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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))
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ANNOUNCEMENT

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITIONS (THROUGH THE TARGET COMPANIES) OF TWO COMMERCIAL PROPERTIES IN HONG KONG; AND (2) CONTINUING CONNECTED PARTY TRANSACTIONS RELATING TO THE CONNECTED LEASES

CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITIONS

On 20 December 2022, Yuexiu MTN (as purchaser) and YXE (as vendor) entered into the Yuexiu MTN SPA, pursuant to which YXE has conditionally agreed to sell the 17th Yue Xiu Building through the sale of the Artform Sale Shares and the assignment of the Artform Sale Loan to Yuexiu MTN, and Yuexiu MTN has conditionally agreed to purchase the 17th Yue Xiu Building through the acquisition of the Artform Sale Shares and the taking up of the assignment of the Artform Sale Loan, for the Artform Initial Consideration of HK\$61.7 million, which will subsequently be adjusted to the Artform Final Consideration based on the Artform Completion Accounts. Artform is the sole registered and beneficial owner of the 17th Yue Xiu Building, an office property with a gross floor area of 4,694 sq.ft.. The agreed property value of the 17th Yue Xiu Building is HK\$62.0 million, representing approximately a 2.1% discount to its Appraised Property Value of HK\$63.3 million according to the Valuation Report.

On the same day, Secure Shell (as purchaser) and YXE (as vendor) entered into the Secure Shell SPA, pursuant to which YXE has conditionally agreed to sell the 23rd Yue Xiu Building through the sale of the Blow Light Sale Shares and the assignment of the Blow Light Sale Loan to Secure Shell, and Secure Shell has conditionally agreed to purchase the 23rd Yue Xiu Building through the acquisition of the Blow Light Sale Shares and the taking up of the assignment of the Blow Light Sale Loan, for the Blow Light Initial Consideration of HK\$64.1 million, which will subsequently be adjusted to the Blow Light Final Consideration based on the Blow Light Completion Accounts. Blow Light is the sole registered and beneficial owner of the 23rd Yue Xiu Building, an office property with a gross floor area of 4,694 sq.ft.. The agreed property value of the 23rd Yue Xiu Building is HK\$64.3 million, representing approximately a 2.1% discount to its Appraised Property Value of HK\$65.7 million according to the Valuation Report.

As all the conditions precedent in the Sale and Purchase Agreements have been fulfilled, the Completion took place on 20 December 2022. The Artform Completion Accounts and the Blow Light Completion Accounts will be delivered to the Purchasers within 30 days after the Completion Date for their review and approval. The Manager will make a further announcement to inform the Unitholders of, among others, the amount of the Artform Final Consideration and/or the Blow Light Final Consideration.

As at the date of this announcement, YXE is the indirect holding company of Yuexiu Property through its approximately 39.8% interest in Yuexiu Property, which in turn directly wholly-owns each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, YXE is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code.

Accordingly, the Acquisitions constitute connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). As the highest applicable percentage ratio in relation to the aggregate of the maximum Artform Final Consideration and the maximum Blow Light Final Consideration under the Sale and Purchase Agreements (assuming there is an upward adjustment of up to HK\$200,000 each according to the Sale and Purchase Agreements) exceeds 0.1% but is less than 5%, the Acquisitions are therefore subject to the reporting and announcement requirements, but are exempt from the circular and the Unitholders' approval requirements, under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

The Board is of the view that the Acquisitions are on normal commercial terms, which are at arm's length, fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole. The Trustee has no objection to the Acquisitions on the basis set out in this announcement.

CONTINUING CONNECTED PARTY TRANSACTIONS RELATING TO THE CONNECTED LEASES

Prior to the Completion, (i) Artform (as lessor) had entered into the Manager Lease Agreement with the Manager (as lessee) for the lease of Unit 3 and a portion of Unit 2 of the 17th Yue Xiu Building; (ii) Artform (as lessor) had entered into the Yuexiu Transport Lease Agreement with Yuexiu Transport (as lessee) for the lease of Unit 1 and a portion of Unit 2 of the 17th Yue Xiu Building; and (iii) Blow Light (as lessor) had entered into the Yuexiu Property Lease Agreement I with Yuexiu Property (as lessee) for the lease of Unit 3 and a portion of Unit 2 of the 23rd Yue Xiu Building (i.e. the Existing Connected Leases).

Immediately following the Completion, the Target Companies became indirect wholly-owned subsidiaries of Yuexiu REIT through the Purchasers.

(i) As the manager of Yuexiu REIT, the Manager is a connected person of Yuexiu REIT pursuant to paragraph 8.1(a) of the REIT Code; (ii) Yuexiu Transport is held as to approximately 44.2% by YXE and is a subsidiary of YXE as at the date of this announcement. Since YXE is the indirect holding company of each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield), Yuexiu Transport is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code; and (iii) as at the date of this announcement, Yuexiu Property directly wholly-owns each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield). As the direct holding company of the Manager and Dragon Yield, Yuexiu Property is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code.

Therefore, immediately following the Completion, the Existing Connected Leases became continuing connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) pursuant to Rule 14A.60(1) of the Listing Rules.

Further, in view of the current lease term under the Yuexiu Property Lease Agreement I expiring on 31 December 2022, immediately after the Completion, on 20 December 2022, Blow Light (as a wholly-owned subsidiary of Yuexiu REIT) and Yuexiu Property entered into the Renewed Yuexiu Property Lease Agreement I with an aim of renewing the current lease term under the Yuexiu Property Lease Agreement I. On the same day, Blow Light (as a wholly-owned subsidiary of Yuexiu REIT) and Yuexiu Property also entered into the Yuexiu Property Lease Agreement II in relation to the lease of Unit 1 and a portion of Unit 2 of 23rd Yue Xiu Building (i.e. the New Connected Leases).

The New Connected Leases constitute continuing connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

As the highest applicable percentage ratio in respect of the transactions contemplated under the Connected Leases is, on an annual basis, expected to exceed 0.1% but be less than 5%, the Connected Leases are therefore subject to the reporting and announcement requirements, but are exempt from the circular and the Unitholders' approval requirements, under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

The Manager has obtained an opinion from the Independent Property Valuer, that the rental amounts under the New Connected Leases are considered as fair and reasonable. The Board is of the view that the Connected Leases are on normal commercial terms, which are at arm's length, fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole. The Trustee has no objection to the Connected Leases on the basis set out in this announcement.

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITIONS

Background

On 20 December 2022, Yuexiu MTN (as purchaser) and YXE (as vendor) entered into the Yuexiu MTN SPA, pursuant to which YXE has conditionally agreed to sell the 17th Yue Xiu Building through the sale of the Artform Sale Shares and the assignment of the Artform Sale Loan to Yuexiu MTN, and Yuexiu MTN has conditionally agreed to purchase the 17th Yue Xiu Building through the acquisition of the Artform Sale Shares and the taking up of the assignment of the Artform Sale Loan, for the Artform Initial Consideration of HK\$61.7 million, which will subsequently be adjusted to the Artform Final Consideration based on the Artform Completion Accounts as set out below. Artform is the sole registered and beneficial owner of the 17th Yue Xiu Building.

On the same day, Secure Shell (as purchaser) and YXE (as vendor) entered into the Secure Shell SPA, pursuant to which YXE has conditionally agreed to sell the 23rd Yue Xiu Building through the sale of the Blow Light Sale Shares and the assignment of the Blow Light Sale Loan to Secure Shell, and Secure Shell has conditionally agreed to purchase the 23rd Yue Xiu Building through the acquisition of the Blow Light Sale Shares and the taking up of the assignment of the Blow Light Sale Loan, for the Blow Light Initial Consideration of HK\$64.1 million, which will subsequently be adjusted to the Blow Light Final Consideration based on the Blow Light Completion Accounts as set out below. Blow Light is the sole registered and beneficial owner of the 23rd Yue Xiu Building.

The Sale and Purchase Agreements

The principal terms of the Sale and Purchase Agreements, which are not inter-conditional to each other, are set out below:

	The Yuexiu MTN SPA	The Secure Shell SPA
Date:	20 December 2022	20 December 2022
Parties:	(i) Yuexiu MTN (as purchaser); and (ii) YXE (as vendor)	(i) Secure Shell (as purchaser); and (ii) YXE (as vendor)
Assets to be acquired:	Since Artform is the sole registered and beneficial owner of the 17th Yue Xiu Building, the 17th Yue Xiu Building will be acquired through the acquisition of: (i) the Artform Sale Shares, representing the entire issued share capital of Artform as at the Completion Date; and (ii) the Artform Sale Loan, representing the sums for which Artform is indebted to YXE as at the Completion Date	Since Blow Light is the sole registered and beneficial owner of the 23rd Yue Xiu Building, the 23rd Yue Xiu Building will be acquired through the acquisition of: (i) the Blow Light Sale Shares, representing the entire issued share capital of Blow Light as at the Completion Date; and (ii) the Blow Light Sale Loan, representing the sums for which Blow Light is indebted to YXE as at the Completion Date

The Yuexiu MTN SPA

The Secure Shell SPA

Agreed property value:

HK\$62.0 million, representing approximately a 2.1% discount to its Appraised Property Value of HK\$63.3 million

HK\$64.3 million, representing approximately a 2.1% discount to its Appraised Property Value of HK\$65.7 million

Since such discount was determined after arm's length negotiations between the parties, the Manager considers such discount to be fair and reasonable

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Initial consideration:

The initial consideration of HK\$61.7 million (the "**Artform Initial Consideration**") was determined after arm's length negotiations between the parties based on:

The initial consideration of HK\$64.1 million (the "**Blow Light Initial Consideration**") was determined after arm's length negotiations between the parties based on:

- (i) the value of the Artform Sale Shares amounting to approximately HK\$56.5 million, which was calculated by deducting the total liabilities of Artform as at the Completion Date from the agreed property value of Artform as disclosed above; and
- (ii) the amount of the Artform Sale Loan as at the Completion Date, which will be approximately HK\$5.2 million

- (i) the value of the Blow Light Sale Shares amounting to approximately HK\$63.0 million, which was calculated by deducting the total liabilities of Blow Light as at the Completion Date from the agreed property value of Blow Light as disclosed above; and
- (ii) the amount of the Blow Light Sale Loan as at the Completion Date, which will be approximately HK\$1.1 million

Calculation of the final consideration:

YXE shall prepare the draft unaudited management accounts of Artform for the period from 1 October 2022 and up to the Completion Date (the "**Artform Completion Accounts**") as soon as reasonably practicable and complete and deliver the same within 30 days after the Completion Date (or as otherwise agreed by YXE and Yuexiu MTN in writing) to Yuexiu MTN for review and approval

YXE shall prepare the draft unaudited management accounts of Blow Light for the period from 1 October 2022 and up to the Completion Date (the "**Blow Light Completion Accounts**") as soon as reasonably practicable and complete and deliver the same within 30 days after the Completion Date (or as otherwise agreed by YXE and Secure Shell in writing) to Secure Shell for review and approval

The Yuexiu MTN SPA

Based on the Artform Completion Accounts as approved by Yuexiu MTN, the final consideration (the “**Artform Final Consideration**”) shall be calculated in accordance with the following formula:

$$A = B + C - D$$

where:

“**A**” means the Artform Final Consideration;

“**B**” means the agreed property value of the 17th Yue Xiu Building as mentioned above;

“**C**” means the amount of all assets of Artform (but excluding the 17th Yue Xiu Building and any deferred assets) as at the Completion Date as shown in the Artform Completion Accounts; and

“**D**” means the amount of all liabilities and provisions of Artform (but excluding the Artform Sale Loan) as at the Completion Date as shown in the Artform Completion Accounts,

provided that the aggregate upward or downward adjustment (as the case may be) to the Artform Initial Consideration shall not exceed HK\$200,000

Based on the information currently available, the Manager does not expect the adjustment (if any) to be material. The Manager considers the basis for calculating the Artform Final Consideration to be fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole

The Secure Shell SPA

Based on the Blow Light Completion Accounts as approved by Secure Shell, the final consideration (the “**Blow Light Final Consideration**”) shall be calculated in accordance with the following formula:

$$A = B + C - D$$

where:

“**A**” means the Blow Light Final Consideration;

“**B**” means the agreed property value of the 23rd Yue Xiu Building as mentioned above;

“**C**” means the amount of all assets of Blow Light (but excluding the 23rd Yue Xiu Building and any deferred assets) as at the Completion Date as shown in the Blow Light Completion Accounts; and

“**D**” means the amount of all liabilities and provisions of Blow Light (but excluding the Blow Light Sale Loan) as at the Completion Date as shown in the Blow Light Completion Accounts,

provided that the aggregate upward or downward adjustment (as the case may be) to the Blow Light Initial Consideration shall not exceed HK\$200,000

Based on the information currently available, the Manager does not expect the adjustment (if any) to be material. The Manager considers the basis for calculating the Blow Light Final Consideration to be fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole

The Yuexiu MTN SPA

The Secure Shell SPA

Payment terms:

The Artform Initial Consideration shall be paid to YXE upon the Completion

The Blow Light Initial Consideration shall be paid to YXE upon the Completion

In the event that the amount of the Artform Final Consideration is different from the Artform Initial Consideration, Yuexiu MTN or YXE (as the case may be) shall pay the difference to the other party within five business days after the agreement on the Artform Completion Accounts

In the event that the amount of the Blow Light Final Consideration is different from the Blow Light Initial Consideration, Secure Shell or YXE (as the case may be) shall pay the difference to the other party within five business days after the agreement on the Blow Light Completion Accounts

Key conditions precedent:

The Completion shall be subject to and conditional upon Yuexiu MTN being satisfied with (or waiving in writing) among others, the followings:

The Completion shall be subject to and conditional upon Secure Shell being satisfied with (or waiving in writing) among others, the followings:

- (a) YXE having procured Artform to show, prove and give, and Artform having and being able to show, prove and give, good title to the 17th Yue Xiu Building, free from all encumbrances;
- (b) the results of the due diligence investigations on the 17th Yue Xiu Building, Artform and the title to the Artform Sale Shares and the Artform Sale Loan being found satisfactory to Yuexiu MTN;
- (c) Artform being and as at the Completion remaining the sole legal and beneficial owner of the 17th Yue Xiu Building;
- (d) YXE being and as at the Completion remaining the sole legal and beneficial owner of the Artform Sale Shares and the Artform Sale Loan, free from all encumbrances;

- (a) YXE having procured Blow Light to show, prove and give, and Blow Light having and being able to show, prove and give, good title to the 23rd Yue Xiu Building, free from all encumbrances;
- (b) the results of the due diligence investigations on the 23rd Yue Xiu Building, Blow Light and the title to the Blow Light Sale Shares and the Blow Light Sale Loan being found satisfactory to Secure Shell;
- (c) Blow Light being and as at the Completion remaining the sole legal and beneficial owner of the 23rd Yue Xiu Building;
- (d) YXE being and as at the Completion remaining the sole legal and beneficial owner of the Blow Light Sale Shares and the Blow Light Sale Loan, free from all encumbrances;

The Yuexiu MTN SPA

- (e) there being no compulsory acquisition or notice, demand, direction or order of intended resumption and acquisition by the relevant authority affecting the 17th Yue Xiu Building;
- (f) all the warranties remaining true and accurate and not misleading as at the Completion; and
- (g) all necessary consents, confirmations, permits, approvals, licences and authorisations from all relevant authority in connection with the transactions contemplated under the Yuexiu MTN SPA having been obtained

The Secure Shell SPA

- (e) there being no compulsory acquisition or notice, demand, direction or order of intended resumption and acquisition by the relevant authority affecting the 23rd Yue Xiu Building;
- (f) all the warranties remaining true and accurate and not misleading as at the Completion; and
- (g) all necessary consents, confirmations, permits, approvals, licences and authorisations from all relevant authority in connection with the transactions contemplated under the Secure Shell SPA having been obtained

Key undertakings:

YXE undertakes to procure that (i) all loans and indebtedness owing by Artform (if any) to any person and the interests thereon (except the Artform Sale Loan) shall be fully and duly repaid on or before the Completion Date; (ii) the Artform Sale Loan as shown in the Artform Completion Accounts shall not exceed the Artform Final Consideration; and (iii) (if any) all encumbrances created on or over the Artform Sale Shares, the 17th Yue Xiu Building and any assets of Artform in respect of any indebtedness shall be duly released and discharged on or before the Completion Date

YXE undertakes to procure that (i) all loans and indebtedness owing by Blow Light (if any) to any person and the interests thereon (except the Blow Light Sale Loan) shall be fully and duly repaid on or before the Completion Date; (ii) the Blow Light Sale Loan as shown in the Blow Light Completion Accounts shall not exceed the Blow Light Final Consideration; and (iii) (if any) all encumbrances created on or over the Blow Light Sale Shares, the 23rd Yue Xiu Building and any assets of Blow Light in respect of any indebtedness shall be duly released and discharged on or before the Completion Date

Representations, warranties and indemnities by YXE:

The Yuexiu MTN SPA contains customary representations and warranties to be made by YXE in respect Artform and the 17th Yue Xiu Building for transactions of similar nature and scale

The Secure Shell SPA contains customary representations and warranties to be made by YXE in respect Blow Light and the 23rd Yue Xiu Building for transactions of similar nature and scale

The Yuexiu MTN SPA

The Yuexiu MTN SPA also contains customary indemnities from YXE, which has undertaken to indemnify Yuexiu MTN against any damages, losses, claims, actions, liabilities, expenses and costs or other liabilities which it may incur, arising from or in connection with (i) any claim arising from the breach of any of the terms of the Yuexiu MTN SPA; (ii) any legal proceedings in which Yuexiu MTN claims that any of the terms of the Yuexiu MTN SPA are untrue, inaccurate, misleading or have been breached and in which judgment is given for Yuexiu MTN; or (iii) the enforcement of any such claim or judgment

The total liability of YXE in respect of all claims shall not exceed 100% of the Artform Final Consideration

Governing law: Hong Kong law

The Secure Shell SPA

The Secure Shell SPA also contains customary indemnities from YXE, which has undertaken to indemnify Secure Shell against any damages, losses, claims, actions, liabilities, expenses and costs or other liabilities which it may incur, arising from or in connection with (i) any claim arising from the breach of any of the terms of the Secure Shell SPA; (ii) any legal proceedings in which Secure Shell claims that any of the terms of the Secure Shell SPA are untrue, inaccurate, misleading or have been breached and in which judgment is given for Secure Shell; or (iii) the enforcement of any such claim or judgment

The total liability of YXE in respect of all claims shall not exceed 100% of the Blow Light Final Consideration

Hong Kong law

There is no termination clause in the Sale and Purchase Agreements as the Acquisitions are expected to be completed on the same date as the signing the Sale and Purchase Agreements.

The Completion and further announcement

As all the conditions precedent have been fulfilled, the Completion took place on 20 December 2022. Upon the Completion, the Target Companies became indirect wholly-owned subsidiaries of Yuexiu REIT through the Purchasers.

The Artform Completion Accounts and the Blow Light Completion Accounts will be delivered to the Purchasers within 30 days after the Completion Date for their review and approval. The Manager will make a further announcement to inform the Unitholders of, among others, the amount of the Artform Final Consideration and/or the Blow Light Final Consideration.

Information about the Target Properties

The table below sets out certain key information regarding the Target Properties as of the date of this announcement:

	The 17th Yue Xiu Building	The 23rd Yue Xiu Building
Location:	Units 1 to 3 on the 17th floor of Yue Xiu Building, Nos. 160-174 Lockhart Road, Wanchai, Hong Kong	Units 1 to 3 on the 23rd floor of Yue Xiu Building, Nos. 160-174 Lockhart Road, Wanchai, Hong Kong
Term of the government lease:	99 years from 1929 (with an automatic right of renewal for a further term of 99 years) As advised by the Manager's Hong Kong legal advisers, the term of the government lease will automatically be renewed upon the expiration of the existing term and the Manager considered that there will be no material obstacle to renew the lease term according to the current laws and regulations	99 years from 1929 (with an automatic right of renewal for a further term of 99 years) As advised by the Manager's Hong Kong legal advisers, the term of the government lease will automatically be renewed upon the expiration of the existing term and the Manager considered that there will be no material obstacle to renew the lease term according to the current laws and regulations
Gross floor area:	4,694 sq.ft.	4,694 sq.ft.
Number of leases and occupancy rate:	2 leases (<i>Note 1</i>) 100%	2 leases (<i>Notes 1 and 2</i>) 100%
Usage:	Office building	Office building
Appraised Property Value as at 30 November 2022:	HK\$63.3 million	HK\$65.7 million
Total cost (being, to the best of the Board's knowledge, the original acquisition cost borne by YXE)	Approximately HK\$41.1 million when acquired by YXE through acquiring Artform in 2012	Approximately HK\$2.2 million when acquired by YXE through Blow Light (a company incorporated by YXE) in 1987

Notes:

1. The Target Properties are leased to the Manager, Yuexiu Transport and Yuexiu Property, all of which are connected persons of Yuexiu REIT. For further details, please see the section headed "Continuing Connected Party Transactions Relating to the Connected Leases" below.
2. These include the New Connected Leases entered into immediately after the Completion.

Appraised Property Value

In arriving at the Appraised Property Value, the Independent Property Valuer has adopted the market approach and cross-checked by the income capitalisation method. The Appraised Property Value was arrived at with reference to recent transactions as compared with other comparable properties, as well as the income generating ability of the Target Properties.

As the Acquisitions are conducted by way of acquisition of the Artform Sale Shares, the Artform Sale Loan, the Blow Light Sale Shares and the Blow Light Sale Loan, other assets and liabilities of the Target Companies were also taken into account when determining the Artform Initial Consideration and the Blow Light Initial Consideration. Accordingly, the Artform Initial Consideration and the Blow Light Initial Consideration are different from the Appraised Property Value as detailed in the paragraph headed “(1) Connected Party Transactions relating to the Acquisitions — Information about the Target Properties” above.

Due diligence

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Target Properties, the Target Companies and the Existing Connected Leases signed by the respective parties, 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 provisions of the REIT Code, the Listing Rules and the Manager’s compliance manual. Having regard to the advice of its Hong Kong legal advisers, the Manager is of the view that Yuexiu REIT will (through the Purchasers and the Target Companies) hold good, marketable, legal and beneficial title to the Target Properties upon the Completion.

Fees and charges in relation to the Acquisitions

Fees and charges payable in relation to the Acquisitions

No fee or charge is payable to the Manager as a result of the Acquisitions. Further, no fee or charge is payable to the Trustee as a result of the Acquisitions, apart from the Trustee’s remuneration under the Trust Deed, which is based on prescribed percentage rate per annum of the value of all the assets of Yuexiu REIT held in its portfolio calculated and adjusted in accordance with the Trust Deed.

The total fees and charges payable by Yuexiu REIT in connection with the Acquisitions, including legal fees, advisory fees, professional fees and other expenses are estimated to amount to approximately HK\$1.8 million. These fees and charges are one-off transaction expenses of the Acquisitions which are of a non-recurring nature.

Financial impact of the Acquisitions

The Artform Initial Consideration and the Blow Light Initial Consideration were settled, and any upward adjustment of such initial considerations will be settled, by cash and solely funded by the general working capital of Yuexiu REIT. As such, the Manager expects the gearing ratio of Yuexiu REIT to remain stable immediately following the Completion.

The Manager does not expect the Acquisitions to have any material adverse impact on the financial position of Yuexiu REIT, including its gearing ratio, as compared with the financial position of Yuexiu REIT immediately prior to the Completion.

Financial information of the Target Companies

The audited financial statements of the Target Companies for the two years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 provided by YXE were prepared and audited in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants, respectively. The revenue and net profit of the Target Companies for the two financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 are set out below:

Artform

	For the year ended 31 December 2020 (HK\$'000)	For the year ended 31 December 2021 (HK\$'000)	For the nine months ended 30 September 2022 (HK\$'000)
Revenue	2,033	1,928	1,390
(Loss)/profit before taxation	(3,273)	1,138	1,385
Net (loss)/profit after taxation	(3,273)	1,138	1,385

Blow Light

	For the year ended 31 December 2020 (HK\$'000)	For the year ended 31 December 2021 (HK\$'000)	For the nine months ended 30 September 2022 (HK\$'000)
Revenue	1,020	1,020	693
(Loss)/profit before taxation	(4,014)	519	37
Net (loss)/profit after taxation	(4,014)	569	37

Based on the audited financial statements of the Target Companies for the nine months ended 30 September 2022 provided by YXE, the net asset values of Artform and Blow Light as at 30 September 2022 amounted to approximately HK\$54.0 million and HK\$60.0 million, respectively. The differences between the net asset values of the Target Companies as at 30 September 2022 and the values of the Artform Sale Shares and the Blow Light Sale Shares (as disclosed in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” above) are primarily due to (i) the difference between the Appraised Property Value as shown in the Valuation Report and the book values of the Target Properties as shown in the audited financial statements of the Target Companies provided by YXE; (ii) the difference in the amounts of the Artform Sale Loan and the Blow Light Sale Loan as at 30 September 2022 and as at the Completion Date; and (iii) the adjustment of other assets and liabilities of Artform and Blow Light for the period from 30 September 2022 to the Completion Date.

Other than the Target Properties, the Artform Sale Loan and the Blow Light Sale Loan, the Target Companies are not expected to have any material assets and liabilities immediately following the Completion.

Information about the parties

Yuexiu REIT and the Purchasers

Yuexiu REIT is a real estate investment trust authorised by the SFC. It is principally engaged in the business of rental commercial properties in the PRC with the primary objective of generating long-term and steady distributions to the Unitholders through actively managing its assets and expanding its operations. Its current portfolio consists of six commercial properties located in Guangzhou, one commercial property located in Shanghai, one commercial property located in Wuhan and one commercial property located in Hangzhou.

Yuexiu MTN is a special purpose vehicle wholly-owned by Yuexiu REIT that is incorporated in the BVI and principally engaged in investment holding.

Secure Shell is a special purpose vehicle wholly-owned by Yuexiu REIT that is incorporated in the BVI and principally engaged in investment holding.

YXE and the Target Companies

YXE is a company incorporated in Hong Kong with limited liability and is wholly-owned by Guangzhou Yue Xiu Holdings Limited*(廣州越秀集團股份有限公司), which in turn is majority owned by the Guangzhou Municipal People’s Government of the PRC. It is principally engaged in investment holding. As at the date of this announcement, YXE is the indirect holding company of Yuexiu Property through its approximately 39.8% interest in Yuexiu Property, which in turn directly

wholly-owns each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield). As the indirect holding company of the Manager and Dragon Yield, YXE is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code.

Artform is a company incorporated in Hong Kong with limited liability and was acquired by YXE in 2012 with an acquisition cost of approximately HK\$41.1 million. It is a wholly-owned subsidiary of YXE immediately prior to the Completion. Artform is principally engaged in property investment. As at the date of this announcement, the 17th Yue Xiu Building is the only major asset of Artform.

Blow Light is a company incorporated by YXE in 1987 in Hong Kong with limited liability. It is a wholly-owned subsidiary of YXE immediately prior to the Completion. Blow Light is principally engaged in property investment. As at the date of this announcement, the 23rd Yue Xiu Building is the only major asset of Blow Light.

Reasons for and benefits of the Acquisitions

The Manager believes that the key benefits of the Acquisitions are as follows:

1. First acquisitions outside the PRC: geographical diversification allows Yuexiu REIT to capture investment opportunities in other economies outside the PRC, such as Hong Kong, an international financial centre and a major hub city in the Guangdong-Hong Kong-Macao Greater Bay Area, and provides Yuexiu REIT with additional growth and development potential.
2. A natural asset hedge against foreign exchange exposure: the Acquisitions allow Yuexiu REIT to lower its currency exposure by acquiring assets which generate income in the same currency as that of its borrowings in Hong Kong.

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

Regulatory implications

As explained in the paragraph headed “(1) Connected Party Transactions relating to the Acquisitions — Information about the parties” above, YXE 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 Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Since YXE is the vendor in both the Yuexiu MTN SPA and the Secure Shell SPA, the Acquisitions should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate of the maximum Artform Final Consideration and the maximum Blow Light Final Consideration under the Sale and Purchase Agreements (assuming there is an upward adjustment of up to HK\$200,000 each according to the Sale and Purchase Agreements) exceeds 0.1% but is less than 5%, the Acquisitions are therefore subject to the reporting and announcement requirements, but are exempt from the circular and Unitholders' approval requirements, under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Manager is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Acquisitions.

Opinion of the Board

Having regard to the reasons set out in the paragraph headed "Reasons for and benefits of the Acquisitions" above, the basis for determining the considerations payable under the Sale and Purchase Agreements, the Valuation Report and the advice received, and other information taken into consideration in relation to the Acquisitions as described in this announcement as well as the duties of the Manager under the REIT Code and the Trust Deed, the Board (including the independent non-executive Directors), is satisfied that the Sale and Purchase Agreements and the transactions contemplated thereunder are (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment policy, objectives and strategy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed; and (iii) on normal commercial terms, which are at arm's length, fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole, and that the Unitholders' approval is not required under the REIT Code or the Trust Deed for the Acquisitions.

As (i) Mr. Zeng Zhizhao, a non-executive Director, holds a senior management position with Yuexiu Property; and (ii) Mr. Li Feng, a non-executive Director, is the executive director of Yuexiu Property, the chairman and an executive director of Yuexiu Transport and holds a senior management position with YXE, each of them has abstained from voting on the board resolutions of the Manager in relation to the Acquisitions. Save as disclosed above, no Director had a material interest in the Acquisitions and thus was required to abstain from voting on the board resolutions of the Manager in relation to the Acquisitions.

Opinion of the Trustee

Based and in sole reliance on (i) the opinion of the Board and the advice received; (ii) the Valuation Report; and (iii) the other information in this announcement and confirmations provided by the Manager, the Trustee, having taken into account its duties set out under the REIT Code and the Trust Deed, is of the view that:

- (a) the Acquisitions are consistent with the investment policy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed;
- (b) the Acquisitions are on normal commercial terms, which are at arm's length and are fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole;
- (c) the Unitholders' approval is not required under the REIT Code or the Trust Deed for the Acquisitions; and
- (d) it has no objection to the entry into of the Sale and Purchase Agreements.

(2) CONTINUING CONNECTED PARTY TRANSACTIONS RELATING TO THE CONNECTED LEASES

The Existing Connected Leases

Background

Prior to the Completion, (i) Artform (as lessor) had entered into the Manager Lease Agreement with the Manager (as lessee) for the lease of Unit 3 and a portion of Unit 2 of the 17th Yue Xiu Building; (ii) Artform (as lessor) had entered into the Yuexiu Transport Lease Agreement with Yuexiu Transport (as lessee) for the lease of Unit 1 and a portion of Unit 2 of the 17th Yue Xiu Building; and (iii) Blow Light (as lessor) had entered into the Yuexiu Property Lease Agreement I with Yuexiu Property (as lessee) for the lease of Unit 3 and a portion of Unit 2 of the 23rd Yue Xiu Building.

Immediately following the Completion, the Target Companies became indirect wholly-owned subsidiaries of Yuexiu REIT through the Purchasers. As the Manager, Yuexiu Transport and Yuexiu Property consequently became connected persons of Yuexiu REIT pursuant to paragraphs 8.1(a) and (f) of the REIT Code (for details of their connected relationships, please refer to the paragraph headed "Information about the lessees" below), immediately following the Completion, the Existing Connected Leases constitute continuing connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) pursuant to Rule 14A.60(1) of the Listing Rules.

Details of the Existing Connected Leases are set out below:

	The Yuexiu Transport Lease Agreement	The Manager Lease Agreement	The Yuexiu Property Lease Agreement I
Date:	29 July 2021	29 July 2021	15 June 2022
Lessor:	Artform	Artform	Blow Light
Lessee:	Yuexiu Transport	The Manager	Yuexiu Property
Leased property:	Unit 1 and a portion of Unit 2 of the 17th Yue Xiu Building (with a gross floor area of approximately 2,347 sq.ft.)	Unit 3 and a portion of Unit 2 of the 17th Yue Xiu Building (with a gross floor area of approximately 2,347 sq.ft.)	Unit 3 and a portion of Unit 2 of the 23rd Yue Xiu Building (with a gross floor area of approximately 2,347 sq.ft.)
Term:	1 June 2021 to 31 May 2024 (both days inclusive)	1 June 2021 to 31 May 2024 (both days inclusive)	1 January 2022 to 31 December 2022 (both days inclusive)
Option to renew:	Yuexiu Transport, at the expiration of the current term, has the option to renew the term for another three years by giving not less than three months' written notice prior to the expiration of the term to Artform. Such renewal option (if exercised) is subject to the applicable requirements of the Listing Rules	The Manager, at the expiration of the current term, has the option to renew the term for another three years by giving not less than three months' written notice prior to the expiration of the term to Artform. Such renewal option (if exercised) is subject to the applicable requirements of the Listing Rules	Yuexiu Property, at the expiration of the current term, has the option to renew the term for another one year by giving not less than three months' written notice prior to the expiration of the term to Blow Light. Such renewal option (if exercised) is subject to the applicable requirements of the Listing Rules
Monthly rent:	HK\$77,200 (exclusive of utilities, government rates, government rent and management fees which shall be borne by Yuexiu Transport) throughout the entire term	HK\$77,200 (exclusive of utilities, government rates, government rent and management fees which shall be borne by the Manager) throughout the entire term	HK\$77,000 (exclusive of utilities, government rates, government rent and management fees which shall be borne by Yuexiu Property) throughout the entire term
Termination:	If during the term, Artform is desirous to sell the property free from any lease, Artform is entitled to give not less than six months' notice to Yuexiu Transport to terminate the lease without compensation	If during the term, Artform is desirous to sell the property free from any lease, Artform is entitled to give not less than six months' notice to the Manager to terminate the lease without compensation	If during the term, Blow Light is desirous to sell the property free from any lease, Blow Light is entitled to give not less than six months' notice to Yuexiu Property to terminate the lease without compensation

As advised by the Manager's Hong Kong legal advisers, the Existing Connected Leases are legal, valid and binding on the relevant parties.

The New Connected Leases

Background

In view of the current lease term under the Yuexiu Property Lease Agreement I expiring on 31 December 2022, immediately after the Completion, on 20 December 2022, Blow Light (as a wholly-owned subsidiary of Yuexiu REIT) and Yuexiu Property entered into the Renewed Yuexiu Property Lease Agreement I with an aim of renewing the current lease term under the Yuexiu Property Lease Agreement I.

Further, on 20 December 2022, Blow Light (as a wholly-owned subsidiary of Yuexiu REIT) and Yuexiu Property also entered into the Yuexiu Property Lease Agreement II in relation to the lease of Unit 1 and a portion of Unit 2 of the 23rd Yue Xiu Building.

As further explained in the paragraph headed "Information about the lessees" below, since Yuexiu Property is a connected person of Yuexiu REIT, the New Connected Leases constitute continuing connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Details of the New Connected Leases are set out below:

	The Renewed Yuexiu Property Lease Agreement I	The Yuexiu Property Lease Agreement II
Date:	20 December 2022	20 December 2022
Lessor:	Blow Light	Blow Light
Lessee:	Yuexiu Property	Yuexiu Property
Leased property:	Unit 3 and a portion of Unit 2 of the 23rd Yue Xiu Building (with a gross floor area of approximately 2,347 sq.ft.)	Unit 1 and a portion of Unit 2 of the 23rd Yue Xiu Building (with a gross floor area of approximately 2,347 sq.ft.)
Term:	1 January 2023 to 30 November 2025 (both days inclusive)	20 December 2022 to 30 November 2025 (both days inclusive)
Option to renew:	Yuexiu Property, at the expiration of the current term, has the option to renew the term for another three years by giving not less than three months' written notice prior to the expiration of the term to Blow Light. Such renewal option (if exercised) is subject to the applicable requirements of the Listing Rules	Yuexiu Property, at the expiration of the current term, has the option to renew the term for another three years by giving not less than three months' written notice prior to the expiration of the term to Blow Light. Such renewal option (if exercised) is subject to the applicable requirements of the Listing Rules
Monthly rent:	HK\$77,000 (exclusive of utilities, government rates, government rent and management fees which shall be borne by Yuexiu Property) throughout the entire term	HK\$77,000 (exclusive of utilities, government rates, government rent and management fees which shall be borne by Yuexiu Property) throughout the entire term
Termination	If during the term, Blow Light is desirous to sell the property free from any lease, Blow Light is entitled to give not less than six months' notice to Yuexiu Property to terminate the lease without compensation	If during the term, Blow Light is desirous to sell the property free from any lease, Blow Light is entitled to give not less than six months' notice to Yuexiu Property to terminate the lease without compensation

Historical amounts of the Existing Connected Leases

Based on the information provided by YXE, the historical rental amounts paid by Yuexiu Transport and the Manager to Artform, and that by Yuexiu Property to Blow Light for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 were as follows:

	For the year ended			For the nine months ended 30
	31 December 2019	31 December 2020	31 December 2021	September 2022
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
The Yuexiu Transport Lease Agreement	1,016.4 (Note 1)	1,016.4 (Note 1)	963.9 (Note 1)	694.8
The Manager Lease Agreement	1,016.4 (Note 2)	1,016.4 (Note 2)	963.9 (Note 2)	694.8
The Yuexiu Property Lease Agreement I	1,020.0 (Note 3)	1,020.0 (Note 3)	1,020.0 (Note 3)	693.0
Total	<u>3,052.8</u>	<u>3,052.8</u>	<u>2,947.8</u>	<u>2,082.6</u>

Notes:

1. As the lease term of the Yuexiu Transport Lease Agreement commenced on 1 June 2021, these figures include the historical rental amounts paid by Yuexiu Transport prior to the current lease term.
2. As the lease term of the Manager Lease Agreement commenced on 1 June 2021, these figures include the historical rental amounts paid by the Manager prior to the current lease term.
3. As the lease term of the Yuexiu Property Lease Agreement I commenced on 1 January 2022, these figures include the historical rental amounts paid by Yuexiu Property prior to the current lease term.

Aggregate annual caps

The aggregate annual caps for the Connected Leases for the years ending 31 December 2022, 2023, 2024 and 2025 are HK\$308,400, HK\$3,700,800, HK\$2,620,000 and HK\$1,694,000 respectively.

The above annual caps were determined on the following basis:

- (a) taking into account the historical rental amounts paid by Yuexiu Transport and the Manager to Artform and those paid by Yuexiu Property to Blow Light under the respective leases as set out above;
- (b) taking into account the historical rental amounts under the Yuexiu Property Lease Agreement I when determining the rent for the Yuexiu Property Lease Agreement II; and
- (c) taking into account the actual agreed rent payable to Artform and Blow Light pursuant to the respective Connected Leases, and assuming that (i) the lease term under each of the Yuexiu Transport Lease Agreement and the Manager Lease Agreement expires on 31 May 2024; and (ii) the lease term under each of the Renewed Yuexiu Property Lease Agreement I and the Yuexiu Property Lease Agreement II expires on 30 November 2025, all without renewal or early termination.

Information about the lessees

Yuexiu Transport is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1052). It is principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high growth provinces in the PRC. As at the date of this announcement, Yuexiu Transport is indirectly held as to approximately 44.2% by YXE and is a subsidiary of YXE. Since YXE is the indirect holding company of each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield), Yuexiu Transport is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code.

The Manager is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Yuexiu Property. It is principally engaged in the provision of asset management services to Yuexiu REIT. As the manager of Yuexiu REIT, the Manager is a connected person of Yuexiu REIT pursuant to paragraph 8.1(a) of the REIT Code.

Yuexiu Property is 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). It is principally engaged in property development and investment, mainly focusing on properties in the PRC. As at the date of this announcement, Yuexiu Property directly wholly-owns each of the Manager and a substantial holder of Yuexiu REIT (being Dragon Yield). As the direct holding company of the Manager and Dragon Yield, Yuexiu Property is an associate of both entities and therefore a connected person of Yuexiu REIT pursuant to paragraph 8.1(f) of the REIT Code.

Reasons for and benefits of the Connected Leases

To the best knowledge, belief and information of the Board, the terms under the respective Connected Leases are on normal commercial terms. After the Completion, the Connected Leases provide Yuexiu REIT with additional rental income, and hence a stable rental cash flow in the short to medium run.

As noted below, the Independent Property Valuer is of the opinion that the rental amounts under the respective New Connected Leases are at the prevailing market level, and are considered as fair and reasonable.

Regulatory implications

As explained in the paragraph headed “(2) Continuing Connected Party Transactions relating to the Connected Leases — Information about the lessees” above, the Manager, Yuexiu Property and Yuexiu Transport are all connected persons of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Connected Leases constitute continuing connected party transactions of Yuexiu REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Pursuant to Rule 14A.60(1) of the Listing Rules, for a transaction with fixed period and on fixed terms that subsequently becomes a connected party transaction, the Manager is required to (i) comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules, including the publication of an announcement and annual reporting, if Yuexiu REIT continues to conduct such transactions; and (ii) comply with all connected party transaction requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules when the agreements for such transactions are renewed or its terms are varied. Further, pursuant to Rule 14A.52 of the Listing Rules, all continuing connected party transactions of Yuexiu REIT should be for a fixed period and on fixed terms.

As each of the Existing Connected Leases is for a fixed period and on fixed terms, the Manager shall comply with Rule 14A.60(1) of the Listing Rules noted above. As the lease term under the Yuexiu Property Lease Agreement I was subsequently renewed by the Renewed Yuexiu Property Lease Agreement I which will start from 1 January 2023, the Renewed Yuexiu Property Lease Agreement I shall, pursuant to Rule 14A.60(1) of the Listing Rules, comply with all connected party transactions requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) (including the determination of annual caps in respect of such continuing connected party transactions).

As the Yuexiu Property Lease Agreement II was entered into, and will commence immediately after the Completion, on 20 December 2022, it shall comply with all connected party transactions requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) (including the determination of annual caps in respect of such continuing connected party transactions).

Further, since (i) the Connected Leases were entered into or are still in effect within a 12-month period; (ii) they are of similar nature; and (iii) YXE is the ultimate holding company of the Manager, Yuexiu Property and Yuexiu Transport, the Connected Leases should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Connected Leases is, on an annual basis, expected to exceed 0.1% but be less than 5%, the Connected Leases are therefore subject to the reporting and announcement requirements, but are exempt from the circular and Unitholders' approval requirements, under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). Accordingly, the Manager is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Connected Leases.

Opinion of the Board

Having regard to the reasons set out in the paragraph headed "Reasons for and benefits of the Connected Leases" above, the basis for determining the rent payable under the Connected Leases, the opinion of the Independent Property Valuer and the advice received, and other information taken into consideration in relation to the Connected Leases as described in this announcement, the Board (including the independent non-executive Directors) as well as the duties of the Manager under the REIT Code and the Trust Deed is satisfied that the Connected Leases and the transactions contemplated thereunder are (i) in the ordinary and usual course of business of Yuexiu REIT; (ii) consistent with the investment policy, objectives and strategy of Yuexiu REIT; (iii) in compliance with the REIT Code and the Trust Deed;

and (iv) on normal commercial terms, which are at arm's length, fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole, and that Unitholders' approval is not required under the REIT Code or the Trust Deed for the Connected Leases.

As (i) Mr. Zeng Zhizhao, a non-executive Director, holds a senior management position with Yuexiu Property; and (ii) Mr. Li Feng, a non-executive Director, is the executive director of Yuexiu Property and the chairman and an executive director of Yuexiu Transport, each of them has abstained from voting on the board resolutions of the Manager in relation to the Connected Leases. Save as disclosed above, no Director had a material interest in the New Connected Leases and thus was required to abstain from voting on the board resolutions of the Manager in relation to the Connected Leases.

Opinion of the Independent Property Valuer

The Manager has obtained an opinion from the Independent Property Valuer that the rental amounts under the New Connected Leases are at prevailing market levels and considered as fair and reasonable.

Opinion of the Trustee

Based and in sole reliance on (i) the opinion of the Board and the advice received; (ii) the opinion of the Independent Property Valuer; and (iii) the other information in this announcement and confirmations provided by the Manager, the Trustee, having taken into account its duties set out under the REIT Code and the Trust Deed, is of the view that:

- (a) the Connected Leases are consistent with the investment policy of Yuexiu REIT and in compliance with the REIT Code and the Trust Deed;
- (b) the Connected Leases are on normal commercial terms, which are at arm's length, fair and reasonable and in the interests of Yuexiu REIT and the Unitholders as a whole;
- (c) Unitholders' approval is not required under the REIT Code or the Trust Deed for the Connected Leases; and
- (d) it has no objection to the entry into of the Connected Leases.

(3) DEFINITIONS

17th Yue Xiu Building	an office property located at Units 1 to 3 on the 17th floor of Yue Xiu Building, Nos.160-174 Lockhart Road, Wanchai, Hong Kong. Artform is the sole registered and beneficial owner of this property
23rd Yue Xiu Building	an office property located at Units 1 to 3 on the 23rd floor of Yue Xiu Building, Nos.160-174 Lockhart Road, Wanchai, Hong Kong. Blow Light is the sole registered and beneficial owner of this property
Acquisitions	the acquisitions of the Target Properties through the acquisition of the Artform Sale Shares, the Artform Sale Loan, the Blow Light Sale Shares and the Blow Light Sale Loan
Appraised Property Value	the respective values of the Target Properties as at 30 November 2022, each as determined by the Independent Property Valuer and set out in the respective Valuation Report
Artform	Artform Investment Limited (藝康投資有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by YXE immediately prior to the Completion
Artform Completion Accounts	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement
Artform Final Consideration	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement
Artform Initial Consideration	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement

Artform Sale Loan	all sums for which Artform is indebted to YXE as at the Completion Date, the aggregate amount of which will be approximately HK\$5.2 million
Artform Sale Shares	100,000 ordinary shares in Artform, representing its entire issued and fully paid up share capital as at the Completion Date
associate	has the meaning ascribed to this term in the REIT Code
Blow Light	Blow Light Investments Limited (頌輝投資有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by YXE immediately prior to the Completion
Blow Light Completion Accounts	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement
Blow Light Final Consideration	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement
Blow Light Initial Consideration	has the meaning ascribed to this term in the paragraph headed “(1) Connected Party Transactions Relating to the Acquisitions — The Sale and Purchase Agreements” in this announcement
Blow Light Sale Loan	all sums for which Blow Light is indebted to YXE as at the Completion Date, the aggregate amount of which will be approximately HK\$1.1 million
Blow Light Sale Shares	10,000 ordinary shares in Blow Light, representing its entire issued and fully paid up share capital as at the Completion Date
Board	the board of Directors
BVI	the British Virgin Islands

Completion	completion of the Acquisitions pursuant to the Sale and Purchase Agreements
Completion Date	20 December 2022, being the date of the Completion
Connected Leases	collectively, the Existing Connected Leases and the New Connected Leases
connected person	has the meaning ascribed to this term in the REIT Code
Director(s)	the director(s) of the Manager
Dragon Yield	Dragon Yield Holding Limited, a BVI business company incorporated in the BVI, which is directly wholly-owned by Yuexiu Property and is a substantial holder of Yuexiu REIT holding approximately 35.8% of the issued Units as at the date of this announcement
Existing Connected Leases	collectively, the Manager Lease Agreement, the Yuexiu Transport Lease Agreement and the Yuexiu Property Lease Agreement I
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Independent Property Valuer	Colliers International (Hong Kong) Limited, being the current principal valuer of Yuexiu REIT
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (modified as appropriate pursuant to the REIT Code)
Manager	Yuexiu REIT Asset Management Limited (越秀房託資產管理有限公司), in its capacity as manager of Yuexiu REIT, a company incorporated under the laws of Hong Kong, which is directly wholly-owned by Yuexiu Property as at the date of this announcement

Manager Lease Agreement	the lease agreement dated 29 July 2021 and entered into between Artform and the Manager in relation to the lease of Unit 3 and a portion of Unit 2 of the 17th Yue Xiu Building
New Connected Leases	collectively, the Renewed Yuexiu Property Lease Agreement I and the Yuexiu Property Lease Agreement II
PRC	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macau Special Administrative Region
Properties	collectively, the 17th Yue Xiu Building and the 23rd Yue Xiu Building
Purchasers	collectively, Yuexiu MTN and Secure Shell (each a “ Purchaser ”)
REIT Code	the Code on Real Estate Investment Trusts published by the SFC (as amended, supplemented or otherwise modified from time to time)
Renewed Yuexiu Property Lease Agreement I	the lease agreement dated 20 December 2022 and entered into between Blow Light and Yuexiu Property in relation to the lease of Unit 3 and a portion of Unit 2 of 23rd Yue Xiu Building to renew the lease term under the Yuexiu Property Lease Agreement I
Sale and Purchase Agreements	collectively, the Yuexiu MTN SPA and the Secure Shell SPA
Secure Shell	Yuexiu REIT Secure Shell Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by Yuexiu REIT
Secure Shell SPA	the sale and purchase agreement dated 20 December 2022 and entered into between Secure Shell and YXE for the acquisition of the Blow Light Sale Shares and the Blow Light Sale Loan
SFC	the Securities and Futures Commission of Hong Kong
sq.ft.	square feet

substantial holder	has the meaning ascribed to this term as defined under REIT Code
Stock Exchange	The Stock Exchange of Hong Kong Limited
Target Companies	collectively, Artform and Blow Light (each a “ Target Company ”)
Target Properties	collectively, the 17th Yue Xiu Building and the 23rd Yue Xiu Building
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 the 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 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
Valuation Report	the valuation reports in respect of the Target Properties with a valuation date of 30 November 2022 prepared by the Independent Property Valuer
Yuexiu MTN	Yuexiu REIT MTN Company Limited, a company incorporated in the BVI with limited liability, which is directly wholly-owned by Yuexiu REIT
Yuexiu MTN SPA	the sale and purchase agreement dated 20 December 2022 and entered into between Yuexiu MTN and YXE for the acquisition of the Artform Sale Shares and the Artform Sale Loan

Yuexiu Property	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 123). It is indirectly held as to approximately 39.8% by YXE as at the date of this announcement
Yuexiu Property Lease Agreement I	the lease agreement dated 15 June 2022 and entered into between Blow Light and Yuexiu Property in relation to the lease of Unit 3 and a portion of Unit 2 of the 23rd Yue Xiu Building
Yuexiu Property Lease Agreement II	the lease agreement dated 20 December 2022 and entered into between Blow Light and Yuexiu Property in relation to the lease of Unit 1 and a portion of Unit 2 of the 23rd Yue Xiu Building
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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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
Yuexiu Transport	Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1052). It is indirectly held as to approximately 44.2% by, and is a subsidiary of, YXE as at the date of this announcement
Yuexiu Transport Lease Agreement	the lease agreement dated 29 July 2021 and entered into between Artform and Yuexiu Transport in relation to the lease of Unit 1 and a portion of Unit 2 of the 17th Yue Xiu Building
YXE	Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability

Note: The English names of the PRC entities mentioned in this announcement which are marked with “” are translated, or transliterated from the Chinese name and are for identification purposes only.*

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

Hong Kong, 20 December 2022

As at the date of this announcement, the executive Directors of the Board are Mr. LIN Deliang (Chairman) and Ms. OU Haijing; the non-executive Directors are Mr. LI Feng and Mr. ZENG Zhizhao; and the independent non-executive Directors are Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaoou.