set out in sections 2.5.5 and 2.5.6.

2.5.8. Auditors’ access to books and records

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

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2.5.9. Subsequent increase in annual caps with Independent Unitholders' approval

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

- (a) the Manager obtains the approval of Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) the Manager discloses details of the proposal to increase the cap amounts by way of an announcement of such proposal, and issues a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements set out in sections 2.5.3 to 2.5.8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

2.5.10. 8.14 of the REIT Code

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

2.6. Opinions

2.6.1. Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps as described in this circular, the Board (including the INEDs) considers that:

- (a) the 2020 Waiver Extension and the basis for the 2020 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and

LETTER TO UNITHOLDERS

- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2021, 2022 and 2023 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

2.6.2. Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee). The Independent Financial Adviser has confirmed that it is of the view that:

- (a) the 2020 Waiver Extension and the basis for the 2020 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (c) each of the New Continuing Connected Party Transactions will be entered into (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, at arm's length basis and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

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

2.6.3. Independent Property Valuer

Savills Valuation and Professional Services Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence fees in respect of the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at prevailing market levels as at their respective agreement dates, and that other commercial terms of such Connected Leasing Transactions such as tenure, rental deposits and break clauses were normal commercial terms.

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2.6.4. Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps as described in this circular and having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that:

- (a) the 2020 Waiver Extension and the basis for the 2020 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2021, 2022 and 2023 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

3. IMPLICATIONS FOR YUEXIU REIT UNDER THE REIT CODE AND THE TRUST DEED

3.1 2020 Waiver Extension

The Board proposes to seek Independent Unitholders' approval for the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. Please refer to section 2 headed "2020 Waiver Extension" for further details regarding the New Continuing Connected Party Transactions and the 2020 Waiver Extension. Details of the relevant continuing connected party transactions will be disclosed in Yuexiu REIT's semi-annual and annual reports, as required under 8.14 of the REIT Code.

LETTER TO UNITHOLDERS

On 9 June 2020, the SFC published a “Consultation Paper on Proposed Amendments to the Code on Real Estate Investment Trusts” (“**Consultation Paper**”), which proposed to, among others, broadly align the requirements for REITs’ connected party transactions and notifiable transactions with the Listing Rules, in line with existing policy and practices. Should the amendments to the REIT Code as set out in the Consultation Paper come into effect, members of Yuexiu Group (being parties to the New Continuing Connected Party Transactions) shall remain connected persons of Yuexiu REIT. Accordingly, the New Continuing Connected Party Transactions shall remain connected party transactions. In addition, should the proposed amendments to the REIT Code come into effect before 31 December 2020, the 2020 Waiver Extension (and resulting 2020 Extended Waiver) will no longer be required. The New Continuing Connected Party Transactions, if approved by the Independent Unitholders at the EGM, will comply with requirements under the REIT Code (as revised) (including disclosure in annual reports of Yuexiu REIT, auditors’ review procedures and annual review by the INEDs). The New Continuing Connected Party Transactions will also remain subject to the New Annual Caps for the financial years ending 31 December 2021, 2022 and 2023. If the New Continuing Connected Party Transactions are to subsist after 31 December 2023, or if any of the New Annual Caps is exceeded, or if there is any material change to the terms of the New Continuing Connected Party Transactions, Yuexiu REIT shall comply with all applicable requirements (including the announcement and Unitholders’ approval requirements) under the REIT Code (as revised).

3.2 Ordinary Resolutions

Please refer to the EGM Notice for the proposed resolutions in relation to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the proposed resolutions have been passed.

3.3 Restrictions on Voting

9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolution tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the REIT, and that interest is different from the interests of other Unitholders as determined by the Manager (where the Unitholders concerned is (are) not connected persons of the Manager under the REIT Code) or the Trustee (where the Unitholders concerned is (are) connected persons of the Manager under the REIT Code, if appropriate, in its absolute opinion), such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

Members of the Yuexiu Group are parties to the New Continuing Connected Party Transactions, and as such, have a material interest in the resolutions relating to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. Pursuant to the Trust Deed and the REIT Code, each of Yuexiu Property and Yue Xiu has

LETTER TO UNITHOLDERS

agreed that it will abstain, and will procure that its respective controlling entities, holding companies, subsidiaries, associates and associated companies (as defined in the REIT Code) will abstain, from voting on the resolutions set out in the EGM Notice to approve the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given.

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above as needing to abstain from voting are interested or deemed to be interested in 1,258,660,730 Units representing approximately 38.92% of the Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, as at the Latest Practicable Date, no other Unitholder is required to abstain from voting at the EGM in respect of the resolutions pertaining to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps.

4. RECOMMENDATIONS

4.1 Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps as described in this circular, the Board (including the INEDs) considers that the New Continuing Connected Party Transactions (including the New Annual Caps) are: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code. The opinion of the Board in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps is set out at section 2.6 headed "Opinions".

Accordingly, the Board recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension (if needed) and the New Annual Caps.

4.2 Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

LETTER TO UNITHOLDERS

The Independent Financial Adviser has confirmed that it is of the view that the New Continuing Connected Party Transactions (including the New Annual Caps) are: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code. The opinion of the Independent Financial Adviser in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps is set out at section 2.6 headed "Opinions".

Accordingly, the Independent Financial Adviser recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension (if needed) and the New Annual Caps.

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

4.3 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that the New Continuing Connected Party Transactions (including the New Annual Caps) are: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code. The opinion of the Independent Board Committee in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps is set out at section 2.6 headed "Opinions".

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension (if needed) and the New Annual Caps.

LETTER TO UNITHOLDERS

4.4 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; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, in each case, 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 the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders, as well as the Unitholders as a whole.

This view is furnished for the sole purpose of complying with 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps.

The Trustee has not made any assessment of the merits or impact of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, 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 New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, to seek their own financial or other professional advice.

5. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 10:30 a.m. on 9 December 2020, at Plaza 1-4, 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 resolutions set out in the EGM Notice, which is set out on pages N-1 to N-3 of this circular. You can vote at the EGM if you are a Unitholder on 9 December 2020 which is referred to in this circular as the EGM Record Date. You will find enclosed with this circular the EGM Notice (see pages N-1 to N-3 of this circular) and a form of proxy for use for the EGM.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the register of Unitholders of Yuexiu REIT will be closed from 4 December 2020 to 9 December 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 December 2020.

LETTER TO UNITHOLDERS

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 54, 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. RESPONSIBILITY STATEMENT

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

7. 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
Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)
YU Tat Fung
Company Secretary



(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



24 November 2020

To: The independent Unitholders of Yuexiu REIT

Dear Sir or Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, details of which are set out in the “Letter to the Unitholders” in the circular dated 24 November 2020 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager as Independent Financial Adviser to provide its opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to us (as well as the Independent Unitholders and the Trustee). Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

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

- (a) the 2020 Waiver Extension and the basis for the 2020 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code;

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code; and
- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2021, 2022 and 2023 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

Accordingly, we recommend that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension (if needed) and the New Annual Caps.

Yours faithfully,

For and on behalf of Independent Board Committee of
Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)

Mr. CHAN Chi On,
Derek
*Independent non-
executive Director*

Mr. CHAN
Chi Fai, Brian
*Independent non-
executive Director*

Mr. CHEUNG
Yuk Tong
*Independent non-
executive Director*

Mr. CHEN
Xiaoou
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited, prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, Independent Unitholders and the Trustee in connection with the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps.



SOMERLEY CAPITAL LIMITED

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

24 November 2020

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

Dear Sirs,

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

We refer to our appointment to advise the Independent Board Committee, the Trustee and the Independent Unitholders as regards the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, details of which are set out in the Letter to Unitholders contained in the circular of Yuexiu REIT to its Unitholders dated 24 November 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

Members of the Yuexiu Group are parties to the New Continuing Connected Party Transactions, and as such, have a material interest in the resolutions relating to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. Pursuant to the Trust Deed and the REIT Code, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that its respective controlling entities, holding companies, subsidiaries, associates and associated companies (as defined in the REIT Code) will abstain, from voting on the resolutions set out in the EGM Notice to approve the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, except pursuant to a proxy given by an Independent Unitholders where a specific direction as to voting is given.

The Independent Board Committee, comprising Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian, Mr. Cheung Yuk Tong and Mr. Chen Xiaou, being all of the INEDs, has been established by the Board to advise the Independent Unitholders on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps. We have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

been appointed as Independent Financial Adviser to provide our opinion on the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Somerley Capital Limited is independent from, and not associated with, (i) Yuexiu REIT; (ii) the Trustee; (iii) the Manager; (iv) the Yuexiu Connected Persons Group; (v) Yuexiu Property and its subsidiaries; (vi) each of the significant holders of Yuexiu REIT; (vii) each of the relevant connected person(s) with respect to the New Continuing Connected Party Transactions and the 2020 Waiver Extension; and (viii) their respective associates (as defined in the REIT Code). Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

During the past two years, Somerley Capital Limited (i) acted as the independent financial adviser and issued an opinion letter contained in Yuexiu REIT's circular dated 10 May 2019 regarding a waiver in respect of ordinary banking and financial services provided by Chong Hing Bank Group; (ii) acted as the independent financial adviser for Yuexiu Transport Infrastructure Limited and issued opinion letters (a) contained in its circular dated 17 October 2019 regarding major and connected transactions in relation to acquisition of interests in companies operating three expressway in Hubei Province; and (b) regarding connected transaction in relation to foreign exchange forward contracts announced by it on 20 June 2019; and (iii) acted as the independent financial adviser for Yuexiu Property and issued opinion letters (a) contained in its circular dated 27 September 2019 regarding continuing connected transactions and major transaction in relation to bank deposits; and (b) regarding continuing connected transactions and connected transactions announced by it on 2 August 2019, 21 August 2019, 31 October 2019 and 9 December 2019. These past engagements were limited to providing independent advisory services to (i) the Independent Board Committee, the Trustee and the Independent Unitholders pursuant to the Listing Rules and REIT Code; (ii) the independent board committee and independent shareholders of Yuexiu Transport Infrastructure Limited pursuant to the Listing Rules; and (iii) the independent board committee and independent shareholders of Yuexiu Property in accordance with the Listing Rules or its internal control procedures. Under these past engagements, Somerley Capital Limited received normal professional fees from Yuexiu REIT, Yuexiu Transport Infrastructure Limited and Yuexiu Property. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and Yuexiu REIT, the Manager, the Trustee, the Yuexiu Group, and their respective substantial unitholders/shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee, the Trustee and Independent Unitholders in connection with the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have reviewed, amongst others, the information as set out in the Circular, the existing tenancy agreements, Connected TSAs and Connected PMAs in respect of the properties held by Yuexiu REIT, the annual reports and the interim reports of Yuexiu REIT. We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager, Yuexiu REIT and its properties. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and continue to be accurate and not misleading up to the date of the EGM.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps, we have taken into account the following principal factors:

1. Information on Yuexiu REIT

Yuexiu REIT, listed since December 2005, is a real estate investment trust formed primarily to own and invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential. As stated in the Interim Report, as at 30 June 2020, the eight properties currently owned by Yuexiu REIT comprised White Horse Building Units, Fortune Plaza Units and certain carpark spaces (“**Fortune Plaza**”), City Development Plaza Units and certain carpark spaces (“**City Development Plaza**”), Victory Plaza Units (“**Victory Plaza**”), Guangzhou IFC, located in Guangzhou, Shanghai Yue Xiu Tower, located in Shanghai, Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain carpark spaces (“**Wuhan Properties**”), located in Wuhan, and Hangzhou Victory Business Center Units (“**Hangzhou Victory**”), located in Hangzhou.

2. 2020 Waiver Extension

As disclosed in the 2017 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between Yuexiu REIT on the one hand and certain connected persons on the other hand. On 6 January 2011, Yuexiu REIT obtained the 2011 Extended CPT Waiver which extended the 2008 CPT Waivers for the three financial years ended 31 December 2013, and set new annual cap amounts for the then existing continuing connected party transactions for such period. On 20 July 2012, the SFC granted the 2012 Modified and Extended Waiver in respect of the then existing continuing connected party transactions for the three financial years

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ended 31 December 2014, which superseded the 2011 Extended CPT Waiver. The 2012 Modified and Extended Waiver broadened the categories of the then existing continuing connected party transactions to additionally include those continuing connected party transactions with the Yuexiu Connected Persons Group in respect of Guangzhou IFC that arose as a result of Yuexiu REIT's acquisition of Guangzhou IFC in 2012 and set new annual cap amounts to accommodate such new continuing connected party transactions for that period. On 11 December 2014, Yuexiu REIT obtained the 2014 Extended Waiver which extended the 2012 Modified and Extended Waiver for the three financial years ended 31 December 2017, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ended 31 December 2017. On 4 December 2017, Yuexiu REIT obtained the 2017 Extended Waiver which extended the 2014 Extended Waiver for the three financial years ending 31 December 2020, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ending 31 December 2020. Details of such continuing connected party transactions and the 2017 Extended Waiver are set out in the 2017 Circular.

The 2017 Extended Waiver will expire on 31 December 2020. The Manager has made a submission to the SFC to seek an extension of the 2017 Extended Waiver so that it will continue to apply for the three financial years ending 31 December 2023. As part of its submission, the Manager has also proposed the New Annual Caps for the extended period, as discussed in the paragraph headed "4. The New Annual Caps" below.

3. New Continuing Connected Party Transactions

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

3.1 *Connected TSAs*

The tenancy services agreements which have been entered into with the Yuexiu Connected Persons Group (the "**Connected TSAs**") include the tenancy services agreements in respect of White Horse Building Units, Fortune Plaza, City Development Plaza, Victory Plaza, Guangzhou IFC, Shanghai Yue Xiu Tower, Wuhan Properties and Hangzhou Victory. The details of the subsisting Connected TSAs in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected TSAs in respect of which the 2020 Waiver Extension is sought are the same types of tenancy services agreements covered by the 2017 Extended Waiver.

As stated in the Letter to Unitholders, all the Connected TSAs subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected TSAs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the terms of the most recently extended and the initial Connected TSAs which set out the detailed terms thereunder as well as the expired Connected TSAs and note that since the 2017 Extended Waiver has been granted, Yuexiu REIT also entered into a Connected TSA for the Hangzhou Victory with a service term from 28 December 2018 to 31 December 2020, while the service term of all other Connected TSAs for the properties held by Yuexiu REIT have been extended to 31 December 2020 with other terms remaining the same. The leasing agents, the Yuexiu Connected Persons Group, are entitled to receive in respect of the provision of services a monthly fee of 3% or 4% (as the case may be) of the gross revenue of Yuexiu REIT's properties. Based on a valuation advisory report prepared by Jones Lang LaSalle Ltd. ("**JLL**"), an independent property consultancy, valuation and real estate agency firm in respect of the Connected TSAs, JLL is of the opinion that the prevailing arrangements set out in the Connected TSAs are in line with the current market practice. We have discussed with and been advised by JLL that JLL has made enquiries with the independent leasing agents in the market and compared the remuneration arrangements as provided by those leasing agents with those under the Connected TSAs before arriving at its opinion. In addition, we note that Yuexiu REIT's service fee of 3-4% is within the fee range charged by other Hong Kong listed REITs of 3-5% as disclosed in their recent circular and prospectus. Having considered that (i) the basis of the tenancy services fee under the extended Connected TSAs are the same as the expired ones and the fees payable is with reference to the gross revenue that Yuexiu REIT receives; (ii) the terms of the Connected TSAs remain the same as those of the tenancy services agreements covered by the 2017 Extended Waiver; (iii) the prevailing arrangements set out in the Connected TSAs are in line with the current market practice as confirmed by JLL; and (iv) the service fees under the Connected TSAs are within the range of those of other Hong Kong listed REITs (if applicable), we consider the terms of the Connected TSAs to be fair and reasonable, on normal commercial terms and are in line with prevailing market practice.

3.2 Connected Leasing Transactions

As part of Yuexiu REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a property is either already a party to, or may from time to time enter into, leasing transactions with the Yuexiu Connected Persons Group in respect of Yuexiu REIT's properties (the "**Connected Leasing Transaction(s)**"). As set out in the Letter to Unitholders, all the Connected Leasing Transactions subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected Leasing Transactions. The details of the subsisting Connected Leasing Transactions in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2020 Waiver Extension is sought are the same types of leasing transactions covered by the 2017 Extended Waiver.

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As stated in the Circular, in respect of the Connected Leasing Transactions, an independent valuation shall be conducted for each Connected Leasing Transaction except where it is conducted on standard or published rates. In the case of such Connected Leasing Transactions with no fixed term (e.g. tenancies with monthly rollover), an independent valuation shall be conducted no less than once every 24 months. The Connected Leasing Transactions involve all Yuexiu REIT's properties except for Victory Plaza. We have reviewed (i) a schedule of all Connected Leasing Transactions setting out their details; (ii) sample lease agreements (covering all types of properties, if applicable) from each of the properties which have been selected randomly by us; and (iii) selected leases with independent third parties (except for car parks where there is no independent lease) (the "**Independent Leases**"). In addition, we carried out a search on the rental rate of car parking spaces near the car parks that are under the Connected Leasing Transactions. We note that (i) the selected leases agreed to the schedule provided by the Management; (ii) each of the selected lease agreements has been confirmed by the Independent Property Valuer or Vigers Appraisal and Consulting Limited (the then principal valuer of Yuexiu REIT) (as the case maybe) that the transactions subsisting was at market rates when the leases were entered into; (iii) the rental fees of the Connected Leasing Transactions in relation to shops and offices are generally comparable to those of the Independent Leases; and (iv) the average rental rate of the car parks that are under the Connected Leasing Transactions falls within the range of the rental rates of nearby car parking spaces.

We have also compared the terms other than the rental fees (e.g. deposits and break clauses) of certain Connected Leasing Transactions which have been selected randomly by us as mentioned above to the Independent Leases (in case of shops and offices) or the information of the independent leases that we have reviewed (in case of car parks), and note that the terms of the Connected Leasing Transactions are generally comparable to those of the Independent Leases and other independent leases of the car parks not owned by Yuexiu REIT that we have reviewed. Having considered that (i) all Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into as set out in the independent valuation reports prepared by the Independent Property Valuer or Vigers Appraisal and Consulting Limited (as the case maybe); (ii) the terms (including the rental fees, deposits and break clauses) of the Connected Leasing Transactions are generally comparable to those of the Independent Leases or other independent leases of the car parks not owned by Yuexiu REIT that we have reviewed; and (iii) the average rental rate of the car parks that are under the Connected Leasing Transactions falls within the range of the rental rates of nearby car parking spaces, we consider the terms of the subsisting Connected Leasing Transactions to be fair and reasonable and are on normal arm's length commercial terms and all Connected Leasing Transactions are at the then prevailing market level when the leases were entered into.

3.3 Connected PMAs

The property management arrangements entered into with the Yuexiu Connected Persons Group (the “**Connected PMAs**”) include the property management arrangements in respect of the properties of Yuexiu REIT. As set out in the Letter to Unitholders, all the Connected PMAs subsisting are on normal commercial terms at arm’s length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected PMAs. The details of the subsisting Connected PMAs in respect of Yuexiu REIT’s properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected PMAs in respect of which the 2020 Waiver Extension is sought are the same types of property management arrangements covered by the 2017 Extended Waiver.

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

We have been provided with all the existing and expired Connected PMAs entered into with the Yuexiu Connected Persons Group in respect of all properties of Yuexiu REIT. The services terms are either 2 years or 3 years. We also note that the management fees under the Connected PMAs fall within the range of the management fees of the comparable properties as set out in a valuation advisory report prepared by JLL. The remuneration of the property management company/property manager under the Connected PMAs generally falls within the range of 7.5% to 10% of total actual property management fee receivable. Having considered that (i) all the Connected PMAs remaining subsisting at the same terms (as those of the property management arrangements covered by the 2017 Extended Waiver); (ii) the property management fees payable under the Connected PMAs will be paid by the relevant tenants under both Connected Leasing Transactions and Independent Leases; and (iii) the monthly management fee under all Connected PMAs are in general similar and comparable to those payable by and to the independent third parties in respect of comparable properties as set out in the valuation advisory report prepared by JLL, we consider the terms of the Connected PMAs to be fair and reasonable and are on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The New Annual Caps

4.1 The Connected TSAs

The historical transaction amounts/projected amounts and annual caps in respect of the Connected TSAs for 2014 – 2020 are set out in the table below:

<i>RMB'000</i>	Historical Transaction Amount For the year ended 31 December						Projected Amount For the year ending 31 December ^(Note)
	2014	2015	2016	2017	2018	2019	2020
Connected TSAs	33,122	37,473	40,977	40,471	47,002	47,456	43,508
<i>Change</i>	<i>n.a.</i>	13.1%	9.4%	(1.2)%	16.1%	1.0%	(8.3)%
Existing annual caps	37,503	44,778	49,255	54,181	62,682	69,733	76,794

Note: Projected Connected TSA amount for the year ending 31 December 2020 represents the annualized amount based on the historical transaction amount of RMB32,631,000 for the nine months ended 30 September 2020.

Under the Connected TSAs, Yuexiu REIT is obliged to pay a month service fee of 3% or 4% of the gross revenue of the relevant properties held by it to the leasing agents. Therefore, the fluctuations in the historical amounts of the Connected TSAs as shown in the above table are generally in line with the revenue of Yuexiu REIT during the same period. As shown in the above table, the historical/projected amounts of the Connected TSAs grew/declined at 13.1%, 9.4%, -1.2%, 16.1%, 1.0% and -8.3% year-on-year for 2015-2020.

The proposed New Annual Caps for the three financial years ending 31 December 2021, 2022 and 2023 are set out in the below table:

<i>RMB'000</i>	For the year ending 31 December		
	2021	2022	2023
Projected Connected TSA amount	47,859	52,645	57,909
<i>Change</i>	10% ^(Note)	10%	10%
Buffer (25%)	11,965	13,161	14,477
New Annual Caps	59,824	65,806	72,386

Note: The percentage change refers the projected Connected TSA amount for 2021 as compared with that for 2020.

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The Manager applies an increment of 10% to the annualized amount of the Connected TSAs for 2020 when determining the proposed New Annual Cap for the year ending 31 December 2021. The proposed New Annual Caps for the years ending 31 December 2022 and 31 December 2023 have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures. Based on our discussion with the Manager, we understand that the Connected TSA amounts are calculated based on a service fee of 3% or 4% of the gross revenue of the relevant properties of Yuexiu REIT which, in turn, is derived from the rentals received under the lease agreements. Therefore, the Manager's use of an assumed annual growth rate of 10% for determining the proposed New Annual Caps for the Connected TSAs for 2021-2023, which is (i) within the range of the historical and expected (for 2020) year-on-year growth rates of the Connected TSA amounts from -8.3% to 16.1% as set out above; and (ii) within the range of the rental rate increase from the randomly selected lease agreements with both the Yuexiu Connected Persons Group and the independent third parties, is considered to be reasonable.

The Manager applies a buffer of 25% to the projected Connected TSA amounts for 2021-2023, which is the same buffer used in the 2017 Waiver Extension. In the past, the buffer could allow not only the possible upside of the rental income receivable from the properties should the gross revenue of the properties rebound after the COVID-19 pandemic but also the additional Connected TSA amounts after acquisition of properties in the future (e.g. Shanghai Yue Xiu Tower in 2015 and Hangzhou Victory in 2018). Also taking into account (i) an allowance for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions; and (ii) the buffer of 25% is within the range of buffers between 5% and 25% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the buffer of 25% for each of the three years ending 31 December 2021, 2022 and 2023 estimated by the Manager to be reasonable.

On the above basis, we consider the basis of determining the New Annual Caps under the Connected TSAs to be reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 The Connected Leasing Transactions

The historical transaction amounts/projected amounts and annual caps in respect of the Connected Leasing Transactions for 2014-2020 are set out in the table below:

RMB'000	Historical Transaction Amount For the year ended 31 December						Projected Amount For the year ending 31 December ^(Note)
	2014	2015	2016	2017	2018	2019	2020
Connected Leasing							
Transactions	171,280	185,848	134,197	151,319	249,799	277,147	280,409
Change	<i>n.a.</i>	8.5%	(27.8)%	12.8%	65.1%	10.9%	1.2%
Existing annual caps	231,185	227,051	244,919	267,802	289,486	311,422	337,874

Note: Projected Connected Leasing Transaction amount for the year ending 31 December 2020 is computed based on the existing terms of the leases entered into with the Yuexiu Connected Persons Group. Where a Connected Leasing Transaction expires prior to 31 December 2020, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease.

As advised by the Manager, the historical transaction amounts of the Connected Leasing Transactions for 2016 decreased due to Guangzhou Yuexiu Financial Holdings Group Co., Ltd (“YXFH”) and its subsidiaries (the “YXFH Group”) ceased to be connected parties of Yuexiu REIT on 1 May 2016. As a result, the relevant leases entered into with the YXFH Group have been considered as Independent Leases since 1 May 2016. As set out in the announcement of Yuexiu REIT dated 12 September 2017, the total rental income from such relevant leases for the year ended 31 December 2016 was approximately RMB50.5 million. In addition, the historical transaction amounts of the Connected Leasing Transactions for 2018 increased substantially due to additional Connected Leasing Transactions upon completion of acquisition of Wuhan Properties. As advised by the Manager, the projected Connected Leasing Transaction amounts for 2020 is expected to only increase slightly, by 1.2%, which is mainly due to certain members of the Yuexiu Connected Persons Group ceased to be connected persons of Yuexiu REIT. The year-on-year increases of the Connected Leasing Transactions during the period under review (except for 2016, 2018 and 2020 as discussed above) are 8.5% for 2015, 12.8% for 2017 and 10.9% for 2019 with an average of 10.7%.

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The proposed New Annual Caps for the three financial years ending 31 December 2021, 2022 and 2023 are set out in the below table:

<i>RMB'000</i>	For the year ending 31 December		
	2021	2022	2023
Projected Connected Leasing			
Transaction amounts	315,349	340,624	374,753
Change	12.5% ^(Note)	8.0%	10.0%
Buffer (25%)	78,837	85,155	93,688
New Annual Caps	394,186	425,779	468,441

Note: The percentage change refers the projected Connected Leasing Transaction amount for 2021 as compared with that for 2020.

We have discussed with the Manager the basis of the New Annual Caps for the Connected Leasing Transactions, which have been determined by:

- (a) taking into account the actual rent payable to Yuexiu REIT under the Connected Leasing Transactions which will be subsisting during the relevant periods. Where a Connected Leasing Transaction expires prior to 31 December 2023, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year; and
- (b) applying a buffer of 25% for the total actual/assumed rent (as calculated on the above-mentioned basis) for each of the years ending 31 December 2021, 2022 and 2023. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods.

In assessing the aforesaid basis of the New Annual Caps, we have reviewed the terms of certain existing lease agreements entered into by the Yuexiu Connected Persons Group in respect of the properties held by Yuexiu REIT and we note that the computation of projected Connected Leasing Transaction amounts for 2021-2023 is agreed to the rental of aforesaid existing lease agreements. Where a Connected Leasing Transaction expires prior to 31 December 2023, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year. Furthermore, we note that the 10% increment in new rental rate is within the range of the rental rate increase from the randomly selected Connected Leasing Transactions. Given the 10% increment in new rental rate is (i) close to the average increase of the Connected Leasing Transactions during the period under review (except for 2016, 2018 and 2020);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and (ii) within the range of the rental rate increase from the randomly selected Connected Leasing Transactions, we consider the basis of estimating the rental income derived from the Connected Leasing Transactions for 2021-2023 to be reasonable.

In determining the New Annual Caps for the three years ending 31 December 2023, the Manager applies a buffer of 25% to the estimated rental income as discussed above. We note from the Annual Report that the proportion of lease expiry of Yuexiu REIT's properties being 23.1%, 26.1%, 22.5% and 12.0% in terms of rental area or 26.8%, 23.9%, 23.2% and 14.3% in terms of basic monthly rental for 2020, 2021, 2022 and 2023, respectively. In addition, as advised by the Manager, the Yuexiu Connected Persons Group might possibly take up additional spaces when certain existing leases with independent third parties expired. We consider that the additional 25% can provide buffer or contingency to accommodate possible fluctuations resulted from any changes in rental or other market conditions and to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods not only for its existing properties as discussed above but also the property(ies) that may be acquired by it in the future. After taking into account the above factors, and also considering that the buffer of 25% is within the range of the buffers between 5% and 25% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of a buffer of 25% for the purpose of determining the New Annual Caps to be reasonable.

OPINION

We consider that the New Continuing Connected Party Transactions are/will be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, at arm's length basis and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole and that the 2020 Waiver Extension and the basis for the 2020 Waiver Extension (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders as well as the Unitholders as a whole in accordance with the REIT Code. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders to vote in favour of the resolutions in respect of the New Continuing Connected Party Transactions, the 2020 Waiver Extension and the New Annual Caps at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

NOTICE OF EXTRAORDINARY GENERAL MEETING



(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



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the unitholders (“**Unitholders**”) of Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”) will be held at Plaza 1-4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 9 December 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 24 November 2020 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. THAT

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Connected Leasing Transactions for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps as more fully described in the Circular; and
- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee 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 Trustee or such authorised signatory of the Trustee, 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 Connected Leasing Transactions for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps.

2. THAT

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Connected TSAs for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps as more fully described in the Circular; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee 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 Trustee or such authorised signatory of the Trustee, 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 Connected TSAs for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps.

3. **THAT**

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Connected PMAs for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps as more fully described in the Circular; and
- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee 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 Trustee or such authorised signatory of the Trustee, 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 Connected PMAs for the financial years ending 31 December 2021, 2022 and 2023 and the relevant New Annual Caps.

4. **THAT**

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the 2020 Waiver Extension (if needed) as more fully described in the Circular; and
- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee 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 Trustee or such authorised signatory of the Trustee, 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 2020 Waiver Extension (if needed).

Yours faithfully,

By Order of the Board

Yuexiu REIT Asset Management Limited

(as manager of Yuexiu Real Estate Investment Trust)

YU Tat Fung

Company Secretary

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong, 24 November 2020

Registered Office:

17B, Yue Xiu Building,
160 Lockhart Road
Wanchai, Hong Kong

Notes:

- (a) A Unitholder is entitled to attend and vote at the extraordinary general meeting and 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 54, 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 of Yuexiu REIT 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 of Yuexiu REIT will be closed from 4 December 2020 to 9 December 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 3 December 2020.
- (e) In view of the coronavirus disease 2019 and recent recommendations for prevention and control of its spread, the Manager will implement certain precautionary measures at the extraordinary general meeting of Yuexiu REIT to protect attending Unitholders, staff and other persons from the risk of infection. For further details, please refer to the circular of Yuexiu REIT dated 24 November 2020.

As at the date of this notice, the board of Directors of the Manager is comprised as follows:

Executive Directors:

*Mr. Lin Deliang (Chairman), Mr. Cheng Jiuzhou
and Ms. Ou Haijing*

Non-executive Director:

Mr. Li Feng

Independent Non-executive Directors:

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