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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 00405)

Managed by



越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

ANNOUNCEMENT

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITION OF CARPARK SPACES (2) CONTINUING CONNECTED PARTY TRANSACTIONS

The Board is pleased to announce that on 13 November 2019, Yuexiu REIT, through the Purchaser Entities (which are special purpose vehicles of Yuexiu REIT), agreed to acquire the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces from the Vendor (being a connected person of Yuexiu REIT) for an aggregate consideration of RMB98,000,000, following a public auction process. The Carpark Spaces form part of the broader developments at two of Yuexiu REIT's existing properties and comprise: (i) 179 underground carpark spaces located at City Development Plaza (being the City Development Plaza Carpark Spaces); and (ii) 110 underground carpark spaces located at Fortune Plaza (being the Fortune Plaza Carpark Spaces).

The Acquisitions constitute connected party transactions of Yuexiu REIT under paragraph 8.5 of the REIT Code. However, as the aggregate consideration for the Acquisitions, being RMB98,000,000, does not exceed 5.0% of the net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the financial year ended 31 December 2018 (as adjusted for: (i) the payment of the final distribution for the year ended 31 December 2018; (ii) the payment of the interim distribution for the six months ended 30 June 2019; and (iii) the final adjustment payment to Yuexiu REIT in respect of the disposal of the Neo Metropolis Plaza Property, since the publication of such accounts)), the REIT Manager is of the view that the Acquisitions do not require Unitholders' approval, and are only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

On the same date, each of the Purchaser Entities also entered into a separate master lease agreement with Yicheng (being a connected person of Yuexiu REIT) in respect of their respective Carpark Spaces, which only come into effect upon Acquisition Completion.

The Carpark Master Lease Agreements constitute continuing connected party transactions of Yuexiu REIT under paragraph 8.5 of the REIT Code. However, as the Carpark Master Lease Agreements constitute “Connected Leasing Transactions” as described in the 2017 Extended Waiver and the annual rent payable by Yicheng thereunder, when aggregated with the existing leasing continuing connected party transactions which fall within the scope of the 2017 Extended Waiver, do not exceed the relevant annual caps amount under the 2017 Extended Waiver, the transactions under such agreements are not subject to independent Unitholders’ approval, but are subject to the terms and conditions of the 2017 Extended Waiver (including disclosure in semi-annual and annual reports and annual review by the Audit Committee and the INEDs).

Acquisition Completion is subject to and conditional upon satisfaction of certain conditions. Accordingly, the Acquisitions may or may not complete. Unitholders, as well as any prospective investors of Yuexiu REIT, are therefore advised to exercise caution when dealing in the Units.

This announcement is made pursuant to paragraphs 8.14, 10.3 and 10.4 of the REIT Code.

A. OVERVIEW

The Board is pleased to announce that on 13 November 2019, Yuexiu REIT, through the Purchaser Entities (which are special purpose vehicles of Yuexiu REIT), agreed to acquire the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces (together, the “**Carpark Spaces**”) from the Vendor (being a connected person of Yuexiu REIT) for an aggregate consideration of RMB98,000,000, following a public auction process. The Carpark Spaces form part of the broader developments at two of Yuexiu REIT’s existing properties and comprise: (i) 179 underground carpark spaces located at City Development Plaza (being the City Development Plaza Carpark Spaces); and (ii) 110 underground carpark spaces located at Fortune Plaza (being the Fortune Plaza Carpark Spaces).

The REIT Manager considers the Acquisitions to be completed on the date that the consideration is paid and the Carpark Spaces are delivered by the Vendor to the Purchaser Entities, being within 5 business days from the date of the relevant Sale and Purchase Agreement (“**Acquisition Completion**”). The registration of the Carpark Spaces in the name of the relevant Purchaser Entity is expected to be completed within three months from the date of Acquisition Completion.

On the same date of this announcement, each of the Purchaser Entities also entered into a separate master lease agreement with Yicheng (being a connected person of Yuexiu REIT) in respect of their respective Carpark Spaces, which only come into effect upon Acquisition Completion (the “**Carpark Master Lease Agreements**”).

B. THE AUCTIONS AND SALE AND PURCHASE AGREEMENTS

The Carpark Spaces were listed for auction by the Vendor through the Guangzhou Enterprises Mergers and Acquisitions Services Centre (廣州產權交易所) on 18 September 2019 and bidding closed on 8 November 2019. Having regard to the respective Appraised Values of the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces, Full Estates offered a bidding price of RMB57,000,000 for the City Development Plaza Carpark Spaces (representing a 1.7% discount to its Appraised Value being RMB58,000,000) and Moon King offered a bidding price of RMB41,000,000 for the Fortune Plaza Carpark Spaces (representing a 2.4% discount to its Appraised Value being RMB42,000,000).

The Purchaser Entities were notified on 13 November 2019 that they had won their respective Auctions, and on the same day, signed their respective Sale and Purchase Agreements with the Vendor. Under the Sale and Purchase Agreements, the consideration is payable within 5 business days from the date of the relevant Sale and Purchase Agreement. The aggregate consideration for the Carpark Spaces represents a 2% discount to their aggregate Appraised Value.

Registration of the Carpark Spaces in the name of the relevant Purchaser Entity is expected to be completed within three months from the date of Acquisition Completion. As advised by the REIT Manager's legal advisers as to PRC law, King & Wood Mallesons: (i) immediately after registration of the Carpark Spaces, Yuexiu REIT will, through the Purchaser Entities, hold good and marketable legal and beneficial title in the Carpark Spaces; and (ii) after their due enquiry with the relevant authorities, post-completion registrations are mainly formality procedures and will not give rise to any material risk.

C. KEY TERMS OF THE ACQUISITIONS

The key terms of the Acquisitions, which are not inter-conditional to each other, are summarised as follows:

	City Development Plaza Carpark Spaces	Fortune Plaza Carpark Spaces
Vendor	Guangzhou City Construction & Development Co., Ltd.	Guangzhou City Construction & Development Co., Ltd.
Purchaser Entity	Full Estates	Moon King
Consideration	RMB57,000,000 (representing a 1.7% discount to Appraised Value), to be paid in HKD at the Specified Exchange Rate	RMB41,000,000 (representing a 2.4% discount to Appraised Value), to be paid in HKD at the Specified Exchange Rate
Payment of Consideration	The consideration under the relevant Sale and Purchase Agreement shall be paid by the relevant Purchaser Entity to the Vendor within 5 business days after the date of the relevant Sale and Purchase Agreement.	

**City Development Plaza
Carpark Spaces**

Fortune Plaza Carpark Spaces

Conditions precedent

Delivery of the Carpark Spaces by the Vendor to the Purchaser Entity (“**Delivery**”) is conditional upon the relevant Purchaser Entity’s execution of the relevant agreements as required by the registration authority and payment of the consideration, related fees and such other payments as may be required under the Sale and Purchase Agreements.

Key terms

The parties agree that the Vendor shall enter into a termination agreement with the existing tenant before Delivery takes place, and such agreement shall specify that the date of termination of the relevant lease shall be the date of Delivery. The REIT Manager understands from the Vendor that the termination agreements have already been signed on 12 September 2019, and accordingly, such requirement has already been satisfied upon signing of the relevant Sale and Purchase Agreements. As disclosed in the section headed “Carpark Master Lease Agreements”, the Purchaser Entities have signed new leases in respect of the Carpark Spaces that will take effect from Acquisition Completion. Where there is a failure by the Vendor to complete the requisite publication and filing procedures in respect of the relevant Acquisitions in compliance with the relevant laws due to reasons on the part of the Vendor, causing a failure to complete the asset transfer procedures under the respective Sale and Purchase Agreements, the Vendor undertakes to bear all such losses suffered by the relevant Purchaser Entity as a result.

Each party shall be liable to the other party for all losses suffered by the other party due to the breach by the first mentioned party. In addition:

- (a) If the Vendor fails to perform its obligations or cure its breach in accordance with the relevant Sale and Purchase Agreement, it shall pay 0.05% of the consideration under the relevant Sale and Purchase Agreement to the relevant Purchaser Entity for each calendar day’s delay as penalty for breach; if the delay exceeds 30 calendar days, the relevant Purchaser Entity shall be entitled to terminate the relevant Sale and Purchase Agreement and the Vendor shall pay 20% of the consideration under the relevant Sale and Purchase Agreement as penalty for breach; and
- (b) If the relevant Purchaser Entity fails to perform its obligations or cure its breach in accordance with the relevant Sale and Purchase Agreement, it shall pay 0.05% of the unpaid portion of the amount payable to the Vendor for each calendar day’s delay as penalty for breach; if the delay exceeds 30 calendar days, the Vendor shall be entitled to terminate the relevant Sale and Purchase Agreement and the relevant Purchaser Entity shall pay 20% of the consideration under the relevant Sale and Purchase Agreement as penalty for breach.

Expected Delivery date

Delivery shall take place on the date that the conditions precedents are satisfied, including payment of the consideration which is to be paid within 5 business days after the date of the relevant Sale and Purchase Agreement (being 20 November 2019).

City Development Plaza Carpark Spaces

Fortune Plaza Carpark Spaces

Termination

Where there is a failure to complete the asset transfer registration procedures through no fault of either the Vendor or the relevant Purchaser Entity, the Vendor and the relevant Purchaser Entity have the right to terminate the relevant Sale and Purchase Agreement without any liability for breach of contract, in which case the Vendor shall refund to the relevant Purchaser Entity the amount of the corresponding consideration, property management fees and property special maintenance funds in relation to the assets whose transfer registration is incomplete, while the relevant Purchaser Entity shall refund to the Vendor the amount of the proceeds generated by such assets for the period from the date of Delivery (inclusive) to the date when such assets are handed back to the Vendor (exclusive), with interest on such refunded amount. The interest shall be calculated based on the one-year RMB benchmark deposit rate paid by financial institutions as announced by the People's Bank of China for the relevant period.

Warranties and indemnities

The Sale and Purchase Agreements contain warranties and indemnities that the REIT Manager considers to be customary considering the nature of the Acquisitions.

Stamp duty

0.05% of the consideration under the relevant Sale and Purchase Agreement and born by the Vendor and the relevant Purchaser Entity respectively in accordance with the law.

Governing law

The laws of the PRC.

D. THE CARPARK SPACES

The Carpark Spaces form part of the broader development at two of Yuexiu REIT's existing properties:

- “**City Development Plaza**” consists of a 24-storey office commercial building erected over a 4-storey retail commercial podium and 2-storey basement carpark, located at Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC. Yuexiu REIT currently holds strata units comprising a majority of the total gross floor area of City Development Plaza (being the “**City Development Plaza Property**”) but none of the carparks.
- “**Fortune Plaza**” consists of a 30-storey office tower (East Tower) and a 20-storey office tower (West Tower) erected over a 6-storey retail commercial podium and a 2-storey basement carpark, located at Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC. Yuexiu REIT currently holds strata units comprising a majority of the total gross floor area of Fortune Plaza (being the “**Fortune Plaza Property**”) but none of the carparks.

The table below sets out key information on the Carpark Spaces:

	City Development Plaza Carpark Spaces	Fortune Plaza Carpark Spaces
Location	City Development Plaza	Fortune Plaza
Number of spaces acquired by Yuexiu REIT	179 (representing 88.2% of total carpark spaces at City Development Plaza, with the remaining carpark spaces held by independent third parties.)	110 (representing 70.1% of total carpark spaces at Fortune Plaza, with the remaining carpark spaces held by independent third parties.)
Appraised Value as at 31 August 2019	RMB58,000,000	RMB42,000,000
Land use expiry year¹	26 January 2047	25 November 2052
Net operating income (unaudited)	RMB2,150,000 (for the year ended 31 December 2018); and RMB2,920,000 (for the nine months ended 30 September 2019).	RMB2,570,000 (for the year ended 31 December 2018); and RMB1,910,000 (for the nine months ended 30 September 2019).

- (1) As advised by the REIT Manager’s legal advisers as to PRC law, King & Wood Mallesons, according to the Law of the People’s Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term. Such approval may not be granted if the land needs to be expropriated for social public interest. Upon approval of an extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. As such, as advised by King & Wood Mallesons, unless the government plans to expropriate the land due to public interest, there will not be any material legal impediment for the REIT Manager to extend the land use right with respect to the Carpark Spaces.

The REIT Manager has conducted, and is satisfied with the results of, due diligence in respect of the Carpark Spaces, and no material irregularities or non-compliance issues have been noted as at the date of this announcement. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the REIT Manager’s compliance manual. Having regard to the advice of its PRC legal advisers in section B headed “the Auction and Sale and Purchase Agreement”, the REIT Manager is of the view that immediately after the registration of the Carpark Spaces in the name of the relevant Purchaser Entity, Yuexiu REIT will, through the Purchaser Entities, hold good and marketable legal and beneficial title in the Carpark Spaces.

The Carpark Spaces are currently managed by Yicheng as the incumbent property manager for the entire City Development Plaza and Fortune Plaza pursuant to the property management agreements for both developments (“**Existing PMAs**”). Details of the Existing PMAs have been set out in the annual and interim reports of Yuexiu REIT. As with the other portions of the City Development Plaza and Fortune Plaza owned by Yuexiu REIT, the fees payable to Yicheng (as property manager for both developments) in respect of the Carpark Spaces shall be borne by the tenant, being Yicheng (as lessee under the Carpark Master Lease Agreements) rather than Yuexiu REIT.

E. CARPARK MASTER LEASE AGREEMENTS

On 13 November 2019, each of the Purchaser Entities entered into a separate master lease agreement with Yicheng (being a connected person of Yuexiu REIT) in respect of their respective Carpark Spaces, which only come into effect upon Acquisition Completion.

The key terms of the Carpark Master Lease Agreements, which are not inter-conditional to each other, are summarised as follows:

	City Development Plaza Carpark Spaces	Fortune Plaza Carpark Spaces
Lessor	Full Estates	Moon King
Lessee	Yicheng	Yicheng
Term	3 years from Acquisition Completion	3 years from Acquisition Completion
Rental amount	RMB304,167 per month, being approximately RMB3,650,000 per year	RMB195,843 per month, being approximately RMB2,350,000 per year
Governing law	The laws of the PRC.	

The Independent Property Valuer has confirmed that the rents payable by Yicheng under the Carpark Master Lease Agreements are at prevailing market levels, and that the other commercial terms such as tenure and break clauses are normal commercial terms, as at the date of the relevant Carpark Master Lease Agreement.

F. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

One of the REIT Manager's primary objectives for Yuexiu REIT is to produce attractive total returns to Unitholders. In addition to income optimisation and asset enhancement of Yuexiu REIT's existing portfolio, the REIT Manager aims to achieve this objective by actively pursuing yield-enhancing opportunities through the addition of revenue-generating properties to the existing portfolio.

As a mature and well-developed district, the REIT Manager expects that the supply of new commercial projects in Tianhe, and consequently the supply of new carpark spaces in Tianhe, is expected to be limited over the next few years.

The gross rental yield of the Carpark Spaces is approximately 6.1% based on the aggregate consideration under the Sale and Purchase Agreements and the annual rental payable under the Carpark Master Lease Agreements. On this basis, the REIT Manager presently expects that the Acquisitions will increase the total distributable income payable to Unitholders, and accordingly, be yield accretive for Yuexiu REIT.

As the Carpark Spaces are located in City Development Plaza and Fortune Plaza, the Acquisitions increase Yuexiu REIT's ownership and control over such developments. For example, if Yuexiu REIT acquires the Carpark Spaces, the REIT Manager shall have the discretion to determine whether to lease the Carpark Spaces and the selection of the lessee. The REIT Manager has chosen to lease the Carpark Spaces to Yicheng pursuant to the Carpark Master Lease Agreements, having regard to (among other things) Yicheng's familiarity with City Development Plaza and Fortune Plaza (as the incumbent property manager of such developments, its operation of the Carpark Spaces to date) and the importance of a reliable lessee for the tenants of City Development Plaza and Fortune Plaza. The REIT Manager considers that the abovementioned discretion as a result of owning the Carpark Spaces allows the REIT Manager to better service Yuexiu REIT's tenants of the respective developments, which in turn, may possibly enhance the overall performance of Yuexiu REIT's portfolio.

For the above reasons, the REIT Manager considers the Acquisitions to be in line with the REIT Manager's overall investment strategy and will serve to further the objectives for Yuexiu REIT.

G. NEW BANK FACILITY

Yuexiu REIT Secure Shell Limited, a company incorporated in the BVI and wholly-owned by Yuexiu REIT has entered into a facility agreement dated 13 November 2019 with a lender bank in Hong Kong for the provision of an HKD denominated unsecured term loan facility for an amount up to the HKD equivalent of RMB110,000,000 (the "**New Bank Facility**"), which is intended to be drawn to finance the consideration for the Acquisitions and related One-Off Fees and Charges expenses under the Sale and Purchase Agreements. The lender bank is an independent third party and not a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code. The New Bank Facility will bear interest at a margin of 1.15% per annum over HIBOR, and will mature and become repayable in 36 months from the date on which the New Bank Facility is drawn down. The Trustee will provide an unconditional and irrevocable guarantee in favour of the lender in respect of the New Bank Facility with recourse limited to the assets of Yuexiu REIT. The terms and conditions of the New Bank Facility described in this announcement do not represent the complete set of the actual terms and conditions thereof.

H. FINANCIAL IMPACT OF THE ACQUISITIONS

The REIT Manager expects the gearing ratio of Yuexiu REIT to increase from approximately 39.12% to approximately 39.29% immediately following Acquisition Completion, assuming the New Bank Facility is fully drawn down to finance the Acquisitions.

The Acquisitions are not expected to have a material impact on the financial position of Yuexiu REIT as compared to that as at 30 June 2019 (as disclosed in the interim report of Yuexiu REIT for the period from 1 January 2019 to 30 June 2019).

I. FEES AND CHARGES

As the Carpark Spaces are to be acquired from a connected person of Yuexiu REIT through the REIT Manager, no acquisition fee is payable to the REIT Manager under the Trust Deed in connection with the Acquisitions.

The total fees and charges payable in connection with the Acquisitions including advisory fees, professional fees, transaction taxes, stamp duty and other expenses (the “**One-Off Fees and Charges**”) are estimated to amount to approximately RMB6,200,000. The One-Off Fees and Charges are one-off transaction expenses for the Acquisitions which are of a non-recurring nature.

Pursuant to the Trust Deed:

- (a) the REIT Manager will receive from the Deposited Property: (i) a base fee of 0.3% per annum of the value of the Deposited Property as calculated and adjusted in accordance with the Trust Deed; and (ii) a service fee of 3.0% per annum of the net property income as shown in the latest published annual financial statements of Yuexiu REIT, subject to adjustment as calculated in accordance with the Trust Deed pro-rated on a time basis; and
- (b) the Trustee will receive from the Deposited Property a trustee fee which is currently of 0.03% per annum of the value of the Deposited Property, which shall include the value of the Carpark Spaces, calculated and adjusted in accordance with the Trust Deed, subject to a minimum amount of HKD50,000 per month.

J. OPINIONS

Board and the Audit Committee

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Acquisitions as described in this announcement, the Board (including the INEDs) and the Audit Committee are satisfied that the Acquisitions are: (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment objectives and strategy of Yuexiu REIT; and (iii) 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, notwithstanding that the Acquisitions are connected party transactions under the REIT Code. The Board is satisfied that no independent Unitholders’ approval is required under the REIT Code and the Trust Deed for the Acquisitions.

The Board (including the INEDs) and the Audit Committee are additionally satisfied that the Carpark Master Lease Agreements 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.

Trustee

Based and in sole reliance on: (i) the opinion of the Board and the Audit Committee after taking into account the advice received by the Audit Committee; (ii) the information in this announcement and the other information and confirmations provided by the REIT Manager; and (iii) the Appraised Value and the related property valuation report of the Independent Property Valuer, and having taken into account its duties set out under the Trust Deed and the REIT Code, the Trustee has no objection to the Acquisitions. Further, the Trustee is satisfied that:

- (a) the Acquisitions are: (i) consistent with the investment objectives and strategy of Yuexiu REIT; (ii) on terms which are fair and reasonable; and (iii) in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (b) no independent Unitholders' approval is required under the REIT Code and the Trust Deed for the Acquisitions.

K. REGULATORY IMPLICATIONS

Clause 31.1 of the Trust Deed requires any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any conditions (including conditions of any waivers or exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under paragraph 8.1 of the REIT Code, connected persons of Yuexiu REIT include, among others, a significant holder (that is, a holder of 10.0% or more of the outstanding Units) and its associated companies.

Acquisitions

As at the date of this announcement, Yuexiu Property is an associated company of a significant holder of Yuexiu REIT (being Dragon Yield), by virtue of Yuexiu Property owning more than 20.0% of the voting rights of Dragon Yield. The Vendor, being an indirect 95% owned subsidiary of Yuexiu Property, is also an associated company of Yuexiu Property (and consequently under the REIT Code, an associated company of Dragon Yield). As a result, the Vendor is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code.

Accordingly, the Acquisitions constitute connected party transactions of Yuexiu REIT under paragraph 8.5 of the REIT Code.

However, as aggregate consideration for the Acquisitions, being approximately RMB98,000,000, does not exceed 5.0% of the net asset value of Yuexiu REIT (as disclosed in the latest published audited accounts of Yuexiu REIT for the financial year ended 31 December 2018 (as adjusted for: (i) the payment of the final distribution for the year ended 31 December 2018; (ii) the payment of the interim distribution for the six months ended 30 June 2019; and (iii) the final adjustment payment to Yuexiu REIT in respect of the disposal of the Neo Metropolis Plaza Property, since the publication of such accounts)), the REIT Manager is of the view that the Acquisitions do not require Unitholders' approval, and are only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code.

Carpark Master Lease Agreements

As at the date of this announcement, Yuexiu Property is an associated company of a significant holder of Yuexiu REIT (being Dragon Yield), by virtue of Yuexiu Property owning more than 20.0% of the voting rights of Dragon Yield. Yicheng, being 99.28% indirectly owned by Yuexiu Property, is also an associated company of Yuexiu Property (and consequently under the REIT Code, an associated company of Dragon Yield). As a result, Yicheng is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code.

Accordingly, the Carpark Master Lease Agreements constitute continuing connected party transactions of Yuexiu REIT under paragraph 8.5 of the REIT Code.

However, as the Carpark Master Lease Agreements constitute “Connected Leasing Transactions” described in the 2017 Extended Waiver and the annual rent payable thereunder by Yicheng, when aggregated with the existing continuing connected party transactions which fall within the scope of the 2017 Extended Waiver, do not exceed the relevant annual cap amounts under the 2017 Extended Waiver, the transactions under such agreements are not subject to independent Unitholders’ approval, but are subject to the terms and conditions of the 2017 Extended Waiver (including disclosure in semi-annual and annual reports and annual review by the Audit Committee and the INEDs).

Existing PMAs

Yicheng will continue to provide property management services in respect of the Carpark Spaces pursuant to the Existing PMAs, which constitute “Connected PMAs” described in the 2017 Extended Waiver. As the Existing PMAs already cover the Carpark Spaces, no new property management agreement is required in respect of the Carpark Spaces.

As with the other portions of the City Development Plaza and Fortune Plaza owned by Yuexiu REIT, the fees payable to Yicheng (as property manager for both developments) in respect of the Carpark Spaces shall be borne by the tenant, being Yicheng (as lessee under the Carpark Master Lease Agreements) rather than Yuexiu REIT. On this basis, the relevant annual cap amounts under the 2017 Extended Waiver (being nil) shall not be exceeded.

Other than the above, there are no connected party transactions of Yuexiu REIT which will be entered into as a result of or in connection with the Acquisitions.

L. FURTHER ANNOUNCEMENTS

The REIT Manager will make further announcements in respect of the Acquisition Completion and completion of the registration of the Carpark Spaces in the name of the relevant Purchaser Entity.

Acquisition Completion is subject to and conditional upon satisfaction of certain conditions. Accordingly, the Acquisitions may or may not complete. Unitholders, as well as any prospective investors of Yuexiu REIT, are therefore advised to exercise caution when dealing in the Units.

M. DEFINITIONS

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

2017 Extended Waiver	the extension to the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC, which is more fully described in the circular dated 15 November 2017 issued by Yuexiu REIT to the Unitholders
Acquisitions	the acquisitions of: (a) the City Development Plaza Carpark Spaces by Full Estates from the Vendor; and (b) the Fortune Plaza Carpark Spaces by Moon King from the Vendor, pursuant to their respective Sale and Purchase Agreements
Appraised Value	the respective values of the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces as at 31 August 2019, each as appraised by the Independent Property Valuer
associated company	has the meaning ascribed to this term in the REIT Code
Auctions	the public auctions held through the Guangzhou Enterprises Mergers and Acquisitions Services Centre (廣州產權交易所) at which the Carpark Spaces were listed for auction
Audit Committee	the audit committee of the REIT Manager
Board	the board of Directors
BVI	the British Virgin Islands
Carpark Master Lease Agreements	the Moon King Carpark Master Lease Agreement and the Full Estates Carpark Master Lease Agreement
Carpark Spaces	the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces
City Development Plaza	has the meaning ascribed to this term in section headed “The Carpark Spaces” of this announcement
City Development Plaza Carpark Spaces	the 179 underground carpark spaces located at City Development Plaza

City Development Plaza Property	has the meaning ascribed to this term in the section headed “The Carpark Spaces” of this announcement
connected person	has the meaning ascribed to this term in the REIT Code
Deposited Property	all the assets of Yuexiu REIT held in Yuexiu REIT’s portfolio
Director(s)	the director(s) of the REIT Manager
Dragon Yield	Dragon Yield Holding Limited, a BVI business company incorporated under the laws of the BVI and which is wholly-owned by Yuexiu Property
Fortune Plaza	has the meaning ascribed to this term in the section headed “The Carpark Spaces” of this announcement
Fortune Plaza Carpark Spaces	the 110 underground carpark spaces located at Fortune Plaza
Fortune Plaza Property	has the meaning ascribed to this term in the section headed “The Carpark Spaces” of this announcement
Full Estates	Full Estates Investment Limited, a BVI business company incorporated under the laws of the BVI and which is indirectly wholly-owned by the Trustee
Full Estates Carpark Master Lease Agreement	the master lease agreement between Yicheng (as lessee) and Full Estates (as lessor) dated 13 November 2019 which comes into effect upon Acquisition Completion pursuant to the terms of the Full Estates Sale and Purchase Agreement
Full Estates Sale and Purchase Agreement	the Sale and Purchase Agreement between the Vendor (as vendor) and Full Estates (as purchaser) dated 13 November 2019 for the City Development Plaza Carpark Spaces
HKD	Hong Kong dollars, the lawful currency of Hong Kong
HIBOR	the rate of interest offered on Hong Kong dollar loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year
Hong Kong	the Hong Kong Special Administrative Region of the PRC

Independent Property Valuer	Savills Valuation and Professional Services Limited, being the current principal valuer of Yuexiu REIT
INED(s)	the independent non-executive Director(s)
Moon King	Moon King Limited, a BVI business company incorporated under the laws of the BVI and which is indirectly wholly-owned by the Trustee
Moon King Carpark Master Lease Agreement	the master lease agreement between Yicheng (as lessee) and Moon King (as lessor) dated 13 November 2019 which comes into effect upon Acquisition Completion pursuant to the terms of the Moon King Sale and Purchase Agreement
Moon King Sale and Purchase Agreement	the Sale and Purchase Agreement between the Vendor (as vendor) and Moon King (as purchaser) dated 13 November 2019 for the Fortune Plaza Carpark Spaces
One-Off Fees and Charges	has the meaning ascribed to this term in the section headed “Fees and Charges” of this announcement
PRC	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macau Special Administrative Region
Purchaser Entities	Moon King and Full Estates, each a “ Purchaser Entity ”
REIT Code	the Code on Real Estate Investment Trusts published by the SFC (as amended, supplemented or otherwise modified from time to time)
REIT Manager	Yuexiu REIT Asset Management Limited, in its capacity as manager of Yuexiu REIT
RMB	Renminbi, the official currency of the PRC
Sale and Purchase Agreements	the Moon King Sale and Purchase Agreement and the Full Estates Sale and Purchase Agreement
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)

significant holder	has the meaning ascribed to this term in the REIT Code
Specified Exchange Rate	the prevailing RMB/HKD central parity rate published by the People's Bank of China on the date the payment is made
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 REIT Manager (as amended, supplemented or otherwise modified 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 announcement are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the REIT Manager
Unit	one undivided unit in Yuexiu REIT
Unitholder(s)	any person registered as holding a Unit on the register of unitholders of Yuexiu REIT
Vendor	Guangzhou City Construction & Development Co., Ltd.* (廣州市城市建設開發有限公司), a company established in the PRC with limited liability and which is indirectly owned as to 95% by Yuexiu Property
Yicheng	Guangzhou Yuexiu Yicheng Business Operations Management Co., Ltd.* (廣州越秀怡城商業運營管理有限公司), a company established in the PRC with limited liability and the shares of which are indirectly owned as to 99.28% by Yuexiu Property
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 authorised under section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Main Board of the Stock Exchange) and shall, as the context requires, include the companies controlled by it

%

per cent or percentage

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

Hong Kong, 13 November 2019

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

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

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

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

* *For identification purposes only*