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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

PROPOSED ISSUE OF HK\$770,000,000 3.60% GUARANTEED NOTES DUE 2024 UNDER THE US\$1,500,000,000 GUARANTEED MEDIUM TERM NOTE PROGRAMME

This announcement is made pursuant to paragraph 10.3 of the REIT Code.

The Board wishes to announce that on 21 May 2019, the Issuer, the REIT Manager and the Notes Managers entered into the Subscription Agreement, and the Issuer and the REIT Manager have executed the pricing supplement, pursuant to which the Notes Managers have agreed severally and not jointly to subscribe for the aggregate nominal amount of HK\$770,000,000 3.60% guaranteed Notes due 2024 and to pay for the net subscription moneys for the 2019 Notes. The 2019 Notes will be issued at 100% of their aggregate nominal amount. The gross proceeds of the 2019 Notes to be issued are expected to be approximately HK\$770,000,000.

The 2019 Notes will not be listed on the Stock Exchange. The 2019 Notes will be offered and issued only to professional investors within the definition of “professional investor” under the SFO. To the best of the knowledge, information and belief of the directors of the REIT Manager, having made all reasonable enquiries, the 2019 Notes will only be issued to independent third parties.

The transactions under the Subscription Agreement include, amongst others: (i) the payment of Underwriting Fees and Expenses to HSBC; and (ii) the subscription of 2019 Notes by HSBC, which constitute connected party transactions of Yuexiu REIT under the REIT Code. The Relevant CPTs with HSBC constitute “corporate finance transactions” between Yuexiu REIT and the HSBC group, and are covered by the waivers granted by the Securities and Futures Commission to Yuexiu REIT on 8 December 2005 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee.

The net proceeds from the issue of 2019 Notes are expected to be approximately HK\$766,000,000, and are intended to be used by Yuexiu REIT for the purposes of refinancing Yuexiu REIT’s existing facilities and funding the general corporate purposes of Yuexiu REIT and its subsidiaries.

Immediately after the issue of the 2019 Notes and the refinancing of Yuexiu REIT’s existing facilities with the net proceeds from such issue, the gearing ratio of Yuexiu REIT is expected to increase from approximately 38.7% (as disclosed in the latest audited financial statements of Yuexiu REIT as at 31 December 2018) to approximately 39.0%, which falls within the 45% threshold permitted under paragraph 7.9 of the REIT Code.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issue of the 2019 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

This announcement is made pursuant to paragraph 10.3 of the Code on Real Estate Investment Trusts (the “**REIT Code**”).

Reference is made to (i) the announcement dated 16 April 2018 made by Yuexiu REIT Asset Management Limited (as manager of Yuexiu Real Estate Investment Trust) (the “**REIT Manager**”) pursuant to paragraph 10.3 of the REIT Code regarding the application for increase in size and listing of the US\$1,500,000,000 Guaranteed Medium Term Note Programme (the “**Programme Increase Announcement**”); (ii) the announcement dated 23 April 2018 made by the REIT Manager regarding the proposed issue of an aggregate principal amount of US\$400,000,000 4.75% guaranteed Notes due 2021 (the “**2018 Notes**”) (the “**2018 Notes Pricing Announcement**”); and (iii) the announcement dated 27 April 2018 made by the REIT Manager regarding the issue of the 2018 Notes (the “**2018 Notes Issue Announcement**”). Unless otherwise stated, terms defined in the Programme Increase Announcement, the 2018 Notes Pricing Announcement and the 2018 Notes Issue Announcement shall have the same meaning when used herein.

SUBSCRIPTION AGREEMENT

Date: 21 May 2019

Parties:

- (1) the Issuer
- (2) the REIT Manager
- (3) Bank of China (Hong Kong) Limited, DBS Bank Ltd., and The Hongkong and Shanghai Banking Corporation Limited (together, the “**Notes Managers**”)

Subject to and in accordance with the provisions of the subscription agreement as described above (the “**Subscription Agreement**”), the Notes Managers have agreed severally and not jointly to subscribe for the aggregate nominal amount of HK\$770,000,000 3.60% guaranteed Notes due 2024 (the “**2019 Notes**”) under the Updated Programme and to pay for the net subscription moneys for the 2019 Notes. The Issuer has agreed to issue the 2019 Notes on 28 May 2019 (the “**Issue Date**”) to the Notes Managers.

The Issuer, failing whom the REIT Manager, has agreed to pay to each Notes Manager a combined management and underwriting commission(s) and certain of their expenses in connection with the issue of the 2019 Notes (the “**Underwriting Fees and Expenses**”). Such commission(s) will be deducted by the Notes Managers from the subscription moneys prior to payment to the Issuer. The Issuer, failing whom the REIT Manager, will reimburse the Notes Managers for their expenses in connection with the issue of the 2019 Notes.

The 2019 Notes will not be listed on the Stock Exchange. The 2019 Notes will be offered and issued only to professional investors within the definition of “professional investor” under the SFO. The 2019 Notes will be offered and sold only outside the US in reliance on Regulation S under the Securities Act. To the best of the knowledge, information and belief of the directors of the REIT Manager, having made all reasonable enquiries, the 2019 Notes will only be issued to independent third parties.

Conditions Precedent in the Subscription Agreement

The obligations of the Notes Managers to subscribe and pay for the 2019 Notes are conditional upon, among other things:

- (a) the Issuer and the REIT Manager having performed all of their respective obligations under the Amended and Restated Dealer Agreement to be performed on or before the Issue Date of the 2019 Notes and upon the accuracy, on the Issue Date of the 2019 Notes, of the representations and warranties of the Issuer and the REIT Manager; and
- (b) the REIT Trustee having performed all of its obligations under the letter agreement from the REIT Trustee to the REIT Manager and the dealers named in the Amended and Restated Dealer Agreement (the “**REIT Trustee Letter**”) to be performed on or before the Issue Date of the 2019 Notes and upon the accuracy, on the Issue Date of the 2019 Notes, of the representations and warranties of the REIT Trustee in the REIT Trustee Letter.

To the best of the knowledge, information and belief of the directors of the REIT Manager, having made all reasonable enquiries, save for HSBC, the Notes Managers are not connected persons of Yuexiu REIT under the REIT Code and are independent third parties.

PRICING SUPPLEMENT

The Issuer and the REIT Manager have executed the pricing supplement dated 21 May 2019 recording the final terms of the 2019 Notes.

A summary of the principal terms of the 2019 Notes is as follows:

Issuer: Yuexiu REIT MTN Company Limited, a company incorporated in the British Virgin Islands with limited liability. (The Issuer is a special purpose vehicle wholly-owned and controlled by Yuexiu REIT.)

Guarantor:	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT)
Expected Issue Rating:	“Baa3” by Moody’s Investors Service Inc., a subsidiary of Moody’s Investors Service, Inc.
Aggregate nominal amount:	HK\$770,000,000
Issue price:	100% of the aggregate nominal amount
Gross proceeds:	HK\$770,000,000, being the aggregate nominal amount multiplied by the issue price
Issue date and interest commencement date:	28 May 2019
Maturity date:	28 May 2024
Interest:	3.60% per annum, payable semi-annually in arrear
Redemption amount:	100% of the aggregate nominal amount

Based on the issue price and interest payable on the 2019 Notes, the yield to maturity of the 2019 Notes is 3.60%.

REDEMPTION RIGHTS

The holders of the 2019 Notes (the “**2019 Noteholders**”) are entitled to certain redemption rights under the Terms and Conditions contained in the offering circular of the Issuer dated 13 April 2018, including (among others) the Change of Control Put Option.

If, at any time while any of the 2019 Notes remain outstanding, one of the Change of Control Put Events (as defined in the Terms and Conditions) occurs, then the holder of each such Note may exercise the Change of Control Put Option, subject to certain conditions, to require the Issuer to redeem that Note at HK\$505,000 per HK\$500,000 (being the calculation amount) of the 2019 Notes.

For further details regarding the Change of Control Put Option and the Change of Control Put Events, please refer to the 2018 Notes Pricing Announcement.

The aggregate amount of Notes that may be affected if the 2019 Noteholders exercise their Change of Control Put Options is HK\$770,000,000, being the aggregate nominal amount of the 2019 Notes. The tenor of the 2019 Notes is five years.

CONNECTED PARTY TRANSACTION WITH HSBC

For the reasons set out in the Programme Increase Announcement, HSBC is a connected person of Yuexiu REIT under the REIT Code. Accordingly, any transactions with HSBC which result from the Amended and Restated Dealer Agreement, including the entering into of the Subscription Agreement and the transactions thereunder, would constitute connected party transactions of Yuexiu REIT under the REIT Code. Such transactions under the Subscription Agreement comprise: (i) the payment of Underwriting Fees and Expenses to HSBC; and (ii) the subscription of 2019 Notes by HSBC (the “**Relevant CPTs**”).

The Relevant CPTs with HSBC constitute “corporate finance transactions” between Yuexiu REIT and the HSBC group, and are covered by the waivers granted by the Securities and Futures Commission to Yuexiu REIT on 8 December 2005 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee. Details of the Relevant CPTs with HSBC will be disclosed in Yuexiu REIT’s annual report for the year ended 31 December 2019, as required under the terms of the above waivers.

OPINION OF THE BOARD

After due consideration of the terms of the Subscription Agreement and other relevant factors in connection with the refinancing needs of Yuexiu REIT, the board of directors of the REIT Manager (including the independent non-executive directors) are satisfied that: (i) the Subscription Agreement and the transactions contemplated thereunder are at arm’s length, on normal commercial terms, and are fair and reasonable and in the interests of Yuexiu REIT, the independent Unitholders and the Unitholders as a whole; and (ii) the Subscription Agreement and transactions thereunder are consistent with the investment objectives and strategy of Yuexiu REIT.

OTHER INFORMATION

Use of net proceeds and gearing ratio

The net proceeds from the issue of 2019 Notes are expected to be approximately HK\$766,000,000, and are intended to be used by Yuexiu REIT for the purposes of refinancing Yuexiu REIT’s existing facilities and funding the general corporate purposes of Yuexiu REIT and its subsidiaries.

Immediately after the issue of the 2019 Notes and the refinancing of Yuexiu REIT's existing facilities with the net proceeds from such issue, the gearing ratio of Yuexiu REIT is expected to increase from approximately 38.7% (as disclosed in the latest audited financial statements of Yuexiu REIT as at 31 December 2018) to approximately 39.0%, which falls within the 45% threshold permitted under paragraph 7.9 of the REIT Code.

Further announcements

The REIT Manager will make further announcement(s) when the 2019 Notes are issued and in the event of any change or update in relation to the Updated Programme or any issue of the Notes in the future.

Completion of the Subscription Agreement is subject to the satisfaction, or waiver, of the conditions precedent in the agreement. In addition, the Subscription Agreement may be terminated under certain circumstances. As the Subscription Agreement may or may not be completed and the issue of the 2019 Notes may or may not proceed, Unitholders and prospective investors are reminded to exercise caution when dealing in the units of Yuexiu REIT.

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, 21 May 2019

As at the date of this announcement, the board of directors of the REIT Manager is comprised as follows:

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