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

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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)



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

- (1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITION OF 67.0% OF A COMMERCIAL PROPERTY IN WUHAN;
- (2) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS; AND
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Financial Advisers to the Manager
(in alphabetical order)

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



Morgan Stanley

SOMERLEY CAPITAL LIMITED

A letter to the Unitholders is set out on pages 15 to 80 of this Circular.

A notice convening the EGM to be held at 3 p.m. on 4 December 2017, at Ballroom C, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the unit registrar of Yuexiu Real Estate Investment Trust, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

OVERVIEW OF THE ACQUISITION

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

ACQUISITION OF 67.0% OF A COMMERCIAL PROPERTY IN WUHAN

Overview of the Acquisition

On 14 November 2017, Yuexiu REIT (through WH Purchaser) entered into the Acquisition Deed with WH Vendor (as seller) and Yuexiu Property (as guarantor), pursuant to which WH Purchaser agreed to: (i) purchase 67.0% of the Wuhan Property (through the purchase of the WH Sale Shares representing the entire equity interest in WH Target Company, which will (after the Reorganisation) indirectly hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property) from WH Vendor; and (ii) accept the assignment of WH Loan from WH Vendor, with the rights attached to it as at the Completion Date. The remaining 33.0% equity interest in WH Project Company will be retained by WH Vendor (through WH Vendor Subsidiary), who is a connected person of Yuexiu REIT by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property.

The consideration for the acquisition of WH Sale Shares and the assignment of WH Loan is RMB2,280,606,300 (being the Agreed Acquisition Amount), subject to an adjustment being the WH Target Group Adjusted NAV as at Completion. For illustrative purposes, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular, the WH Target Group Adjusted NAV as at 30 June 2017 is approximately minus RMB364,486,700, and mostly attributable to the outstanding construction costs of WH Project Company (being RMB732,191,000, 67.0% of which (being RMB490,567,970) would be taken into account in determining the WH Target Group Adjusted NAV as a liability of WH Project Company). The Agreed Acquisition Amount was arrived at after taking into account the valuation of the Wuhan Property by the Independent Property Valuer, and represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

As at the date of this Circular, 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% of the voting rights of Dragon Yield. WH Vendor, being an indirect wholly-owned subsidiary of Yuexiu Property, is also an associated company of Dragon Yield. As a result, Yuexiu Property and WH Vendor are each a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code. Accordingly, the Acquisition is a connected party transaction of Yuexiu REIT under the REIT Code.

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As the sum of the Agreed Acquisition Amount (being RMB2,280,606,300) and an illustrative interest amount of RMB13,330,493 accruing on the Deferred Completion Payment (based on interest accruing on 40.0% of the Agreed Acquisition Amount), being RMB2,293,936,793 exceeds 5.0% of the net asset value of Yuexiu REIT (as disclosed in its latest published audited accounts, as adjusted for the interim distribution paid by Yuexiu REIT since the publication of such accounts) pursuant to paragraph 8.11 of the REIT Code and clause 31.1 of the Trust Deed, each of the Transaction Matters Requiring Approval relating to the Acquisition will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

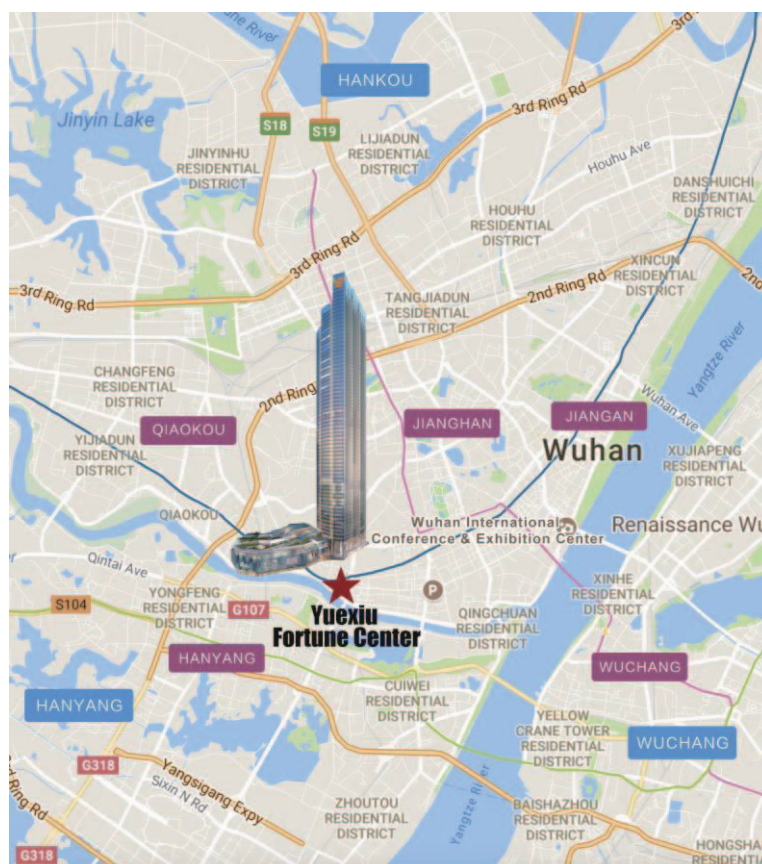
As: (a) the sum of the Agreed Acquisition Amount and the abovementioned illustrative interest amount (being RMB2,293,936,793) represent approximately 18.4% of the total market capitalisation of Yuexiu REIT (based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the Latest Practicable Date); and (b) the WH Appraised Value of the Wuhan Property (being RMB3,587,000,000) represents approximately 11.7% of the total assets of Yuexiu REIT as at 30 June 2017 (as adjusted for the interim distribution paid by Yuexiu REIT for the six months ended 30 June 2017), the Acquisition constitutes a discloseable transaction for Yuexiu REIT under the Listing Rules (as if the Listing Rules were applicable to Yuexiu REIT).

Key information of the Wuhan Property

The Wuhan Property comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) the 1,134 Commercial Carpark Spaces; and (d) the 375 Residential Carpark Spaces. The Commercial Carpark Spaces and Residential Carpark Spaces are situated in an underground carpark comprising a total of 3,188 spaces (being the Total Carpark Spaces). The remaining 1,679 spaces are held by independent third parties and do not form part of the Wuhan Property.

The Wuhan Property is located in Hankou Riverside Business District in Wuhan, the capital city of Hubei province in Central China. The Wuhan Property is a part of a larger integrated development project, which also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities.

OVERVIEW OF THE ACQUISITION



The table below sets out a summary of selected information on the Wuhan Property as at 31 October 2017 unless otherwise indicated.

Address:	No. 1 Zhongshan Avenue, Qiao Kou District, Wuhan, Hubei Province, the PRC
Year and month of completion:	Office: August 2016 Retail: (Plot A) December 2015 and (Plot B) October 2015 Commercial Carpark Spaces: (Plot A) August 2016 and (Plot B) October 2015 Residential Carpark Spaces: (Plot A) August 2016, (Plot B) October 2015 and (Plot C) September 2014
Term of land use rights⁽¹⁾:	The period commencing on 27 May 2011 and ending on 26 May 2051
Operating term of WH Project Company:	The period commencing on 19 January 2011 and ending on 19 January 2031 ⁽²⁾
Ownership certificates (不動產權屬證明):	Obtained on 20 September 2017 (save for certain portions referred to in section 2.9 headed “Ownership”)

OVERVIEW OF THE ACQUISITION

Gross floor area:	Office: 129,446.74 sq.m. Retail: 43,557.58 sq.m. Commercial Carpark Spaces: 47,182.94 sq.m. ⁽³⁾ Residential Carpark Spaces: 15,602.82 sq.m. ⁽³⁾ Other: 12,415.12 sq.m. ⁽⁴⁾
Gross rentable area:	Office: 129,446.74 sq.m. Retail: 43,557.58 sq.m.
Net lettable area:	Office: 80,881.62 sq.m. Retail: 27,474.49 sq.m.
Number of carpark spaces:	Commercial: 1,134 Residential: 375
Number of tenants:	Office: 29 Retail: 80
Average rent (RMB/sq.m.) (excluding carpark spaces) for the month of October 2017⁽⁵⁾:	Office: RMB90.78 (based on gross rentable area) Retail: RMB45.75 (based on gross rentable area) and RMB71.89 (based on net lettable area)
Percentage of gross rented area leased to top 10 tenants⁽⁶⁾:	Office: 75.2% Retail: 53.7%
Percentage of total monthly rent from top 10 tenants:	Office: 74.6% Retail: 33.2%
Occupancy rate as at the Latest Practicable Date⁽⁷⁾⁽⁸⁾:	Office: 40.5% Retail: 86.8%
Net property income for the six months ended 30 June 2017⁽⁹⁾:	RMB6,557,651
Appraised value as at 31 August 2017 (being the WH Appraised Value):	RMB3,587,000,000

Notes:

- (1) As advised by the Manager's PRC legal adviser, 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 a land use right extension at least one year prior to expiry of the use term. The land may not be available when it needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. There is no expiry date regarding the ownership rights held by WH Project Company. As such, as advised by the Manager's PRC legal adviser, unless the government plans to expropriate the land due to public interest, the land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.

OVERVIEW OF THE ACQUISITION

- (2) Similar to most other PRC companies, the duration of WH Project Company is not unlimited. WH Project Company's approved original operating term is 20 years with possible extension. The expiry date of the original operating term (being 19 January 2031) is earlier than the expiry date of the land use right terms (being 26 May 2051). The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that if the operating term is to be extended, a shareholders' meeting is required to pass the resolution to extend the original operating term and to amend WH Project Company's articles of association for the extension. Zhong Lun Law Firm is of the view that there will be no legal impediment for the renewal of the operating term of WH Project Company as long as WH Project Company's articles of association and PRC regulations are followed. Please see paragraph 2(a) of Appendix 6 and the risk factor headed "WH Project Company may not be able to renew its original operating term" in Appendix 5 for further details.
- (3) Based on the total area of the underground carpark (being 132,644.8 sq.m.), multiplied by the total number of Commercial Carpark Spaces or Residential Carpark Spaces (as the case may be), divided by the Total Carpark Spaces.
- (4) Includes public utility rooms and fire refuge floors.
- (5) Average rent per leased sq.m. is based on current gross (base) rent.
- (6) Top 10 tenants by gross rented area. 6.3% of the office gross floor area (based on signed leases) is leased to Wuhan Kangjing Shiye Investment Co., Ltd.* (武漢康景實業投資有限公司), being a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and one of the top 10 tenants in respect of the office portion of the Wuhan Property. Please refer to section 2.6.6 headed "Top 10 tenants by gross floor area as at 31 October 2017 based on signed leases" for further details.
- (7) Occupancy rate calculated based on leased gross rentable area excluding the carpark spaces.
- (8) Development of the office portion of the Wuhan Property was completed in August 2016 and leasing only commenced in November 2016, which may have resulted in the office portion's relatively low occupancy rate of around 40.5% as at the Latest Practicable Date. Development of the retail portion of the Wuhan Property was first completed in October 2015.
- (9) Calculated by deducting property operating expenses from gross revenue based on information provided by WH Vendor. Gross revenue consists of gross rental income (net of tax) and all income accruing or resulting from the operation of the Wuhan Property, including advertising revenue and other revenues. Property operating expenses include direct property related expenses incurred by WH Project Company, including, without limitation, property agency fee, utilities expenses, insurance expenses, tax related expenses and expenses related to repairs and maintenance.

Support Arrangement relating to the Wuhan Property

To enable Yuexiu REIT to mitigate its exposure to the start-up risks associated with the operation of the Wuhan Property and to ensure Yuexiu REIT receives expected, progressive and recurrent net income during these periods, WH Vendor has agreed in the Acquisition Deed to provide support payments to WH Purchaser for the period from 1 January 2018 up to and including 31 December 2020, subject to completion of the Acquisition.

Any support payments to be made to WH Purchaser pursuant to the Support Arrangement shall be payable semi-annually by determining the difference between the Actual Adjusted Net Income and Baseline Adjusted Net Income for the relevant period. The Baseline Adjusted Net Income amounts for the three financial years during the term of the Support Arrangement are RMB78,000,000, RMB98,000,000 and RMB110,000,000 respectively.

OVERVIEW OF THE ACQUISITION

Unitholders should note that the Support Arrangement is not intended to be a rental guarantee from WH Vendor but simply an arrangement for WH Purchaser to mitigate the start-up risks associated with the operations of the Wuhan Property. Based on: (a) the Manager's assessment of the business plans of the Wuhan Property; (b) the leasing progress of the Wuhan Property since its opening; and (c) the views of the Market Consultant, the Manager considers that such risks would diminish over time as the operations of the Wuhan Property are expected to progressively mature during and beyond the start-up period. Details of any payments made by WH Vendor pursuant to the Support Arrangement will be announced by the Manager as soon as practicable after such amounts have been determined, and will be disclosed in Yuexiu REIT's interim and annual reports.

FINANCING OF THE ACQUISITION

General

The Manager intends to finance the Consideration: (i) as to the Initial Completion Payment and WH True-up Payment, from drawing down on the New Bank Facility up to an amount not exceeding RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate as determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30 a.m. (Hong Kong Time) on Reuters at the relevant time) and internal resources; and (ii) as to the Deferred Completion Payment (and all accrued interest thereon) payable within one year after Completion, from utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) having regard to prevailing market conditions and the strategic objectives of Yuexiu REIT and/or drawing down on the Vendor Facility to the extent there is any shortfall. The One-Off Fees and Charges will be financed by internal resources and/or drawing down on the New Bank Facility. As of the Latest Practicable Date, Yuexiu REIT has not entered into any binding agreement in relation to the disposal of any one or more Existing Properties.

New Bank Facility

The Manager has entered into a commitment letter with a lender bank for the provision of a Hong Kong dollar denominated unsecured term loan facility up to an amount not exceeding RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate as determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30 a.m. (Hong Kong Time) on Reuters at the relevant time), which is intended to be drawn down in full to partly finance the Consideration and/or One-Off Fees and Charges. 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 1.3% per annum over HIBOR, and will mature and become repayable in three years 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.

Vendor Facility

WH Purchaser (as borrower) will, on Completion, enter into a facility letter in respect of the Vendor Facility with WH Vendor (as lender). In the event that there is any shortfall in the funding required for payment of the Deferred Completion Payment, WH Purchaser may draw down on the Vendor Facility to fund the shortfall if the Manager considers that other financing options with terms and conditions to its satisfaction cannot be secured at the time the Deferred Completion Payment is

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made. The Vendor Facility relates to a Hong Kong dollar denominated unsecured term loan facility up to an amount equivalent to RMB814,700,000 (based on a five-day average of the RMB/HKD central parity rate as announced by the People's Bank of China at the relevant time), bearing interest at a margin of 1.3% per annum over HIBOR.

The Vendor Facility will mature and become repayable one year from the date on which the Vendor Facility is drawn down, subject to Yuexiu REIT having four successive options to extend the maturity date of the Vendor Facility for a further year on the same terms other than the interest margin. The interest margin applicable during the initial term of the Vendor Facility was agreed by WH Vendor and WH Purchaser having regard to prevailing market conditions and, the interest margin for each extension period shall likewise be determined having regard to the market conditions then prevailing. Under the Vendor Facility, Yuexiu REIT shall obtain quotations from two independent third party banks for a loan on similar terms as the Vendor Facility prior to each extension of the Vendor Facility, and the interest margin for such extension period shall be the lower of the two quotations. There is no guarantee provided under the Vendor Facility. As WH Vendor is a connected person of Yuexiu REIT, the Vendor Facility and the transactions contemplated thereunder will constitute connected party transactions of Yuexiu REIT.

Expected Gearing Ratio

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the Manager expects the Gearing Ratio of Yuexiu REIT to decrease from 37.1% (as at 30 June 2017) to approximately 36.4% immediately following payment of the Initial Completion Payment (but not the Deferred Completion Payment) at Completion, assuming: (i) completion of the Acquisition; (ii) drawdown under the New Bank Facility to finance the Initial Completion Payment; and (iii) retention by WH Project Company of RMB300,000,000 cash.

For illustrative purposes only, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the same assumptions as above and further assuming the Deferred Completion Payment is fully paid upon Completion and entirely financed from the Vendor Facility, the Manager expects the Gearing Ratio of Yuexiu REIT to increase from 37.1% (as at 30 June 2017) to approximately 38.6% upon Completion. For the avoidance of doubt, rather than financing the Deferred Completion Payment from the Vendor Facility, Yuexiu REIT may instead utilise more favourable financing means (which may include drawing down on the additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) for financing the Deferred Completion Payment, which may result in a lower Gearing Ratio than 38.6%. Further, such impact on the Gearing Ratio of Yuexiu REIT would only crystallise once the Vendor Facility is drawn down, which would likely coincide with the payment of the Deferred Completion Payment up to one year after Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

OVERVIEW OF THE ACQUISITION

- Capture strong economic fundamentals and growth potential of Wuhan
- Enter into a fast growing market at attractive valuation and with down-side protection
- Enhance and upgrade portfolio quality
- Diversify portfolio and reduce risk
- Enlarge portfolio scale

For further information on the abovementioned benefits, please see section 5 headed “Reasons for and Benefits of the Acquisition”.

KEY RISK FACTORS

This section only provides some (but not all) of the risk factors in relation to the Acquisition. Unitholders should note that Yuexiu REIT is also subject to risks relating to the political and economic conditions of the PRC, risks relating to the Existing Properties, general risks regarding investing in real estate as well as a variety of other commercial, market, financial, legal, regulatory and tax risks. Unitholders should read and consider carefully the risk factors as more fully described in Appendix 5 before deciding to vote on the Transaction Matters Requiring Approval.

- (a) RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of WH Project Company to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government
- (b) Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and Unit price
- (c) Any limitation on the ability of the entities controlled by Yuexiu REIT to make distribution payments could affect Yuexiu REIT’s ability to pay distributions to the Unitholders
- (d) Risks associated with leveraging and limitations on Yuexiu REIT’s ability to leverage, Yuexiu REIT’s current and future borrowings and dependence on external financing for Completion
- (e) Failure by WH Vendor, WH Vendor Subsidiary or Yuexiu Property to fulfil their respective obligations under the Acquisition Deed, the Joint Venture Agreement and the Vendor Facility may have a material adverse effect on Yuexiu REIT’s operations
- (f) The Wuhan Property may experience a net loss after expiry of the Support Arrangement. This could have a material and adverse effect on the amount of distributions to be made by the Manager to the Unitholders

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- (g) The road reconstruction and widening project in respect of Yuehu Bridge, near the Wuhan Property, may not be completed as planned and could adversely impact the accessibility of the Wuhan Property
- (h) Wuhan Property's success depends on the ability of the Manager to cooperate with WH Vendor Subsidiary in operating WH Project Company and the Wuhan Property. Failure to cooperate in an efficient and effective manner could have a material adverse effect on the value of the Wuhan Property and Yuexiu REIT's results of operations
- (i) Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space as the Wuhan Property leases expire
- (j) WH Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights
- (k) WH Project Company may not be able to renew its original operating term
- (l) The Wuhan Property is located in Wuhan. The Manager does not have prior experience with owning, operating and managing properties in Wuhan
- (m) The Wuhan Property is exposed to the risk of tenant delinquency and default in the overall retail and offices markets in Wuhan
- (n) The due diligence survey on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies
- (o) The appraisal of the Wuhan Property is based on various assumptions and the price at which Yuexiu REIT is able to sell its 67.0% interest in the Wuhan Property may be different from the Proportionate WH Appraised Value or the Agreed Acquisition Amount
- (p) The Wuhan Property may be compulsorily acquired or expropriated by the PRC government

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in the section of the Letter to the Unitholders headed "Conditions precedent under the Acquisition Deed"), which include Unitholders' approval being obtained at the EGM for the Transaction Matters Requiring Approval. Accordingly, the Acquisition 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 CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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Financial Advisers to the Manager

(in alphabetical order)



Morgan Stanley

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



SOMERLEY CAPITAL LIMITED

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A notice convening the EGM to be held at 3 p.m. on 4 December 2017, at Ballroom C, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the unit registrar of Yuexiu Real Estate Investment Trust, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

15 November 2017

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CORPORATE INFORMATION

Yuexiu REIT	Yuexiu Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time, or Yuexiu Real Estate Investment Trust and the companies controlled by it, as the context requires
Manager	Yuexiu REIT Asset Management Limited (in its capacity as manager of Yuexiu REIT) 24/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong
Directors of the Manager	<i>Executive Directors:</i> Mr. Lin Deliang Mr. Cheng Jiuzhou <i>Non-executive Directors:</i> Mr. Lin Zhaoyuan (<i>Chairman</i>) Mr. Li Feng <i>Independent Non-executive Directors:</i> Mr. Chan Chi On, Derek Mr. Chan Chi Fai, Brian Mr. Cheung Yuk Tong Mr. Chen Xiaou
Trustee	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT) 1 Queen's Road Central Hong Kong
Unit Registrar	Tricor Investor Services Limited 22/F, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Manager	<i>As to Hong Kong law:</i> Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong <i>As to PRC law:</i> Zhong Lun Law Firm 36th & 37th Floors, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, PRC

CORPORATE INFORMATION

Legal Advisers to the Trustee	<i>As to Hong Kong law:</i> Haley Ho & Partners in Association with Berwin Leighton Paisner (HK) 25/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Reporting Accountant	PricewaterhouseCoopers 22nd Floor, Prince's Building 10 Chater Road Central Hong Kong
Financial Advisers to the Manager (in alphabetical order)	DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Hong Kong Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee	Somerley Capital Limited 20/F China Building 29 Queen's Road Central Hong Kong
Market Consultant	Cushman & Wakefield 16/F, Jardine House Central Hong Kong
Independent Property Valuer	Vigers Appraisal and Consulting Limited 10/F The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong
Building Consultant	Vigers Building Consultancy Limited 10/F The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong

DEFINITIONS

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

2008 CPT Waivers	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC on 1 February 2008, which is more fully described in the circular dated 4 February 2008 issued by Yuexiu REIT to the Unitholders
2011 Extended CPT Waiver	the extension to the 2008 CPT Waivers for the three financial years ended 31 December 2013 (and subject to new annual caps and conditions) granted by the SFC on 6 January 2011, which is more fully described in the circular dated 17 December 2010 issued by Yuexiu REIT to Unitholders
2012 Circular	the circular dated 30 June 2012 issued by Yuexiu REIT to Unitholders
2012 Modified and Extended Waiver	the waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of the new continuing connected party transactions for that period granted by the SFC on 20 July 2012, which is more fully described in the 2012 Circular
2014 Circular	the circular dated 25 November 2014 issued by Yuexiu REIT to Unitholders
2014 Extended Waiver	the extension to the 2012 Modified and Extended Waiver for the three financial years ending 31 December 2017 (and subject to new annual caps and conditions) granted by the SFC on 11 December 2014, which is more fully described in the 2014 Circular
2017 Waiver Extension	has the meaning ascribed to this term in section 7.3 headed “Extension of the 2014 Extended Waiver”
2017 Extended Waiver	the resulting extended 2014 Extended Waiver, if the proposed 2017 Waiver Extension and New Annual Caps are approved by the Independent Unitholders at the EGM
Accountant’s Report	the accountant’s report set out in Appendix 1 in respect of the WH Target Group which, for the avoidance of doubt, includes but is not limited to the financial information in respect of the operation of the Wuhan Property and the Non-Target Property for the relevant period

DEFINITIONS

Acquisition	collectively, (i) the proposed acquisition by WH Purchaser from WH Vendor of the WH Sale Shares; and (ii) the proposed assignment of WH Loan by WH Vendor to WH Purchaser, pursuant to the Acquisition Deed
Acquisition Deed	the deed in respect of the Acquisition dated 14 November 2017 and entered into between WH Purchaser, WH Vendor and Yuexiu Property
Actual Adjusted Net Income	has the meaning ascribed to this term in section 2.4.10 headed “Support Arrangement relating to the Wuhan Property”
Additional EIT Withheld Amount	has the meaning ascribed to this term in section 2.4.4 headed “EIT Segregated Account”
Agreed Acquisition Amount	has the meaning ascribed to this term in section 2.1 headed “Overview of the Acquisition”
Annual Report	the annual report of Yuexiu REIT for the year ended 31 December 2016 published on 11 April 2016
Annual Support Arrangement Shortfall	has the meaning ascribed to this term in section 2.4.10 headed “Support Arrangement relating to the Wuhan Property”
associated company	has the meaning ascribed to this term in the REIT Code
Audit Committee	the audit committee of the Manager
Baseline Adjusted Net Income	has the meaning ascribed to this term in section 2.4.10 headed “Support Arrangement relating to the Wuhan Property”
Board	the board of Directors
Board Joint Decision Matters	has the meaning ascribed to this term in section 2.5.3 headed “Joint Decision Matters”
Business Day	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong
Carpark Master Lease Agreements	has the meaning ascribed to this term in section 2.11.2(c) headed “Carpark Master Lease Agreements”
CAS	the Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and specific standards and other relevant regulations issued thereafter

DEFINITIONS

CCPT Matters Requiring Approval	collectively, the 2017 Waiver Extension and the New Annual Caps
Commercial Carpark Master Lease Agreement	has the meaning ascribed to this term in section 2.11.2(c) headed “Carpark Master Lease Agreements”
Commercial Carpark Spaces	has the meaning ascribed to this term in section 2.1 headed “Overview of the Acquisition”
Completion	completion of the Acquisition
Completion Date	the date on which Completion takes place
Connected Leasing Transactions	has the meaning ascribed to this term in section 7.4.2 headed “In respect of the Connected Leasing Transactions”
connected person	has the meaning ascribed to this term in the REIT Code
Connected PMAs	has the meaning ascribed to this term in section 7.4.4 headed “In respect of the Connected PMAs”
Connected TSAs	has the meaning ascribed to this term in section 7.4.3 headed “In respect of the Connected TSAs”
Consideration	has the meaning ascribed to this term in section 2.4.3 headed “Consideration and Payment Terms of the Acquisition”
Defaulter	the defaulting JV Shareholder after the occurrence of an event of default in relation to a JV Shareholder
Defaulter’s Interest	has the meaning ascribed to this term in section 2.5.8 headed “Events of Default”
Deferred Completion Payment	has the meaning ascribed to this term in section 2.4.3 headed “Consideration and Payment Terms for the Acquisition”
Deposited Property	all the assets of Yuexiu REIT, including the Existing Properties held in Yuexiu REIT’s portfolio and the assets of the WH Target Group after Completion
Development	has the meaning ascribed to this term in section 2.1 headed “Overview of the Acquisition”
Director(s)	director(s) of the Manager
DPU	distribution per Unit
Dragon Yield	Dragon Yield Holding Limited, a company incorporated in the British Virgin Islands and which is directly wholly-owned by Yuexiu Property

DEFINITIONS

EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Matters Requiring Approval
EGM Record Date	4 December 2017, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
EIT Segregated Account	has the meaning ascribed to this term in section 2.4.4 headed “EIT Segregated Account”
EIT Withheld Amount	RMB44,224,087, less any PRC Enterprise Income Tax already paid in connection with the Reorganisation prior to Completion
Enlarged Group	Yuexiu REIT, including the WH Target Group
Existing Properties	the seven properties currently held by Yuexiu REIT as at the Latest Practicable Date as described in the Annual Report
Facility Transactions	has the meaning ascribed to this term in section 8.5.3 headed “Waiver for Connected Party Transactions in respect of the Vendor Facility”
Gearing Ratio	at the time of a new borrowing, the aggregate of the existing borrowings of Yuexiu REIT and such new borrowing as a percentage of the total asset value of the Deposited Property as set out in Yuexiu REIT’s latest published audited accounts immediately prior to such new borrowing being effected (as adjusted in accordance with the Trust Deed)
Grade A	has the meaning ascribed to this term in Appendix 4 headed “Market Consultant Report for the Wuhan Property Market”
Guangzhou IFC	the real property known as “Guangzhou International Finance Centre” (廣州國際金融中心), located at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, PRC
GZYX	Guangzhou Yuexiu Holdings Limited* (廣州越秀集團有限公司), a state-owned limited liability company incorporated in the PRC beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
HIBOR	the rate of interest offered on Hong Kong dollars loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year

DEFINITIONS

HK\$, HKD or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
HKFRS	the Hong Kong Financial Reporting Standards
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
Independent Board Committee	the independent committee established by the Board to advise the Independent Unitholders on the Matters Requiring Approval and the Vendor Facility, comprising Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou, being all of the INEDs
Independent Financial Adviser	Somerley Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Trustee on the Matters Requiring Approval and the Vendor Facility for the purpose of paragraph 10.10(p) of the REIT Code
Independent Property Valuer	Vigers Appraisal and Consulting Limited, being the principal valuer of Yuexiu REIT
Independent Unitholders	Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of paragraph 8.11 of the REIT Code, and who are entitled to vote at the EGM
INED(s)	independent non-executive Director(s)
Initial Completion Payment	has the meaning ascribed to this term in section 2.4.3 headed "Consideration and Payment Terms for the Acquisition"
Interim Report	the interim report of Yuexiu REIT for the six months ended 30 June 2017 published on 9 August 2017
Interim Support Arrangement Shortfall	has the meaning ascribed to this term in section 2.4.10 headed "Support Arrangement relating to the Wuhan Property"
International Grade A	has the meaning ascribed to this term in Appendix 4 headed "Market Consultant Report for the Wuhan Property Market"
Joint Decision Matters	has the meaning ascribed to this term in section 2.5.3 headed "Joint Decision Matters"
Joint Venture Agreement	the agreement in relation to WH Project Company to be entered into between WH Intermediary Company and WH Vendor Subsidiary upon Completion

DEFINITIONS

JV Shareholders	being WH Intermediary Company and WH Vendor Subsidiary, the only registered shareholders of WH Project Company upon Completion, and “ JV Shareholder ” means any one of them
Latest Practicable Date	10 November 2017, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
Lease CCTs	has the meaning ascribed to this term in section 2.10.2 headed “Lease CCTs”
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Manager	Yuexiu REIT Asset Management Limited (in its capacity as the manager of Yuexiu REIT), a company incorporated under the laws of Hong Kong
Matters Requiring Approval	the matters which require the approval of the Unitholders at the EGM being: (a) the Transaction Matters Requiring Approval; and (b) the CCPT Matters Requiring Approval
Market Consultant	Cushman & Wakefield
New Annual Caps	the proposed new annual cap amounts for the New Continuing Connected Party Transactions for the years ending 31 December 2018, 2019 and 2020 respectively, as set out in section 7.4 headed “New Annual Caps”
New Bank Facility	has the meaning ascribed to this term in section 3.1 headed “New Bank Facility”
New Continuing Connected Party Transactions	collectively, the Connected Leasing Transactions, the Connected PMAs and the Connected TSAs
New Property Management Agreement	has the meaning ascribed to this term in section 2.11.2(a) headed “New Property Management Agreement”
Non-Defaulter	the non-defaulting JV Shareholder after the occurrence of an event of default in relation to a JV Shareholder
Non-Defaulter’s Interest	has the meaning ascribed to this term in section 2.5.8 headed “Events of Default”
Non-Target Property	has the meaning ascribed to this term in section 2.4.12 headed “Pre-completion Disposal of Non-Target Property”

DEFINITIONS

One-Off Fees and Charges	has the meaning ascribed to this term in section 4.1 headed “Fees and Charges Payable in relation to the Acquisition”
Ordinary Resolution	a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue
Plot B Retail Portion	has the meaning ascribed to this term in section 2.9 headed “Ownership”
PRC	The People’s Republic of China but excluding, for the purposes of this Circular, Hong Kong, Taiwan and the Macau Special Administrative Region
Proportionate WH Appraised Value	RMB2,403,290,000, being 67.0% of the WH Appraised Value
REIT	Real Estate Investment Trust
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
Relevant Tenants	has the meaning ascribed to this term in section 2.10.2 headed “Lease CCTs”
Reorganisation	has the meaning ascribed to this term in section 2.2 headed “Holding Structure of the Wuhan Property before Completion”
Residential Carpark Master Lease Agreement	has the meaning ascribed to this term in section 2.11.2(c) headed “Carpark Master Lease Agreements”
Residential Carpark Spaces	has the meaning ascribed to this term in section 2.1 headed “Overview of the Acquisition”
RMB	Renminbi, the official currency of the PRC
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Yue Xiu Tower	the real property known as “Yuexiu Tower” (越秀大厦), located at No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, PRC
Shareholder Joint Decision Matters	has the meaning ascribed to this term in section 2.5.3 headed “Joint Decision Matters”

DEFINITIONS

significant holder	has the meaning ascribed to this term in the REIT Code
SPV	a special purpose vehicle that is owned and controlled by Yuexiu REIT in accordance with the REIT Code and the Trust Deed
sq.m.	square metre
Subject Carpark Spaces	has the meaning ascribed to this term in section 8.5.2 headed “Submission in respect of ‘Majority Ownership and Control’ of the Wuhan Property (excluding the Subject Carpark Spaces) and the Subject Carpark Spaces”
Stock Exchange	The Stock Exchange of Hong Kong Limited
Support Arrangement	has the meaning ascribed to this term in section 2.4.10 headed “Support Arrangement relating to the Wuhan Property”
Tenancy Services Agreement	has the meaning ascribed to this term in section 2.11.2(b) headed “Tenancy Services Agreement”
Total Carpark Spaces	all the 3,188 underground carpark spaces located at the parcel of land where the Wuhan Property is situated
Transaction Matters Requiring Approval	the transaction matters which require the approval of the Unitholders at the EGM being: (a) the Acquisition and the consummation of the transactions contemplated under the Acquisition Deed; and (b) upon completion of the Acquisition, the execution of the Joint Venture Agreement and the consummation of the transactions contemplated thereunder
Trustee’s Acquisition Additional Fees	has the meaning ascribed to this term in section 4.1 headed “Fees and Charges Payable in relation to the Acquisition”
Trust Deed	the trust deed constituting Yuexiu REIT dated 7 December 2005 and entered into between the Trustee and the Manager, as may be amended and supplemented from time to time
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Yuexiu REIT. All references to the Trustee in this Circular are, as the context may require, to the Trustee acting on behalf of Yuexiu REIT and on the instructions of the Manager
Unit	one undivided unit in Yuexiu REIT
Unitholder	any person registered as holding a Unit on the register of Unitholders

DEFINITIONS

US\$, USD or US dollars	United States dollars, the lawful currency of the United States of America
Vendor Facility	has the meaning ascribed to this term in section 3.3 headed “Vendor Facility”
WH Appraised Value	RMB3,587,000,000, being the value of the Wuhan Property as at 31 August 2017 as appraised by the Independent Property Valuer
WH Completion Statement	the statement of financial position of the WH Target Group as at the close of business on Completion Date, which will be prepared by WH Vendor and agreed by the Manager and, failing such agreement, audited by PricewaterhouseCoopers or such other auditors jointly appointed by WH Vendor and WH Purchaser
WH Conditions	has the meaning ascribed to this term in section 2.4.5 headed “Conditions Precedent under the Acquisition Deed”
WH Intermediary Company	Sure Win International Holdings Limited, a company incorporated in Hong Kong which will (after the Reorganisation) be the direct owner of a 67.0% interest in WH Project Company, which in turn owns the Wuhan Property
WH Loan	has the meaning ascribed to this term in section 2.2 headed “Holding structure of the Wuhan Property before Completion”
WH Long Stop Date	31 March 2018, or such other date as agreed by WH Purchaser and WH Vendor in writing
WH Pro Forma Completion Statement	the pro forma statement of financial position of the WH Target Group as at the close of business on Completion Date, to be delivered by WH Vendor at least four Business Days prior to the Completion Date
WH Project Company	Wuhan Yuexiu Property Development Limited* (武漢越秀地產開發有限公司), a company incorporated in PRC and the direct owner of the Wuhan Property
WH Purchaser	Yuexiu REIT 2017 Company Limited, a company incorporated in the British Virgin Islands and a SPV of Yuexiu REIT
WH Sale Shares	all of the issued shares of WH Target Company, representing the entire equity interest in WH Target Company

DEFINITIONS

WH Target Company	Fully Cheer Management Limited, a company incorporated in the British Virgin Islands which will (after the Reorganisation) be the indirect owner of a 67.0% interest in WH Project Company, which in turn owns the Wuhan Property
WH Target Group	collectively, WH Target Company, WH Intermediary Company and 67.0% of WH Project Company
WH Target Group Adjusted NAV	has the meaning ascribed to this term in section 2.4.3 headed “Consideration and Payment Terms for the Acquisition”
WH True-up Payment	has the meaning ascribed to this term in section 2.4.3 headed “Consideration and Payment Terms for the Acquisition”
WH Vendor	Guangzhou Construction & Development Holdings (China) Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Yuexiu Property
WH Vendor Subsidiary	Extra Act Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Yuexiu Property
White Horse Units	nine strata units in White Horse Building located at Nos.14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC and represented by Title Certificate numbers 01400018848, 01400018851, 01400018853, 01400018855, 01400018856, 01400018858, 01400018860, 01400018862 and 01400018864
Wuhan Property	the property subject of the Acquisition, particulars of which have been provided in section 2.6 headed “Key Information of the Wuhan Property”
Yicheng Wuhan Branch	Guangzhou Yicheng Property Management Co., Limited Wuhan Branch* (廣州怡城物業管理有限公司武漢分公司), the Wuhan branch of Guangzhou Yicheng Property Management Ltd* (廣州怡城物業管理有限公司), which is a limited liability company established in the PRC indirectly owned as to 99.28% by Yuexiu Property
Yue Xiu	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated in Hong Kong which is wholly-owned by GZYX
Yuexiu Connected Persons Group	collectively, (i) the Yuexiu Holders; (ii) associates of the Yuexiu Holders; and (iii) entities or persons which are from time to time connected persons of Yuexiu REIT as a result of their connection with the Yuexiu Holders

DEFINITIONS

Yuexiu Holders	subsidiaries of GZYZ that are significant holders
Yuexiu Group	collectively, Yuexiu Property and its subsidiaries
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 Stock Exchange) and the companies controlled by it, as the context requires
%	per cent or percentage

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

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

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

** For identification purposes only.*

INDICATIVE TIMETABLE

Event	Date and Time
Latest date and time for lodging transfers of Units to participate and vote in the EGM	28 November 2017 at 4:30 p.m.
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	29 November 2017 to 4 December 2017
Latest date and time for lodging proxy forms for the EGM	2 December 2017 at 3:00 p.m. ⁽¹⁾
EGM Record Date	4 December 2017
Date and time of the EGM	4 December 2017 at 3:00 p.m.
If the approvals sought at the EGM are obtained:	
Drawdown under the New Bank Facility	To be determined by the Manager (but no later than 10 Business Days after the WH Long Stop Date)
Completion of the Acquisition and payment of Initial Completion Payment	To be determined by the Manager (but no later than 10 Business Days after the WH Long Stop Date)
Payment of Deferred Completion Payment	To be determined by the Manager (but no later than one year after the Completion Date)

Note:

(1) Proxy forms have to be lodged not less than 48 hours before the time set for the EGM.

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

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in the section of the Letter to the Unitholders headed “Conditions precedent under the Acquisition Deed” in this Circular), which include Unitholders’ approval being obtained at the EGM for the Transaction Matters Requiring Approval. Accordingly, the Acquisition 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.

LETTER TO THE UNITHOLDERS



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

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

Managed by



越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

Directors of the Manager:

Executive Directors:

Mr. Lin Deliang
Mr. Cheng Jiuzhou

Non-executive Directors:

Mr. Lin Zhaoyuan (*Chairman*)
Mr. Li Feng

Independent Non-executive Directors:

Mr. Chan Chi On, Derek
Mr. Chan Chi Fai, Brian
Mr. Cheung Yuk Tong
Mr. Chen Xiaou

Registered Office:

24/F, Yue Xiu Building,
160 Lockhart Road,
Wanchai,
Hong Kong

15 November 2017

To: Unitholders of Yuexiu REIT

Dear Sir/Madam,

**(1) CONNECTED PARTY TRANSACTIONS RELATING TO
THE ACQUISITION OF 67.0% OF A COMMERCIAL PROPERTY IN WUHAN;**

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

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND CLOSURE OF REGISTER OF UNITHOLDERS**

LETTER TO THE UNITHOLDERS

1 INTRODUCTION

Reference is made to the announcement dated 14 November 2017 made by Yuexiu REIT in relation to, among other things: (i) the proposed acquisition of a 67.0% interest in the Wuhan Property; and (ii) CCPT Matters Requiring Approval.

The purposes of this Circular are: (1) to provide you with further information in respect of, among other things, the Matters Requiring Approval; (2) to set out the recommendation of the Independent Board Committee in relation to the Matters Requiring Approval; (3) to set out the recommendation of the Independent Financial Adviser in relation to the Matters Requiring Approval; and (4) to serve notice of the EGM at which the resolutions seeking Unitholders' approval for the Matters Requiring Approval shall be proposed.

2 THE ACQUISITION

2.1 Overview of the Acquisition

On 14 November 2017, Yuexiu REIT (through WH Purchaser) entered into the Acquisition Deed with WH Vendor (as seller) and Yuexiu Property (as guarantor), pursuant to which WH Purchaser agreed to: (i) purchase 67.0% of the Wuhan Property (through the purchase of the WH Sale Shares representing the entire equity interest in WH Target Company, which will (after the Reorganisation) indirectly hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property) from WH Vendor; and (ii) accept the assignment of WH Loan from WH Vendor, with the rights attached to it as at the Completion Date. The remaining 33.0% equity interest in WH Project Company will be retained by WH Vendor (through WH Vendor Subsidiary), who is a connected person of Yuexiu REIT by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property.

The consideration for the acquisition of WH Sale Shares and the assignment of WH Loan is RMB2,280,606,300 (the "**Agreed Acquisition Amount**"), subject to an adjustment being the WH Target Group Adjusted NAV as at Completion (as further described in section 2.4.3 headed "Consideration and Payment Terms for the Acquisition"). For illustrative purposes, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular, the WH Target Group Adjusted NAV as at 30 June 2017 is approximately minus RMB364,486,700, and mostly attributable to the outstanding construction costs of WH Project Company (being RMB732,191,000, 67.0% of which (being RMB490,567,970) would be taken into account in determining the WH Target Group Adjusted NAV as a liability of WH Project Company). The Agreed Acquisition Amount was arrived at after taking into account the valuation of the Wuhan Property by the Independent Property Valuer, and represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

LETTER TO THE UNITHOLDERS

The Wuhan Property comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) 1,134 carpark spaces designated by WH Project Company as spaces supporting the retail and office portions of the Wuhan Property (the “**Commercial Carpark Spaces**”); and (d) 375 carpark spaces designated by WH Project Company as spaces supporting the residential development known as “Starry Winking” (the “**Residential Carpark Spaces**”). The Commercial Carpark Spaces and Residential Carpark Spaces are situated in an underground carpark comprising a total of 3,188 spaces (being the Total Carpark Spaces). The remaining 1,679 spaces are held by independent third parties and do not form part of the Wuhan Property.

The Wuhan Property is a part of a larger integrated development project (the “**Development**”), which also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities. As the Residential Carpark Spaces do not directly support the rest of the Wuhan Property, the Manager presently intends to dispose of such carpark spaces after the second anniversary of Completion, subject to prevailing market conditions and in accordance with the relevant pre-sale permits (which presently restrict the sale of such carpark spaces to owners of premises within the Development).

As the sum of the Agreed Acquisition Amount (being RMB2,280,606,300) and an illustrative interest amount of RMB13,330,493 accruing on the Deferred Completion Payment (based on interest accruing on 40.0% of the Agreed Acquisition Amount), being RMB2,293,936,793, exceeds 5.0% of the net asset value of Yuexiu REIT (as disclosed in its latest published audited accounts, as adjusted for the interim distribution paid by Yuexiu REIT since the publication of such accounts) pursuant to paragraph 8.11 of the REIT Code and clause 31.1 of the Trust Deed, each of the Transaction Matters Requiring Approval will require Independent Unitholders’ approval by way of an Ordinary Resolution at the EGM.

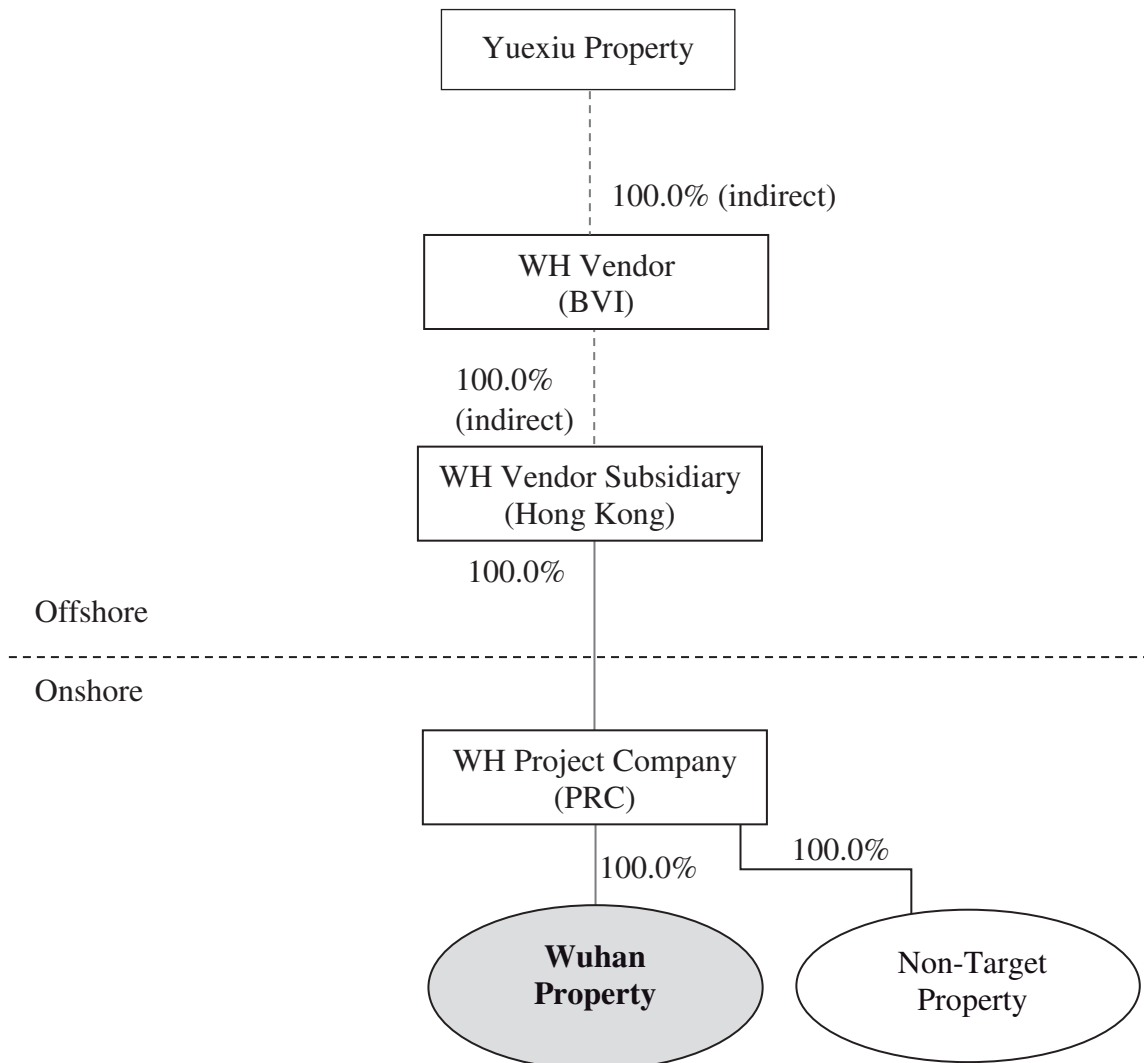
As: (a) the sum of the Agreed Acquisition Amount and the abovementioned illustrative interest amount (being RMB2,293,936,793) represents approximately 18.4% of the total market capitalisation of Yuexiu REIT (based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the Latest Practicable Date); and (b) the WH Appraised Value of the Wuhan Property (being RMB3,587,000,000) represents approximately 11.7% of the total assets of Yuexiu REIT as at 30 June 2017 (as adjusted for the interim distribution paid by Yuexiu REIT for the six months ended 30 June 2017), the Acquisition constitutes a discloseable transaction for Yuexiu REIT under the Listing Rules (as if the Listing Rules were applicable to Yuexiu REIT).

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2.2 Holding structure of the Wuhan Property before Completion

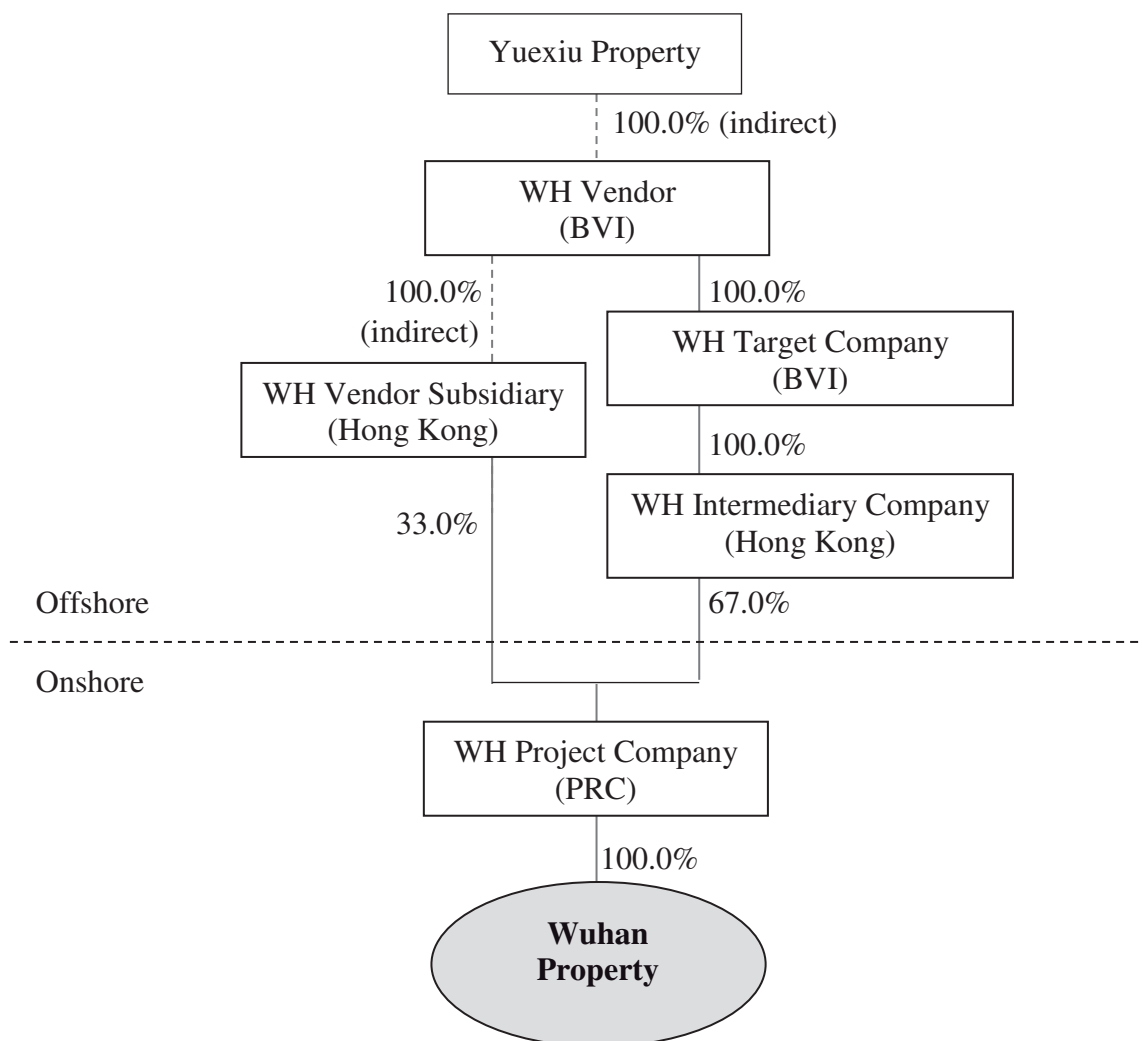
Prior to Completion and as a condition precedent under the Acquisition Deed, WH Vendor will procure that WH Vendor Subsidiary transfers 67.0% of the equity interest in WH Project Company to WH Intermediary Company (the “**Reorganisation**”). The Reorganisation will result in the creation of a shareholder loan owing from WH Target Company to WH Vendor (the “**WH Loan**”), with the amount of the WH Loan to be determined at the time of the Reorganisation. In addition, WH Project Company will dispose of the Non-Target Property prior to Completion in accordance with the terms of the Acquisition Deed.

Below is a chart showing the holding structure of the Wuhan Property as at Latest Practicable Date:



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Below is a chart showing the holding structure of the Wuhan Property immediately before Completion (after the Reorganisation and the pre-completion disposal of the Non-Target Property):



WH Vendor is incorporated in the British Virgin Islands, and holds the entire equity interest in WH Target Company. WH Target Company is incorporated in the British Virgin Islands and holds 100.0% of WH Intermediary Company which will, after the Reorganisation, in turn, hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property. WH Vendor holds the remaining 33.0% of WH Project Company indirectly through its 100.0% interest in WH Vendor Subsidiary.

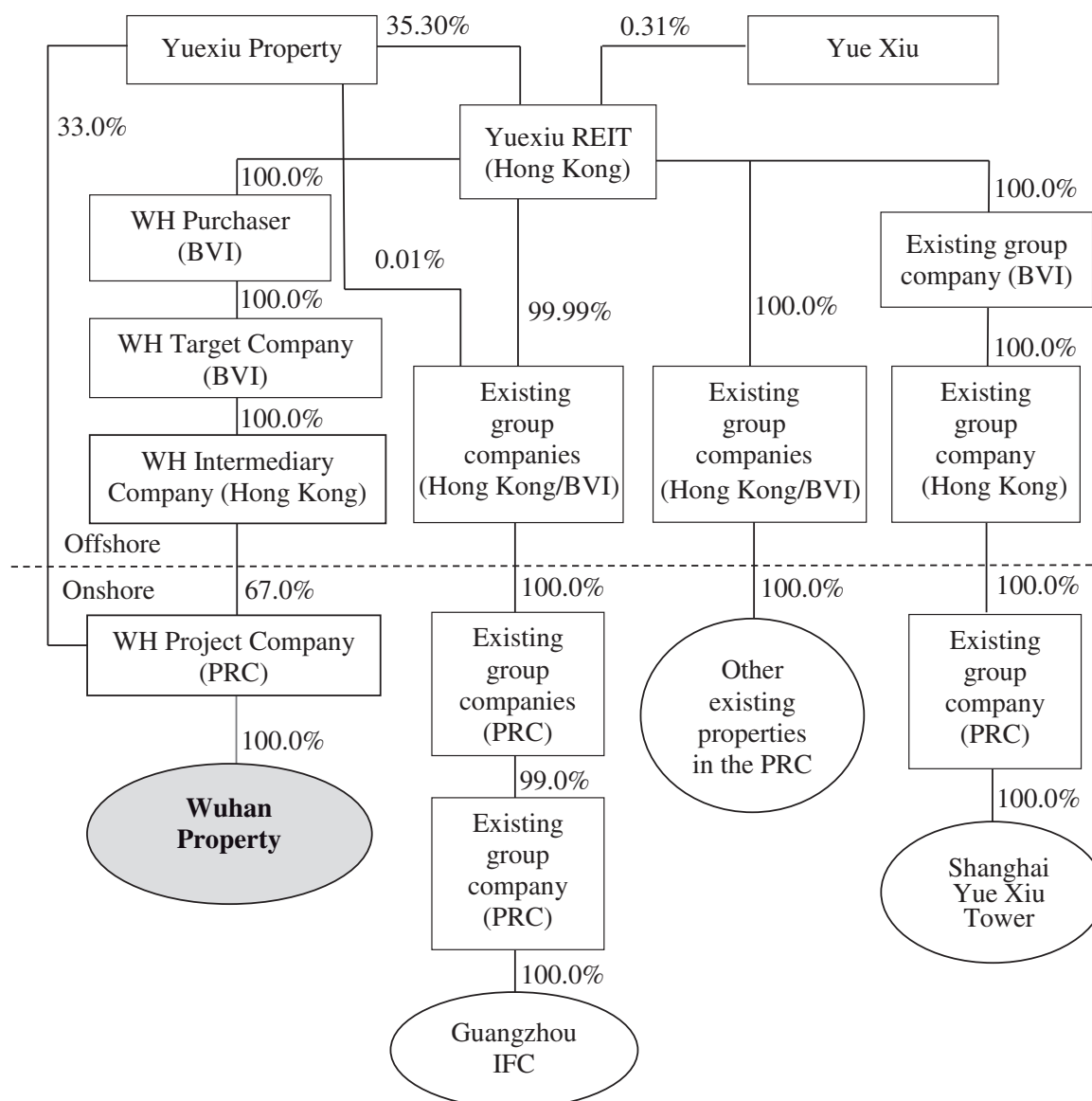
To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date: (i) WH Target Company and WH Intermediary Company were existing indirect subsidiaries of Yuexiu Property and will, after the Reorganisation, be in the principal business activity of investment holding in the Wuhan Property; (ii) the principal business activities of WH Vendor and WH Vendor Subsidiary were the holding of investments; (iii) the principal business activities of WH Project

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Company were investment holding in, and property development of, the Development; and (iv) immediately prior to Completion, pursuant to the Acquisition Deed, WH Project Company, WH Target Company and WH Intermediary Company shall not hold any other property investments other than the Wuhan Property.

2.3 Expected holding structure of the Wuhan Property

The simplified expected holding structure of Yuexiu REIT immediately after Completion is as follows:



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2.4 Key terms of the Acquisition Deed

The principal terms of the Acquisition Deed are summarised as follows:

2.4.1 *Acquisition of WH Sale Shares*

Pursuant to the Acquisition Deed, WH Vendor agreed to sell, and WH Purchaser agreed to purchase, the WH Sale Shares representing the entire equity interest in WH Target Company, which will (after the Reorganisation) indirectly hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property.

2.4.2 *Assignment of WH Loan*

As noted in section 2.2 headed “Holding Structure of the Wuhan Property before Completion”, the Reorganisation will result in the creation of the WH Loan. Pursuant to the Acquisition Deed, WH Vendor will assign the WH Loan to the WH Purchaser, with the rights attached to it as at the Completion Date.

2.4.3 *Consideration and payment terms for the Acquisition*

The purchase consideration for the acquisition of the WH Sale Shares and assignment of the WH Loan is RMB2,280,606,300 (being the Agreed Acquisition Amount), subject to an adjustment to either: (a) add the amount of the WH Target Group Adjusted NAV as at Completion (if it is a positive amount); or (b) subtract the absolute value of the amount of the WH Target Group Adjusted NAV as at Completion (if it is a negative amount), in each case as set out in the WH Completion Statement (the “**Consideration**”).

The “**WH Target Group Adjusted NAV**” shall be equal to: (i) 67.0% of all current assets and deferred tax assets of the WH Target Group (other than the value of the properties held for sale (including the Wuhan Property and Non-Target Property), trade receivables (including but not limited to trade receivables relating to the Non-Target Property sold prior to Completion), any amounts due from fellow subsidiaries and any cash in excess of RMB300,000,000); minus (ii) 67.0% of all liabilities of the WH Target Group (other than the WH Loan), in each case as at Completion as shown in the WH Completion Statement. For illustrative purposes, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular, the WH Target Group Adjusted NAV as at 30 June 2017 is approximately minus RMB364,486,700, and mostly attributable to the outstanding construction costs of WH Project Company (being RMB732,191,000, 67.0% of which (being RMB490,567,970) would be taken into account in determining the WH Target Group Adjusted NAV as a liability of the WH Target Group).

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According to the Accountant's Report set out in Appendix 1 to this Circular, the WH Target Group had amounts due from and owing to its fellow subsidiaries of RMB1,591,414,000 and RMB792,078,000, respectively as at 30 June 2017. Pursuant to the Acquisition Deed, WH Vendor has undertaken to use its reasonable endeavours to settle all outstanding balances between the WH Target Group and its fellow subsidiaries, and to procure the WH Target Group to distribute cash (subject to retaining at least RMB20,000,000 cash, but no more than RMB300,000,000 cash, for general working capital purposes), prior to Completion. According to the Accountant's Report set out in Appendix 1 to this Circular, the WH Target Group had trade receivables of RMB98,000 as at 30 June 2017. Amounts due from fellow subsidiaries to the WH Target Group, any cash in excess of RMB300,000,000 and trade receivables, in each case as at Completion, shall be disregarded in the determination of WH Target Group Adjusted NAV, and thus, not affect the Consideration payable by WH Purchaser.

The Consideration shall be applied: (i) firstly, as payment on a dollar-for-dollar basis for the assignment of the WH Loan to WH Purchaser; and (ii) thereafter, as payment for the transfer of the WH Sale Shares to WH Purchaser. The Agreed Acquisition Amount was arrived at on a willing buyer/seller and arm's length basis after taking into account the valuation of the Wuhan Property by the Independent Property Valuer as at 31 August 2017, and represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

Pursuant to the Acquisition Deed, the Consideration shall be paid in the following manner:

- (a) at Completion, WH Purchaser shall pay, or procure the payment of, an amount in cash equal to:
 - i. 60.0% of the sum of: (i) the Agreed Acquisition Amount of RMB2,280,606,300; plus/minus (ii) the WH Target Group Adjusted NAV as set out in the WH Pro Forma Completion Statement (this 60.0% portion being the "**Initial Completion Payment**" and the remaining 40.0% of such sum being the "**Deferred Completion Payment**");
 - ii. minus the EIT Withheld Amount (being RMB44,224,087 less any PRC Enterprise Income Tax already paid in connection with the Reorganisation prior to Completion), which is to be retained by WH Purchaser and deposited into the EIT Segregated Account (see section 2.4.4 headed "EIT Segregated Account" for details);
- (b) within five Business Days after agreement or determination of the WH Completion Statement (which shall be agreed between WH Purchaser and WH Vendor, and failing such agreement, audited by PricewaterhouseCoopers or such other auditors jointly appointed by the Manager and WH Vendor):
 - i. if the WH Target Group Adjusted NAV (as set out in the WH Completion Statement) is higher than the WH Target Group Adjusted NAV (as set out in the WH Pro Forma Completion Statement), WH Purchaser shall pay 60.0% of the difference to WH

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Vendor (with the remaining 40% of the difference being payable in accordance with section 2.4.3(c) below) without prejudice to WH Purchaser's right to retain and deposit any Additional EIT Withheld Amount into the EIT Segregated Account (see section 2.4.4 headed "EIT Segregated Account" for details); and

- ii. if the WH Target Group Adjusted NAV (as set out in the WH Completion Statement) is lower than the WH Target Group Adjusted NAV (as set out in the WH Pro Forma Completion Statement), WH Vendor shall repay the difference to WH Purchaser,

with such difference payable by WH Purchaser or WH Vendor being the "**WH True-up Payment**"; and

- (c) within one year after Completion, WH Purchaser shall pay, or procure the payment of, an amount in cash equal to:
 - i. the Deferred Completion Payment, plus the remaining 40.0% of the WH True-up Payment (if it is a positive amount);
 - ii. plus interest on the net amount under (c)(i) above accrued at a margin of 1.0% per annum over HIBOR from the Completion Date to the date that such amount is paid.

The Manager shall publish further announcement(s) regarding the Initial Completion Payment, WH True-up Payment and Deferred Completion Payment as soon as practicable after such amount has been determined.

2.4.4 EIT Segregated Account

On Completion, WH Purchaser shall pay the EIT Withheld Amount for credit to a segregated account in the name of WH Purchaser (the "**EIT Segregated Account**"). If WH Purchaser reasonably expects that the amount of taxes payable by WH Vendor arising out of or relating to the Reorganisation and the Acquisition may be greater than the EIT Withheld Amount, WH Purchaser may pay the excess amount (the "**Additional EIT Withheld Amount**") for credit to the EIT Segregated Account. The Acquisition Deed specifies that the funds in the EIT Segregated Account will only be released to WH Vendor after it has provided WH Purchaser with evidence that it has paid that amount of taxes payable by WH Vendor in respect of the Reorganisation and the Acquisition, provided the funds remaining in the EIT Segregated Account is equal to or greater than the amount of unpaid taxes WH Vendor may be liable for arising out of or relating to the Reorganisation and the Acquisition.

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2.4.5 Conditions precedent under the Acquisition Deed

Completion of the Acquisition is subject to and conditional upon satisfaction of the following conditions (collectively, the “**WH Conditions**”):

- (a) the resolution approving the Transaction Matters Requiring Approval having been passed by the Independent Unitholders at the EGM;
- (b) completion of the Reorganisation;
- (c) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Acquisition Deed and no statute, regulation or decision which would prohibit or materially delay the sale and purchase of the WH Sale Shares, the assignment of WH Loan or which would prohibit or materially restrict the operation of the WH Target Group or the Wuhan Property having been enacted or taken by any governmental or official authority;
- (d) there being no material damage to the Wuhan Property, no compulsory acquisition or resumption of the Wuhan Property and no notice of such intention received from any governmental authority; and
- (e) the warranties of WH Vendor under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Completion as if repeated at Completion (by reference to the facts and circumstances existing at Completion).

WH Vendor and WH Purchaser may not waive any of the WH Conditions, except for WH Conditions (d) and (e) which may be waived by WH Purchaser by notice in writing to WH Vendor.

If any of the WH Conditions have not been fulfilled (or waived, if applicable) on or before the WH Long Stop Date, being 31 March 2018 (or such other date as WH Purchaser and WH Vendor may agree), and the parties have not agreed to postpone the date by which the WH Conditions must be fulfilled (or waived, if applicable), then neither WH Purchaser nor WH Vendor shall be bound to proceed with the Acquisition and the Acquisition Deed shall terminate without prejudice to any other right or remedy either party to the Acquisition Deed may have.

2.4.6 Completion of the Acquisition

Pursuant to the terms of the Acquisition Deed, Completion shall take place within 10 Business Days after the date on which all the WH Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by WH Purchaser and WH Vendor. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred.

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2.4.7 Termination of the Acquisition Deed

If Completion has not taken place within 10 Business Days after the date on which all the WH Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by WH Purchaser and WH Vendor, due to the breach of one party to the Acquisition Deed, the other party may by written notice terminate the Acquisition Deed without prejudice to the parties' rights and remedies under law.

In addition, WH Purchaser or WH Vendor may by written notice to the other party terminate the Acquisition Deed upon the occurrence of any fact, matter or event which would constitute a material breach by that party under the Acquisition Deed, in accordance with the terms of the Acquisition Deed. WH Purchaser may also by written notice to WH Vendor terminate the Acquisition Deed upon the occurrence of any fact, matter or event which would be likely to affect the business or financial position of WH Target Company in a materially adverse manner, in accordance with the terms of the Acquisition Deed.

2.4.8 Representations, warranties and indemnities in the Acquisition Deed

The Acquisition Deed contains customary warranties (including warranties relating to tax, title of the Wuhan Property and compliance with all applicable laws and regulations by the members of the WH Target Group in conducting their respective businesses) to be made by WH Vendor in respect of WH Target Company, WH Project Company and the Wuhan Property.

The maximum aggregate liability of WH Vendor in respect of claims for any breaches of warranties shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB1,000,000. Amounts shall only be recoverable from WH Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB10,000,000 and WH Vendor will be liable for the entire amount. The Acquisition Deed also provides for a limitation period of three years from the Completion Date for all claims made under the Acquisition Deed (other than those claims relating to tax, in which case the limitation period is seven years from the Completion Date). The Manager considers that the liability cap and limitation period are acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding these limitations.

Further, the Acquisition Deed contains customary indemnities and in particular, WH Vendor has irrevocably undertaken to indemnify Yuexiu REIT, the Trustee, the Manager, WH Purchaser and the WH Target Group, to the fullest extent permissible by law, for any liability, losses, damages, fines, fees and costs (on a full indemnity basis) which Yuexiu REIT, the Trustee, the Manager, WH Purchaser and/or WH Target Group may suffer (insofar as attributable to Yuexiu REIT's 67.0% equity interest in WH Project Company) in respect of certain matters, including as a result of or in connection with:

- (a) any property held by WH Project Company on or prior to Completion, other than the Wuhan Property;

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- (b) taxation resulting from or by reference to any event occurring on or before Completion including, without limitation, any PRC Enterprise Income Tax payable for the Reorganisation and/or the Acquisition; and
- (c) the actual outstanding construction costs payable by WH Project Company in excess of the outstanding construction costs reflected in the Completion Statement of WH Project Company for the purpose of calculating “the WH Target Group Adjusted NAV”.

For the avoidance of doubt, WH Vendor’s liabilities under the indemnity shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Completion Date would apply to claims made against the indemnity, save for claims in respect of paragraph (a) for which there is no limitation period. The Manager considers that the limitation period is acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders’ interests are sufficiently protected notwithstanding these limitations.

2.4.9 Guarantee of WH Vendor’s obligations under the Acquisition Deed

Yuexiu Property (as guarantor) has unconditionally and irrevocably guaranteed to WH Purchaser the due and punctual payment of all amounts payable by WH Vendor under the Acquisition Deed and due and punctual performance and observance by WH Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Acquisition Deed.

2.4.10 Support Arrangement relating to the Wuhan Property

To enable Yuexiu REIT to mitigate its exposure to the start-up risks associated with the operation of the Wuhan Property and to ensure Yuexiu REIT receives expected, progressive and recurrent net income during these periods, WH Vendor has agreed to provide support payments to WH Purchaser for the period from 1 January 2018 up to and including 31 December 2020, subject to completion of the Acquisition (“**Support Arrangement**”).

Such support payments shall be made to WH Purchaser (or any entity within the Enlarged Group as designated by WH Purchaser) in the event that:

- (a) the Actual Adjusted Net Income (as derived from WH Project Company’s accounts for the six months ending 30 June of each financial year and as notified by WH Purchaser to WH Vendor in writing) is less than the Baseline Adjusted Net Income for the relevant six-month period (“**Interim Support Arrangement Shortfall**”), in which case the Interim Support Arrangement Shortfall shall be payable to WH Purchaser (or any entity within the Enlarged Group as designated by WH Purchaser); or
- (b) the Actual Adjusted Net Income (as derived from WH Project Company’s accounts for the financial year ending 31 December of each financial year and as confirmed by Yuexiu REIT’s auditors) is less than the Baseline Adjusted Net Income for that financial year, in which case the shortfall (“**Annual Support Arrangement Shortfall**”) less any Interim Support Arrangement Shortfall already paid in respect of the same financial year shall be

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payable to WH Purchaser (or any entity within the Enlarged Group as designated by WH Purchaser). Where the Interim Support Arrangement Shortfall already paid during a financial year is higher than the Annual Support Arrangement Shortfall for the same financial year, the difference shall be repaid by WH Purchaser to WH Vendor.

WH Purchaser will not be penalised under the Support Arrangement where the Actual Adjusted Net Income is greater than the Baseline Adjusted Net Income for a relevant period, and except for the potential refund of overpaid support amounts per paragraph (b) above, there are no circumstances under which WH Purchaser will be required to pay or make any refund to WH Vendor under the Support Arrangement.

The “**Actual Adjusted Net Income**” shall be equal to:

$$67\% \times [(A+B) \times (1-C)] + D]$$

where:

A is equal to the net income or loss after tax of WH Project Company, excluding any net income or loss after tax from the disposal of Residential Carpark Spaces, as determined in accordance with CAS;

B is equal to depreciation and amortisation costs;

C is equal to 10%, being the deemed withholding tax; and

D is equal to interest expenses.

The “**Baseline Adjusted Net Income**” for the three financial years during the term of the Support Arrangement is as follows, with the amount for the relevant six-month period being half of the Baseline Adjusted Net Income for the full year.

Period	Baseline Adjusted Net Income
Financial year ending 31 December 2018	RMB78,000,000
Financial year ending 31 December 2019	RMB98,000,000
Financial year ending 31 December 2020	RMB110,000,000

The Baseline Adjusted Net Income amounts were agreed by WH Vendor and WH Purchaser after taking into consideration: (a) the business plans of the Wuhan Property, including revenue and expenses estimated based on their operating experiences; (b) the Market Consultant’s estimations (based on current market conditions) as to the operating performance of the Wuhan Property; and (c) the supply and demand of similar-type properties in Wuhan based on the Market Consultant Report. As the Wuhan Property is still in the initial phase of its operations (with leasing of the office portion of the Wuhan Property only commencing in November 2016), WH Vendor and WH Purchaser consider the performance of the Wuhan Property for the six months ended 30 June 2017 (which would have

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resulted in an Actual Adjusted Net Income of approximately RMB2,280,000) to be less relevant for determining the Baseline Adjusted Net Income amounts. For further details of the parameters considered by WH Vendor and WH Purchaser, please refer to the Market Consultant Report at Appendix 4 to this Circular.

Any support payments to be made to WH Purchaser pursuant to the Support Arrangement shall be payable in Hong Kong dollars pursuant to a five-day average of the RMB/HKD central parity rate as announced by the People's Bank of China at the relevant time and such support payment shall be paid to WH Purchaser in cash, within seven Business Days from the publication of Yuexiu REIT's interim results for the relevant six-month period or as the case may be, Yuexiu REIT's annual results for the relevant financial year. Details of any payments made by WH Vendor pursuant to the Support Arrangement will be announced by the Manager as soon as practicable after such amounts have been determined, and will be disclosed in Yuexiu REIT's interim and annual reports.

Unitholders should note that the Support Arrangement is not intended to be a rental guarantee from WH Vendor but is simply an arrangement for WH Purchaser to mitigate the start-up risks associated with the operations of the Wuhan Property. Based on: (a) the Manager's assessment of the business plans of the Wuhan Property; (b) the leasing progress of the Wuhan Property year-to-date; and (c) the views of the Market Consultant, the Manager considers that such risks would diminish over time as the operations of the Wuhan Property are expected to progressively mature during and beyond the start-up period.

2.4.11 *WH Vendor's tax obligations*

As advised by the Manager's tax adviser, PricewaterhouseCoopers Limited: (i) the obligation to pay PRC Enterprise Income Tax under PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) for the Reorganisation is borne by WH Vendor; and (ii) the obligation to pay PRC Enterprise Income Tax under Bulletin 7 for the Acquisition is borne by WH Vendor with WH Purchaser only having a withholding obligation.

The Manager understands from its tax adviser that in respect of both the Reorganisation and the Acquisition: (i) WH Vendor will first make its tax filing to the relevant PRC tax authority; and (ii) the relevant PRC tax authority will then review the figures submitted by WH Vendor and inform WH Vendor of the amount of tax payable thereafter.

Pursuant to the Acquisition Deed, WH Vendor shall, at its own expense, as soon as possible and in any event no later than 30 days after the date of the Acquisition Deed, report the entry into of the Acquisition Deed and the proposed Reorganisation to the relevant PRC tax authority. WH Vendor shall at its own expense: (a) as soon as possible and in any event no later than seven days after each of the Reorganisation and Completion Date, inform the relevant PRC tax authority that Reorganisation or Completion (as the case may be) has occurred; and (b) truly, accurately and completely report all relevant information with respect to the Reorganisation or the Acquisition (as the case may be) to the relevant PRC tax authority. WH Vendor shall provide WH Purchaser with a copy of any and all of its written submissions to the relevant PRC tax authority in respect of the Reorganisation and Acquisition, and, to the extent available, a receipt in writing (受理單/回執) issued by the relevant PRC tax authority evidencing the submission, as soon as practicable after the relevant submission has been

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made. WH Vendor shall promptly follow up with the relevant PRC tax authority in respect of its assessments to and payment of PRC tax on the Reorganisation and Acquisition, submit all documents supplementally requested by the relevant PRC tax authority in connection with the Reorganisation and Acquisition, and promptly keep WH Purchaser informed of the foregoing.

WH Vendor has also covenanted and undertaken in the Acquisition Deed to among other things, settle and pay in full the PRC Enterprise Income Tax payable by it arising out of or relating to the Reorganisation and Acquisition within the time period required by applicable law, rules and regulations as applied by the relevant PRC tax authority, even if the amount of PRC Enterprise Income Tax payable by WH Vendor arising out of or relating to the Reorganisation and the Acquisition is greater than the EIT Withheld Amount and any Additional EIT Withheld Amount. The Acquisition Deed specifies that the funds in the EIT Segregated Account will only be released to WH Vendor after it has provided the WH Purchaser with evidence that it has paid that amount of taxes payable by WH Vendor in respect of the Reorganisation and the Acquisition, provided the funds remaining in the EIT Segregated Account is equal to or greater than the amount of unpaid taxes WH Vendor may be liable for arising out of or relating to the Reorganisation and the Acquisition.

WH Vendor's liabilities under this section shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out in section 2.4.8 headed "Representations, Warranties and Indemnities in the Acquisition Deed".

PricewaterhouseCoopers Limited, the Manager's tax adviser, has provided advice to the Manager in respect of the estimated amount of tax payable under PRC Enterprise Income Tax Law and Bulletin 7 in respect of the Reorganisation and the Acquisition. In view of the above and the advice from its tax adviser, the Manager is of the view that the protection provided by WH Vendor in respect of tax obligations under PRC Enterprise Income Tax Law and Bulletin 7, including the EIT Withheld Amount and any Additional EIT Withheld Amount, WH Vendor's covenant to pay for any shortfall and the unconditional and irrevocable guarantee from Yuexiu Property, is sufficient and that the interests of the Unitholders are adequately protected.

2.4.12 Pre-completion disposal of Non-Target Property

As at the Latest Practicable Date, WH Project Company also holds the Non-Target Property in addition to the Wuhan Property. Such "**Non-Target Property**" includes an ancillary clubhouse and a kindergarten which are part of the Development but do not form part of the Wuhan Property. The Non-Target Property is not the subject of the Acquisition and will be disposed of by WH Project Company prior to Completion in accordance with the terms of the Acquisition Deed.

As detailed in section 2.4.8 headed "Representations, Warranties and Indemnities in the Acquisition Deed", WH Vendor has provided an indemnity in relation to any property held by WH Project Company on or prior to Completion, other than the Wuhan Property. Such indemnity would cover the Non-Target Property. Yuexiu Property has also provided an unconditional and irrevocable guarantee in respect of all WH Vendor's obligations, commitments, undertakings, warranties and indemnities under the Acquisition Deed.

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2.5 Key terms of the Joint Venture Agreement

Upon Completion, WH Intermediary Company and WH Vendor Subsidiary (being the JV Shareholders) shall enter into the Joint Venture Agreement in relation to WH Project Company. WH Vendor Subsidiary is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property. Accordingly, the Joint Venture Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT. For further details, please see section 8.1 headed “The Acquisition” in this Circular.

The principal terms of the Joint Venture Agreement are summarised as follows:

2.5.1 *Scope of business*

WH Project Company shall not have any business other than the holding, leasing, maintenance, operation and management of the Wuhan Property.

2.5.2 *Board structure*

The board of directors of WH Project Company shall comprise three directors, one of whom may be nominated by WH Vendor Subsidiary (and not the Trustee) and the remaining two of whom may be nominated by the Trustee (through WH Intermediary Company).

The quorum for board meetings of WH Project Company shall be two directors, comprising at least one director nominated for appointment by each JV Shareholder. The board chairman shall be nominated by WH Intermediary Company and not have a casting vote.

2.5.3 *Joint Decision Matters*

Board decisions of WH Project Company will be made by simple majority, except where such decision relates to any of the matters summarised below (the “**Board Joint Decision Matters**”):

- (a) conversion of any security into any shares of WH Project Company or alteration of capital structure of WH Project Company;
- (b) creation of any encumbrance or any third party interest over any of the assets of WH Project Company; and
- (c) giving by WH Project Company of any guarantee or indemnity or acting as surety relating to the performance of the payment or other obligations of any third party.

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All Board Joint Decision Matters require unanimous approval of all the directors of WH Project Company, provided that no director shall withhold his approval for a Board Joint Decision Matter where such Board Joint Decision Matter is to be approved, effected or consummated to comply with any requirements of applicable laws binding on or applicable to WH Project Company, any legal obligation of WH Project Company, any legal obligation binding on the Wuhan Property and/or the conditions of relevant approvals from the relevant governmental authority.

If the board of WH Project Company cannot agree on a Board Joint Decision Matter within 45 days or any board meeting cannot be duly convened for a lack of quorum within 45 days notice of such meeting is first given, any director may refer the deadlock to the Chief Executive Officers of the Manager and Yuexiu Property for joint resolution whose decision is binding. In the unlikely event that a joint resolution cannot be reached, any JV Shareholder may exercise its right to dispose of its interest in WH Project Company in accordance with the share transfer mechanism provided for in the Joint Venture Agreement.

Shareholder decisions of WH Project Company will be made by simple majority, except where such decision relates to any of the matters summarised below (the “**Shareholder Joint Decision Matters**”, and together with the Board Joint Decision Matters, the “**Joint Decision Matters**”):

- (a) amendment to the Articles of Association of WH Project Company;
- (b) increase or reduction in the registered capital of WH Project Company; and
- (c) merger, division, dissolution, liquidation or change of company form of WH Project Company.

All Shareholder Joint Decision Matters require unanimous approval of all the JV Shareholders, provided that no JV Shareholder shall withhold his approval for a Shareholder Joint Decision Matter where such Shareholder Joint Decision Matter is to be approved, effected or consummated to comply with any requirements of applicable laws binding on or applicable to WH Project Company, any legal obligation of WH Project Company, any legal obligation binding on the Wuhan Property and/or the conditions of relevant approvals from the relevant governmental authority.

If the JV Shareholders cannot agree on a Shareholder Joint Decision Matter within 45 days or any shareholders meeting cannot be duly convened for a lack of quorum within 45 days notice of such meeting is first given, any director may refer the deadlock to the Chief Executive Officers of the Manager and Yuexiu Property for joint resolution whose decision is binding. In the unlikely event that a joint resolution cannot be reached, any JV Shareholder may exercise its right to dispose of its interest in WH Project Company in accordance with the share transfer mechanism provided for in the Joint Venture Agreement.

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2.5.4 Funding of WH Project Company

Any funding needs of WH Project Company shall be funded: (a) firstly, by new or existing bank facilities obtained by WH Project Company on reasonable terms having regard to debt borrowings of similar size and nature in the current loan market in Hong Kong or the PRC (as the case may be); and (b) thereafter, if WH Project Company fails to obtain sufficient funding through drawing down on bank facilities within six months, by the JV Shareholders by way of shareholder loan to WH Project Company in accordance with their respective interest in WH Project Company, in each case subject to compliance with all the relevant laws and regulations (including, without limitation, the REIT Code). Failure by any JV Shareholder to meet its funding obligations within the prescribed time shall be an “event of default”, and such Defaulter may be forced to sell its interest in WH Project Company to the Non-Defaulter or to purchase the Non-Defaulter’s interest in WH Project Company in accordance with relevant default provisions that are summarised in section 2.5.8 headed “Events of Default” below.

2.5.5 Outstanding Construction Costs

As at 30 June 2017, WH Project Company had RMB732,191,000 of outstanding construction costs payable in connection with the development, construction and fitting-out of the Wuhan Property (among other things), which were commissioned before the Completion Date. Such costs are expected to be settled by 2021.

Pursuant to the terms of the Joint Venture Agreement, WH Vendor Subsidiary (as a JV Shareholder) will, among other things, receive all invoices relating to construction costs of WH Project Company and will arrange for any such invoice to be paid by WH Project Company within the specified timeframe pursuant to the terms of the relevant contract or invoice. In the event that WH Vendor Subsidiary (as a JV Shareholder) does not procure payment of an invoice relating to construction costs in accordance with the terms of the Joint Venture Agreement, WH Vendor Subsidiary (as a JV Shareholder) will be liable for all losses that WH Project Company may suffer as a result thereof. As noted in section 2.4.8(c) headed “Representations, Warranties and Indemnities” in the Acquisition Deed, WH Vendor shall also indemnify WH Purchaser to the extent the actual outstanding construction costs payable by WH Project Company are in excess of the outstanding construction costs reflected in the WH Completion Statement insofar as attributable to Yuexiu REIT’s 67.0% equity interest in WH Project Company. Yuexiu Property has also provided an unconditional and irrevocable guarantee in respect of all WH Vendor’s obligations, commitments, undertakings, warranties and indemnities under the Acquisition Deed.

2.5.6 Residential Carpark Spaces

The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that having regard to the relevant pre-sale permits, WH Project Company can only dispose of the Commercial Carpark Spaces and Residential Carpark Spaces to owners of premises within the Development, although there is no restriction under PRC law preventing such carpark spaces from generating rental income in the meantime. As the Residential Carpark Spaces do not directly support the rest of the Wuhan Property held by WH Project Company, the JV Shareholders presently intend to dispose of such carpark spaces after the second anniversary of Completion, subject to prevailing market conditions and in accordance with the relevant pre-sale permits.

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2.5.7 Transfer of shares

No JV Shareholder shall have the right to dispose any part of its interest in (or shareholder loans to) WH Project Company to a third party transferee, unless it has first offered its entire equity interest in (and shareholder loans to) WH Project Company to the other JV Shareholder (on the same or better terms agreed with the third party transferee) who declines to accept such offer. Such restriction on disposal shall not apply to a transfer by either JV Shareholder to an affiliate. The transferee of any permitted transfer of shares in WH Project Company shall enter into a deed of adherence to become bound by the Joint Venture Agreement.

The non-transferring JV Shareholder shall also have a tag-along right when the transferring JV Shareholder is proposing to sell its interest to a third party transferee.

2.5.8 Events of default

An event of default occurs when: (a) a JV Shareholder becomes insolvent; (b) a JV Shareholder fails to fund WH Project Company at the time and in the manner according to the terms of the Joint Venture Agreement; or (c) a JV Shareholder breaches certain other provisions of the Joint Venture Agreement (for example, restrictions on transfer of shares in WH Project Company).

After the occurrence of an event of default in relation to a JV Shareholder, the Non-Defaulter may (but is not obliged to), without prejudice to any other rights and remedies available to the Non-Defaulter (for example, its rights and remedies under the relevant law for breach of contract, including but not limited to monetary compensation and injunction, depending on the specific circumstances), at any time give a written notice to the Defaulter requiring:

- (a) the Defaulter to sell to the Non-Defaulter all shares in WH Project Company held by the Defaulter together with all shareholder loans owing to the Defaulter and interests accrued thereon which remain unpaid (together, the “**Defaulter’s Interest**”) at a price equal to 90.0% of the fair market value of the Defaulter’s Interest determined in accordance with the Joint Venture Agreement; or
- (b) the Defaulter to purchase from the Non-Defaulter all shares in WH Project Company held by the Non-Defaulter together with all shareholder loans owing to the Non-Defaulter and interests accrued thereon which remain unpaid (together, the “**Non-Defaulter’s Interest**”) at a price equal to 110.0% of the fair market value of the Non-Defaulter’s Interest determined in accordance with the Joint Venture Agreement.

Subject to compliance with all the relevant laws and regulations, the Defaulter has no discretion and must comply with the Non-Defaulter’s election.

2.5.9 Duration and termination of the Joint Venture Agreement

Pursuant to the Joint Venture Agreement, the operating term of WH Project Company as a joint venture is from the effective date of the Joint Venture Agreement to 19 January 2031. The Joint Venture Agreement may be terminated in advance at the earliest of: (i) a date agreed between the parties to the Joint Venture Agreement; (ii) all shares in WH Project Company being owned and held by one shareholder; and (iii) the dissolution of WH Project Company.

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2.6 Key information of the Wuhan Property

2.6.1 Description

The Wuhan Property comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) the 1,134 Commercial Carpark Spaces; and (d) the 375 Residential Carpark Spaces. The Commercial Carpark Spaces and Residential Carpark Spaces are situated in an underground carpark comprising a total of 3,188 spaces (being the Total Carpark Spaces). The remaining 1,679 spaces are held by independent third parties and do not form part of the Wuhan Property.

The Wuhan Property is a part of the Development, which is a larger integrated development project that also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities.

Upon Completion, Yuexiu REIT will (through the WH Target Group) hold 67.0% of the Wuhan Property. A simplified chart showing the property holding structure of the Wuhan Property immediately before Completion (after the Reorganisation and the pre-completion disposal of the Non-Target Property) and a simplified chart showing the expected holding structure of the Wuhan Property immediately after Completion are contained in sections 2.2 and 2.3 headed “Holding Structure of the Wuhan Property before Completion” and “Expected Holding Structure of the Wuhan Property” in this Circular.

2.6.2 Location

The Wuhan Property is located in Hankou Riverside Business District, an emerging business district in Wuhan, the capital city of Hubei province in Central China. The Wuhan Property is located within the second ring of the city and enjoys easy accessibility with direct connections to both the existing metro line 1 and planned metro line 10 intersecting at the Qiaokou Road station. The Yuehu Bridge on the southern side of the Wuhan Property is closed due to a road reconstruction and widening project and is planned to reopen in August 2018. After the reopening of the Yuehu Bridge, it will be more convenient for people to access the large residential area in Sixin District (with a planned population of approximately 250,000) from Hankou Riverside Business District.

2.6.3 Key information

The table below sets out a summary of selected information on the Wuhan Property as at 31 October 2017 unless otherwise indicated.

Address:	No. 1 Zhongshan Avenue, Qiao Kou District, Wuhan, Hubei Province, the PRC
Year and month of completion:	Office: August 2016 Retail: (Plot A) December 2015 and (Plot B) October 2015 Commercial Carpark Spaces: (Plot A) August 2016 and (Plot B) October 2015 Residential Carpark Spaces: (Plot A) August 2016, (Plot B) October 2015 and (Plot C) September 2014

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Term of land use rights⁽¹⁾:	The period commencing on 27 May 2011 and ending on 26 May 2051
Operating term of WH Project Company:	The period commencing on 19 January 2011 and ending on 19 January 2031 ⁽²⁾
Ownership certificates (不動產權屬證明):	Obtained on 20 September 2017 (save for certain portions referred to in section 2.9 headed “Ownership”)
Gross floor area:	Office: 129,446.74 sq.m. Retail: 43,557.58 sq.m. Commercial Carpark Spaces: 47,182.94 sq.m. ⁽³⁾ Residential Carpark Spaces: 15,602.82 sq.m. ⁽³⁾ Other: 12,415.12 sq.m. ⁽⁴⁾
Gross rentable area:	Office: 129,446.74 sq.m. Retail: 43,557.58 sq.m.
Net lettable area:	Office: 80,881.62 sq.m. Retail: 27,474.49 sq.m.
Number of carpark spaces:	Commercial: 1,134 Residential: 375
Number of tenants:	Office: 29 Retail: 80
Average rent (RMB/sq.m.) (excluding carpark spaces) for the month of October 2017⁽⁵⁾:	Office: RMB90.78 (based on gross rentable area) Retail: RMB45.75 (based on gross rentable area) and RMB71.89 (based on net lettable area)
Percentage of gross rented area leased to top 10 tenants⁽⁶⁾:	Office: 75.2% Retail: 53.7%
Percentage of total monthly rent from top 10 tenants:	Office: 74.6% Retail: 33.2%
Occupancy rate as at the Latest Practicable Date⁽⁷⁾⁽⁸⁾:	Office: 40.5% Retail: 86.8%
Net property income for the six months ended 30 June 2017⁽⁹⁾:	RMB6,557,651
Appraised value as at 31 August 2017 (being the WH Appraised Value):	RMB3,587,000,000

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Notes:

- (1) As advised by the Manager's PRC legal adviser, 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 a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. There is no expiry date regarding the ownership rights held by WH Project Company. As such, as advised by the Manager's PRC legal adviser, unless the government plans to expropriate the land due to public interest, the land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.
- (2) Similar to most other PRC companies, the duration of WH Project Company is not unlimited. WH Project Company's approved original operating term is 20 years with possible extension. The expiry date of the original operating term (being 19 January 2031) is earlier than the expiry date of the land use right terms (being 26 May 2051). The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that if the operating term is to be extended, a shareholders' meeting is required to pass the resolution to extend the original operating term and to amend WH Project Company's articles of association for the extension. Zhong Lun Law Firm does not foresee any legal impediment for the renewal of the operating term of WH Project Company as long as WH Project Company's articles of association and PRC regulations are followed. Please see paragraph 2(a) of Appendix 6 and the risk factor headed "WH Project Company may not be able to renew its original operating term" in Appendix 5 for more details.
- (3) Based on the total area of the underground carpark (being 132,644.8 sq.m.), multiplied by the total number of Commercial Carpark Spaces or Residential Carpark Spaces (as the case may be), divided by the Total Carpark Spaces.
- (4) Includes public utility rooms and fire refuge floors.
- (5) Average rent per leased sq.m. is based on current gross (base) rent.
- (6) Top 10 tenants by gross rented area. 6.3% of the office gross floor area (based on signed leases) is leased to Wuhan Kangjing Shiye Investment Co., Ltd.* (武漢康景實業投資有限公司), being a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and one of the top 10 tenants in respect of the office portion of the Wuhan Property. Please refer to section 2.6.6 headed "Top 10 tenants by gross floor area as at 31 October 2017 based on signed leases" for further details.
- (7) Occupancy rate calculated based on leased gross rentable area excluding the carpark spaces.
- (8) Development of the office portion of the Wuhan Property was completed in August 2016 and leasing only commenced in November 2016, which may have resulted in the office portion's relatively low occupancy rate of around 40.5% as at the Latest Practicable Date. Development of the retail portion of the Wuhan Property was first completed in October 2015.
- (9) Calculated by deducting property operating expenses from gross revenue based on information provided by WH Vendor. Gross revenue consists of gross rental income (net of tax) and all income accruing or resulting from the operation of the Wuhan Property, including advertising revenue and other revenues. Property operating expenses include direct property related expenses incurred by WH Project Company, including, without limitation, property agency fee, utilities expenses, insurance expenses, tax related expenses and expenses related to repairs and maintenance.

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2.6.4 *Tenant profile and details of tenancy mix*

The table below sets out details of the overall tenant diversification of the Wuhan Property, in terms of trade sub-sector by reference to total gross rented area as at 31 October 2017 and total gross rental income for the month ended 31 October 2017:

Office:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Commercial service	67.6%	62.6%
Real estate	13.9%	20.4%
Manufacturing	8.9%	8.6%
Information technology	5.3%	5.2%
Finance	4.3%	3.2%
Total	100.0%	100.0%

Retail:

Trade sector	Percentage by gross rented area	Percentage by gross rental income
Food and beverage	35.3%	37.0%
Lifestyle essentials	15.3%	31.3%
Leisure and entertainment	34.4%	20.0%
Childcare provisions	10.1%	7.6%
Fashion retail	4.9%	4.1%
Total	100.0%	100.0%

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2.6.5 Schedule of tenancy expirations

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Wuhan Property as at 31 October 2017, which are scheduled to take place during the periods indicated below:

Office:

Period	Gross rented area of tenancies expiring as a percentage of total gross rented area⁽¹⁾	Gross rental income of tenancies expiring as a percentage of total gross rental income⁽²⁾
Year ending 31 December 2017	0.0%	0.0%
Year ending 31 December 2018	0.0%	0.0%
Year ending 31 December 2019	7.7%	7.5%
Year ending 31 December 2020	25.3%	26.8%
Year ending 31 December 2021	13.4%	12.6%
Year ending 31 December 2022 and beyond	<u>53.6%</u>	<u>53.1%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Retail:

Period	Gross rented area of tenancies expiring as a percentage of total gross rented area⁽¹⁾	Gross rental income of tenancies expiring as a percentage of total gross rental income⁽²⁾
Year ending 31 December 2017	0.4%	0.7%
Year ending 31 December 2018	2.8%	6.2%
Year ending 31 December 2019	8.7%	16.9%
Year ending 31 December 2020	22.0%	23.5%
Year ending 31 December 2021 and beyond	<u>66.1%</u>	<u>52.7%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Notes:

- (1) Based on total gross rental area and total gross rental income for the month ended 31 October 2017.
- (2) The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies terminate after their fixed lease terms.

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2.6.6 Top 10 tenants by gross floor area as at 31 October 2017 based on signed leases

The following table sets forth details of the top 10 tenants by gross floor area as at 31 October 2017 based on signed leases:

Office:

No.	Trade sector	Tenancy expiry	Gross floor area (sq.m.)	Proportion of gross area (sq.m.)	Monthly Rent (RMB)	Proportion of monthly rent
1	Commercial service	31 December 2021, 31 March 2022, 30 June 2022	15,225.34	30.7%	1,367,441	30.3%
2	Commercial service	15 August 2023, 30 September 2023	4,834.32	9.7%	326,787	7.3%
3	Real estate	31 August 2022	3,108.18	6.3%	407,070	9.0%
4	Real estate	14 August 2020	2,550.25	5.1%	353,870	7.9%
5	Commercial service	31 May 2020	2,457.05	5.0%	174,222	3.9%
6	Commercial service	24 September 2022	2,417.16	4.9%	182,818	4.1%
7	Manufacturing	31 July 2021	1,834.03	3.7%	138,714	3.1%
8	Commercial service	23 April 2022	1,664.48	3.4%	157,364	3.5%
9	Manufacturing	14 March 2020	1,629.94	3.3%	147,933	3.3%
10	Commercial service	31 May 2022	1,629.94	3.3%	107,868	2.4%

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Retail:

No.	Trade sector	Tenancy expiry	Gross floor area (sq.m.)	Proportion of gross area (sq.m.)	Monthly Rent (RMB)	Proportion of monthly rent
1	Leisure and entertainment	30 September 2025	4,707.55	12.7%	137,143	8.1%
2	Leisure and entertainment	25 September 2023	3,468.46	9.3%	41,709	2.5%
3	Leisure and entertainment	11 November 2035	3,461.96	9.3%	136,098	8.0%
4	Food and beverage	14 September 2030	2,098.26	5.7%	58,063	3.4%
5	Childcare provisions	24 December 2020	1,210.87	3.3%	21,113	1.2%
6	Food and beverage	31 December 2025	1,185.56	3.2%	41,030	2.4%
7	Leisure and entertainment	24 December 2020	1,156.52	3.1%	24,742	1.5%
8	Commercial service	25 September 2020	949.58	2.6%	80,700	4.8%
9	Food and beverage	31 May 2022	854.67	2.3%	1,491	0.1%
10	Food and beverage	31 December 2021	839.86	2.3%	22,209	1.3%

Note:

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

2.6.7 Delinquency rates

No provision was made for unpaid rents for the year ended 31 December 2016 (being the year in which leasing of the Wuhan Property commenced) and the six months ended 30 June 2017, in respect of the Wuhan Property.

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2.7 Property valuation

Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has been appointed as the Independent Property Valuer to appraise the value of the Wuhan Property for the purpose of the Acquisition. The WH Appraised Value of the Wuhan Property (as assessed by the Independent Property Valuer as at 31 August 2017) was RMB3,587,000,000. The Agreed Acquisition Amount represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017).

In arriving at the WH Appraised Value in respect of the Wuhan Property, the Independent Property Valuer has made use of the income capitalisation method and discounted cash flow analysis cross-referenced with the direct comparison method. The income capitalisation method is based on the capitalisation of the current passing rental income as of the date of valuation, and adding up with the reversionary interests by capitalising at current market rents by assuming that the Wuhan Property was fully let for the vacant portion on the date of valuation at current market rents and renewed at current market rents for the tenanted portion upon expiry of leases into present value to arrive at the capital value. The discounted cash flow analysis is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Wuhan Property, and is based on historical data with assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing rent. These assumptions determine the earning capability of the property upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner over a 10-year investment horizon; and the anticipated net property income stream receivable thereafter is capitalised at appropriate terminal capitalisation rate and adjusted to present value to reflect the capital value beyond the years until the end of land use rights' term. The direct comparison method is based on comparing the Wuhan Property directly with other comparable properties which recently offered or changed hands.

For further details on the methods and bases of the valuation of the Wuhan Property, please refer to Appendix 3 headed "Independent Property Valuer's Wuhan Property Valuation Report".

The WH Appraised Value does not take into account the financing and shareholding structure of the Wuhan Property and is not equivalent to the value of the WH Target Group. Accordingly, the parties have agreed to adjust the Agreed Acquisition Amount in the manner described in section 2.4.3 headed "Consideration and Payment Terms for the Acquisition".

2.8 Due diligence review

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Wuhan Property and the WH Target Group, and no material irregularities or non-compliance issues have been noted as at the Latest Practicable Date. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual. Immediately after Completion, Yuexiu REIT will hold good, marketable, legal and beneficial title in 67.0% of the Wuhan Property.

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

2.9 Ownership

Yuexiu REIT's 67.0% interest in the Wuhan Property will be held on trust for Yuexiu REIT by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through WH Purchaser, hold WH Target Company. WH Target Company will after the Reorganisation indirectly own 67.0% of the equity interest in WH Project Company, which in turn is the legal and registered owner of the land use rights and current ownership rights underlying the Wuhan Property.

The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that WH Project Company has legally obtained the state-owned land use rights and is the sole user of the land use rights in respect of the Wuhan Property. The PRC legal adviser of the Manager has also advised that WH Project Company is the sole owner of the ownership certificates (不動產權屬證明) issued in respect of the Wuhan Property, and that ownership certificates have been issued in respect of the entire Wuhan Property save in respect of the following portions: (a) the Commercial Carpark Spaces, Residential Carpark Spaces and basement of the Wuhan Property; and (b) part of the retail portion of the Wuhan Property ("**Plot B Retail Portion**").

Regarding the absence of ownership certificates in respect of the Commercial Carpark Spaces, Residential Carpark Spaces, and basement of the Wuhan Property, the PRC legal adviser of the Manager has advised that this would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws and, in respect of the Commercial Carpark Spaces and Residential Carpark Spaces, subject to the conditions of the relevant pre-sale permits. Pursuant to the pre-sale permits for the Commercial Carpark Spaces and Residential Carpark Spaces, such carpark spaces can only be sold to owners of premises within the Development.

Regarding the absence of ownership certificates in respect of the Plot B Retail Portion, the PRC legal adviser of the Manager has advised that, irrespective of whether WH Project Company has obtained the ownership certificates (being the definitive evidence of title for the Wuhan Property), WH Project Company, as the owner of the land use right in respect of the Wuhan Property, has also obtained all the requisite licences, permits and certificates to develop the Wuhan Property, and is the owner of the Wuhan Property and such ownership is protected under PRC law, and that the absence of such ownership certificates in respect of the Plot B Retail Portion would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws.

No property rights certificates (不動產權證) have been obtained in respect of the Wuhan Property to date but the PRC legal adviser of the Manager has advised that the absence of such certificates would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws. WH Vendor has advised the

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Manager that the process of obtaining property rights certificates in respect of the aboveground portion of Plot A, the Plot B Retail Portion and the office portion of the Wuhan Property is currently ongoing and is expected to be complete prior to Completion. The PRC legal adviser of the Manager has advised that the issuance of such certificates is only pending certain procedural formalities in the PRC, and does not foresee any legal impediment for WH Project Company to obtain such certificates as long as such procedural formalities are followed. The property rights certificates that are presently being obtained will not cover the entire Wuhan Property, but as noted above, the PRC legal adviser of the Manager has advised that the absence of such certificates (including those for the remaining portions of the Wuhan Property in which no property rights certificate is presently being obtained) would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws, although it may be practically difficult to collateralise such areas.

Based on the above, the PRC legal adviser of the Manager is of the view that WH Project Company can legally own, occupy, transfer and lease out the Wuhan Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing tenancies, although it may be practically difficult to collateralise portions of the Wuhan Property with no property rights certificate. Based on the above advice of the PRC legal adviser, the Manager is of the view that WH Project Company will have good, marketable, legal and beneficial title to the Wuhan Property upon Completion.

According to the *Law of the People's Republic of China on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term (being 26 May 2051 in respect of the Wuhan Property), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. There is no expiry date regarding the ownership rights held by WH Project Company. For the reasons above, the PRC legal adviser of the Manager has advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations. However, there can be no assurance that a land use right extension can always be obtained.

2.10 Tenancy agreements

2.10.1 Overview of the tenancy agreements

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

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At the time of entering into a tenancy, the tenants of the Wuhan Property are required to provide a security deposit, which is generally the aggregate of not more than three months' rent and management fees. Security deposits do not bear interest. In respect of the office portion of the Wuhan Property, most of the tenants are required to pay their rents on a monthly basis, on or around the beginning of each payment period. In respect of the retail portion of the Wuhan Property, most of the tenants are required to pay their rents on a quarterly basis, on or before the fifth day of each month. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, are commonly granted to the tenants by the landlord.

Under the tenancy agreements, the tenants are responsible for payment of building management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is damaged, destroyed or otherwise rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the tenants and provided that such damage or destruction is not repaired or reinstated within three months after such event, according to most of the tenancy agreements, the landlord or the tenant shall be entitled to terminate the tenancy agreement by written notice to the other party. The landlord may in its sole discretion reduce the rent payable by the tenant according to the nature and extent of the damage sustained until the damage is fully repaired or reinstated by the landlord, but the landlord is not obliged to repair or reinstate the damage. The tenants are not permitted to assign or sublet the premises, unless it is expressly agreed in the tenancy agreements that they may assign or sublet the leased property to affiliated enterprises of the tenants or third parties after the landlord's consent is given.

The majority of the tenancy agreements do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises suffer from serious defects which render them unfit for use, in which case tenants may terminate their tenancies where the landlord fails to deliver or rectify those defects (as the case may be) within 30 days upon receiving tenants' written notices. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any costs, expenses, losses or damages sustained by the latter including but not limited to, any legal fees, loss of rent and other fees which the landlord would otherwise be entitled to receive under the tenancy but for the tenant's unilateral termination thereof. The landlord is entitled to forfeit all the security deposit paid and any other fees prepaid by such tenant to offset costs, expenses, losses or damages referred to above and claim against such tenant for any shortfall. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment beyond a period of 30 days or breach of covenants by the tenant.

2.10.2 Lease CCTs

On Completion, the tenancy agreements entered into by WH Project Company will be assumed by Yuexiu REIT by virtue of its acquisition of a 67.0% interest in the WH Project Company. As at the

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Latest Practicable Date, each of the following entities (collectively, the “**Relevant Tenants**”) has entered into a tenancy agreement with WH Project Company in respect of certain premises within the Wuhan Property (collectively, the “**Lease CCTs**”):

- (a) Wuhan Kangjing Shiye Investment Co., Ltd.* (武漢康景實業投資有限公司); and
- (b) Wuhan Yuexiu Victoria Business Management Ltd* (武漢越秀維港商業管理有限公司).

Details of the Lease CCTs subsisting as at the Latest Practicable Date are provided in the table below:

Relevant Tenant	Premises	Gross floor area (sq.m.)	Commencement date	Monthly rent (RMB)	Monthly		Term (years)
					rent per sq.m. (RMB)	Rent free period (days)	
Wuhan Yuexiu Victoria Business Management Ltd	Unit 6201A	875.91	1 September 2017	127,007	145	91	5
Wuhan Kangjing Shiye Investment Co., Ltd.	Unit 6201B, 6301	3,108.18	1 September 2017	407,070	131	91	5
Wuhan Kangjing Shiye Investment Co., Ltd.	Units 505-506	401.08	1 September 2017	34,894	87	30	5
Total (RMB):				<u>554,431</u>			

Rent payable by the Relevant Tenants would increase over their respective lease terms in accordance with the terms of the Lease CCTs, with increases of up to 5% depending on the year of the lease. Further details of the Lease CCTs (including, the monthly rent and the rental income received by Yuexiu REIT for that reporting period) will be disclosed in Yuexiu REIT’s semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code. Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence fees in respect of the Lease CCTs were at prevailing market levels as at their respective agreement dates, and that the other commercial terms in the Lease CCTs such as tenure, rental deposits and break clauses were normal commercial terms.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Relevant Tenants is an associated company of a significant holder of Yuexiu REIT (being Dragon Yield), by virtue of Yuexiu Property owning more than 20% of the voting rights of Dragon Yield and each of the Relevant Tenants respectively. Accordingly, each of the Relevant Tenants is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code and on Completion, the Lease CCTs and the transactions contemplated thereunder will constitute

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continuing connected party transactions of Yuexiu REIT, which fall within the scope of the “leasing transactions” described in the 2014 Extended Waiver. For further details, please see section 8.6 headed “New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs” in this Circular.

2.11 Management strategy

2.11.1 Overall strategy

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

(a) *Increasing returns through asset enhancement*

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

As at the Latest Practicable Date, there are no specific plans for renovation or improvement of the Wuhan Property. The Manager may or may not carry out such activities depending on the needs of the Wuhan Property as the Manager considers appropriate, in accordance with the terms of the Joint Venture Agreement.

(b) *Pro-actively managing and leasing properties*

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

(c) *Maximising occupancy rate of the properties*

The Manager will continue to maximise the occupancy rate of the properties of Yuexiu REIT by offering competitive rental packages, as well as by active marketing and promotions. Appropriate leasing strategies suited to the local market will be developed and implemented, and the Manager will also continue to review and improve the tenant mix and facility layout of the properties so as to maximise the value of the properties of Yuexiu REIT.

2.11.2 Management of the Wuhan Property

Upon Completion and pursuant to the Joint Venture Agreement, the Manager will have the general power of management over the Wuhan Property and its main responsibility is to manage such property for the benefit of the Unitholders.

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(a) *New Property Management Agreement*

On Completion, Yicheng Wuhan Branch and WH Project Company will enter into a property management agreement (the “**New Property Management Agreement**”) pursuant to which Yicheng Wuhan Branch agrees to act as the property manager of the Wuhan Property and provide property management services in respect of such property for a term commencing from Completion to 31 December 2020.

Under the New Property Management Agreement, Yicheng Wuhan Branch will be entitled to collect a property management fee from the tenants at a rate of RMB30 per sq.m. per month for the office portion of the Wuhan Property, and generally RMB40 per sq.m. per month for the retail portion of the Wuhan Property (adjustable for consumer price index increases) depending on the tenant profile and the actual monthly property management expenses of the Wuhan Property. No property management fees shall be payable under the New Property Management Agreement in respect of the Commercial Carpark Spaces and Residential Carpark Spaces.

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

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

(b) *Tenancy Services Agreement*

Yicheng Wuhan Branch and WH Project Company shall enter into a tenancy services agreement (the “**Tenancy Services Agreement**”) on Completion pursuant to which Yicheng Wuhan Branch will provide tenancy services to all tenants of the Wuhan Property for a term commencing from Completion to 31 December 2020 and as consideration for such services, an annual leasing agents’ fee of 4.0% of the gross annual revenue for the Wuhan Property will be charged. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the “tenancy services agreement” described in the 2014 Extended Waiver. For further details of the fees payable and the types of services provided for under the “tenancy services agreement”, please refer to the 2014 Extended Waiver.

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

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(c) *Carpark Master Lease Agreements*

Yicheng Wuhan Branch and WH Project Company shall enter into a carpark master lease agreement (the “**Commercial Carpark Master Lease Agreement**”) on Completion, pursuant to which the Commercial Carpark Spaces as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing from Completion to 31 December 2020 for RMB7,500,000 per year. The Commercial Carpark Master Lease Agreement may be renewed at the option of WH Project Company after expiry of the initial term, subject to agreement between the parties thereto.

Yicheng Wuhan Branch and WH Project Company shall also enter into a carpark master lease agreement (the “**Residential Carpark Master Lease Agreement**” and together with the Commercial Carpark Master Lease Agreement, the “**Carpark Master Lease Agreements**”) on Completion, pursuant to which the Residential Carpark Spaces as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing from Completion to 31 December 2020 for RMB3,480,000 per year. The Residential Carpark Master Lease Agreement may be renewed at the option of WH Project Company after expiry of the initial term or any renewal term for a one-year term each until all Residential Carpark Spaces held by WH Project Company are sold, and such renewal shall be on terms agreed between the parties thereto, subject to compliance with all the relevant laws and regulations (including, without limitation, the REIT Code).

Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence fees in respect of the agreed form Carpark Master Lease Agreements are at prevailing market levels as at the Latest Practicable Date, and that the other commercial terms in the agreed form Carpark Master Lease Agreements such as tenure, rental deposits and break clauses are normal commercial terms.

(d) *Regulatory considerations*

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Yicheng Wuhan Branch is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being 99.28% indirectly owned by Yuexiu Property.

Accordingly: (i) the New Property Management Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which fall within the scope of “property management agreements” described in the 2014 Extended Waiver; (ii) the Tenancy Services Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which fall within the scope of “tenancy services agreements” described in the 2014 Extended Waiver; and (iii) each Carpark Master Lease Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT, which fall within the scope of “leasing transactions” described in the 2014 Extended Waiver. For further details, please see section 8.6 headed “New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs” in this Circular.

2.12 Competition

Wuhan Yuexiu Fortune Centre (武漢越秀財富中心), being the office portion of the Wuhan Property, is an International Grade A office building completed in 2016. There are currently three

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International Grade A and 11 Grade A office buildings in Wuhan. Wuhan Yuexiu Fortune Centre is the tallest operating International Grade A office building put into use in Wuhan with a height of 330 metres. In the Hankou Riverside Business District where Wuhan Yuexiu Fortune Centre is located, there are currently three other Grade A office buildings, namely Corporate Centre A5, A2 and A3. According to the Market Consultant Report, only three other International Grade A office buildings, namely Corporate Centre A1, Greenland 636 and Wuhan Centre, are expected to enter the Wuhan market in the next five years. As at the Latest Practicable Date, Wuhan Yuexiu Fortune Centre is the only operating International Grade A office building in the Hankou Riverside Business District.

Starry Victoria Shopping Centre (星匯維港購物中心), being the retail portion of the Wuhan Property, is the first Hong Kong lifestyle oriented large neighbourhood mall in Wuhan and the first shopping mall in Wuhan built with a covered walkway to the metro. Starry Victoria Shopping Centre is located in the Wuguang commercial area, which is one of the top commercial areas in Wuhan. There are four other existing main prime retail properties in the Wuguang commercial area, namely Wuhan International Plaza, Wuhan Plaza, West Park and Capital Plaza. However, Starry Victoria Shopping Centre differentiates itself from the aforesaid prime retail properties in terms of target consumers and trade mix by reason of it being a Hong Kong lifestyle oriented neighbourhood mall. According to the Market Consultant Report, five other prime retail properties, namely, New World K11, Hang Lung Plaza, Wusheng Road Joy City and Yuexiu International Financial Plaza, are expected to commence operations in the Wuguang commercial area by the end of 2021. The total gross floor area of such new properties are expected to represent about 19% of the total supply of prime retail properties in Wuhan, and will further strengthen the core position of the Wuguang commercial area in Wuhan. The Market Consultant has prepared the Market Consultant Report analysing, among other things, the competitive conditions of the Wuhan Property. For details, please refer to Appendix 4 headed “Market Consultant Report for the Wuhan Property Market”.

To mitigate future competition with Yuexiu Property in Wuhan (for example, any potential competition that may be faced with Yuexiu International Financial Plaza which, to the best of its knowledge and belief and based on information currently available to the Manager, is wholly-owned by an associated company of Yuexiu Property), Yicheng Wuhan Branch (being the entity engaged by WH Project Company under the New Property Management Agreement, Tenancy Services Agreement and Carpark Master Lease Agreements) will ensure that a dedicated team will provide the relevant services solely to WH Project Company.

3 FINANCING OF THE ACQUISITION

The Manager intends to finance the Consideration: (i) as to the Initial Completion Payment and WH True-up Payment, from drawing down on the New Bank Facility up to an amount equivalent to RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate as determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30 a.m. (Hong Kong Time) on Reuters at the relevant time), and internal resources; and (ii) as to the Deferred Completion Payment (and all accrued interest thereon) payable within one year after Completion, from one or more sources of funds as described in section 3.2 headed “Financing of the Deferred Completion Payment” below. The One-Off Fees and Charges will be financed by internal resources and/or drawing down on the New Bank Facility.

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3.1 New Bank Facility

The Manager has entered into a commitment letter with a lender bank for the provision of a Hong Kong dollar denominated unsecured term loan facility up to an amount equivalent to RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate as determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30 a.m. (Hong Kong Time) on Reuters at the relevant time) (the “**New Bank Facility**”), which is intended to be drawn down in full to partly finance the Consideration and/or One-Off Fees and Charges. 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 1.3% per annum over HIBOR, and will mature and become repayable in three years 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.

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

3.2 Financing of the Deferred Completion Payment

The Manager intends to finance the Deferred Completion Payment (and all accrued interest thereon), which shall be paid within one year after Completion, by: (i) utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) having regard to prevailing market conditions and the strategic objectives of Yuexiu REIT; and/or (ii) drawing down on the Vendor Facility to the extent there is any shortfall. Any such additional new bank borrowings shall be on normal commercial terms, at arm’s length, fair and reasonable and in the interests of Unitholders. As of the Latest Practicable Date, Yuexiu REIT has not entered into any binding agreement in relation to the disposal of any one or more Existing Properties.

In formulating the financing structure for the Deferred Completion Payment (and all accrued interest thereon), the Manager, in consultation with its financial advisers, will take into consideration, among other things: (i) the parameters to which Yuexiu REIT is subject (including the borrowing limits and distribution requirements under the REIT Code and Trust Deed, such borrowing limit under the REIT Code currently limiting the Gearing Ratio to 45.0%); (ii) the costs of debt under the prevailing market conditions; (iii) the availability of other more favourable financing means having regard to the strategic objectives of Yuexiu REIT; and (iv) the expected financial effect of the selected financing structure.

The Manager shall publish a further announcement regarding the Deferred Completion Payment (and interest accrued thereon), including the financing thereof, as soon as practicable after such amount has been paid.

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3.3 Vendor Facility

WH Purchaser (as borrower) will, on Completion, enter into a facility letter in respect of the Vendor Facility with WH Vendor (as lender). In the event that there is any shortfall in the funding required for payment of the Deferred Completion Payment, WH Purchaser may draw down on the Vendor Facility to fund the shortfall if the Manager considers that other financing options with terms and conditions to its satisfaction cannot be secured at the time the Deferred Completion Payment is made.

The “Vendor Facility” relates to a Hong Kong dollar denominated unsecured term loan facility up to an amount equivalent to RMB814,700,000 (based on a five-day average of the RMB/HKD central parity rate as announced by the People’s Bank of China at the relevant time), bearing interest at a margin of 1.3% per annum over HIBOR. The Vendor Facility will mature and become repayable one year from the date on which the Vendor Facility is drawn down, subject to Yuexiu REIT having four successive options to extend the maturity date of the Vendor Facility for a further year on the same terms other than the interest margin. The interest margin applicable during the initial term of the Vendor Facility was agreed by WH Vendor and WH Purchaser having regard to prevailing market conditions and the interest margin for each extension period shall likewise be determined having regard to the market conditions then prevailing. Under the Vendor Facility, Yuexiu REIT shall obtain quotations from two independent third party banks for a loan on similar terms as the Vendor Facility prior to each extension of the Vendor Facility, and the interest margin for such extension period shall be the lower of the two quotations.

There is no guarantee provided under the Vendor Facility. Taking into account the Gearing Ratio and the financial resources available to Yuexiu REIT, including its existing cash resources and internally generated funds, the Manager believes that Yuexiu REIT will be able to repay or refinance the Vendor Facility (if drawn) when due.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, WH Vendor is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property. Accordingly, the Vendor Facility and the transactions contemplated thereunder will constitute connected party transactions of Yuexiu REIT. For further details, please see section 8.5.3 headed “Waiver for Connected Party Transactions in respect of the Vendor Facility” in this Circular.

3.4 Expected Gearing Ratio

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the Manager expects the Gearing Ratio of Yuexiu REIT to decrease from 37.1% (as at 30 June 2017) to approximately 36.4% immediately following payment of the Initial Completion Payment (but not the Deferred Completion Payment) at Completion, assuming: (i) completion of the Acquisition; (ii) drawdown under the New Bank Facility to finance the Initial Completion Payment; and (iii) retention by WH Project Company of RMB300,000,000 cash.

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For illustrative purposes only, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the same assumptions as above and further assuming the Deferred Completion Payment is fully paid upon Completion and entirely financed from the Vendor Facility, the Manager expects the Gearing Ratio of Yuexiu REIT to increase from 37.1% (as at 30 June 2017) to approximately 38.6% upon Completion. For the avoidance of doubt, rather than financing the Deferred Completion Payment from the Vendor Facility, Yuexiu REIT may instead utilise more favourable financing means (which may include drawing down on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) for financing the Deferred Completion Payment, which may result in a lower Gearing Ratio than 38.6%. Further, such impact on the Gearing Ratio of Yuexiu REIT would only crystallise once the Vendor Facility is drawn down, which would likely coincide with the payment of the Deferred Completion Payment up to one year after Completion.

4 FEES AND CHARGES IN RELATION TO THE ACQUISITION

4.1 Fees and charges payable in relation to the Acquisition

As WH Target Company of the Acquisition purchased from a connected person (as seller) of Yuexiu REIT through the Manager, no acquisition fee is payable to the Manager under the Trust Deed in connection with the Acquisition.

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee in connection with the Acquisition which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary course of Yuexiu REIT's day-to-day business operations. The Trustee has agreed with the Manager that it will charge Yuexiu REIT a one-time additional fee of HK\$1,000,000 for duties undertaken by it in connection with the Acquisition (the "**Trustee's Acquisition Additional Fees**").

The total fees and charges payable in relation to the Acquisition including the Trustee's Acquisition Additional Fees, advisory fees, professional fees, origination fees and expenses (the "**One-Off Fees and Charges**") are estimated to amount to approximately RMB65,000,000. The One-Off Fees and Charges are one-off transaction expenses for the Acquisition which are of a non-recurring nature.

4.2 Ongoing fees and charges following completion of the Acquisition

Pursuant to the Trust Deed:

- (a) the 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

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

The value of the Deposited Property will be increased as a result of the Acquisition (for so long as Yuexiu REIT holds its 67.0% interest in the Wuhan Property).

Pursuant to an Ordinary Resolution approved by Independent Unitholders at the extraordinary general meeting of Yuexiu REIT held on 23 July 2012, the Manager will receive its ongoing Manager's fees in the form of cash (as to 20.0%) and Units (as to 80.0%) for the year ending 31 December 2017.

5 REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board (including all the INEDs) believes that the Acquisition will bring the following benefits to the Unitholders:

5.1 Capture strong economic fundamentals and growth potential of Wuhan

As one of the few Tier 1.5 cities in China, Wuhan possesses strong economic fundamentals and advantages from its strategic and central location. In 2016, Wuhan's gross domestic product was ranked 9th in the PRC with a 7.8% year-on-year growth, outperforming the national gross domestic product growth of 6.7%. As a comparison, Shanghai's and Beijing's year-on-year gross domestic product growths were at 6.8% and 6.7%, respectively.

The National Development and Reform Commission explicitly defined Wuhan to be the seventh National Central City after Beijing, Tianjin, Shanghai, Guangzhou, Chongqing and Chengdu. The National Central Cities are core cities in China that have major influence on many aspects such as politics, economy, culture and diplomacy.

National policies and capital support have underpinned Wuhan's rapid transformation into a developed, service-led economy. During the 12th Five Year Plan period, Wuhan successfully upgraded its economy through its "dual emphasis on secondary industry and tertiary industry development" ("兩業並舉，雙輪驅動") strategy to focus on both the service industry as well as new-industrialization associated with the manufacturing industry, which aimed to bolster its traditional leading role in the industrial sector. As of 2016 year-end, Wuhan's service industry accounted for 52.8% of Wuhan's total gross domestic product.

From 2012 to 2016, Wuhan's gross domestic product per capita achieved a compound annual growth rate of 8.8%. Its gross domestic product per capita in 2016, being on par with Tier 1 cities such as Beijing and Shanghai, was a strong signal of Wuhan's growth potential and economic affluence. Total retail sales of consumer goods for Wuhan also grew at a compound annual growth rate of 12.8% from 2012 to 2016.

Wuhan has been successfully attracting both domestic and cross border capital investments. Domestic capital investment in Wuhan grew at a compound annual growth rate of 38.4% from 2012 to 2016. Attracted by Wuhan's strategic location and established city infrastructure, national

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institutions and corporates have located their headquarters or regional headquarters in Wuhan, and the trend is expected to continue. Wuhan is also recognised as a key sea, land and air transportation hub in China due to its geographic advantages. The amount of Foreign Capital Actually Used (實際利用外資) in Wuhan expanded at a compound annual growth rate of 17.7% from 2012 to 2016. As of the end of 2016: (a) nearly half of the Fortune 500 corporations had investments in Wuhan; and (b) Hong Kong-listed blue chip real estate companies, including New World Group, Shui On Land, The Wharf, Hutchison Whampoa and Hang Lung Properties, had real estate projects in Wuhan, evidencing a strong demand for Wuhan's premium office space.

These unique strengths position Wuhan as one of the potentially fastest growing cities in China. Its strong service industry and strategic location are expected to continue to attract ample capital investment and increase demand for premium office space. At the same time, its high gross domestic product per capita and growing retail sales are expected to foster a healthy business outlook for shopping mall buildings.

Based on the foregoing and having regard to the Market Consultant Report, the Manager is of the view that an investment in commercial real estate in Wuhan provides a healthy balance between risk and return as compared to an investment in a developed city within the PRC.

5.2 Enter into a fast growing market at attractive valuation and with down-side protection

The Manager is of the view that the Acquisition allows Yuexiu REIT to enter into the fast growing Wuhan market at an attractive valuation with downside protection for the period of the Support Arrangement, establish competitive strength in the Wuhan market and potentially enjoy the benefits of long term growth.

5.2.1 *Fast growing market*

According to the Market Consultant, the capital value of prime office buildings in the Hankou Riverside Business District is expected to grow at a compounded annual growth rate of 4.5% in the period from July 2017 to 2021. For the capital value of prime retail properties in Wuhan, the Market Consultant expects a compounded annual growth rate of 2.5% in the period from July 2017 to 2021.

5.2.2 *Attractive valuation*

The Agreed Acquisition Amount of the Wuhan Property represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

5.2.3 *Down-side protection*

To enable Yuexiu REIT to mitigate its exposure to the start-up risks associated with the operation of the Wuhan Property and to ensure Yuexiu REIT receives expected, progressive and recurrent net income during these periods, Yuexiu Property has agreed to the Support Arrangement by way of which it would provide support payments to Yuexiu REIT for the period from 1 January 2018 up to and

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including 31 December 2020. The Baseline Adjusted Net Income amounts for the three financial years during the term of the Support Arrangement are RMB78,000,000, RMB98,000,000 and RMB110,000,000 respectively. The step-up trend of the Baseline Adjusted Net Income amounts aligns with the Manager and the Market Consultant's view that the Wuhan Property will be able to leverage Wuhan's growth potential and demand for International Grade A office buildings. The Support Arrangement brings stability and assurance to Yuexiu REIT while simultaneously capturing the upside potential from the Acquisition. For further details, please see section 2.4.10 headed "Support Arrangement relating to the Wuhan Property".

5.3 Enhance and upgrade portfolio quality

The Acquisition is in line with Yuexiu REIT's investment objectives and growth strategy, which aim to invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential.

Through the acquisition of a 67.0% interest in the Wuhan Property, a newly completed International Grade A office building with high growth potential will be added into Yuexiu REIT's portfolio, thereby strengthening the quality and diversity of its portfolio, and at the same time creating a new growth driver for the portfolio's overall performance.

Wuhan Yuexiu Fortune Centre (武漢越秀財富中心), being the office portion of the Wuhan Property located in Hankou Riverside Business District, is an International Grade A office building completed in 2016 and is currently the tallest operating International Grade A office building in Wuhan with a height of 330 metres. It enjoys views of the Yangtze River and is currently the only International Grade A office building in the Hankou Riverside Business District. The Wuhan Property enjoys easy accessibility with direct connections to both the existing metro line 1 and planned metro line 10 intersecting at the Qiaokou Road station. The retail portion of the Wuhan Property is also the first shopping mall in Wuhan built with a covered walkway to the metro.

The Market Consultant Report estimates that the occupancy rate of the Wuhan Property's office space will reach 80% to 85% by the end of 2018, while the occupancy rate of its shopping mall is expected to be maintained at a high occupancy level of over 95% in the future.

Through the Acquisition, Yuexiu REIT aims to actively enhance its portfolio's overall quality and diversity while aligning with its strategic focus on top-tier properties in high quality locations.

5.4 Diversify portfolio and reduce risk

The Acquisition will be the first step for Yuexiu REIT to expand to central China and capture the growth potential of Wuhan, diversifying Yuexiu REIT into other top tier cities in the PRC and reducing Yuexiu REIT's reliance on the Guangzhou region.

Moreover, the Acquisition is expected to broaden the tenant base of Yuexiu REIT to include more reputable domestic and multi-national corporate tenants. Following the Acquisition, the contribution from Guangzhou IFC to Yuexiu REIT's total portfolio in terms of asset value is expected to reduce from 60% to 55%, while that from Yuexiu REIT's 67.0% interest in the Wuhan Property is expected to be 8%.

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Balanced against the benefits arising from the diversification of Yuexiu REIT's portfolio and tenant base, the Manager is also of the view that acquiring a 67.0% (and not 100.0%) interest in the Wuhan Property allows start-up risks associated with managing a relatively non-mature asset to be mitigated and limits Yuexiu REIT's obligations and liabilities pertaining to the Wuhan Property to its proportionate interest in WH Project Company.

By virtue of Yuexiu Property retaining 33.0% of its interest in the Wuhan Property post-Acquisition, Yuexiu REIT benefits from having its interest aligned with the existing owner of the Wuhan Property who has a sizeable local presence in Wuhan and requisite experience in managing the Wuhan Property.

The acquisition of a 67.0% interest in the Wuhan Property would also reduce the immediate financial burden on Yuexiu REIT that would otherwise be associated with an acquisition of the entire Wuhan Property, and the Acquisition is expected to result in a Gearing Ratio within the 45.0% borrowing limit under the REIT Code. Yuexiu REIT retains a right of first refusal to purchase the remaining 33.0% interest in the Wuhan Property under the terms of the Joint Venture Agreement to be entered into in connection with the Acquisition. For more details, please refer to section 2.5.7 headed "Transfer of Shares".

5.5 Enlarge portfolio scale

In addition to achieving a more diversified portfolio mix, the Acquisition will enlarge Yuexiu REIT's portfolio market valuation asset value by 8%. The Manager is of the view that the Acquisition will complement Yuexiu REIT's strong establishment in Guangzhou and existing presence in Shanghai with a new presence in Wuhan, capturing the growth potential from Wuhan's strong economy and growing importance as a business hub in China.

Please note that the Acquisition also involves risks. Unitholders should read and consider carefully, together with all other information in the Circular, the risk factors as disclosed in Appendix 5 before deciding to vote on the Transaction Matters Requiring Approval.

6 FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Pro forma financial effects of the Acquisition

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

- (a) the unaudited interim condensed financial information of Yuexiu REIT for the six months ended 30 June 2017; and
- (b) the audited financial information of the WH Target Group for the six months ended 30 June 2017 as set out in Appendix 1 headed "Accountant's Report in respect of the WH Target Group" to this Circular,

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and assuming:

- i. WH Project Company will, after the full settlement of the balances with the WH Project Company's fellow subsidiaries, retain cash and cash equivalents and charged bank deposits totalling RMB300,000,000 after the distribution of cash dividends to the shareholders of the WH Project Company;
- ii. the Initial Completion Payment (being 60.0% of the Consideration) is RMB1,149,671,000 and will be satisfied by the drawdown of the New Bank Facility, with the remaining 40.0% of the Consideration (being RMB766,447,000) to be satisfied in the form of Deferred Completion Payment; and
- iii. other matters stated in sections 6.2 to 6.4 of this Circular.

The Manager considers the above assumptions to be appropriate and reasonable as at the date of this Circular. However, Unitholders should note that the audited financial information of the WH Target Group has been presented in the Accountant's Report as a whole and for the avoidance of doubt, would include financial information in respect of the operation of the Wuhan Property and the Non-Target Property for the relevant period. Unitholders should consider the information outlined below in light of the foregoing and the assumptions above and make their own assessment of the future performance of Yuexiu REIT.

Based on the pro forma financial effects of the Acquisition as stated in this section as well as Appendix 2 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" which provides a more detailed illustration of the financial effects of the Acquisition, the Manager does not foresee any material adverse impact on the financial position of Yuexiu REIT as a result of the Acquisition.

Unitholders should note that unless otherwise stated, the financial effects of the Acquisition are on a pro forma basis and subject to the assumptions set out in Appendix 2 headed "Unaudited Pro Forma Financial Information of the Enlarged Group" to the Circular. Accordingly, they do not represent the actual financial position of Yuexiu REIT as a result of the Acquisition in the future.

6.2 Pro forma DPU

The pro forma financial effects of the Acquisition on DPU for the six months ended 30 June 2017, as if the Acquisition was completed on 1 January 2017 and Yuexiu REIT had held its 67.0% interest in the Wuhan Property through to 30 June 2017, are as follows:

	Before the Acquisition	After the Acquisition (without Support Arrangement)	After the Acquisition (with Support Arrangement) ⁽¹⁾
Distributable income (RMB'000)	395,301 ⁽²⁾	380,869 ⁽³⁾	417,589 ⁽⁴⁾
Issued Units ('000)	2,948,285 ⁽⁵⁾	2,949,061 ⁽⁶⁾	2,949,061 ⁽⁶⁾
DPU (RMB)	0.1340	0.1291 ⁽⁷⁾	0.1416

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Notes:

- (1) Figures stated in this column are strictly for illustrative purposes and further assume that the Support Arrangement was in effect for the six months ended 30 June 2017, and the Baseline Adjusted Net Income for the financial year ending 31 December 2018 amounting to RMB78,000,000 (equivalent to RMB39,000,000 on a half-yearly basis) applied for the six months ended 30 June 2017.
- (2) Based on the unaudited interim condensed consolidated distribution statement of Yuexiu REIT for the six months ended 30 June 2017.
- (3) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the WH Target Group as at and for the six months ended 30 June 2017; and (ii) assuming the Acquisition was completed on 1 January 2017.
- (4) The distributable income figure (with Support Arrangement) is derived by applying an illustrative support payment sum to the distributable income figure appearing in the column headed “After the Acquisition (without Support Arrangement)”. The illustrative support payment sum is, in turn, derived by applying certain adjustments to the sum of RMB39,000,000, this being 50.0% of the Baseline Adjusted Net Income for the financial year ending 31 December 2018 (being RMB78,000,000).
- (5) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017.
- (6) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017 and approximately 776,000 Units which would be issued for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017 assuming the Acquisition was completed on 1 January 2017.
- (7) The decrease in pro forma DPU after the Acquisition (without Support Arrangement) is primarily due to: (i) the office portion’s relatively low occupancy rate for the six months ended 30 June 2017 as the development of the office portion of the Wuhan Property only completed in August 2016; and (ii) the finance expenses associated with the New Bank Facility and the interest-bearing Deferred Completion Payment being fully recognised in the Unaudited Pro Forma Financial Information of the Enlarged Group.

For the avoidance of doubt, as the Support Arrangement only applies to the period from 1 January 2018 to 31 December 2020 (and would not be in effect for the six months ended 30 June 2017), figures stated in the column headed “After the Acquisition (with Support Arrangement)” above, that take into account the effect of support payments that may be payable to Yuexiu REIT under the Support Arrangement, are strictly for illustrative purposes only.

6.3 Pro forma net assets attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition on net assets attributable to Unitholders per Unit as at 30 June 2017, as if the Acquisition was completed on 30 June 2017, are as follows:

	Before the Acquisition	After the Acquisition
Net assets attributable to Unitholders (<i>RMB’000</i>)	14,196,791 ⁽¹⁾	14,131,791 ⁽²⁾
Issued Units (<i>’000</i>)	2,948,285 ⁽³⁾	2,949,061 ⁽⁴⁾
Net assets (including net assets attributable to deferred Unitholders) attributable to existing Unitholders per Unit (<i>RMB</i>)	4.81	4.79

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Notes:

- (1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2017.
- (2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated balance sheet of Yuexiu REIT and the audited financial information of the WH Target Group as at 30 June 2017; and (ii) assuming the Acquisition was completed on 30 June 2017.
- (3) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017.
- (4) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017 and approximately 776,000 Units which would be issued for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017 assuming the Acquisition was completed on 1 January 2017.

6.4 Pro forma capitalisation

The following table sets forth the capitalisation of Yuexiu REIT as at 30 June 2017 based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular, as if the Acquisition was completed on 30 June 2017.

	Before the Acquisition	After the Acquisition
Total debt (<i>RMB'000</i>) ⁽¹⁾	11,528,167	12,725,839
Net assets attributable to Unitholders (<i>RMB'000</i>)	<u>14,196,791</u>	<u>14,131,791</u>
Total capitalisation (<i>RMB'000</i>) ⁽²⁾	<u>25,724,958</u>	<u>26,857,630</u>

Notes:

- (1) Total debt represents total current and non-current borrowings.
- (2) Total capitalisation equals to total debt plus net assets attributable to Unitholders.

7 2017 WAIVER EXTENSION

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

As disclosed in the 2014 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between Yuexiu REIT on the one hand and certain connected persons on the other hand.

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

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

On 11 December 2014, Yuexiu REIT obtained the 2014 Extended Waiver which extended the 2012 Modified and Extended Waiver for the three financial years ending 31 December 2017, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ending 31 December 2017. Details of such continuing connected party transactions and the 2014 Extended Waiver are set out in the 2014 Circular.

7.2 Expiration of the 2014 Extended Waiver

The 2014 Extended Waiver will expire on 31 December 2017. In accordance with the terms of the 2014 Extended Waiver, the 2014 Extended Waiver may be extended beyond 31 December 2017, and/or the terms and the conditions of the 2014 Extended Waiver may be modified from time to time, provided that:

- 7.2.1 due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- 7.2.2 disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- 7.2.3 any extension of the period of the 2014 Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Yuexiu REIT after the date on which the approval referred to in section 7.2.1 above is obtained.

7.3 Extension of the 2014 Extended Waiver

In light of the upcoming expiration of the 2014 Extended Waiver, the Manager has made a submission to the SFC to seek an extension of the 2014 Extended Waiver so that it will continue to apply for the three financial years ending 31 December 2020 (the “**2017 Waiver Extension**”). As part of its submission, the Manager has also proposed New Annual Caps for the extended period, as is more particularly described in the section below.

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7.4 New Annual Caps

7.4.1 Historical Transaction Amount and Proposed New Annual Caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts stated in the table below. The table below sets out the historical transaction amount in respect of each category of the New Continuing Connected Party Transactions for the three financial years ended 31 December 2016 and the nine months ended 30 September 2017, as well as the proposed New Annual Caps for the three financial years ending 31 December 2018, 2019 and 2020.

The proposed New Annual Caps for the Connected Leasing Transactions and Connected TSAs shall depend on whether the proposed Acquisition, which is subject to conditions precedent, proceed to completion. Specifically, the New Annual Caps in:

- (a) Scenario A shall apply where the Acquisition does not complete; and
- (b) Scenario B shall apply where the Acquisition completes.

Categories of the New Continuing Connected Party Transactions	Historical Transaction Amounts RMB'000				New Annual Caps RMB'000		
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
	Connected Leasing Transactions⁽¹⁾	171,280	185,848	134,197	100,784	<i>Scenario A</i> 267,445	289,242
					<i>Scenario B</i> 289,486	311,422	337,874
Connected TSAs	33,122	37,473	40,977	30,276	<i>Scenario A</i> 55,506	61,057	67,163
					<i>Scenario B</i> 62,682	69,733	76,794
Connected PMAs⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) The historical transaction amounts set out in the table relate to the Existing Properties of Yuexiu REIT (and would not include the Wuhan Property). Please refer to section 2.10.2 headed “Lease CCTs” for further details on the subsisting Lease CCTs in respect of the Wuhan Property that will, on Completion, constitute continuing connected party transactions of Yuexiu REIT which fall within the scope of the “leasing transactions” described in the 2014 Extended Waiver.
- (2) Since the property management fees payable under the Connected PMAs are to be paid by the relevant tenants, rather than Yuexiu REIT or its property holding companies, no amount of property management fees has been paid or will be payable to Yuexiu REIT.

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7.4.2 In respect of the Connected Leasing Transactions

As part of Yuexiu REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a property is either already a party to, or may from time to time enter into, leasing transactions with the Yuexiu Connected Persons Group in respect of Yuexiu REIT's properties (the "**Connected Leasing Transactions**"). All the Connected Leasing Transactions subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected Leasing Transactions. The details of the subsisting Connected Leasing Transactions in respect of Yuexiu REIT's properties are set out in the Annual Report, Interim Report and the announcement dated 12 September 2017 made by Yuexiu REIT. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2017 Waiver Extension is sought are the same types of leasing transactions covered by the 2014 Extended Waiver.

The proposed New Annual Caps in relation to Connected Leasing Transactions for the years ending 31 December 2018, 2019 and 2020 have been determined by:

- (a) taking into account the actual rent payable to Yuexiu REIT under the Connected Leasing Transactions which will be subsisting during the relevant periods. Where a Connected Leasing Transaction expires prior to 31 December 2020, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year; and
- (b) applying a buffer of 25% for the total actual/assumed rent (as calculated on the above-mentioned basis) for each of the years ending 31 December 2018, 2019 and 2020. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods.

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

7.4.3 In respect of the Connected TSAs

The tenancy services agreements which have been or will be entered into with the Yuexiu Connected Persons Group (the "**Connected TSAs**") include the tenancy services agreements in respect of the properties of Yuexiu REIT. All the Connected TSAs subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected TSAs. The details of the subsisting Connected TSAs in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected TSAs in respect of which the 2017 Waiver Extension is sought are the same types of tenancy services agreements covered by the 2014 Extended Waiver.

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The proposed New Annual Caps in relation to Connected TSAs for the year ending 31 December 2018 have been determined in the following manner:

- (a) annualising the amount of actual fees paid by Yuexiu REIT for the relevant Connected TSAs for the nine months ended 30 September 2017;
- (b) applying an increment of 10% to the relevant amount resulting from paragraph (a) above, as assumed rental growth rate over the year, with some minor rounding up of figures; and
- (c) applying an increment of 25% to the amount resulting from paragraph (a) above, as a buffer for contingencies such as: (1) changes in rental or other market conditions; and (2) increase in tenancy services transaction activities with respect to the relevant properties during the relevant financial periods.

The proposed New Annual Caps in relation to Connected TSAs for the years ending 31 December 2019 and 2020 have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures.

The above proposed New Annual Caps have been determined after assuming:

- (a) the leasing agents' fees for all the properties of Yuexiu REIT, with the exception of White Horse Units, Shanghai Yue Xiu Tower and Guangzhou IFC, being 4% of the annual gross rental attributable to such properties; and
- (b) leasing agents' fees for White Horse Units, Shanghai Yue Xiu Tower and the office and retail portions of Guangzhou IFC (excluding those areas leased to 廣州友誼集團有限公司), being 3% of the annual gross rental attributable to such properties.

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

7.4.4 In respect of the Connected PMAs

The property management arrangements entered into with the Yuexiu Connected Persons Group (the "**Connected PMAs**") include the property management arrangements in respect of the properties of Yuexiu REIT. All the Connected PMAs subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected PMAs. The details of the subsisting Connected PMAs in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected PMAs in respect of which the 2017 Waiver Extension is sought are the same types of property management arrangements covered by the 2014 Extended Waiver.

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

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7.5 Waiver Conditions of the 2017 Extended Waiver

The Manager has applied to the SFC for the 2017 Extended Waiver in relation to the Connected Leasing Transactions, the Connected PMAs and the Connected TSAs on the waiver terms and conditions set out in this section, which are (other than in respect of the annual caps) substantially identical to the conditions for the 2014 Extended Waiver.

The Manager confirms that the conditions of the 2014 Extended Waiver will continue to apply to Yuexiu REIT until 31 December 2017 (including, for the avoidance of doubt, the existing annual caps for the year ending 31 December 2017).

7.5.1 *Due Approval by Independent Unitholders*

Due approval by Independent Unitholders of Yuexiu REIT and adoption of the ordinary resolution to approve the 2017 Extended Waiver as set out in the EGM Notice, without any material amendment thereto.

7.5.2 *Extensions or Modifications*

The 2017 Extended Waiver is to be granted for a period of three financial years ending 31 December 2020. The 2017 Extended Waiver may be extended beyond 31 December 2020, and/or the terms and the conditions of the 2017 Extended Waiver may be modified from time to time, provided that:

- (a) due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2017 Extended Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Yuexiu REIT after the date on which the approval referred to in paragraph 7.5.2(a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2017 Extended Waiver (including without limitation any such change on the scope or nature of such transactions) as set out in this Circular must be approved by Independent Unitholders pursuant to the condition at paragraph 7.5.2(a) above, and details of the proposed changes shall be disclosed in the manner as referred to in the condition at paragraph 7.5.2(b) above.

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7.5.3 Annual Caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual cap amounts set out in section 7.4 headed “New Annual Caps” above.

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

7.5.4 Disclosure in semi-annual and annual reports

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

7.5.5 Auditors’ review procedures

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

- (a) have received the approval of the Board (including the INEDs);
- (b) have been entered into in accordance with the pricing policies of Yuexiu REIT;
- (c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual cap amounts (where applicable) set out in section 7.4 headed “New Annual Caps” above.

7.5.6 Annual review by the Audit Committee and the INEDs

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

- (a) in the ordinary and usual course of business of Yuexiu REIT;

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

7.5.7 Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of Yuexiu REIT and/or the Audit Committee and/or the INEDs will not be able to confirm the matters set out in sections 7.5.5 and 7.5.6.

7.5.8 Auditors' access to books and records

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

7.5.9 Subsequent increase in annual caps with Independent Unitholders' approval

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

- (a) the Manager obtains the approval of Independent Unitholders by way of an ordinary resolution passed in a general meeting of Unitholders;
- (b) the Manager discloses details of the proposal to increase the cap amounts by way of an announcement of such proposal, and issues a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements set out in sections 7.5.3 to 7.5.8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

7.5.10 Paragraph 8.14 of the REIT Code

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

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7.6 Opinions

7.6.1 Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the CCPT Matters Requiring Approval as described in this Circular, the Board (including the INEDs) considers that:

- (a) the 2017 Waiver Extension and the basis for the 2017 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2018, 2019 and 2020 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

7.6.2 Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the Matters Requiring Approval (including, the CCPT Matters Requiring Approval) and the Vendor Facility to the Independent Board Committee (as well as the Independent Unitholders and the Trustee). The Independent Financial Adviser has confirmed that it is of the view that:

- (a) the 2017 Waiver Extension and the basis for the 2017 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

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

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7.6.3 Independent Property Valuer

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

7.6.4 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the Matters Requiring Approval (including, the CCPT Matters Requiring Approval). Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the Matters Requiring Approval to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the CCPT Matters Requiring Approval as described in this Circular and having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that:

- (a) the 2017 Waiver Extension and the basis for the 2017 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code; and
- (c) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2018, 2019 and 2020 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

7.6.5 Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2017 Extended Waiver is fair and

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reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and in the context of the Acquisition, the Trustee has no objection to the Manager proceeding with the 2017 Extended Waiver and the CCPT Matters Requiring Approval, subject to the approval of the Independent Unitholders.

This view is furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the 2017 Extended Waiver and the CCPT Matters Requiring Approval. The Trustee has not made any assessment of the merits or impact of the 2017 Extended Waiver and the CCPT Matters Requiring Approval, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Matters Requiring Approval, to seek their own financial or other professional advice.

8 IMPLICATIONS FOR YUEXIU REIT UNDER THE REIT CODE, THE TRUST DEED AND THE LISTING RULES

8.1 The Acquisition

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.

As at the date of this Circular, 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% of the voting rights of Dragon Yield. WH Vendor, being an indirect wholly-owned subsidiary of Yuexiu Property, is an associated company of Dragon Yield. As a result, Yuexiu Property and WH Vendor are each a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code.

Accordingly, each of the following constitutes a connected party transaction of Yuexiu REIT under paragraph 8.5 of the REIT Code:

- (a) the Acquisition and the consummation of the transactions contemplated under the Acquisition Deed; and
- (b) upon completion of the Acquisition, the execution of the Joint Venture Agreement and the consummation of the transactions contemplated thereunder.

As the sum of the Agreed Acquisition Amount (being RMB2,280,606,300) and an illustrative interest amount of RMB13,330,493 accruing on the Deferred Completion Payment (based on interest accruing on 40.0% of the Agreed Acquisition Amount), being RMB2,293,936,793, exceeds 5.0% of the net asset value of Yuexiu REIT (as disclosed in its latest published audited accounts, as adjusted for the interim distribution paid by Yuexiu REIT since the publication of such accounts) pursuant to paragraph 8.11 of the REIT Code and clause 31.1 of the Trust Deed, each of the connected party

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transactions above (being the Transaction Matters Requiring Approval) will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

As: (a) the sum of the Agreed Acquisition Amount and the abovementioned illustrative interest amount (being RMB2,293,936,793) represents approximately 18.4% of the total market capitalisation of Yuexiu REIT (based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the Latest Practicable Date); and (b) the WH Appraised Value of the Wuhan Property (being RMB3,587,000,000) represents approximately 11.7% of the total assets of Yuexiu REIT as at 30 June 2017 (as adjusted for the interim distribution paid by Yuexiu REIT), the Acquisition constitutes a discloseable transaction for Yuexiu REIT under the Listing Rules (as if the Listing Rules were applicable to Yuexiu REIT).

8.2 2017 Waiver Extension

The Board proposes to seek Independent Unitholders' approval for the CCPT Matters Requiring Approval. Please refer to section 7 headed "2017 Waiver Extension" for further details regarding the 2017 Waiver Extension. Details of the relevant continuing connected party transactions will be disclosed in Yuexiu REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

8.3 Ordinary Resolutions

The Manager takes the view that each of the Transaction Matters Requiring Approval are interdependent and linked to each other and part and parcel of a significant proposal. In particular, the Joint Venture Agreement only arises from the consummation of the transactions contemplated under the Acquisition and will not be required but for the entry into the Acquisition Deed.

The proposed resolution in relation to the CCPT Matters Requiring Approval is not conditional on the Transaction Matters Requiring Approval, and the proposed New Annual Caps provide for scenarios where the Acquisition does or does not complete. Accordingly, the Manager will seek Unitholders' approval for the CCPT Matters Requiring Approval under a separate Ordinary Resolution.

Please refer to the EGM Notice for the proposed resolutions in relation to the Matters Requiring Approval. As soon as practicable after the EGM, the Manager will issue an announcement setting out the results of the EGM, including whether the proposed resolutions have been passed.

8.4 Restrictions on Voting

Paragraph 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolutions tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting. Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolutions tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

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Members of the Yuexiu Group are or will be counterparties to the Acquisition Deed, the Joint Venture Agreement and the New Continuing Connected Party Transactions and as such, are considered to have a material interest or deemed material interest in the ordinary resolutions relating to the Transaction Matters Requiring Approval and the CCPT Matters Requiring Approval that will be tabled for approval at the EGM, different from that of other Unitholders. Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that its controlling entities, holding companies, subsidiaries and associated companies (as defined in the REIT Code) will abstain, from voting on such Ordinary Resolutions, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above as needing to abstain from voting are interested or deemed to be interested in 1,050,090,075 Units representing approximately 35.6% of the Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that, save as disclosed above, as at the Latest Practicable Date, no other Unitholder is required to abstain from voting at the EGM in respect of the resolutions pertaining to the Matters Requiring Approval.

8.5 Waiver Application and Submissions Made to the SFC

8.5.1 *Submission for more than two layers of SPVs in respect of the Wuhan Property*

Paragraph 7.5(d) of the REIT Code provides that the scheme shall have no more than two layers of SPVs through which real estate is held. As indicated in the note to paragraph 7.5(d) of the REIT Code, the SFC has the discretion to allow a scheme to have additional layer(s) of SPVs if justified by the particular circumstances.

As set out in section 2.3 headed "Expected Holding Structure of the Wuhan Property" in this Circular, the holding structure of the Wuhan Property immediately before Completion (after the Reorganisation and the pre-completion disposal of the Non-Target Property) involves three layers of SPVs and upon Completion, Yuexiu REIT would hold its 67.0% interest in the Wuhan Property through four layers of SPVs.

For the purpose of facilitating future group reorganisation and disposal of property interests through an intermediate holding company (for example, to achieve savings in transaction costs), the Manager has made a submission to the SFC for the use of no more than four layers of SPVs in relation to the holding of Yuexiu REIT's interest in the Wuhan Property, subject to the condition that there will be no change to the maximum number of four layers of SPVs used by Yuexiu REIT without further approval of the SFC.

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8.5.2 *Submission in respect of “majority ownership and control” of the Wuhan Property (excluding the Subject Carpark Spaces) and the Subject Carpark Spaces*

Upon Completion, WH Purchaser shall acquire 67.0% of WH Project Company, which at such time shall hold the Wuhan Property comprising: (i) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (ii) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (iii) the Commercial Carpark Spaces; and (iv) the Residential Carpark Spaces.

The Commercial Carpark Spaces and Residential Carpark Spaces (collectively, the “**Subject Carpark Spaces**”) represent approximately 35.6% and 11.8% of the Total Carpark Spaces (47.4% in aggregate). To the best of its knowledge and belief and based on information currently available to the Manager, the remaining 52.6% of the Total Carpark Spaces are held by independent third parties who are residential owners of Starry Winking (星匯雲錦) also developed by WH Project Company.

To the best of its knowledge and belief and based on information currently available to the Manager, the Manager considers that Yuexiu REIT will be able to (through its 67.0% interest in WH Project Company, and having regard to the limited Joint Decision Matters in the Joint Venture Agreement as stated in section 2.5.3 headed “Joint Decision Matters” which do not impinge upon the following matters):

- i. manage and maintain the Wuhan Property (excluding the Subject Carpark Spaces);
- ii. exercise the day-to-day management and operation of the Wuhan Property (excluding the Subject Carpark Spaces) free from interference, control or restriction;
- iii. independently carry out asset enhancement work to the Wuhan Property (excluding the Subject Carpark Spaces); and
- iv. direct WH Project Company to exercise all rights as owner of the Wuhan Property (excluding the Subject Carpark Spaces), for example, to sell, mortgage, occupy and lease out the Wuhan Property (excluding the Subject Carpark Spaces) without interference, in each case subject to applicable PRC laws and permits.

Based on the foregoing, the Manager has made a submission to the SFC that Yuexiu REIT (through WH Intermediary Company) would be able to exercise control over the management and strategic development of WH Project Company and Wuhan Property (other than the Subject Carpark Spaces), and upon Completion, Yuexiu REIT will have “majority ownership and control” of the Wuhan Property (other than the Subject Carpark Spaces) under paragraphs 7.5(aa) and 7.7A of the REIT Code (having regard to the additional guidance contained in the REIT Code FAQs), and thereby meets such requirement. In addition, it is submitted that the Joint Venture Agreement with WH Vendor Subsidiary will benefit Unitholders by allowing Yuexiu REIT to:

- (a) (through WH Vendor Subsidiary) nominate two out of three directors that sit on the board of directors of WH Project Company, whose decisions will generally be made by simple majority in accordance with the terms of the Joint Venture Agreement. For more details, please refer to section 2.5.3 headed “Joint Decision Matters”;

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- (b) leverage on Yuexiu Property's local market expertise attributable to its sizeable presence in Wuhan, as well as its familiarity with the Wuhan Property, having developed and managed the Wuhan Property for the period prior to Completion. In addition, given its familiarity with the main contractors engaged for the development of the Wuhan Property, WH Vendor Subsidiary has agreed to, among other things, receive all invoices relating to construction costs of WH Project Company and will arrange for any such invoice to be paid by WH Project Company within the specified timeframe pursuant to the terms of the relevant contract or invoice pursuant to the terms of the Joint Venture Agreement. For more details, please refer to section 2.5.5 headed "Outstanding Construction Costs";
- (c) mitigate start-up risks associated with managing a relatively non-mature asset with Yuexiu REIT's obligations and liabilities pertaining to the Wuhan Property limited to its proportionate interests in accordance with the terms of the Joint Venture Agreement; and
- (d) reduce the immediate financial burden on Yuexiu REIT that would otherwise be associated with an acquisition of the entire Wuhan Property,

which therefore justifies the entry into the Joint Venture Agreement with Yuexiu Property (through WH Vendor Subsidiary) for the purposes of paragraph 7.7A and the note to paragraph 7.5(aa) of the REIT Code.

The PRC legal adviser of the Manager, Zhong Lun Law Firm, has also issued a legal opinion to the Manager that: (i) describes the factual information set out in section 2.5 headed "Key terms of the Joint Venture Agreement" insofar as it relates to the terms of the Joint Venture Agreement, the equity and profit sharing arrangements of the JV Shareholders, and the restrictions on divestment by Yuexiu REIT of its interest in (or shareholder loans to) WH Project Company to a third party transferee; and (ii) confirms that the Joint Venture Agreement, when entered into, will be legally binding, with rights and obligations that are valid and enforceable on and by each party in accordance with currently applicable PRC laws and regulations.

In respect of the Subject Carpark Spaces (representing approximately 47.4% of Total Carpark Spaces in aggregate), Yuexiu REIT will not have "majority ownership and control" under paragraph 7.7A of the REIT Code as applied by the SFC. Notwithstanding this, the Manager has submitted that Yuexiu REIT should be allowed to acquire the Subject Carpark Spaces for the reasons that:

- (A) Yuexiu REIT shall have an indirect 67.0% majority interest in WH Project Company, and through such interest having regard to the limited Joint Decision Matters in the Joint Venture Agreement, have: (i) full operational control over the Subject Carpark Spaces; (ii) the ability to independently enhance the Subject Carpark Spaces; and (iii) the ability to direct WH Project Company to exercise all rights as owner of the Subject Carpark Spaces, in each case subject to applicable PRC laws and permits;
- (B) investment in the Commercial Carpark Spaces (being carpark spaces supporting the office and retail portions of the Wuhan Property) and Residential Carpark Spaces (which are part of the same underground carpark, master leased under the Residential Carpark Master Lease Agreement and incidental to the Acquisition) are in line with Yuexiu REIT's investment objectives and growth strategy to invest in high quality income-producing commercial real estate, and in the best interests of Yuexiu REIT and the Unitholders; and

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- (C) the proportionate appraised value of the Subject Carpark Spaces as at 31 August 2017 of RMB192,290,000 (being 67.0% of the appraised value of the entire Subject Carpark Spaces as at 31 August 2017 of RMB287,000,000) as assessed by the Independent Property Valuer (together with the value of similarly non-conforming areas within the Existing Properties) represents approximately 0.56% of the total asset value of Yuexiu REIT as at 30 June 2017 (based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to this Circular) and therefore falls within the allowance for investment in properties in respect of which Yuexiu REIT does not have majority ownership and control allowed by the SFC.

8.5.3 *Waiver for Connected Party Transactions in respect of the Vendor Facility*

The Manager has applied to the SFC for a waiver from strict compliance with certain requirements under Chapter 8 of the REIT Code in relation to the transactions between Yuexiu REIT and WH Vendor as contemplated under the Vendor Facility (the “**Facility Transactions**”), on the basis that the Vendor Facility is unsecured and on normal commercial terms or better, and on the waiver terms and conditions set out below:

- (a) details of the Facility Transactions shall be disclosed in Yuexiu REIT’s semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code;
- (b) the INEDs shall review the Facility Transactions annually and confirm in Yuexiu REIT’s annual report for the relevant financial period that such transactions have been entered into:
 - i. in the ordinary and usual course of business of Yuexiu REIT;
 - ii. based on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Yuexiu REIT than terms available to or from (as appropriate) independent third parties; and
 - iii. in accordance with the relevant agreement and the Manager’s internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole;
- (c) in respect of each relevant financial period, the Manager shall engage and agree with the auditors of Yuexiu REIT to perform certain review procedures on the Facility Transactions. The auditors shall then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all the Facility Transactions:
 - i. have received the approval of the Board (including the INEDs);
 - ii. have been entered into in accordance with the Manager’s internal procedures governing them (if any) and are in accordance with the terms disclosed in this Circular; and

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- iii. have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions;
- (d) the Manager shall allow, and shall procure the counterparty to the relevant Facility Transactions to allow, the auditors of Yuexiu REIT sufficient access to their records for the purpose of reporting on the transactions; and
- (e) the Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of Yuexiu REIT and/or the INEDs will not be able to confirm the matters set out in paragraphs (b) and (c) above.

8.6 New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs

As disclosed in section 7.1 headed “Existing Waivers in relation to Certain Continuing Connected Party Transactions under Chapter 8 of the REIT Code” in this Circular, Yuexiu REIT obtained the 2014 Extended Waiver on 11 December 2014, by way of which the SFC granted an extension of a waiver from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions between Yuexiu REIT on the one hand and certain connected persons on the other hand.

As disclosed in section 2.11.2(a) headed “New Property Management Agreement” in this Circular, the New Property Management Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. The New Property Management Agreement and the transactions contemplated thereunder fall within the scope of the “property management arrangements” described in the 2014 Extended Waiver. As the fees payable under the New Property Management Agreement will be paid by the relevant tenants rather than Yuexiu REIT or its property holding companies, on this basis, no annual monetary caps are required in respect of such fees.

As disclosed in section 2.11.2(b) headed “Tenancy Services Agreement” in this Circular, the Tenancy Services Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the “tenancy services agreements” described in the 2014 Extended Waiver. The Manager expects that the aggregate annual amounts of: (i) fees payable by Yuexiu REIT to Yicheng Wuhan Branch under the Tenancy Services Agreement; and (ii) the aggregate amounts of fees payable by Yuexiu REIT to the relevant leasing agents under the tenancy services agreements for the Existing Properties, for the financial year ending 31 December 2017 will not exceed the annual cap for the Connected TSAs for the financial year ending 31 December 2017 under the 2014 Extended Waiver granted by the SFC. Accordingly, no modification of the 2014 Extended Waiver is necessary as a result of the entry into of the Tenancy Services Agreement and the transactions contemplated thereunder, although the new Tenancy Services Agreement have been taken into consideration in determining the New Annual Caps for the three years ending 31 December 2018, 2019 and 2020 proposed for Independent Unitholders’ approval at the EGM.

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As disclosed in section 2.11.2(c) headed “Carpark Master Lease Agreements” in this Circular, the Commercial Carpark Master Lease Agreements, Residential Carpark Master Lease Agreement and the transactions contemplated thereunder constitute connected party transactions of Yuexiu REIT. As disclosed in section 2.10.2 headed “Lease CCTs” in this Circular, the Lease CCTs and the transactions contemplated thereunder also constitute connected party transactions of Yuexiu REIT. The Carpark Master Lease Agreements, Lease CCTs and the transactions contemplated thereunder fall within the scope of the “leasing transactions” described in the 2014 Extended Waiver. The Manager expects that the aggregate annual amounts of: (i) fees receivable by Yuexiu REIT from Yicheng Wuhan Branch under the Carpark Master Lease Agreements; (ii) the aggregate amounts of fees payable to Yuexiu REIT by the Relevant Tenants under the Lease CCTs; and (iii) the aggregate amounts of fees payable to Yuexiu REIT by the relevant lessees under the tenancy agreements for the Existing Properties, for the financial year ending 31 December 2017 will not exceed the annual cap for the Connected Leasing Transactions for the financial year ending 31 December 2017 under the 2014 Extended Waiver granted by the SFC. Accordingly, no modification of the 2014 Extended Waiver is necessary as a result of: (a) the entry into of the Carpark Master Lease Agreements and the transactions contemplated thereunder; or (b) the assumption of the Lease CCTs and the transactions contemplated thereunder, although each of the new Carpark Master Lease Agreements and the Lease CCTs has been taken into consideration in determining the New Annual Caps for the three years ending 31 December 2018, 2019 and 2020 proposed for Independent Unitholders’ approval at the EGM.

If Unitholders’ approval for the CCPT Matters Requiring Approval is not obtained at the EGM, the Manager will comply with all connected party transactions requirements under Chapter 8 of the REIT Code in relation to the New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs and the transactions contemplated thereunder (including, where applicable, the seeking of Independent Unitholders’ approval by way of an Ordinary Resolution), unless otherwise waived.

Based on the tenancy profile and information available to the Manager as at the Latest Practicable Date, the Manager confirms that other than the Joint Venture Agreement (which shall be approved as part of the Transaction Matters Requiring Approval), the Vendor Facility (which is subject of the waiver application set out at section 8.5.3 headed “Waiver for Connected Party Transactions in respect of the Vendor Facility”), the New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs, there are no other continuing connected party transactions that will arise as a result of the Acquisition.

The Board (including the INEDs) considers that each of the New Property Management Agreement, Tenancy Services Agreement, Carpark Master Lease Agreements and Lease CCTs 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 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.

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8.7 Manager Has Discretion

Given the Acquisition is dependent on the satisfaction of certain conditions respectively set out in the Acquisition Deed, for the avoidance of doubt, Unitholders should note that the Manager has the discretion to not proceed with the Acquisition if any of the conditions thereunder have not been fulfilled (or waived) prior to the WH Long Stop Date.

9 RECOMMENDATIONS

9.1 Board

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Transaction Matters Requiring Approval as described in this Circular, the Board (including the INEDs) considers that the Transaction Matters Requiring Approval 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. The opinion of the Board in respect of the CCPT Matters Requiring Approval is set out at section 7.6 headed "Opinions".

Accordingly, the Board recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Board (including the INEDs) also considers that the Vendor Facility and the transactions contemplated thereunder are on terms which are normal commercial terms or better, 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.

9.2 Independent Financial Adviser

Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the Matters Requiring Approval to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

The Independent Financial Adviser has confirmed that it is of the view that the Transaction Matters Requiring Approval 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. The opinion of the Independent Financial Adviser in respect of the CCPT Matters Requiring Approval is set out at section 7.6 headed "Opinions".

Accordingly, the Independent Financial Adviser recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

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Somerley Capital Limited has also been appointed as Independent Financial Adviser to provide its opinion on the Vendor Facility. The Independent Financial Adviser has confirmed that it is of the view that the financial assistance provided by WH Vendor to WH Purchaser pursuant to the Vendor Facility and the transactions contemplated thereunder are on terms which are normal commercial terms or better, 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.

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

9.3 Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the Matters Requiring Approval and the Vendor Facility. Somerley Capital Limited has been appointed as Independent Financial Adviser to provide its opinion on the Matters Requiring Approval and the Vendor Facility to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that the Transaction Matters Requiring Approval 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. The opinion of the Independent Board Committee in respect of the CCPT Matters Requiring Approval is set out at section 7.6 headed "Opinions".

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee also considers that the Vendor Facility and the transactions contemplated thereunder are on terms which are normal commercial terms or better, 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.

9.4 Trustee

Based and in sole reliance on: (1) the opinion of the Board in this letter and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; (3) the Letter from the Independent Board Committee; (4) the Independent Property Valuer's Wuhan Property Valuation Report; (5) the Market Consultant Report; and (6) in relation to the Vendor Facility, the

LETTER TO THE UNITHOLDERS

information contained in section 8.5.3 headed “Waiver for Connected Party Transactions in respect of the Vendor Facility” in this Circular, in each case, as set out in this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (a) is of the view that the Acquisition, in the context of the Transaction Matters Requiring Approval, is: (i) consistent with the investment objectives and strategy of Yuexiu REIT; and (ii) fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code;
- (b) has no objection to the Manager proceeding with the Acquisition and the Transaction Matters Requiring Approval, subject to the approval of the Independent Unitholders; and
- (c) has no objection to the Manager proceeding with the Vendor Facility and the transactions contemplated thereunder.

The views of the Trustee in respect of the CCPT Matters Requiring Approval are set out at section 7.6 headed “Opinions”.

This view is furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Acquisition, the Transaction Matters Requiring Approval nor the Vendor Facility.

The Trustee has not made any assessment of the merits or impact of the Acquisition, the Transaction Matters Requiring Approval, nor the Vendor Facility, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Acquisition, the Transaction Matters Requiring Approval or the Vendor Facility, to seek their own financial or other professional advice.

10 EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 3:00 p.m. on 4 December 2017, at Ballroom C, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions set out in the EGM Notice, which is set out on pages N-1 to N-3 of this Circular. You can vote at the EGM if you are a Unitholder on 4 December 2017 which is referred to in this Circular as the EGM Record Date. You will find enclosed with this Circular the EGM Notice (see pages N-1 to N-3 of this Circular) and a form of proxy for use for the EGM.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the register of Unitholders of Yuexiu REIT will be closed from 29 November 2017 to 4 December 2017 (both days inclusive) during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the unit registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 28 November 2017.

LETTER TO THE UNITHOLDERS

Your vote is very important. Accordingly, please complete, sign and date the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

11 ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(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



15 November 2017

To: The independent Unitholders of Yuexiu REIT

Dear Sir or Madam,

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITION OF 67.0% OF A COMMERCIAL PROPERTY IN WUHAN; AND

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

We have been appointed as members of the Independent Board Committee to advise you in respect of the Matters Requiring Approval and the Vendor Facility, details of which are set out in the “Letter to the Unitholders” in the circular dated 15 November 2017 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee as to the Matters Requiring Approval and the Vendor Facility. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

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

- (a) the Transaction Matters Requiring Approval 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;

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (b) the 2017 Waiver Extension and the basis for the 2017 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code;
- (c) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, in accordance with the REIT Code; and
- (d) each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2018, 2019 and 2020 shall be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

Accordingly, we recommend that the Independent Unitholders vote at the EGM in favour of the resolutions in respect of the Matters Requiring Approval.

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, we also consider that the Vendor Facility and the transactions contemplated thereunder are on terms which are normal commercial terms or better, 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.

Yours faithfully,

For and on behalf of Independent Board Committee of

Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)

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

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

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

Mr. CHEN
Xiaoou
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited, prepared for the purpose of inclusion in this Circular, setting out its advice to the Independent Board Committee, Independent Unitholders and the Trustee in connection with the Matters Requiring Approval and the Vendor Facility.



SOMERLEY CAPITAL LIMITED

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

15 November 2017

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

Dear Sirs,

**(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE ACQUISITION OF 67.0%
OF A COMMERCIAL PROPERTY IN WUHAN; AND
(2) EXTENSION OF EXISTING CONTINUING CONNECTED PARTY TRANSACTION
WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN
CONTINUING CONNECTED PARTY TRANSACTIONS**

We refer to our appointment to advise the Independent Board Committee, the Trustee and the Independent Unitholders as regards the Matters Requiring Approval and the Vendor Facility, details of which are set out in the Letter to the Unitholders contained in the circular of Yuexiu REIT to its Unitholders dated 15 November 2017 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

As at the date of the Circular, 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% of the voting rights of Dragon Yield. WH Vendor, being an indirect wholly-owned subsidiary of Yuexiu Property, is an associated company of Dragon Yield. As a result, Yuexiu Property and WH Vendor are each a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code. Accordingly, the Acquisition is a connected party transaction of Yuexiu REIT under the REIT Code.

As the sum of the Agreed Acquisition Amount (being RMB2,280,606,300) and an illustrative interest amount of RMB13,330,493 accruing on the Deferred Completion Payment (based on interest accruing on 40.0% of the Agreed Acquisition Amount), being RMB2,293,936,793, exceeds 5.0% of the net asset value of Yuexiu REIT (as disclosed in its latest published audited accounts, as adjusted

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for the interim distribution paid by Yuexiu REIT since the publication of such accounts) pursuant to paragraph 8.11 of the REIT Code and clause 31.1 of the Trust Deed, each of the Transaction Matters Requiring Approval relating to the Acquisition will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

As: (a) the sum of the Agreed Acquisition Amount and the abovementioned illustrative interest amount (being RMB2,293,936,793), represents approximately 18.4% of the total market capitalisation of Yuexiu REIT (based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the Latest Practicable Date); and (b) the WH Appraised Value of the Wuhan Property (being RMB3,587,000,000) represents approximately 11.7% of the total assets of Yuexiu REIT as at 30 June 2017 (as adjusted for the interim distribution paid by Yuexiu REIT for the six months ended 30 June 2017), the Acquisition constitutes a discloseable transaction for Yuexiu REIT under the Listing Rules (as if the Listing Rules were applicable to Yuexiu REIT).

Members of the Yuexiu Group are or will be counterparties to the Acquisition Deed, the Joint Venture Agreement and the New Continuing Connected Party Transactions and as such, are considered to have a material interest or deemed material interest in the Ordinary Resolutions relating to the Transaction Matters Requiring Approval and the CCPT Matters Requiring Approval that will be tabled for approval at the EGM, different from that of other Unitholders. Pursuant to the REIT Code and the Trust Deed, each of Yuexiu Property and Yue Xiu has agreed that it will abstain, and will procure that its controlling entities, holding companies, subsidiaries and associated companies (as defined in the REIT Code) will abstain, from voting on such Ordinary Resolutions, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

The Independent Board Committee, comprising Mr. CHAN Chi On, Derek, Mr. CHAN Chi Fai, Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou, being all of the INEDs, has been established by the Board to advise the Independent Unitholders on the Matters Requiring Approval and the Vendor Facility. We have been appointed as Independent Financial Adviser to provide our opinion on the Matters Requiring Approval and the Vendor Facility to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

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

In formulating our opinion, we have reviewed, amongst others, the Acquisition Deed, the Joint Venture Agreement, the Vendor Facility and other information as set out in this Circular, in particular, the appendices, the existing tenancy agreements, Connected TSAs and Connected PMAs in respect of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Existing Properties and the Wuhan Property, a summary of the key terms of the existing banking facilities of Yuexiu REIT, the Annual Report, and the Interim Report. We have also carried out a site visit at the Wuhan Property, and discussed the valuation methodology and bases and assumptions for the valuation of the Wuhan Property with the Independent Property Valuer.

We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the Manager, Yuexiu REIT, the Existing Properties and the Wuhan Property. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and continue to be accurate and not misleading up to the date of the EGM.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the Matters Requiring Approval and the Vendor Facility, we have taken into account the following principal factors:

1 Background of the Acquisition

1.1 *Yuexiu REIT*

Yuexiu REIT is a real estate investment trust listed on the Stock Exchange since December 2005. A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets with a view to generating stable returns to its Unitholders. Yuexiu REIT is a real estate investment trust formed primarily to own and invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential.

1.2 *The Acquisition*

On 14 November 2017, Yuexiu REIT (through WH Purchaser) entered into the Acquisition Deed with WH Vendor (as seller) and Yuexiu Property (as guarantor), pursuant to which WH Purchaser agreed to: (i) purchase a 67.0% interest in the Wuhan Property (through the purchase of the WH Sale Shares representing the entire equity interest in WH Target Company, which will (after the Reorganisation) indirectly hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property) from WH Vendor; and (ii) accept the assignment of WH Loan from WH Vendor, with the rights attached to it as at the Completion Date. The remaining 33.0% equity interest in WH Project Company will be retained by WH Vendor (through WH Vendor Subsidiary), who is a connected person of Yuexiu REIT by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consideration for the acquisition of WH Sale Shares and the assignment of WH Loan is RMB2,280,606,300 (being the Agreed Acquisition Amount), subject to an adjustment being the WH Target Group Adjusted NAV as at Completion. For illustrative purposes, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to the Circular, the WH Target Group Adjusted NAV as at 30 June 2017 is approximately minus RMB364,486,700, mostly attributable to the outstanding construction costs of WH Project Company (being RMB732,191,000), 67.0% of which (being RMB490,567,970) would be taken into account in determining the WH Target Group Adjusted NAV as a liability of WH Project Company. The Agreed Acquisition Amount was arrived at after taking into account the valuation of the Wuhan Property by the Independent Property Valuer, and represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

2 The Wuhan Property

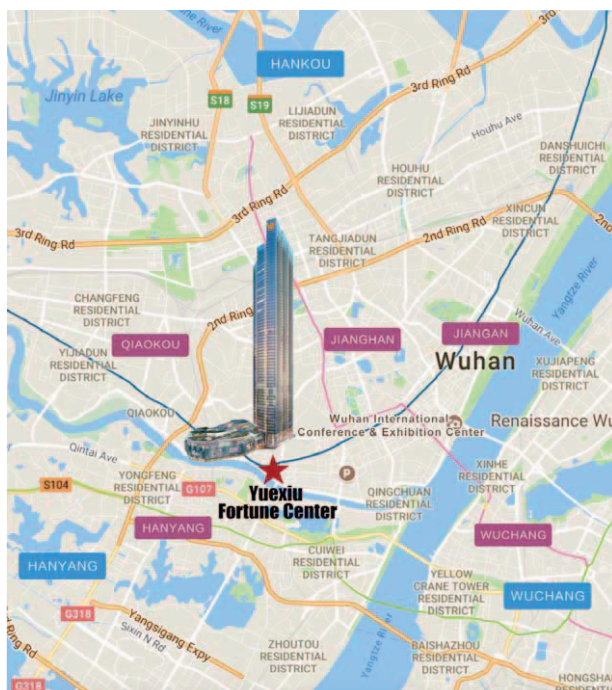
The Wuhan Property comprises: (a) the entire 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”; (b) the entire 5-storey shopping arcade known as “Starry Victoria Shopping Centre (星匯維港購物中心)” (inclusive of a 1-storey basement); (c) the 1,134 Commercial Carpark Spaces; and (d) the 375 Residential Carpark Spaces. The Commercial Carpark Spaces and Residential Carpark Spaces are situated in an underground carpark comprising a total of 3,188 spaces (being the Total Carpark Spaces). The remaining 1,679 spaces are held by independent third parties and do not form part of the Wuhan Property.

The Wuhan Property is a part of a larger integrated development project, which also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities. Upon Completion, Yuexiu REIT will (through the WH Target Group) hold 67.0% of the Wuhan Property.

The Wuhan Property is located in Hankou Riverside Business District, an emerging business district in Wuhan, the capital city of Hubei province in Central China. The Wuhan Property is located within the second ring of the city and enjoys easy accessibility with direct connections to both the existing metro line 1 and planned metro line 10 intersecting at the Qiaokou Road station. The Yuehu Bridge on the southern side of the Wuhan Property is closed due to a road reconstruction and widening project and is planned to reopen in August 2018. After the reopening of the Yuehu Bridge, it will be more convenient for people to access the large residential area in Sixin District (with a planned population of approximately 250,000) from Hankou Riverside Business District.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following map sets out the location of the Wuhan Property in Wuhan, the PRC:



Further details of the Wuhan Property are summarized below:

Property	Type	Gross floor area (sq.m.)	Year and month of completion	Occupancy rate as at the Latest Practicable Date ⁽¹⁾	Average rent for the month of October 2017 (RMB/sq.m.)	Appraised value (RMB million) as at 31 August 2017
“Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)”	Office	129,446.74	August 2016	40.5%	90.78 (based on gross rentable area)	3,300
“Starry Victoria Shopping Centre (星匯維港購物中心)”	Retail	43,557.58	December 2015 (Plot A) and October 2015 (Plot B)	86.8%	45.75 (based on gross rentable area) and 71.89 (based on net lettable area)	
Commercial Carpark Spaces	Carpark	47,182.94 ⁽²⁾	August 2016 (Plot A) and October 2015 (Plot B)	n.a.	n.a.	200
Residential Carpark Spaces	Carpark	15,602.82 ⁽²⁾	August 2016 (plot A), October 2015 (plot B) and September 2014 (plot C)	n.a.	n.a.	87
Total		235,790.08⁽³⁾				3,587

Notes:

(1) Occupancy rate calculated based on leased gross rentable area excluding the carpark spaces

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) *Based on the total area of the underground carpark (being 132,644.8 sq.m.), and multiplied by the number of Commercial Carpark Spaces or Residential Carpark Spaces (as the case may be), divided by the Total Carpark Spaces.*
- (3) *It does not include the Wuhan Property's ancillary area of 12,415.12 sq.m..*

2.1 Rental rates and occupancy rates

As stated in the Letter to the Unitholders, the average rent per sq.m. (value-added tax (“VAT”) exclusive) for the month of October 2017 amounted to approximately RMB90.78 (based on gross rentable area) for office, and approximately RMB45.75 (based on gross rentable area) or RMB71.89 (based on net lettable area) for retail. As set out in Appendix 4 to the Circular headed “Market Consultant Report for the Wuhan Property Market” (the “**Market Consultant Report**”), the current market rent strike price for middle floors of Wuhan Yuexiu Fortune Centre is around RMB105 per sq.m. (VAT inclusive and based on gross rentable area, equivalent to approximately RMB100 per sq.m. if VAT exclusive) which is estimated to reach RMB125 per sq.m. (equivalent to approximately RMB119 per sq.m. if VAT exclusive) by the end of 2021, while the current market rent of ground floor of Starry Victoria Shopping Centre is around RMB139 per sq.m. (VAT inclusive and based on net lettable area, equivalent to approximately RMB132 per sq.m. if VAT exclusive) which is estimated to reach RMB169 per sq.m. (equivalent to approximately RMB161 per sq.m. if VAT exclusive) by the end of 2021.

The occupancy rate of the office and retail portions of Wuhan Property were 40.5% and 86.8% respectively as at the Latest Practicable Date. As set out in the Letter to the Unitholders, development of the office portion of the Wuhan Property was completed in August 2016 and leasing only commenced in November 2016, which may have resulted in the office portion's relatively low occupancy rate of around 40.5% as at the Latest Practicable Date. Such level of occupancy rate is within the market range of 30-60% for newly-launched prime office buildings in the fourth quarter of 2016 in Wuhan as set out in the Market Consultant Report. Development of the retail portion of the Wuhan Property was first completed in October 2015. The Market Consultant Report estimates that the occupancy rate of the Wuhan Property's office space to reach 80% to 85% by the end of 2018, while the shopping mall is expected to maintain a high occupancy level of over 95% in the future.

2.2 Lease terms

As stated in the Letter to the Unitholders, tenancy agreements entered into for the Wuhan Property are generally for terms ranging from 3 to 5 years, depending on factors such as the size of the lease premises, expiry and tenant profile of the Wuhan Property. Most tenancies have fixed terms, but in some tenancy agreements the tenants and the landlord have agreed on an optional term at the discretion of the tenant for renewal apart from the fixed term, and in a few exceptional cases the parties have agreed on a cap for the rental increase rate within the optional term at the same time, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial office premises. We have selected all 3 tenancy agreements entered into with Yuexiu Connected Persons Group and randomly selected 15 existing tenancy agreements entered into with third parties independent of Yuexiu REIT and its connected persons out of a total of 109 retail and office tenancies of the Wuhan Property as at 31 October 2017 for review and found that there are no abnormal or unusual terms attached to those selected tenancies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.3 Tenancies expiry

Set out below are the lease expiry schedules for the Wuhan Property as at 31 October 2017 (as extracted from the Letter to the Unitholders):

Year of expiry	Office		Retail	
	Gross rented area of tenancies expiring as a percentage of total gross rented area ⁽¹⁾	Gross rental income of tenancies expiring as a percentage of total gross rental income ⁽²⁾	Gross rented area of tenancies expiring as a percentage of total gross rented area ⁽¹⁾	Gross rental income of tenancies expiring as a percentage of total gross rental income ⁽²⁾
Year ending 31 December 2017	0.0%	0.0%	0.4%	0.7%
Year ending 31 December 2018	0.0%	0.0%	2.8%	6.2%
Year ending 31 December 2019	7.7%	7.5%	8.7%	16.9%
Year ending 31 December 2020	25.3%	26.8%	22.0%	23.5%
Year ending 31 December 2021 (office) and beyond (retail)	13.4%	12.6%	66.1%	52.7%
Year ending 31 December 2022 and beyond	53.6%	53.1%	n.a.	n.a.
Total	100.0%	100.0%	100.0%	100.0%

Notes:

1. Based on total gross rental area and total gross rental income for the month ended 31 October 2017.
2. The above figures were computed assuming no exercise of any lease renewal rights and that the tenancies terminate after the fixed lease terms.

As set out above, the average rent per sq.m. of the Wuhan Property was approximately RMB90.78 for office and RMB45.75 for retail for the month of October 2017. Based on the Market Consultant Report, annual rent growth of prime office buildings between 2018 and 2021 are forecast to be in the range of 2.01% to 3.98% in Wuhan and 3.00% to 5.03% in Hankou Riverside Business District respectively, while the annual rent growth of the ground floor of prime retail properties between 2018 and 2021 is forecast to be in the range of 1.75% to 5.43% in Wuhan and 3.43% to 5.09% in the Wuguang Commercial Area respectively. Based on the overall positive market outlook towards Wuhan and in particular the area where the Wuhan Property is located, as stated in the Market Consultant Report, it is expected that average annual growth rates of 4-5% (for office portion) and 5% (for retail portion) during 2017 to 2021, which are in line with the market range, will be observed for the Wuhan Property as tenancies are renewed or new tenants are sourced.

2.4 Delinquency rates

As stated in the Letter to the Unitholders, no provision was made for unpaid rents for the year ended 31 December 2016 (being the year in which leasing of the Wuhan Property commenced) and the six months ended 30 June 2017, in respect of the Wuhan Property.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.5 Rental yield

As stated in the Independent Property Valuer's property valuation report, the estimated net yield of the office and retail portions of the Wuhan Property is 1.76% per annum which is derived from the estimated rental received in August 2017 divided by the WH Appraised Value. As discussed with the Independent Property Valuer, as compared to the rental yield of market comparable properties of approximately 4-5% for retail and 4.5-5.5% for office, the lower yield of the Wuhan Property may have been mainly due to the relatively low occupancy rate for the office portion of the Wuhan Property as discussed above as the leasing only commenced in November 2016.

3 Market overview and outlook

3.1 Macro overview of Wuhan

Wuhan is the provincial capital of Hubei and the largest city in central China. It is located in the geographic centre of China, the eastern part of Hubei Province and at the intersection of Yangtze River and Han River. Wuhan has been identified as one of the few Tier 1.5 cities in China, which have benefited from strong policy support from the central government, and have seen significant infrastructure investment and high levels of foreign direct investments. Tier 1.5 cities have been witnessing massive commercial real estate development and have strong potential across all major commercial real estate sectors (including office and retail).

According to the Wuhan Statistics Bureau, Wuhan's gross domestic product ("GDP") in 2016 reached RMB1,191.261 billion, increasing by 7.8% year-on-year, and representing a compound annual growth rate ("CAGR") of 10.45% from 2012 to 2016. Wuhan has been a top 10 Chinese city in terms of GDP since 2012, and has also become one of the Chinese cities to achieve an annual GDP of RMB1 trillion in 2014. According to the "13th Five-Year Plan", Wuhan's GDP should reach RMB1.9 trillion at the end of 2020, representing an increase of 59.49% when compared with to the year 2016. The GDP per capita of Wuhan, which maintained steady growth with a CAGR of 8.82% from 2012 to 2016, is at a similar level as Beijing and Shanghai when compared with all Tier 1 cities, showing that its development potential is comparable to Tier 1 cities.

As set out in the Market Consultant Report, industry development and manufacturing has historically been the pillar industry for Wuhan's economic development. However, following Wuhan's implementation of the "dual emphasis on secondary industry and tertiary industry development" during the "12th Five-year Plan" period, the services-led tertiary industry has become the new core engine of the economic growth of Wuhan and contributed over 50% of Wuhan's total GDP at the end of 2016. The development and growth of the service industry is expected to increase employment and demand for working space in Wuhan.

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3.2 Market overview and main competitors of Wuhan Property

Wuhan Yuexiu Fortune Centre (武漢越秀財富中心), being the office portion of the Wuhan Property, is an International Grade A office building completed in 2016. There are currently three International Grade A and 11 Grade A office buildings in Wuhan. Wuhan Yuexiu Fortune Centre is the tallest operating International Grade A office building in Wuhan with a height of 330 metres, and the only operating International Grade A office building in the Hankou Riverside Business District as at the Latest Practicable Date. As set out in the Market Consultant Report, multiple central business districts have been developed in Wuhan, including the Hankou Riverside Business District where the Wuhan Yuexiu Fortune Centre is located. Hankou Riverside Business District is an emerging business district with the advantage of its core location and unique riverside landscape resources. There are currently three other Grade A office buildings in the Hankou Riverside Business District, namely Corporate Centre A5, A2 and A3, which were launched in 2011, 2015 and 2016 respectively, and attracted high-end tenants with strict requirements on building's quality, ranging from the high-end consulting service industry, commerce and logistic industry to manufacturing industry. High-end office buildings in the Hankou Riverside Business District have maintained a higher capital value than other areas in the city, with the Corporate Centre A2 and A3 being sold at around RMB 21,400 per sq.m. in 2014 and RMB 20,600 per sq.m. in 2016. The current stock GFA of prime office buildings in this area is 295,656 sq.m., and rent per sq.m. has increased from RMB120 to RMB148 for the 4 years after the launch of Corporate Centre A5 in 2011. According to the Market Consultant Report, only three other International Grade A office buildings, namely Corporate Centre A1, Greenland 636 and Wuhan Centre, are expected to enter the Wuhan market in the next five years.

Starry Victoria Shopping Centre (星匯維港購物中心), being the retail portion of the Wuhan Property, is the first Hong Kong lifestyle oriented large neighbourhood mall in Wuhan with tenants mainly targeted at household customers, and the first shopping mall in Wuhan built with a covered walkway to the metro. As set out in the Market Consultant Report, Wuhan's retail market has been developing rapidly in the past years with the launching of 1-2 prime retail projects annually with trade mix of mainly apparel, jewelry and cosmetics tenants. There are four other existing prime retail properties in the Wuguang commercial area where the Starry Victoria Shopping Centre is located, namely Wuhan International Plaza, Wuhan Plaza, West Park and Capital Plaza. However, Yuexiu Starry Victoria Shopping Centre along with Xintang Vanke Plaza, as neighbourhood malls, differentiates itself from the aforesaid prime retail properties in terms of target customer and trade mix which consists mainly of household consumer brands. The monthly rent of ground floor of Xintang Vanke Plaza is RMB100-240 per sq.m. with tenants such as Starbucks, McDonald's, Mannings and exhibition hall of Vanke as well as some fast fashion brands, whereas the monthly rent of ground floor of the Starry Victoria Shopping Centre is RMB80-240 per sq.m. with tenants including Tao Heung, Hong Kong Prince Ice-room Cafe, Mannings, Yinxin International Cinema, CCB and Sky Fitness. According to the Market Consultant Report, five other prime retail properties, namely, New World K11, Hang Lung Plaza, Wusheng Road Joy City and Yuexiu International Financial Plaza, are expected to commence operations in the Wuguang commercial area by the end of 2021. The total gross floor area of such new properties are expected to represent about 19% of the total supply of prime retail properties in Wuhan, and will further strengthen the core position of the Wuguang commercial area in Wuhan.

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Having considered the increasing supply in Wuhan as discussed above, the operation of the Wuhan Property is subject to certain degree of competition risks that may affect the financial performance and value of the Wuhan Property. We consider such risk to be mitigated to an extent by the Support Arrangement, which ensures that Yuexiu REIT receives at least a minimum amount of net income during the period from 1 January 2018 up to and including 31 December 2020 up to the Baseline Adjusted Net Income as discussed in the section headed “5.2 Support Arrangement” below. As set out in the letter to the Unitholders, based on: (a) the Manager’s assessment of the business plans of the Wuhan Property; (b) the leasing progress of the Wuhan Property year-to-date; and (c) the views of the Market Consultant, the Manager considers that such start-up risks would diminish over time as the operations of the Wuhan Property are expected to progressively mature during and beyond the start-up period. Having taken into account the foregoing, as well as that (i) the estimates of occupancy rates of the Wuhan Property are considered reasonable as mentioned in the section “4.1 High quality income-producing commercial real estate” below; and (ii) the track record of the Existing Properties’ leasing performances such as the offices at Guangzhou IFC acquired by Yuexiu REIT in 2012 with gross floor area of 183,540 sq.m. (compared to 129,446.74 sq.m. for the office portion of the Wuhan Property) and occupancy rate of 60% as at 30 June 2012, which has since increased to 96.2% as at 30 June 2017, we concur with the Manager’s view that such start-up risks would diminish over time, assuming that there would not be any material adverse changes in the future market conditions and that the leasing progress of the Wuhan Property maintains a stable growth and matures progressively beyond the start-up period. There can, however, be no assurance that WH Project Company will be able to maintain or improve on its Actual Adjusted Net Income after the expiry of the Support Arrangement. If there is an underperformance of Actual Adjusted Net Income after the expiry of the Support Arrangement, this may have a material adverse effect on Yuexiu REIT’s financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations. Please refer to the section “9 Risk Factors” below for further details.

3.3 Outlook of office and retail property market in Wuhan

Both the Independent Property Valuer’s property valuation report (Appendix 3 to the Circular) and the Market Consultant Report (Appendix 4 to the Circular) are positive as regards the office and retail property market in Wuhan, having considered the robust economic growth and growing business activities in Wuhan as well as the supply in the market.

Independent Unitholders’ attention is drawn to the Independent Property Valuer’s property valuation report (Appendix 3 to the Circular) and the Market Consultant Report (Appendix 4 to the Circular) which set out, among other things, (i) further information on the Wuhan Property; and (ii) information on the market environment and outlook for the office and retail property market in Wuhan.

4 Reasons for and benefits of the Acquisition

As stated in the Circular, the Acquisition is in line with Yuexiu REIT’s investment objectives and growth strategy, which aim to invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential.

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4.1 High quality income-producing commercial real estate

Wuhan Yuexiu Fortune Centre (武漢越秀財富中心), being the office portion of the Wuhan Property located in Hankou Riverside Business District, is an International Grade A office building completed in 2016 and is currently the tallest operating International Grade A office building in Wuhan with a height of 330 meters. It enjoys views of the Yangtze River and is currently the only International Grade A building in the Hankou Riverside Business District. The Wuhan Property enjoys easy accessibility with direct connections to both the existing metro line 1 and planned metro line 10 intersecting at the Qiaokou Road station. The retail portion of the Wuhan Property is also the first shopping mall in Wuhan built with a covered walkway to the metro. The Market Consultant Report estimates that the occupancy rate of the Wuhan Property's office space to reach 45% to 55% by the end of 2017 and 80% to 85% by the end of 2018, while the occupancy rate of its shopping mall is expected to maintain a high occupancy level of over 95% in the future, which are considered reasonable based on (i) the observations as set out in the Market Consultant Report in relation to the correlation between supply and absorption and their respective trends for both office and retail properties in Wuhan, a rapidly developing city, as compared to the historical trends in developed Tier 1 cities; (ii) as set out in the Market Consultant Report, the monthly absorption rate of 4,267 sq.m. has been achieved by the office portion of the Wuhan Property as of the 1st half of 2017 since its launching in 2016; and (iii) as discussed with the Manager, it is of the view that the estimates in the Market Consultant Report are reasonable, based on due diligence information provided by the WH Vendor regarding interests shown by potential tenants to enter into tenancy agreements and commence leasing within this year in respect of approximately 10-20% of the gross floor area of the Wuhan Property's office space.

4.2 Capture strong economic fundamentals and growth potential of a top-tier PRC city

As one of the few Tier 1.5 cities in China, Wuhan possesses strong economic fundamentals and advantages from its strategic and central location. In 2016, Wuhan's gross domestic product was ranked 9th in the PRC with a 7.8% year-on-year growth, outperforming the national gross domestic product growth of 6.7%. As a comparison, Shanghai's and Beijing's year-on-year gross domestic product growths were at 6.8% and 6.7%, respectively. From 2012 to 2016, Wuhan's gross domestic product per capita achieved a CAGR of 8.8%. Its gross domestic product per capita in 2016, being on par with Tier 1 cities such as Beijing and Shanghai, was a strong signal of Wuhan's growth potential and economic affluence. Wuhan's retail sales volume also grew at a CAGR of 12.8% from 2012 to 2016. Based on the foregoing and having regard to the Market Consultant Report, the Manager is of the view that an investment in commercial real estate in Wuhan provides a healthy balance between risk and return as compared to an investment in a developed city within the PRC.

4.3 Capital appreciation potential

The Agreed Acquisition Amount translates to a per sq.m. valuation (based on the proportionate gross floor area of the Wuhan Property, excluding car park and other ancillary areas) of RMB19,675 per sq.m. According to the Market Consultant Report, two prime office buildings in the Hankou Riverside Business District, namely Corporate Centre A3 and A1, were recently sold in 2016 at prices of RMB20,600 and RMB19,000 per sq.m. respectively, and the capital value of prime office buildings in the Hankou Riverside Business District is expected to grow at a compounded annual growth rate

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of 4.5% in the period from July 2017 to 2021, reaching RMB26,996 per sq.m. in 2021. For the capital value of prime retail properties in Wuhan, it has been increasing steadily to RMB24,326 per sq.m. by the first half of 2017 and the Market Consultant Report expects that it will reach RMB27,158 per sq.m. in 2021, representing a CAGR of 2.5% in the period from July 2017 to 2021. The Manager is of the view, and we concur, that the Acquisition allows Yuexiu REIT to enter into the fast growing Wuhan market at an attractive valuation with downside protection for the period of the Support Arrangement, establish competitive strength in the Wuhan market and potentially enjoy the benefits of long term growth.

4.4 Diversify portfolio

The Acquisition is expected to broaden the tenant base of Yuexiu REIT to include more reputable domestic and multi-national corporate tenants. Following the Acquisition, the contribution from Guangzhou IFC to Yuexiu REIT's total portfolio in terms of asset value is expected to decrease from 60% to 55%, while that from Yuexiu REIT's 67.0% interest in the Wuhan Property is expected to be 8%. In addition to achieving a more diversified portfolio mix, the Acquisition will enlarge Yuexiu REIT's portfolio market valuation asset value by 8%. The Manager is of the view that the Acquisition will complement Yuexiu REIT's strong establishment in Guangzhou and existing presence in Shanghai with a new presence in Wuhan, capturing the growth potential from Wuhan's strong economy and growing importance as a business hub in China.

Please refer to the section headed "5. Reasons for and benefits of the Acquisition" in the Letter to the Unitholders for further details.

5 The Acquisition Deed

A summary of the principal terms of the Acquisition Deed is set out as follows:

Date:	14 November 2017
WH Purchaser:	Yuexiu REIT 2017 Company Limited, a company incorporated in the British Virgin Islands and a SPV of Yuexiu REIT
WH Vendor:	Guangzhou Construction & Development Holdings (China) Limited, being an indirect wholly-owned subsidiary of Yuexiu Property
Guarantor:	Yuexiu Property, being the guarantor, has unconditionally and irrevocably guaranteed to WH Purchaser the due and punctual payment of all amounts payable by WH Vendor under the Acquisition Deed and due and punctual performance and observance by WH Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Acquisition Deed.

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- Interests to be acquired:** WH Sale Shares and the assignment of WH Loan
- Consideration:** Agreed Acquisition Amount: RMB2,280,606,300
- Price adjustment: Add/subtract the WH Target Group Adjusted NAV as at Completion
- Payment terms:**
- (a) at Completion, WH Purchaser shall pay, or procure the payment of, an amount in cash equal to: (i) the Initial Completion Payment, being 60.0% of the sum of the Agreed Acquisition Amount of RMB2,280,606,300 plus/minus the WH Target Group Adjusted NAV, as set out in the WH Pro Forma Completion Statement; (ii) minus the EIT Withheld Amount (being RMB44,224,087 less any PRC Enterprise Income Tax already paid in connection with the Reorganisation prior to the Completion), which is to be retained by WH Purchaser and deposited into the EIT Segregated Account; and
 - (b) WH True-up Payment within five Business Days after agreement or determination of the WH Completion Statement (which shall be agreed between WH Purchaser and WH Vendor, and failing such agreement, audited by PricewaterhouseCoopers or such other auditors jointly appointed by the Manager and WH Vendor):
 - i. if the WH Target Group Adjusted NAV (as set out in the WH Completion Statement) is higher than the WH Target Group Adjusted NAV (as set out in the WH Pro Forma Completion Statement), WH Purchaser shall pay 60.0% of the difference to WH Vendor (with the remaining 40% of the difference being payable in accordance with section (c) below) without prejudice to WH Purchaser's right to retain and deposit any Additional EIT Withheld Amount into the EIT Segregated Account; and
 - ii. if the WH Target Group Adjusted NAV (as set out in the WH Completion Statement) is lower than the WH Target Group Adjusted NAV (as set out in the WH Pro Forma Completion Statement), WH Vendor shall repay the difference to WH Purchaser; and

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(c) within one year after Completion, WH Purchaser shall pay, or procure the payment of, an amount in cash equal to: (i) the Deferred Completion Payment, being 40% of the sum of the Agreed Acquisition Amount of RMB2,280,606,300 plus/minus the WH Target Group Adjusted NAV, as set out in the WH Pro Forma Completion Statement, plus the remaining 40.0% of the WH True-up Payment (if it is a positive amount); (ii) plus interest on the net amount under (c)(i) above accrued at a margin of 1.0% per annum over HIBOR from the Completion Date to the date that such amount is paid.

Summary of conditions precedent:

- the resolution approving the Transaction Matters Requiring Approval having been passed by the Independent Unitholders at the EGM
- completion of the Reorganisation
- all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Acquisition Deed and no statute, regulation or decision which would prohibit or materially delay the sale and purchase of the WH Sale Shares, the assignment of WH Loan or which would prohibit or materially restrict the operation of the WH Target Group or the Wuhan Property having been enacted or taken by any governmental or official authority
- there being no material damage to the Wuhan Property, no compulsory acquisition or resumption of the Wuhan Property and no notice of such intention received from any governmental authority
- the warranties of WH Vendor under the Acquisition Deed remaining true and accurate in all material respects and not misleading in any material respect at Completion as if repeated at Completion (by reference to the facts and circumstances existing at Completion)

The above conditions precedent are considered customary and generally in line with normal commercial practice expected of similar transactions.

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Completion: Within 10 Business Days after the date on which all the WH Conditions have been fulfilled (or waived, if applicable), or such other date as may be agreed by WH Purchaser and WH Vendor

Representations, warranties and indemnities: The maximum aggregate liability of WH Vendor in respect of claims for any breaches of warranties shall not exceed the Agreed Acquisition Amount, and is subject to a minimum per claim threshold of RMB1,000,000. Amounts shall only be recoverable from WH Vendor if the aggregate amount recoverable in respect of all claims exceeds RMB10,000,000 and WH Vendor will be liable for the entire amount. The Acquisition Deed also provides for a limitation period of three years from the Completion Date for all claims made under the Acquisition Deed (other than those claims relating to tax, in which case the limitation period is seven years from the Completion Date). The Manager considers, and we concur that, the liability cap and limitation period are acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding these limitations.

WH Vendor has irrevocably undertaken to indemnify Yuexiu REIT, the Trustee, the Manager, WH Purchaser and the WH Target Group in respect of certain matters, including as a result of or in connection with:

- (a) any property held by WH Project Company on or prior to Completion, other than the Wuhan Property;
- (b) taxation resulting from or by reference to any event occurring on or before Completion including, without limitation, any PRC Enterprise Income Tax payable for the Reorganisation and/or the Acquisition; and
- (c) the actual outstanding construction costs payable by WH Project Company in excess of the outstanding construction costs reflected in the WH Completion Statement for the purpose of calculating the WH Target Group Adjusted NAV.

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For the avoidance of doubt, WH Vendor's liabilities under the indemnity shall not be subject to the limitations on the minimum per claim threshold, aggregate amount recoverable threshold or the maximum aggregate liability set out above. A limitation period of seven years from the Completion Date would apply to claims made against the indemnity, save for claims in respect of paragraph (a) for which there is no limitation period. The Manager considers, and we concur that, that the limitation period is acceptable as they are in line with normal commercial terms expected of similar transactions, and that Unitholders' interests are sufficiently protected notwithstanding these limitations.

Support Arrangement:

WH Vendor agreed to provide support payments to WH Purchaser for the period from 1 January 2018 up to and including 31 December 2020, subject to completion of the Acquisition.

Further details and analysis on the Support Arrangement are set out in the sub-section headed "5.2 Support Arrangement" below.

Please refer to section headed "2.4 Key terms of the Acquisition Deed" in the Letter to the Unitholders of the Circular for the detailed terms on the Acquisition Deed.

5.1 Agreed Acquisition Amount and WH Appraised Value

The Agreed Acquisition Amount of RMB2,280,606,300 was arrived at on a willing buyer/seller and arm's length basis after taking into account the valuation of the Wuhan Property by the Independent Property Valuer as at 31 August 2017, and represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000).

Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has been appointed as the Independent Property Valuer to appraise the value of the Wuhan Property for the purpose of the Acquisition. The WH Appraised Value of the Wuhan Property (as assessed by the Independent Property Valuer as at 31 August 2017) was RMB3,587,000,000.

5.1.1 Valuation methodologies

As stated in the Independent Property Valuer's property valuation report, the Independent Property Valuer adopted the income approach using income capitalisation method and discounted cash flow analysis to arrive at the WH Appraised Value, which is counter-checked by the market approach in which recent transactions and/or offering of comparable properties in the locality are analysed and compared with the Wuhan Property. The income capitalisation method is based on the capitalisation of the current passing rental income as of the date of valuation and potential reversionary income over

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the remaining land use rights of the Wuhan Property from the date of valuation on fully let basis in present value to arrive at the capital value. The discounted cash flow analysis is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Wuhan Property, and is based on historical data with assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing rent. The direct comparison method is based on comparing the Wuhan Property directly with other comparable properties which recently offered or changed hands. Details in respect of the income capitalisation method, discounted cash flow analysis and direct comparison approach are set out in Appendix 3 headed “Independent Property Valuer’s Wuhan Property Valuation Report” in the Circular.

We have reviewed the valuation report and discussed with the Independent Property Valuer the rationale for adopting the income approach as the principal valuation methodology for the Wuhan Property cross-checked by the market approach as well as the bases and assumptions adopted. According to the Independent Property Valuer, both income approach and market approach are applicable for the valuation of the Wuhan Property, but priority is given to the income approach as the Wuhan Property is primarily income producing, which is particularly relevant for REIT based purchasers.

Based on our discussion of the rationale with the Independent Property Valuer, we consider that the valuation methodologies adopted by the Independent Property Valuer are reasonable and acceptable and in line with market practice.

5.1.2 Valuation bases and assumptions

In arriving at the appraised value in respect of the Wuhan Property using the income capitalisation method, this method is based on capitalization of net rental income of current rent passing as of the valuation date (the “**term value**”), and adding up with the reversionary interests by capitalizing at current market rents by assuming that the Wuhan Property was fully let for the vacant portion on the valuation date at current market rents and renewed at current market rents for the tenanted portion upon expiry of leases into present value. On the other hand, the adopted capitalisation rate as stated in the Independent Property Valuer’s property valuation report is based on the yields achieved in analysed market sales transactions and the Independent Property Valuer’s knowledge of the market expectations of property investors.

In arriving at the appraised value in respect of the Wuhan Property using the discounted cash flow analysis, this method is based on historical data with assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing rent. These assumptions determine the earning capability of the property upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner over a 10-year investment horizon; and the adopted discount rate as stated in the Independent Property Valuer’s property valuation report has taken into account the capitalisation rate adopted in the income capitalisation method as well as the Independent Property Valuer’s expected inflation and rental growth rates. As discussed with the Independent Property Valuer, the discount rate of 8.25% adopted under the discounted cash flow analysis, which is within the range of the discount rates of 6.5-8.5% (office) and 6.75-8.75% (retail) adopted for the latest valuation of the Existing Properties as set out in the Interim Report, is considered a fair reflection of

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the rate of return that adequately compensates the investors for the risks taken associated with the operation of the Wuhan Property. The anticipated net property income stream receivable thereafter is capitalised at appropriate terminal capitalisation rate and adjusted to present value to reflect the capital value beyond the years until the end of land use rights' term.

As a support approach, the direct comparison approach is used to counter-check the appraised value for the office and retail portions of the Wuhan Property and used in conjunction with the income approach to value the car park portion. In this regard, comparable sale and purchase transactions of Grade A and International Grade A office buildings, retail shops and carparks/carparking spaces in the location nearby around the date of valuation were collected and analysed. The collected comparables were then adjusted to take into account of the discrepancies between the property and collected comparables, which include the discrepancies in terms of location, age, size and building quality among the Wuhan Property and the comparables. As discussed with the Independent Property Valuer, recent comparable sale and purchase transactions of prime office spaces include the Corporate Centre A2 and A3 (being Grade A office buildings) which were sold at around RMB21,400 per sq.m. in 2014 and RMB20,600 per sq.m. in 2016 and Corporate Centre A1 (being an International Grade A office building) sold at around RMB19,000 per sq.m. in 2016 as compared to the office portion of the Wuhan Property valued at approximately RMB19,924 per sq.m. as at 31 August 2017 as appraised by the Independent Property Valuer using the income capitalisation method. As discussed with the Independent Property Valuer, there were no transacted deals of entire shopping malls in the nearby area, with only sales transactions of individual retail shops available at an average of approximately RMB19,644 per sq.m., as compared with the valuation of approximately RMB16,402 per sq.m. for the retail portion of the Wuhan Property as at 31 August 2017 as appraised by the Independent Property Valuer using the income capitalisation method. For car parking spaces, the announced unit rate of RMB180,000 per carparking space for the commercial carpark of Corporate Centre A1 has been adopted for the Commercial Carpark Spaces (against the appraised value for each Commercial Carpark Space as assessed by the Independent Property Valuer as at 31 August 2017 was approximately RMB176,367), while the transacted deals for nearby residential carparks in the range of RMB211,642 to RMB256,642 per carparking space against the appraised value for each Residential Carpark Space as assessed by the Independent Property Valuer as at 31 August 2017 was approximately RMB232,000.

As set out in the Independent Property Valuer's property valuation report, no consideration on the Support Arrangement nor alternative use(s) or development option(s) has been taken into account in the valuation of the Wuhan Property; nor has the Independent Property Valuer considered any redevelopment potential of the Wuhan Property. The Independent Property Valuer has taken into account the Carpark Master Lease Agreements between WH Project Company and Yicheng Wuhan Branch. For further details on the methods and bases of the valuation of the Wuhan Property, please refer to Appendix 3 headed "Independent Property Valuer's Wuhan Property Valuation Report".

The bases and assumptions adopted in arriving at the WH Appraised Value using the income capitalisation approach are largely based on objective parameters, including the contractual terms of the tenancies and the market yields of comparable transactions, while the discounted cash flow approach is largely based on projected cash flow and budgeting prepared by the Manager with reference to the relevant analysis of relevant general and economic conditions and of business prospects of the Wuhan Property as set out in the Market Consultant Report. The WH Appraised Value

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is also cross-checked with the direct comparison method based on actual sales transactions and/or offering of comparable properties. On these grounds and having reviewed and discussed with the Independent Property Valuer their valuation models and list of comparables adopted, we consider that the bases and assumptions in relation to the WH Appraised Value by the Independent Property Valuer are reasonable and in line with market practice.

Based on the above and given the Agreed Acquisition Amount has been adjusted to reflect a discount of approximately 5.1% to the Proportionate WH Appraised Value, we consider that the Agreed Acquisition Amount is fair and reasonable as far as Yuexiu REIT, the Unitholders and the Independent Unitholders are concerned.

5.2 Support Arrangement

WH Vendor agreed to provide support payments to WH Purchaser for the period from 1 January 2018 up to and including 31 December 2020, subject to completion of the Acquisition. Such support payments shall be made to WH Purchaser (or any entity within the Enlarged Group as designated by WH Purchaser) in the event that the Actual Adjusted Net Income is less than the Baseline Adjusted Net Income for the relevant period/year, in which case the shortfall shall be payable to WH Purchaser (or any entity within the Enlarged Group as designated by WH Purchaser). Please refer to section 2.4.10 headed “2.4.10 Support Arrangement relating to the Wuhan Property” in the Letter to the Unitholders for detailed payment mechanisms of the Support Arrangement.

The Baseline Adjusted Net Income for the three financial years during the term of the Support Arrangement are as follows:

Period	Baseline Adjusted Net Income
Financial year ending 31 December 2018	RMB78,000,000
Financial year ending 31 December 2019	RMB98,000,000
Financial year ending 31 December 2020	RMB110,000,000

The Baseline Adjusted Net Income amounts were agreed by WH Vendor and WH Purchaser after taking into consideration: (a) the business plans of the Wuhan Property, including revenue and expenses estimated based on their operating experiences; (b) the Market Consultant Report’s estimations (based on current market conditions) as to the operating performance of the Wuhan Property; and (c) the supply and demand of similar-type properties in Wuhan based on the Market Consultant Report. As the Wuhan Property is still in the initial phase of its operations (with leasing of the office portion of the Wuhan Property only commencing in November 2016), WH Vendor and WH Purchaser consider the performance of the Wuhan Property for the six months ended 30 June 2017 (which would have resulted in an Actual Adjusted Net Income of approximately RMB2,280,000) to be less relevant for determining the Baseline Adjusted Net Income amounts. For further details of the parameters considered by WH Vendor and WH Purchaser, please refer to the Market Consultant Report at Appendix 4 to the Circular.

We have reviewed and discussed with the Manager their business plans for the Wuhan Property, including their estimated revenue and expenses and the basic assumptions set out therein, as well as

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the matters set out in the Market Consultant's Report, and noted that the Baseline Adjusted Net Income amounts are arrived generally in line with the Market Consultant Report's estimations (based on current market conditions) as to the rental and occupancy rate of the Wuhan Property. Taking into account that (i) the Support Arrangement protects the Unitholders' interests to the extent that, as discussed in section 8 headed "Financial effects of the Acquisition" below, the Pro Forma DPU (with Support Arrangement) will be improved following the Acquisition assuming that the Baseline Adjusted Net Income of RMB78 million was applicable for the six months ended 30 June 2017 on a pro rata basis; and (ii) the Support Arrangement is commercially agreed between the parties to ensure that Yuexiu REIT receives at least a minimum amount of net income during the period from 1 January 2018 up to and including 31 December 2020 and is beneficial to Yuexiu REIT by mitigating its exposure to the initial start-up risk associated with the operations of the Wuhan Property that may affect the financial performance and value of the Wuhan Property, we consider the basis of determination of the Support Arrangement to be acceptable and fair and reasonable, and such Support Arrangement is favourable for Yuexiu REIT.

6 The Joint Venture Agreement

Upon Completion, WH Intermediary Company and WH Vendor Subsidiary (being the JV Shareholders) shall enter into the Joint Venture Agreement in relation to WH Project Company. WH Vendor Subsidiary is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property. Accordingly, the Joint Venture Agreement and the transactions contemplated thereunder will constitute continuing connected party transactions of Yuexiu REIT.

The principal terms of the Joint Venture Agreement are summarised as follows:

- Scope of business:** WH Project Company shall not have any business other than the holding, leasing, maintenance, operation and management of the Wuhan Property.
- Duration and termination:** The operation term of WH Project Company as a joint venture is from the effective date of the Joint Venture Agreement to 19 January 2031. The Joint Venture Agreement will be terminated at the earliest of: (i) a date agreed between the parties to the Joint Venture Agreement; (ii) all shares in WH Project Company being owned and held by one shareholder; and (iii) the dissolution of WH Project Company.
- Board structure:** The board of directors of WH Project Company shall comprise three directors, one of whom may be nominated by WH Vendor Subsidiary (and not the Trustee) and the remaining two of whom may be nominated by the Trustee (through WH Intermediary Company).
- The quorum for board meetings of WH Project Company shall be two directors, comprising at least one director nominated for appointment by each JV Shareholder. The board chairman shall be nominated by WH Intermediary Company and not have a casting vote.

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Joint Decision Matters:

Board decisions of WH Project Company will be made by simple majority, except where such decision relates to certain matters which require unanimous approval of all directors, such as conversion of any security into any shares of WH Project Company, alteration of capital structure of WH Project Company, or creation of any encumbrance or third party interest over the assets of WH Project Company etc.

Shareholder decisions of WH Project Company will be made by simple majority, except where such decision relates to certain matters which require unanimous approval of all shareholders, such as amendment to organisational documents, or increase or reduction in WH Project Company's registered share capital, or any merger etc.

Funding of WH Project Company:

Any funding needs of WH Project Company shall be funded: (a) firstly, by new or existing bank facilities obtained by WH Project Company on reasonable terms having regard to debt borrowings of similar size and nature in the current loan market in Hong Kong or the PRC (as the case may be); and (b) thereafter, if WH Project Company fails to obtain sufficient funding through drawing down on bank facilities within six months, by the JV Shareholders by way of shareholder loan to WH Project Company in accordance with their respective interest in WH Project Company, subject to compliance with all the relevant laws and regulations (including, without limitation, the REIT Code).

Outstanding Construction Costs:

As at 30 June 2017, WH Project Company had RMB732,191,000 of outstanding construction costs payable in connection with the development, construction and fitting-out of the Wuhan Property (among other things), which were commissioned before the Completion Date. Such costs are expected to be settled by 2021.

Pursuant to the terms of the Joint Venture Agreement, WH Vendor Subsidiary (as a JV Shareholder) will, among other things, receive all invoices relating to construction costs of WH Project Company and will arrange for any such invoice to be paid by WH Project Company within the specified timeframe pursuant to the terms of the relevant contract or invoice. As set out in the section headed "5. The Acquisition Deed" above, WH Vendor shall also indemnify WH Purchaser to the extent the actual outstanding construction costs payable by WH Project Company are in excess of the outstanding construction costs reflected in the WH Completion Statement insofar as attributable to Yuexiu REIT's 67.0% equity interest in WH Project Company. Yuexiu Property has also provided an unconditional and irrevocable guarantee in respect of all WH Vendor's obligations, commitments, undertakings, warranties and indemnities under the Acquisition Deed.

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Transfer of shares:

No JV Shareholder shall have the right to dispose any part of its interest in (or shareholder loans to) WH Project Company to a third party transferee, unless it has first offered its entire equity interest in (and shareholder loans to) WH Project Company to the other JV Shareholder (on the same or better terms agreed with the third party transferee) who declines to accept such offer. Such restriction on disposal shall not apply to a transfer by either JV Shareholder to an affiliate. The transferee of any permitted transfer of shares in WH Project Company shall enter into a deed of adherence to become bound by the Joint Venture Agreement.

The non-transferring JV Shareholder shall also have a tag-along right when the transferring JV Shareholder is proposing to sell its interest to a third party transferee.

An event of default occurs when: (a) a JV Shareholder becomes insolvent; (b) a JV Shareholder fails to fund WH Project Company at the time and in the manner according to the terms of the Joint Venture Agreement; or (c) a JV Shareholder breaches certain other provisions of the Joint Venture Agreement (for example, restrictions on transfer of shares in WH Project Company). Please refer to section headed “2.5 Key terms of the Joint Venture Agreement” in the Circular for the detailed terms of the Joint Venture Agreement including the relevant default provisions.

Having considered that (i) Yuexiu REIT, through WH Intermediary Company, will be able to nominate two out of three directors in the board of WH Project Company; (ii) funding of WH Project Company will be funded by either new or existing bank facilities obtained by WH Project Company on reasonable terms or by the JV Shareholders in accordance with their respective interest in WH Project Company; (iii) WH Vendor Subsidiary will, among other things, receive all invoices relating to construction costs of WH Project Company and will arrange for any such invoice to be paid by WH Project Company within the specified timeframe pursuant to the terms of the relevant contract or invoice pursuant to the terms of the Joint Venture Agreement; and (iv) default provisions are in place to protect the JV Shareholders against the occurrence of an event of default, we consider that the above terms of the Joint Venture Agreement are in line with normal commercial practice and in the interests of Yuexiu REIT and its Unitholders and Independent Unitholders as a whole.

7 Financing of the Acquisition

As set out in the Letter to the Unitholders, the Manager intends to finance the Consideration: (i) as to the Initial Completion Payment and WH True-up Payment from drawing down on the New Bank Facility up to an amount equivalent to RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate as determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30a.m. (Hong Kong Time) on Reuters at the relevant time), and internal resources; and (ii) as to the Deferred Completion Payment (and all accrued interest thereon) payable within one year after Completion from utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) having regard

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to prevailing market conditions and the strategic objectives of Yuexiu REIT and/or drawing down on the Vendor Facility to the extent there is any shortfall. As of the Latest Practicable Date, Yuexiu REIT has not entered into any binding agreement in relation to the disposal of any one or more Existing Properties. The One-Off Fees and Charges will be financed by internal resources and drawing down on the New Bank Facility.

The amount of total consideration for the Acquisition and the method of financing may be summarized as follows:

	RMB
Agreed Acquisition Amount	2,280,606,300
<i>Less: WH Target Group Adjusted NAV</i>	<u>(364,486,700)</u>
Total consideration (after adjustment)	1,916,119,600
Initial Completion Payment (60%)	1,149,671,760
<i>Less: EIT Withheld Amount</i>	<u>(44,224,087)</u>
	<u>1,105,447,673</u>
To be financed by the New Bank Facility	1,222,000,000
Deferred Completion Payment (40%)	766,447,840
<i>Add: Illustrative interest amount accruing on the Deferred Completion Payment^(Note)</i>	<u>13,330,493</u>
	<u>779,778,333</u>
To be financed by the Vendor Facility	814,700,000

Note: The illustrative interest amount as set out in the letter from the Unitholders has been calculated based on 40% of the Agreed Acquisition Amount but without taking into account the WH Target Group Adjusted NAV.

In formulating the financing structure for the Deferred Completion Payment (and all accrued interest thereon), the Manager, in consultation with its financial advisers, will take into consideration, among other things: (i) the parameters to which Yuexiu REIT is subject (including the borrowing limits and distribution requirements under the REIT Code and Trust Deed, such borrowing limit under the REIT Code currently limiting the Gearing Ratio to 45.0%); (ii) the costs of debt under the prevailing market conditions; (iii) the availability of other more favourable financing means having regard to the strategic objectives of Yuexiu REIT; and (iv) the expected financial effect of the selected financing structure.

7.1 New Bank Facility

As set out in the Letter to the Unitholders, the Manager has entered into a commitment letter with a lender bank for the provision of a Hong Kong dollar denominated unsecured term loan facility up

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to an amount equivalent to RMB1,222,000,000 (based on the prevailing HKD/RMB exchange rate determined by the cross rates of USD/CNY(HK) Spot Rate and USD/HKD Spot Rate and which are announced by the Treasury Markets Association of Hong Kong at around 11:30a.m. (Hong Kong Time) on Reuters at the relevant time) (the “**New Bank Facility**”), which is intended to be drawn down in full to partly finance the Consideration and One-Off Fees and Charges. 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 1.3% per annum over HIBOR, and will mature and become repayable in three years 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.

As set out in the Annual Report and Interim Report, the effective interest rates (per annum) of Yuexiu REIT’s borrowings and notes in HKD as at 31 December 2016 and 30 June 2017 were 2.52% and 1.90% respectively. Taking into account that the period average of overnight to one-year HIBOR during August 2017 ranged from 0.10% to 1.38% per annum (source: Hong Kong Monetary Authority), the interest rate for the New Bank Facility may lie between approximately 1.40% to 2.68% per annum, which is generally in line with the effective interest rates of Yuexiu REIT’s existing HKD borrowings.

The New Bank Facility will mature and become repayable in three years from the date on which the New Bank Facility is drawn down. Based on information provided by the Manager, the maturity period for Yuexiu REIT’s offshore bank borrowings as at 31 August 2017 range from 3 to 5 years, which is comparable to that of the New Bank Facility.

Based on the above and having also considered that the interest rate of 1.3% per annum over HIBOR for the New Bank Facility is within the range of the interest rates between 0.80% to 1.40% per annum over HIBOR for other REITs listed in Hong Kong as disclosed in their respective interim reports for the six months ended 30 June 2017, we consider the terms of the New Bank Facility to be fair and reasonable.

7.2 Vendor Facility

As set out in the Letter to the Unitholders, WH Purchaser (as borrower) will, on Completion, enter into a facility letter in respect of the Vendor Facility with WH Vendor (as lender). In the event that there is any shortfall in the funding required for payment of the Deferred Completion Payment, WH Purchaser may draw down on the Vendor Facility to fund the shortfall if the Manager considers that other financing options with terms and conditions to its satisfaction cannot be secured at the time the Deferred Completion Payment is made.

The “**Vendor Facility**” relates to a Hong Kong dollar denominated unsecured term loan facility up to an amount equivalent to RMB814,700,000 (based on a five-day average of the RMB/HKD central parity rate as announced by the People’s Bank of China at the relevant time), bearing interest at a margin of 1.3% per annum over HIBOR. The Vendor Facility will mature and become repayable one year from the date on which the Vendor Facility is drawn down, subject to Yuexiu REIT having four successive options to extend the maturity date of the Vendor Facility for a further year on the same terms other than the interest margin. The interest margin applicable during the initial term of the

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Vendor Facility was agreed by WH Vendor and WH Purchaser having regard to prevailing market conditions and the interest margin for each extension period shall likewise be determined having regard to the market conditions then prevailing. Under the Vendor Facility, Yuexiu REIT shall obtain quotations from two independent third party banks for a loan on similar terms as the Vendor Facility prior to each extension of the Vendor Facility, and the interest margin for such extension period shall be the lower of the two quotations.

There is no guarantee provided under the Vendor Facility. Taking into account the Gearing Ratio and the financial resources available to Yuexiu REIT, including its existing cash resources and internally generated funds, the Manager believes that Yuexiu REIT will be able to repay or refinance the Vendor Facility (if drawn) when due.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, WH Vendor is a connected person of Yuexiu REIT within the meaning of Chapter 8 of the REIT Code by virtue of being an indirect wholly-owned subsidiary of Yuexiu Property. Accordingly, the Vendor Facility and the transactions contemplated thereunder will constitute connected party transactions of Yuexiu REIT.

As set out in the Annual Report and Interim Report, the effective interest rates (per annum) of Yuexiu REIT's borrowings and notes in HKD as at 31 December 2016 and 30 June 2017 were 2.52% and 1.90% respectively. Taking into account that the period average of overnight to one-year HIBOR during August 2017 ranged from 0.10% to 1.38% per annum (source: Hong Kong Monetary Authority), the interest rates for the Vendor Facility may lie between approximately 1.40% to 2.68% per annum, which is generally in line with the effective interest rates of Yuexiu REIT's existing HKD borrowings.

Taking into account Yuexiu REIT having four successive options to extend the maturity date of the Vendor Facility for a further year on the same terms, the Vendor Facility may effectively mature and become repayable five years from the date on which the Vendor Facility is drawn down. Based on information provided by the Manager, the maturity period for Yuexiu REIT's offshore bank borrowings as at 31 August 2017 range from 3 to 5 years, which is comparable to that of the Vendor Facility.

Based on the above and having also considered that the interest rate of 1.3% per annum over HIBOR for the Vendor Facility is within the range of the interest rates between 0.80% to 1.40% per annum over HIBOR for other REITs listed in Hong Kong as disclosed in their respective interim reports for the six months ended 30 June 2017, we consider the terms of the Vendor Facility to be fair and reasonable.

7.3 Expected Gearing Ratio

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to the Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the Manager expects that the Gearing Ratio of Yuexiu REIT to decrease from 37.1% (as at 30 June

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2017) to approximately 36.4% immediately following payment of the Initial Completion Payment (but not the Deferred Completion Payment) at Completion, assuming: (i) completion of the Acquisition; (ii) drawdown under the New Bank Facility to finance the Initial Completion Payment; and (iii) retention by WH Project Company of RMB300,000,000 cash.

For illustrative purposes only, based on the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix 2 to the Circular and the estimated One-Off Fees and Charges in relation to the Acquisition, the same assumptions as above and further assuming the Deferred Completion Payment is fully paid upon Completion and entirely financed from the Vendor Facility, the Manager expects that the Gearing Ratio of Yuexiu REIT to increase from 37.1% (as at 30 June 2017) to approximately 38.6%. For avoidance of doubt, rather than financing the Deferred Completion Payment from the Vendor Facility, Yuexiu REIT may instead utilise more favourable financing means (which may include drawing down on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) for financing the Deferred Completion Payment, which may result in a lower Gearing Ratio than 38.6%. Further, such impact on the Gearing Ratio of Yuexiu REIT would only crystallise once the Vendor Facility is drawn down, which would likely coincide with the payment of the Deferred Completion Payment up to one year after Completion.

On the basis that (i) the Initial Completion Payment and WH True-up Payment shall be financed by the New Bank Facility bearing interest generally in line with the effective interest rates of Yuexiu REIT's existing HKD borrowings; (ii) the Deferred Completion Payment, which shall be paid within one year after the Completion, may be financed from utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) having regard to prevailing market conditions and the strategic objectives of Yuexiu REIT and/or drawing down on the Vendor Facility to the extent there is any shortfall; (iii) the Vendor Facility will be entered into on Completion and bears interests in line with the effective interest rates of Yuexiu REIT's existing HKD borrowings; (iv) the tenure of each of the New Bank Facility and Vendor Facility is in line with the maturity period of Yuexiu REIT's existing offshore bank borrowings which range from three to five years; (v) the Gearing Ratio of Yuexiu REIT is expected to be between 36.4% (immediately following payment of the Initial Completion Payment but not the Deferred Completion Payment) and 38.6% (assuming the Deferred Completion Payment will be entirely financed from the Vendor Facility), which is at a similar level to the Gearing Ratio as at 30 June 2017 (being 37.1%) and well within the 45.0% borrowing limit under the REIT Code; and (vi) the New Bank Facility and Vendor Facility will not result in any dilution of interest of the Unitholders as opposed to other fund raising options such as the issuance of consideration units, we are of the view that the financing structure of Yuexiu REIT for the Consideration is fair and reasonable and in the interests of the REIT and Independent Unitholders.

8 Financial effects of the Acquisition

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

- (a) the unaudited interim condensed financial information of Yuexiu REIT for the six months ended 30 June 2017; and

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- (b) the audited financial information of the WH Target Group for the six months ended 30 June 2017 as set out in Appendix 1 headed “Accountant’s Report in respect of the WH Target Group” to the Circular,

and assuming:

- i. WH Project Company will, after the full settlement of the balances with the WH Project Company’s fellow subsidiaries, retain cash and cash equivalents and charged bank deposits totalling RMB300,000,000 after the distribution of cash dividends to the shareholders of the WH Project Company;
- ii. the Initial Completion Payment (being 60.0% of the Consideration) is RMB1,149,671,000 and will be satisfied by the drawdown of the New Bank Facility of RMB1,222,000,000, with the remaining 40.0% of the Consideration (being RMB766,447,000) to be satisfied in the form of Deferred Completion Payment; and
- iii. other matters stated in sections 6.2 to 6.4 of the Letter to the Unitholder in the Circular.

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

Based on the pro forma financial effects of the Acquisition as stated in this section as well as Appendix 2 headed “Unaudited Pro Forma Financial Information of the Enlarged Group” which provides a more detailed illustration of the financial effects of the Acquisition, the Manager does not foresee any material adverse impact on the financial position of Yuexiu REIT as a result of the Acquisition.

Unitholders should note that unless otherwise stated, the financial effects of the Acquisition are on a pro forma basis and subject to the assumptions set out in Appendix 2 headed “Unaudited Pro Forma Financial Information of the Enlarged Group” to the Circular. Accordingly, they do not represent the actual financial position of Yuexiu REIT as a result of the Acquisition in the future.

8.1 Pro forma DPU

As set out in the Letter to the Unitholders, the pro forma financial effects of the Acquisition on DPU for the six months ended 30 June 2017, as if the Acquisition was completed on 1 January 2017 and Yuexiu REIT had held its 67.0% interest in the Wuhan Property through to 30 June 2017, are as follows:

	Before the Acquisition	After the Acquisition (without Support Arrangement)	After the Acquisition (with Support Arrangement) ⁽¹⁾
Distributable income (RMB’000)	395,301 ⁽²⁾	380,869 ⁽³⁾	417,589 ⁽⁴⁾
Issued Units (’000)	2,948,285 ⁽⁵⁾	2,949,061 ⁽⁶⁾	2,949,061 ⁽⁶⁾
DPU (RMB)	0.1340	0.1291	0.1416

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Notes:

- (1) Figures stated in this column are strictly for illustrative purposes and further assume that the Support Arrangement was in effect for the six months ended 30 June 2017, and the Baseline Adjusted Net Income for the financial year ending 31 December 2018 amounting to RMB78,000,000 (equivalent to RMB39,000,000 on a half-year basis) applied for the six months ended 30 June 2017.
- (2) Based on the unaudited interim condensed consolidated distribution statement of Yuexiu REIT for the six months ended 30 June 2017.
- (3) The financial performance of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated financial information of Yuexiu REIT and the audited financial information of the WH Target Group as at and for the six months ended 30 June 2017; and (ii) assuming the Acquisition was completed on 1 January 2017.
- (4) The distributable income figure (with Support Arrangement) is derived by applying an illustrative support payment sum to the distributable income figure appearing in the column headed “After the Acquisition (without Support Arrangement)”. The illustrative support payment sum is, in turn, derived by applying certain adjustments to the sum of RMB39,000,000, this being 50.0% of the Baseline Adjusted Net Income for the financial year ending 31 December 2018 (being RMB78,000,000).
- (5) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017.
- (6) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017 and approximately 776,000 Units which would be issued for settlement of 80.0% of the Manager’s fee for the six months ended 30 June 2017 assuming the Acquisition was completed on 1 January 2017.

For the avoidance of doubt, as the Support Arrangement only applies to the period from 1 January 2018 to 31 December 2020 (and would not be in effect for the six months ended 30 June 2017), figures stated in the column headed “After the Acquisition (with Support Arrangement)” above that take into account the effect of support payments that may be payable to Yuexiu REIT under the Support Arrangement are strictly for illustrative purposes only.

As set out in the Circular, the decrease in pro forma DPU after the Acquisition (without Support Arrangement) is primarily due to: (i) the office portion’s relatively low occupancy rate for the six months ended 30 June 2017 as the development of the office portion of the Wuhan Property was only completed in August 2016; and (ii) the finance expenses associated with the New Bank Facility and the interest-bearing Deferred Completion Payment being fully recognised in the Unaudited Pro Forma Financial Information of the Enlarged Group. As set out in the above table, assuming the Baseline Adjusted Net Income of RMB78 million is applicable for the six months ended 30 June 2017 on a pro rata basis, the illustrative distributable income (with Support Arrangement) figure will increase to RMB417.6 million, and as a result, the illustrative DPU (with Support Arrangement) figure would be improved by 5.7% from RMB0.1340 to RMB0.1416 following the Acquisition.

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8.2 Pro forma net assets attributable to Unitholders per Unit

The pro forma financial effects of the Acquisition on net assets attributable to Unitholders per Unit as at 30 June 2017, as if the Acquisition was completed on 30 June 2017, are as follows:

	Before the Acquisition	After the Acquisition
Net assets attributable to Unitholders (RMB'000)	14,196,791 ⁽¹⁾	14,131,791 ⁽²⁾
Issued Units ('000)	2,948,285 ⁽³⁾	2,949,061 ⁽⁴⁾
Net assets (including net assets attributable to deferred Unitholders) attributable to existing Unitholders per Unit (RMB)	4.81	4.79

Notes:

- (1) Based on the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2017.
- (2) The financial position of the Enlarged Group is based on: (i) the unaudited interim condensed consolidated balance sheet of Yuexiu REIT and the audited financial information of the WH Target Group as at 30 June 2017; and (ii) assuming the Acquisition was completed on 30 June 2017.
- (3) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017.
- (4) Number of issued Units as at 30 June 2017 and 12,104,254 Units issued on 24 August 2017 for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017 and approximately 776,000 Units which would be issued for settlement of 80.0% of the Manager's fee for the six months ended 30 June 2017 assuming the Acquisition was completed on 1 January 2017.

As set out in the pro forma balance sheet of the Yuexiu REIT, upon completion of the Acquisition, the net assets attributable to Unitholders would, on a pro forma basis, decrease slightly from approximately RMB14,196.8 million to RMB14,131.8 million as a result of the One-off Fees and Charges payable in relation to the Acquisition. As a result, the net assets attributable to existing Unitholders per Unit would decrease from RMB4.81 to RMB4.79.

Taking into account the reasons for and benefits of the Acquisition, and considering that the illustrative DPU (with Support Arrangement) figure would be improved by 5.7% following the Acquisition, the financial effects of the Acquisition on Yuexiu REIT are considered acceptable.

9 Risk factors

Attention is drawn to the Independent Unitholders that investment in real estate involves risks. Independent Unitholders are recommended to consider carefully, together with all other information in the Circular, the risk factors in relation to the Acquisition as disclosed in Appendix 5 to the Circular which are generally in line with the risk profile of Yuexiu REIT as a unit trust that invests primarily in income-producing real estate assets.

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The Independent Unitholders should be aware of the start-up risks associated with the operation of the Wuhan Property that may affect the financial performance and value of the Wuhan Property. Such risk is mitigated to an extent by the Support Arrangement, which ensures that Yuexiu REIT receives at least a minimum amount of net income during the period from 1 January 2018 up to and including 31 December 2020. There can be no assurance that WH Project Company will be able to maintain or improve on its Actual Adjusted Net Income after the expiry of the Support Arrangement. If there is an underperformance of Actual Adjusted Net Income after the expiry of the Support Arrangement, this may have a material adverse effect on Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations.

The Independent Unitholders should also be aware that the financing of the Deferred Completion Payment (and all accrued interest thereon) shall be paid within one year after Completion from utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more Existing Properties) having regard to prevailing market conditions and the strategic objectives of Yuexiu REIT and/or drawing down on the Vendor Facility to the extent there is any shortfall. As set out in the Letter to the Unitholders, WH Purchaser (as borrower) will, on Completion, enter into a facility letter in respect of the Vendor Facility with WH Vendor (as lender), and as of the Latest Practicable Date, Yuexiu REIT has not entered into any binding agreement in relation to the disposal of any one or more Existing Properties.

10 2017 Waiver Extension

As disclosed in the 2014 Circular, the SFC granted the 2008 CPT Waivers from strict compliance with certain requirements under Chapter 8 of the REIT Code in respect of certain continuing transactions between Yuexiu REIT on the one hand and certain connected persons on the other hand. On 6 January 2011, Yuexiu REIT obtained the 2011 Extended CPT Waiver which extended the 2008 CPT Waivers for the three financial years ended 31 December 2013, and set new annual cap amounts for the then existing continuing connected party transactions for such period. On 20 July 2012, the SFC granted the 2012 Modified and Extended Waiver in respect of the then existing continuing connected party transactions for the three financial years ended 31 December 2014, which superseded the 2011 Extended CPT Waiver. The 2012 Modified and Extended Waiver broadened the categories of the then existing continuing connected party transactions to additionally include those continuing connected party transactions with the Yuexiu Connected Persons Group in respect of Guangzhou IFC that arose as a result of Yuexiu REIT's acquisition of Guangzhou IFC in 2012 and set new annual cap amounts to accommodate such new continuing connected party transactions for that period. On 11 December 2014, Yuexiu REIT obtained the 2014 Extended Waiver which extended the 2012 Modified and Extended Waiver for the three financial years ending 31 December 2017, and set new annual cap amounts for the then existing continuing connected party transactions for the three financial years ending 31 December 2017. Details of such continuing connected party transactions and the 2014 Extended Waiver are set out in the 2014 Circular.

The 2014 Extended Waiver will expire on 31 December 2017. The Manager has made a submission to the SFC to seek an extension of the 2014 Extended Waiver so that it applies for the three financial years ending 31 December 2020 (the "**2017 Waiver Extension**"). As part of its submission, the Manager has also proposed New Annual Caps for the extended period, as discussed in the paragraph headed "10.2 The New Annual Caps" below.

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10.1 Terms of the New Continuing Connected Party Transactions

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

10.1.1 Connected Leasing Transactions for the Existing Properties

As part of Yuexiu REIT's ordinary and usual course of business, each special purpose vehicle which is a direct owner of a property is either already a party to, or may from time to time enter into, leasing transactions with the Yuexiu Connected Persons Group in respect of Yuexiu REIT's properties (the "**Connected Leasing Transactions**"). As set out in the Letter to the Unitholders, all the Connected Leasing Transactions subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected Leasing Transactions. The details of the subsisting Connected Leasing Transactions in respect of Yuexiu REIT's properties are set out in the Annual Report, Interim Report and the announcement dated 12 September 2017 made by Yuexiu REIT. The Manager confirms that the types of Connected Leasing Transactions in respect of which the 2017 Waiver Extension is sought are the same types of leasing transactions covered by the 2014 Extended Waiver.

As stated in the Letter to the Unitholders, in respect of the Connected Leasing Transactions, an independent valuation shall be conducted for each Connected Leasing Transaction except where it is conducted on standard or published rates. In the case of such Connected Leasing Transactions with no fixed term (e.g. tenancies with monthly rollover), an independent valuation shall be conducted no less than once every 24 months. The Connected Leasing Transactions involve City Development Plaza, Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower. We have reviewed certain Connected Leasing Transactions (including all Connected Leasing Transactions involving City Development Plaza, Neo Metropolis and Shanghai Yue Xiu Tower, and 15 out of 55 Connected Leasing Transactions of Guangzhou IFC which have been selected randomly by us), the underlying independent valuation reports prepared by the Independent Property Valuer, and the leasing transactions entered into between Yuexiu REIT and the independent third parties (the "**Independent Leases**") in respect of the aforesaid properties in 2017. Based on our review, we note that: (i) the independent valuation reports mentioned above had confirmed that the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into; and (ii) the rental fees of the Connected Leasing Transactions are generally comparable to those of the Independent Leases except for the parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower, where there are no Independent Leases.

In respect of the parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower, we have obtained the information of the comparable transactions with respect to the carparks in Guangzhou and Shanghai which are considered appropriate for direct comparison purposes in terms of location and building quality selected by the Independent Property Valuer as reference to support the underlying valuation report confirming that the Connected Leasing Transaction was at the then prevailing market rates when the lease was entered into (the "**Comparable Transactions**"). As advised by the Independent Property Valuer, certain adjustments have been made to the rental rates under these Comparable Transactions to take into account that (i) the asking prices, which are normally at a premium over the actual transaction prices, are quoted for the Comparable Transactions; (ii) master lease discount has been given as there is a large number of parking spaces leased under the

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parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower, whereas the Comparable Transactions include only leases for individual parking spaces; and (iii) certain adjustments taking into consideration the geographic location of the parking lots and the level of which the parking spaces are situated under the Comparable Transactions. Having considered that the rental charged for the parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower are comparable to the market rates of the Comparable Transactions as adjusted by the Independent Property Valuer, we consider that the methodology and basis adopted by the Independent Property Valuer in arriving at the market rental fees of the parking lots under the Connected Leasing Transactions of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower to be in line with the market practice.

We have also compared the terms other than the rental fees (e.g. deposits and break clauses) of certain Connected Leasing Transactions (including all Connected Leasing Transactions involving City Development Plaza, Neo Metropolis and Shanghai Yue Xiu Tower, and 15 out of 55 Connected Leasing Transactions of Guangzhou IFC which have been selected randomly by us) to the Independent Leases, and note that the terms of the Connected Leasing Transactions are no more favorable than those of the Independent Leases. Having considered that (i) the Connected Leasing Transactions subsisting as at the Latest Practicable Date were at market rates when the leases were entered into as confirmed by independent valuation reports prepared by the Independent Property Valuer; (ii) the terms (including the rental fees, deposits and break clauses) of the Connected Leasing Transactions are generally comparable to those of the Independent Leases; (iii) the rental charged for the parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower are comparable to the market rates of the Comparable Transactions as adjusted by the Independent Property Valuer; and (iv) the terms (other than the rental fee) for the parking lots of Neo Metropolis, Guangzhou IFC and Shanghai Yue Xiu Tower are generally comparable to those of the Independent Leases, we consider the terms of the subsisting Connected Leasing Transactions to be fair and reasonable and are on normal arm's length commercial terms and at the then prevailing market level when the leases were entered into.

10.1.2 Connected Leasing Transactions for Wuhan Property

On Completion, the tenancy agreements entered into by WH Project Company will be assumed by Yuexiu REIT by virtue of its acquisition of a 67.0% interest in the WH Project Company. As at the Latest Practicable Date, WH Project Company has entered into tenancy agreements with the Yuexiu Connected Persons Group in respect of certain premises within the Wuhan Property (collectively, the "**Lease CCTs**"), details of which are set out in the Circular.

As set out in the Circular, Yicheng Wuhan Branch and WH Project Company shall enter into a carpark master lease agreement (the "**Commercial Carpark Master Lease Agreement**") on Completion, pursuant to which the Commercial Carpark Spaces as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing from Completion to 31 December 2020 for RMB7,500,000 per year. The Commercial Carpark Master Lease Agreement may be renewed at the option of WH Project Company after expiry of the initial term, subject to agreement between the parties thereto.

Yicheng Wuhan Branch and WH Project Company shall also enter into a carpark master lease agreement (the "**Residential Carpark Master Lease Agreement**") and together with the Commercial

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Carpark Master Lease Agreement, the “**Carpark Master Lease Agreements**”) on Completion, pursuant to which the Residential Carpark Spaces as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing from Completion to 31 December 2020 for RMB3,480,000 per year. The Residential Carpark Master Lease Agreement may be renewed at the option of WH Project Company after expiry of the initial term or any renewal term for a one-year term each until all Residential Carpark Spaces held by WH Project Company are sold, and such renewal shall be on terms agreed between the parties thereto, subject to compliance with all the relevant laws and regulations (including, without limitation, the REIT Code).

As set out in the Circular, Vigers Appraisal and Consulting Limited, the current principal valuer of Yuexiu REIT, has confirmed that the rental/licence fees in respect of the Lease CCTs and the agreed form Carpark Master Lease Agreements were at prevailing market levels as at their respective agreement dates (for Lease CCTs) or as at the Latest Practicable Date (for Carpark Master Lease Agreements), and that the other commercial terms in the Lease CCTs and the agreed form Carpark Master Lease Agreements such as tenure, rental deposits and break clauses were normal commercial terms.

We have reviewed the Lease CCTs including the underlying independent valuation reports prepared by the Independent Property Valuer and 15 Independent Leases out of a total of 109 retail and office tenancies of the Wuhan Property as at 31 October 2017. Based on our review, we note that: (i) the independent valuation reports mentioned above had confirmed that the Lease CCTs were at market rates when the leases were entered into; and (ii) the rental fees of the Lease CCTs are generally comparable to those of the Independent Leases except for the Commercial Carpark Spaces and Residential Carpark Spaces, where there are no Independent Leases. We have also obtained the information of the comparable transactions with respect to the office and carpark leases in Wuhan which are considered appropriate for direct comparison purposes in terms of location and building quality selected by the Independent Property Valuer as reference to support their confirmation that the Lease CCTs and the agreed form Carpark Master Lease Agreements were at the then prevailing market rates when the leases were entered into (for the Lease CCTs) and as at Latest Practicable Date (for the Carpark Master Lease Agreements) (the “**WH Comparable Transactions**”). As advised by the Independent Property Valuer, certain adjustments have been made to the rental rates of the parking lots under the WH Comparable Transactions similar to the Comparable Transactions as discussed in the above sub-section headed “10.1.1 Connected Leasing Transactions for the Existing Properties”. Having considered that the rental charges under the Leased CCTs and Carpark Master Lease Agreements are comparable to the market rates of the WH Comparable Transactions provided by the Independent Property Valuer, we consider that the methodology and basis adopted by the Independent Property Valuer in arriving at the market rental fees of the Leased CCTs and Carpark Master Lease Agreements to be in line with the market practice.

We have also compared the terms other than the rental fees (e.g. deposits and break clauses) of Lease CCTs to the Independent Leases, and note that the terms of the Lease CCTs are no more favorable than those of the Independent Leases. Having considered that (i) the Lease CCTs subsisting as at the Latest Practicable Date were at market rates when the leases were entered into as confirmed by independent valuation reports prepared by the Independent Property Valuer; (ii) the terms (including the rental fees, deposits and break clauses) of the Lease CCTs are generally comparable to those of the Independent Leases; (iii) the rental charged for the Commercial Carpark Spaces and

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Residential Carpark Spaces are comparable to the market rates of the WH Comparable Transactions as adjusted by the Independent Property Valuer; and (iv) the terms (other than the rental fee) for the Commercial Carpark Spaces and Residential Carpark Spaces are generally comparable to those of the Independent Leases, we consider the terms of the Lease CCTs and the agreed form Carpark Lease Agreements to be fair and reasonable and are on normal arm's length commercial terms and at the then prevailing market level when the leases were entered into (for the Lease CCTs) and as at Latest Practicable Date (for the Carpark Master Lease Agreements).

10.1.3 Connected TSAs

As set out in the Circular, Yicheng Wuhan Branch and WH Project Company shall enter into a tenancy services agreement (the "**Tenancy Services Agreement**") on Completion pursuant to which Yicheng Wuhan Branch will provide tenancy services to all tenants of the Wuhan Property for a term commencing from Completion to 31 December 2020 and as consideration for such services, an annual leasing agents' fee of 4.0% of the gross annual revenue for the Wuhan Property will be charged. The Tenancy Services Agreement and the transactions contemplated thereunder fall within the scope of the "tenancy services agreement" described in the 2014 Extended Waiver.

The tenancy services agreements which have been or will be entered into with Yuexiu Connected Persons Group (the "**Connected TSAs**") include the tenancy services agreements in respect of the properties of Yuexiu REIT (including the Tenancy Services Agreement). All the Connected TSAs subsisting are on normal commercial terms at arm's length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected TSAs. The details of the subsisting Connected TSAs in respect of Yuexiu REIT's properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected TSAs in respect of which the 2017 Waiver Extension is sought are the same types of tenancy services agreements covered by the 2014 Extended Waiver.

We have been provided with all the extended and expired Connected TSAs and noted that since the 2014 Extended Waiver has been granted, apart from the Tenancy Services Agreement in respect of the Wuhan Property to be entered into on or after Completion, Yuexiu REIT also entered into a Connected TSA for the Shanghai Yue Xiu Tower in Shanghai with a service term from 1 September 2015 to 31 December 2017 and the retail portion of Guangzhou IFC with a service term from 1 January 2016 to 31 December 2017, while the service term of all other existing Connected TSAs for the Existing Properties (including the office portion of Guangzhou IFC) have been extended to 31 December 2017 with other terms remaining the same. The leasing agents, the Yuexiu Connected Persons Group, are entitled to receive in respect of the provision of services a monthly fee of 3% or 4% (as the case may be) of the gross revenue of Yuexiu REIT's properties. We have discussed with Jones Lang LaSalle Ltd. ("**JLL**"), a property consultancy, valuation and real estate agency firm, on the prevailing tenancy services fees payable by and to third parties independent of Yuexiu REIT and its connected persons (the "**Independent Third Parties**") in respect of comparable properties. We are advised that the tenancy service fees under the Connected TSAs are in general similar and comparable to those payable by and to the Independent Third Parties and are in line with the prevailing market practice. Having considered that (i) the basis of the tenancy services fee under the extended Connected TSAs are the same as the expired ones and the fees payable is with reference to the gross revenue that Yuexiu REIT receives; and (ii) the tenancy services fees under all Connected TSAs are in general

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similar and comparable to those payable by and to the Independent Third Parties in respect of comparable properties as provided by JLL, we consider the terms of the Tenancy Services Agreements to be fair and reasonable, on normal commercial terms and are in line with prevailing market practice.

10.1.4 Connected PMAs

As set out in the Circular, on Completion, Yicheng Wuhan Branch and WH Project Company will enter into a property management agreement (the “**New Property Management Agreement**”) pursuant to which Yicheng Wuhan Branch agrees to act as the property manager of the Wuhan Property and provide property management services in respect of such property for a term commencing from Completion to 31 December 2020. Under the New Property Management Agreement, Yicheng Wuhan Branch will be entitled to collect a property management fee from the tenants at a rate of RMB30 per sq.m. per month for the office portion of the Wuhan Property, and generally RMB40 per sq.m. per month for the retail portion of the Wuhan Property (adjustable for consumer price index increases) depending on the tenant profile and the actual monthly property management expenses of the Wuhan Property. No property management fees shall be payable under the New Property Management Agreement in respect of the Commercial Carpark Spaces and Residential Carpark Spaces.

The property management arrangements which have been or will be entered into with the Yuexiu Connected Persons Group (the “**Connected PMAs**”) include the property management arrangements in respect of the properties of Yuexiu REIT (including the New Property Management Agreement). All the Connected PMAs subsisting are on normal commercial terms at arm’s length, entered in the ordinary and usual course of business of Yuexiu REIT and at the prevailing market level as at the commencement date of each of the Connected PMAs. The details of the subsisting Connected PMAs in respect of Yuexiu REIT’s properties are set out in the Annual Report and Interim Report. The Manager confirms that the types of Connected PMAs in respect of which the 2017 Waiver Extension is sought are the same types of property management arrangements covered by the 2014 Extended Waiver.

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

We have been provided with all the existing and expired Connected PMAs entered into with Yuexiu Connected Person Group in respect of all properties of Yuexiu REIT. Since the 2014 Extended Waiver was granted, apart from the New Property Management Agreement in respect of the Wuhan Property to be entered into on Completion, Yuexiu REIT entered into a Connected PMA for the Shanghai Yue Xiu Tower in Shanghai on 1 September 2015 while the remaining 6 Connected PMAs remain subsisting. Under the Connected PMA for Shanghai Yue Xiu Tower, the base monthly property management fee charged at the rate of RMB29 per sq.m. (in respect of the office space) and RMB45 sq.m. (in respect of the shopping mall space). We have also been provided with information on the prevailing management fee payable by and to Independent Third Parties in respect of comparable

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properties by JLL. We observed that the monthly management fee under the Connected PMAs are in general similar and comparable to those payable by and to Independent Third Parties in respect of comparable properties after taking into account, among other things, the level of property management services required for the respective properties.

Having considered that (i) 6 of the Connected PMAs remaining subsisting at the same terms; (ii) the property management fees payable under the Connected PMAs will be paid by the relevant tenants under both Connected Leasing Transactions and Independent Leases; and (iii) the monthly management fee under all Connected PMAs are in general similar and comparable to those payable by and to the Independent Third Parties in respect of comparable properties as provided by JLL, we consider the terms of the Connected PMAs to be fair and reasonable and are on normal commercial terms.

10.2 The New Annual Caps

10.2.1 The New Annual Caps for the Connected Leasing Transactions

The historical transaction amount and existing annual caps in respect of the Connected Leasing Transactions for the three financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 are set out in the table below:

	Historical Transaction Amount			
	RMB'000			
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Connected Leasing Transactions	171,280	185,848	134,197	100,784
Existing annual caps	231,185	227,051	244,919	267,802

As advised by the Manager, the historical transaction amounts of the Connected Leasing Transactions for the year ended 31 December 2016 and the nine months ended 30 September 2017 decreased due to Guangzhou Yuexiu Financial Holdings Group Co., Ltd (“**YXFH**”) and its subsidiaries (the “**YXFH Group**”) ceased to be connected parties of Yuexiu REIT on 1 May 2016 as set out in the Annual Report. As a result, the relevant leases entered into with YXFH Group have been considered as Independent Leases since 1 May 2016. As set out in the announcement of Yuexiu REIT dated 12 September 2017, the total rental income from such relevant leases for the year ended 31 December 2016 was approximately RMB50.5 million. In the said announcement, the Manager also became aware that the GZYZ has on 17 August 2017 increased their interests in YXFH resulting in the YXFH Group becoming associated companies of GZYZ. As such, the relevant leases with the YXFH Group with total monthly rent of approximately RMB7.0 million have since been accounted as Connected Leasing Transactions again.

The proposed New Annual Caps for the three financial years ending 31 December 2018, 2019 and 2020 are set out in the below table. The proposed New Annual Caps shall depend on whether the proposed Acquisition, which is subject to conditions precedent, proceed to completion. Specifically, the New Annual Caps in:

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(a) Scenario A shall apply where the Acquisition does not complete; and

(b) Scenario B shall apply where the Acquisition completes.

	Scenario A			Scenario B		
	<i>RMB'000</i>			<i>RMB'000</i>		
	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Existing Properties	213,956	231,393	252,217	213,956	231,393	252,217
Wuhan Property	—	—	—	17,633	17,744	18,082
	213,956	231,393	252,217	231,589	249,137	270,299
Buffer (25%)	53,489	57,848	63,054	57,897	62,285	67,575
Total	267,445	289,241	315,271	289,486	311,422	337,874
New Annual Caps	267,445	289,242	315,271	289,486	311,422	337,874

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

- (a) taking into account the actual rent payable to Yuexiu REIT under the Connected Leasing Transactions which will be subsisting during the relevant periods. Where a Connected Leasing Transaction expires prior to 31 December 2020, the Manager has assumed that the Connected Leasing Transaction will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year; and
- (b) applying a buffer of 25% for the total actual/assumed rent (as calculated on the above-mentioned basis) for each of the years ending 31 December 2018, 2019 and 2020. Such buffer is intended to cater for contingencies such as: (i) changes in rental or other market conditions; and (ii) flexibility required to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods.

In assessing the aforesaid basis of the New Annual Caps, we have reviewed the terms of certain existing lease agreements entered into by the Yuexiu Connected Persons Group in respect of the Existing Properties of Yuexiu REIT and we note that the computation of cap amounts for the Existing Properties under the New Annual Caps is agreed to the rental of aforesaid existing lease agreements. For the Wuhan Property, we have reviewed all Lease CCTs (all expiring beyond 31 December 2020) and the Carpark Master Lease Agreements (expiring on 31 December 2020), and noted that the cap

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amounts of the Wuhan Property under Scenario B of the New Annual Caps agreed to the rental sum of the Lease CCTs and Carpark Master Lease Agreements, which increased during 2018-2020 as the rent payable by the relevant tenants would increase over their respective lease terms in accordance with the Lease CCTs.

Where a Connected Leasing Transaction of the Existing Properties expires prior to 31 December 2020, the Manager has assumed that the Connected Leasing Transaction of the Existing Properties will be renewed at a new rental rate which is 10% higher than the last rental rate for the expired lease, and will increase by a further 10% for each subsequent year. Based on market data from the research reports published by an independent research company focusing on real estate markets, the average rent of Grade A offices in Guangzhou has increased at a CAGR of 1.06% from RMB149.3 per sq.m. in 2012 to RMB155.8 per sq.m. in 2016, and increased further to RMB156.6 per sq.m. in the first half of 2017. Notwithstanding the moderate growth of only 1% for the average market rent of Grade A offices in Guangzhou, we have noted that the property rental income of Yuexiu REIT were RMB1,108.4 million, RMB1,218.4 million and RMB1,353.7 million in the three financial years ended 31 December 2014, 2015 and 2016, which increased by an average rate of 10% year-on-year. Although the property rental income decreased from RMB678.1 million for the six months ended 30 June 2016 to RMB658.1 million for the six months ended 30 June 2017, as advised by the Manager, this was mainly due to the property leasing business of Yuexiu REIT being liable to pay VAT at a rate of 5% as a replacement of business tax upon the VAT reform implemented with effect from 1 May 2016, as the VAT payment was netted off against the property rental income of Yuexiu REIT. We have also reviewed three randomly selected Independent Leases for each property of Yuexiu REIT which have been renewed in 2017, and noted that the rental increment upon renewal of the expired Independent Leases ranged from 0% to 60% with an average of approximately 13.5%. Having considered the above factors, we consider the increment of 10% for the purpose of estimating the rental income derived from the Connected Leasing Transactions for 2018-2020 to be reasonable.

In determining the New Annual Caps for the three years ending 31 December 2020, the Manager applies a buffer of 25% to the estimated rental income as discussed above. We consider that the additional 25% can provide buffer or contingency to accommodate possible fluctuations resulted from any changes in rental or other market conditions and to facilitate any additional Connected Leasing Transactions to be entered into by Yuexiu REIT during the relevant financial periods, similar to the situation where the YXFH Group becomes connected parties of Yuexiu REIT as announced by Yuexiu REIT in September 2017, contributing total monthly rent of RMB7.0 million from their relevant leases as discussed above. As set out in the Annual Report, in respect of the rental area in the next five years (i.e. 2017-2021) and beyond, ratios of lease expiry of the existing properties of Yuexiu REIT each year will be 22.4%, 29.5%, 21.3%, 8.4% and 18.4% respectively, which indicates that there is further room for additional leases to be entered into with the Yuexiu Connected Persons Group with potential rental increment. After taking into account the above factors, and also considering that the buffer of 25% is within the range of the buffers between 5% and 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the inclusion of a buffer of 25% for the purpose of determining the New Annual Caps reasonable.

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10.2.2 The New Annual Caps for the Connected TSAs

The historical transaction amount and existing annual caps in respect of the Connected TSAs for the three financial years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 are set out in the table below:

	Historical Transaction Amount			
	<i>RMB'000</i>			
	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the nine months ended 30 September 2017
Connected TSAs	33,122	37,473	40,977	30,276
Existing annual caps	37,503	44,778	49,255	54,181

The proposed New Annual Caps for the three financial years ending 31 December 2018, 2019 and 2020 are set out in the below table. The proposed New Annual Caps shall depend on whether the proposed Acquisition, which is subject to conditions precedent, proceed to completion. Specifically, the New Annual Caps in:

- (a) Scenario A shall apply where the Acquisition does not complete; and
- (b) Scenario B shall apply where the Acquisition completes.

	Scenario A			Scenario B		
	<i>RMB'000</i>			<i>RMB'000</i>		
	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Existing Properties	44,405	55,506	61,057	44,405	55,506	61,057
Buffer (25%)	11,101	—	—	11,101	—	—
Increment (10%)	—	<u>5,551</u>	<u>6,106</u>	—	<u>5,551</u>	<u>6,106</u>
	55,506	61,057	67,163	55,506	61,057	67,163
Wuhan Property	—	—	—	<u>6,524</u>	<u>7,888</u>	<u>8,756</u>
Buffer (10%)	—	—	—	<u>652</u>	<u>788</u>	<u>875</u>
	—	—	—	<u>7,176</u>	<u>8,676</u>	<u>9,631</u>
Total	55,506	61,057	67,163	62,682	69,733	76,794
New Annual Caps	55,506	61,057	67,163	62,682	69,733	76,794

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Based on our discussion with the Manager, we understand that the Manager applies an increment of 10% to the annualized amount of the Connected TSAs for 2017 when determining the proposed cap of the Existing Properties for the year ending 31 December 2018. The proposed caps of the Existing Properties for the years ending 31 December 2019 and 31 December 2020 have been determined by applying an increment of 10% to the proposed cap for the preceding year, as assumed growth rate over the year, with some minor rounding up of figures. The Manager's use of an assumed annual rental growth rate of 10% for determining the proposed caps for the Connected TSAs is based on expected inflationary increases in tenancy services expenses and the historical growth of transaction amounts.

The Manager projected the annual growth rate of the gross rental income of the Existing Properties of Yuexiu REIT to be 10% and the same annual growth rate will apply to the Connected TSAs (which is payable based on 3% or 4% of the gross rental income of the properties) for the three years ending 31 December 2020. As mentioned above, we have reviewed three Independent Leases selected by us randomly for each of the six Properties which have been renewed in 2017 and noted that the increment of 10% falls within the range of rental increment from 0% to 60% for these Independent Leases upon renewal. We have also noted that the gross rental income of Yuexiu REIT increased by an average of approximately 10% year-on-year in the three financial years ended 31 December 2014, 2015 and 2016, and consider that the projected annual growth rate of gross rental income is generally in line with the existing leases and projected future leases in respect of the Existing Properties, as well as the recent performance of Yuexiu REIT. Based on our review above and for the purpose of determining the New Annual Caps, we consider the Manager's assumption of annual growth rate of 10% in the Connected TSAs which is equivalent to either 3% or 4% of the gross rental income of the relevant properties to be reasonable.

In assessing the buffer of 25% added to the projected tenancy service fees of the Existing Properties for the year ending 31 December 2017, we have considered the scenario that the leasing of the properties may outperform the overall occupancy rate of the properties of approximately 97.4% as at 30 June 2017, and achieve a full occupancy in 2018. Also taking into account (i) the possible upside of the rental income receivable from the properties and an allowance for contingencies to accommodate possible fluctuations resulted from any changes in rental or other market conditions; and (ii) the buffer of 25% is within the range of buffers between 5% and 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps, we consider the buffer of 25% for the year ending 31 December 2017 estimated by the Manager reasonable.

For the Wuhan Property, the cap amounts of the Wuhan Property under Scenario B of the New Annual Caps were determined based on (i) 4% of the estimated gross rental income of the Wuhan Property for the three years ending 31 December 2020 which is in line with the figures adopted in determining the Baseline Adjusted Net Income under the Support Arrangement; and (ii) a buffer of 10%. We have reviewed and discussed with the Manager their business plans for the Wuhan Property, including their estimated revenue and expenses and the basic assumptions set out therein, as well as the matters set out in the Market Consultant's Report, and noted that the gross rental income and the Baseline Adjusted Net Income amounts are arrived generally in line with the Market Consultant Report's estimations (based on current market conditions) as to the rental and occupancy rate of the Wuhan Property. In assessing the buffer of 10%, we have considered the possible upside of the rental income receivable from the Wuhan Property under the scenario where the leasing of the Wuhan Property may outperform the estimated operating performance of the Wuhan Property which has been

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taken into consideration in determining the estimated gross rental income, and such buffer is within the range of buffers between 5% and 33% normally adopted by other REITs listed in Hong Kong for comparable annual caps. We have also considered that the expected transaction amounts under the Connected TSAs will be accounted for as revenue of Yuexiu REIT and it is therefore in the interest of Yuexiu REIT to allow for a buffer of 10% on top of the estimated gross rental income of the Wuhan Property. On the above basis, we consider the basis of determining the New Annual Caps under the Connected TSAs to be reasonable.

DISCUSSION AND ANALYSIS

Yuexiu REIT is a real estate investment trust formed primarily to own and invest in high quality income-producing commercial real estate in top-tier PRC cities with capital appreciation potential. A more diversified portfolio mix will be achieved following the Acquisition, and the contribution from Guangzhou IFC to Yuexiu REIT's total portfolio in terms of asset value is expected to be reduced from 60% to 55%, while that from Yuexiu REIT's 67.0% interest in the Wuhan Property is expected to be 8%. In addition, the Acquisition will also enlarge Yuexiu REIT's portfolio market valuation asset value by 8%, and according to the Market Consultant Report, the capital value of prime office buildings in the Hankou Riverside Business District is expected to grow at a CAGR of 4.5% in the period of July 2017 to 2021.

The Wuhan Yuexiu Fortune Centre (武漢越秀財富中心), being the office portion of the Wuhan Property, located in Hankou Riverside Business District, is an International Grade A office building completed in 2016 and is currently the tallest operating International Grade A office building in Wuhan with a height of 330 meters. The Manager is of the view that the Acquisition will complement Yuexiu REIT's strong establishment in Guangzhou and existing presence in Shanghai with a new presence in Wuhan, capturing the growth potential from Wuhan's strong economy and growing importance as a business hub in China. The GDP of Wuhan has maintained steady growth with a CAGR of 10.45% from 2012 to 2016, and according to the "13th Five-Year Plan", Wuhan's GDP should reach RMB1.9 trillion at the end of 2020, representing an increase of 59.49% when compared to the year 2016. The occupancy rate of the office and retail portions of Wuhan Property were 40.5% and 86.8% respectively as at the Latest Practicable Date, which may be due to their respective development being completed relatively recently, in August 2016 and November 2015. The Market Consultant Report estimates that the occupancy rate of the Wuhan Property's office space to reach 45% to 55% by the end of 2017 and 80% to 85% by end of 2018, while the occupancy rate of its shopping mall is expected to maintain a high occupancy level of over 95% in the future.

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The amount of total consideration for the Acquisition and the method of financing may be summarized as follows:

	RMB
Agreed Acquisition Amount	2,280,606,300
<i>Less: WH Target Group Adjusted NAV</i>	<u>(364,486,700)</u>
Total consideration (after adjustment)	1,916,119,600
Initial Completion Payment (60%)	1,149,671,760
<i>Less: EIT Withheld Amount</i>	<u>(44,224,087)</u>
	1,105,447,673
To be financed by the New Bank Facility	1,222,000,000
Deferred Completion Payment (40%)	766,447,840
<i>Add: Illustrative interest amount accruing on the Deferred Completion Payment</i>	<u>13,330,493</u>
	779,778,333
To be financed by the Vendor Facility	814,700,000

The Agreed Acquisition Amount of RMB2,280,606,300 represents a discount of approximately 5.1% to the Proportionate WH Appraised Value of RMB2,403,290,000 (which is 67.0% of the WH Appraised Value in respect of the entire Wuhan Property as at 31 August 2017, being RMB3,587,000,000). We have discussed with the Independent Property Valuer the reasons for adopting the various methodologies, bases and assumptions to arrive at the WH Appraised Value and the chosen methodologies, in our view, are in line with market practice for similar valuations. Based on our discussion with the Independent Property Valuer and given the Agreed Acquisition Amount has been adjusted to reflect a discount of approximately 5.1% to the Proportionate WH Appraised Value, we consider that the Agreed Acquisition Amount is fair and reasonable as far as the Independent Unitholders are concerned.

The Manager intends to finance the Consideration: (i) as to the Initial Completion Payment and WH True-up Payment from amounts drawn down under the New Bank Facility and internal resources; and (ii) as to the Deferred Completion Payment (and all accrued interest thereon) payable within one year after Completion, from utilising one or more financing means (which may include drawing on additional new bank borrowings and/or utilising internal resources from the disposal of one or more

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Existing Properties) having regard to prevailing market conditions and the strategic objectives of Yuexiu REIT and/or drawing down on the Vendor Facility to the extent there is any shortfall. As of the Latest Practicable Date, Yuexiu REIT has not entered into any binding agreement in relation to the disposal of any one or more Existing Properties. The One-Off Fees and Charges will be financed by internal resources and drawing down on the New Bank Facility.

The New Bank Facility and the Vendor Facility bearing interest at a margin of 1.3% per annum over HIBOR respectively are generally in line with the effective interest rates of Yuexiu REIT's borrowings and notes in HKD as at 31 December 2016 and 30 June 2017. The tenure of each of the New Bank Facility and Vendor Facility is also in line with the maturity period of Yuexiu REIT's existing offshore bank borrowings which range from 3 to 5 years. The New Bank Facility and the Vendor Facility will not result in any dilution of interest of the Unitholders as opposed to other equity fund raising options such as the issuance of consideration units, and the Manager expects that the Gearing Ratio of Yuexiu REIT following the Acquisition to be between 36.4% (immediately following payment of the Initial Completion Payment but not the Deferred Completion Payment) and 38.6% (assuming the Deferred Completion Payment will be entirely financed by the Vendor Facility), which is at a similar level to the Gearing Ratio as at 30 June 2017 (being 37.1%) and well within the 45.0% borrowing limit under the REIT Code. We have also reviewed the working capital projections of Yuexiu REIT and concur with the Manager that Yuexiu REIT will have sufficient working capital for the period reviewed, being the next 18 months upon Completion.

As the Wuhan Property is newly developed and still in the initial phase of operations, WH Vendor has also agreed to provide support payments to WH Purchaser for the period from 1 January 2018 up to and including 31 December 2020, subject to completion of the Acquisition. Taking into account that (i) the Pro Forma DPU will be improved following the Acquisition assuming that the Baseline Adjusted Net Income of RMB78 million were applicable for the six months ended 30 June 2017 on a pro rata basis; and (ii) the Support Arrangement is beneficial to Yuexiu REIT by mitigating its exposure to the initial start-up risk associated with the operations of the Wuhan Property, we consider that the Support Arrangement is favourable for Yuexiu REIT.

Upon Completion, WH Intermediary Company and WH Vendor Subsidiary (being the JV Shareholders) shall enter into the Joint Venture Agreement in relation to WH Project Company, including terms such as (i) Yuexiu REIT, through WH Intermediary Company, will be able to nominate two out of three directors to the board of WH Project Company; (ii) funding of WH Project Company will be funded by either new or existing bank facilities obtained by WH Project Company on reasonable terms or by the JV Shareholders in accordance with their respective interest in WH Project Company; and (iii) WH Vendor Subsidiary will, among other things, receive all invoices relating to construction costs of WH Project Company and will arrange for any such invoice to be paid by WH Project Company within the specified timeframe pursuant to the terms of the relevant contract or invoice pursuant to the terms of the Joint Venture Agreement. Default provisions are in place to protect the JV Shareholders against the occurrence of an event of default, and we consider the terms of the Joint Venture Agreement are in line with normal commercial practice, fair and reasonable and in the interests of Yuexiu REIT and its Unitholders and Independent Shareholders as a whole.

As set out in the pro forma balance sheet of Yuexiu REIT, upon completion of the Acquisition, the net assets attributable to Unitholders would, on a pro forma basis, decrease slightly from

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately RMB14,196.8 million to RMB14,131.8 million as a result of the One-off Fees and Charges payable in relation to the Acquisition and the net assets attributable to existing Unitholders per Unit would decrease from RMB4.81 to RMB4.79. As set out in the pro forma statement of comprehensive income of the Yuexiu REIT, upon completion of the Acquisition, the distributable income of Yuexiu REIT would, on a pro forma basis, decrease from approximately RMB395.3 million to RMB380.9 million. As a result, the pro forma DPU would decrease from RMB0.1340 to RMB0.1291, which is primarily due to the office portion's relatively low occupancy rate for the six months ended 30 June 2017 as the development of the office portion of the Wuhan Property was only completed in August 2016. As set out in the Letter to the Unitholders, assuming the Baseline Adjusted Net Income of RMB78 million is applicable for the six months ended 30 June 2017 on a pro rata basis, the illustrative distributable income (with Support Arrangement) figure will increase to RMB417.6 million, and as a result, the illustrative DPU (with Support Arrangement) figure would be improved by 5.7% from RMB0.1340 to RMB0.1416 following the Acquisition (see section 8.1 for more details).

Based on the above analysis, we consider the terms of the Transaction Matters Requiring Approval are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole.

As part of Yuexiu REIT's ordinary and usual course of business, its direct owners of the properties enter into Connected Leasing Transactions, Connected TSAs and Connected PMAs from time to time with the Yuexiu Connected Persons Group. In light of the upcoming expiration of the 2014 Extended Waiver on 31 December 2017, a submission to the SFC to seek an extension of the 2014 Extended Waiver has been made for the three financial years ending 31 December 2020. We are of the opinion that (1) the 2017 Waiver Extension and the basis for the 2017 Waiver Extension (including the New Annual Caps and the basis for arriving at the same), are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders as well as Unitholders as a whole; (2) each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, at arm's length and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders as well as the Unitholders as a whole.

OPINION

Taking into account the above reasons and factors, we consider that the Transaction Matters Requiring Approval 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. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, Independent Unitholders to vote in favour of the Transaction Matters Requiring Approval at the EGM.

We also consider that the financial assistance provided by WH Vendor to WH Purchaser pursuant to the Vendor Facility is on normal commercial terms or better, is at arm's length and is fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole in accordance with the REIT Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the CCPT Matters Requiring Approval, we consider that the New Continuing Connected Party Transactions are/will be entered into: (i) in the ordinary and usual course of business of Yuexiu REIT; and (ii) on terms which are normal commercial terms, at arm's length basis and are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders and the Unitholders as a whole, and in the ordinary and usual course of business of Yuexiu REIT, and that the 2017 Waiver Extension and the basis for the 2017 Waiver Extension (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable and in the interests of Yuexiu REIT, the Independent Unitholders as well as the Unitholders as a whole in accordance with the REIT Code. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, Independent Unitholders to vote in favour of the CCPT Matters Requiring Approval at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M.N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

The following is the text of a report set out on pages A1-1 to A1-3, received from Yuexiu REIT's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUEXIU REIT ASSET MANAGEMENT LIMITED (AS THE MANAGER OF YUEXIU REAL ESTATE INVESTMENT TRUST)

Introduction

We report on the historical financial information of Fully Cheer Management Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages A1-4 to A1-62, which comprises the combined balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Company balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages A1-4 to A1-62 forms an integral part of this report, which has been prepared for inclusion in the circular of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") dated 15 November 2017 (the "Circular") in connection with the proposed acquisition of the Target Company by Yuexiu REIT.

Directors' responsibility for the Historical Financial Information

The directors of the Manager are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the bases of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Manager based on the previously issued financial statements of the Target Group for the Track Record Period. The directors of the Target Company are responsible for the preparation of the previously issued financial statements of the Target Group in accordance with the relevant accounting principles generally accepted in their places of incorporation, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulares* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the bases of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the combined financial position of the Target Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the bases of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Manager are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the bases of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the bases of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

15 November 2017

APPENDIX 1 ACCOUNTANT’S REPORT IN RESPECT OF WH TARGET GROUP

FULLY CHEER MANAGEMENT LIMITED

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report. During the Track Record Period, Fully Cheer Management Limited and its subsidiaries (together the “Target Group”) holds an office building, a shopping arcade and certain carpark spaces (the “Target Properties”) and residential apartments, an ancillary clubhouse and a kindergarten (the “Non-Target Properties”) in Wuhan, China.

For the purpose of this accountant’s report, the Historical Financial Information for the Track Record Period has been presented on the Target Group as a whole. The financial information of the Target Properties and the Non-Target Properties has not been accounted for separately as the Target Properties and Non-Target Properties have not been separately managed and these properties are financially controlled within the Target Group. Details of the basis of presentation are set out in note 1.3.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section II Note</i>	Year ended 31 December			Six months ended 30 June	
		2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	5	1,307,194	2,145,721	2,372,530	299,574	267,090
Operating expenses, net	6	(1,091,175)	(1,575,051)	(1,682,667)	(241,852)	(185,767)
Other gain, net	14	—	—	—	—	3,597
Finance income	8	1,140	1,830	2,923	1,794	1,412
Finance expenses	9	—	—	(5,914)	—	(8,806)
Profit before income tax		217,159	572,500	686,872	59,516	77,526
Income tax expense	10	(75,992)	(214,056)	(279,520)	(26,073)	(32,842)
Profit and total comprehensive income for the year/period		<u>141,167</u>	<u>358,444</u>	<u>407,352</u>	<u>33,443</u>	<u>44,684</u>
Attributable to						
Equity holders of the Target Company		94,582	240,654	274,669	22,712	29,938
Non-controlling interest		<u>46,585</u>	<u>117,790</u>	<u>132,683</u>	<u>10,731</u>	<u>14,746</u>
		<u>141,167</u>	<u>358,444</u>	<u>407,352</u>	<u>33,443</u>	<u>44,684</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(B) COMBINED BALANCE SHEETS

	Section II Note	As at 31 December			As at
		2014 RMB'000	2015 RMB'000	2016 RMB'000	30 June 2017 RMB'000
ASSETS					
Non-current assets					
Plant and equipment	12	1,837	1,378	1,232	459
Deferred assets	19	—	1,615	3,625	6,339
Deferred income tax assets	25	2,437	5,707	—	—
		4,274	8,700	4,857	6,798
Current assets					
Properties under development for sale	15	3,821,414	3,091,788	2,198,772	—
Properties held for sale	16	61,505	398,038	1,058,576	3,106,459
Amounts due from fellow subsidiaries	29	407	1,930	1,048,600	1,591,414
Amount due from a related company	29	—	—	5,057	—
Trade receivables	17	—	—	2,236	98
Prepayments and other receivables	18	79,314	84,024	5,380	3,529
Tax recoverable		96,390	109,602	73,786	25,505
Charged bank deposits	20	304,403	1,296,351	614,868	212,845
Cash and cash equivalents	20	198,337	74,920	253,659	41,232
		4,561,770	5,056,653	5,260,934	4,981,082
Total assets		4,566,044	5,065,353	5,265,791	4,987,880
LIABILITIES					
Current liabilities					
Trade payables	21	—	757	1,829	—
Rental deposits, current portion	22	—	46	105	326
Receipts in advance		1,245,724	1,281,560	123,736	88,507
Accruals and other payables	22	179,777	252,476	920,920	770,189
Amounts due to fellow subsidiaries	29	284,548	118,548	840,430	792,078
Amounts due to the immediate holding company	29	43	53	64	67
Bank borrowings	23	13,500	488,800	—	48,000
Tax payable		51,305	125,445	118,096	3,311
		1,774,897	2,267,685	2,005,180	1,702,478
Non-current liabilities					
Rental deposits, non-current portion	22	—	2,866	5,241	10,861
Bank borrowings	23	490,400	49,500	48,500	—
Deferred income tax liabilities	25	19,936	42,047	96,263	115,039
		510,336	94,413	150,004	125,900
Total liabilities		2,285,233	2,362,098	2,155,184	1,828,378
Net assets		2,280,811	2,703,255	3,110,607	3,159,502

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

	<i>Section II</i>	As at 31 December			As at
	<i>Note</i>	2014	2015	2016	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
					<i>RMB'000</i>
EQUITY					
Combined capital and reserves attributable to equity holders of the Target Company					
Combined capital	24	1,431,120	1,474,000	1,474,000	1,474,000
Retained earnings		<u>96,219</u>	<u>336,873</u>	<u>611,542</u>	<u>641,480</u>
		1,527,339	1,810,873	2,085,542	2,115,480
Non-controlling interest		<u>753,472</u>	<u>892,382</u>	<u>1,025,065</u>	<u>1,044,022</u>
Total equity		<u>2,280,811</u>	<u>2,703,255</u>	<u>3,110,607</u>	<u>3,159,502</u>
Total equity and liabilities		<u>4,566,044</u>	<u>5,065,353</u>	<u>5,265,791</u>	<u>4,987,880</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(C) BALANCE SHEETS

		As at 31 December			As at
		2014	2015	2016	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
					<i>RMB'000</i>
ASSETS					
Non-current asset					
Investment in a subsidiary	14	—	—	—	—
		-----	-----	-----	-----
Current asset					
Amounts due from a subsidiary	29	25	31	38	37
		-----	-----	-----	-----
		<u>25</u>	<u>31</u>	<u>38</u>	<u>37</u>
		-----	-----	-----	-----
LIABILITY					
Current liability					
Amounts due to the immediate holding company	29	43	53	64	67
		-----	-----	-----	-----
Net liability		<u>18</u>	<u>22</u>	<u>26</u>	<u>30</u>
		-----	-----	-----	-----
EQUITY					
Share capital	24	—	—	—	—
Accumulated losses	24	(18)	(22)	(26)	(30)
		-----	-----	-----	-----
Total equity		<u>(18)</u>	<u>(22)</u>	<u>(26)</u>	<u>(30)</u>
		-----	-----	-----	-----
Total equity and liability		<u>25</u>	<u>31</u>	<u>38</u>	<u>37</u>
		-----	-----	-----	-----

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(D) COMBINED STATEMENTS OF CASH FLOWS

	Note	For the years ended 31 December			For the six months ended 30 June	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000	2017 RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	26	79,532	(88,976)	343,442	144,638	(117,537)
Interest paid		—	—	(5,914)	—	(8,806)
Tax paid		(48,396)	(134,287)	(192,494)	(149,564)	(124,160)
Tax refund		—	—	—	—	43,943
Net cash generated from/(used in) operating activities		<u>31,136</u>	<u>(223,263)</u>	<u>145,034</u>	<u>(4,926)</u>	<u>(206,560)</u>
Cash flows from investing activities						
Additions of plant and equipment		(353)	(384)	(418)	(80)	(13)
Interest received		1,140	1,830	2,923	1,794	1,412
Disposal of subsidiaries	14	—	—	—	—	(6,766)
Net cash generated from/(used in) investing activities		<u>787</u>	<u>1,446</u>	<u>2,505</u>	<u>1,714</u>	<u>(5,367)</u>
Cash flows from financing activities						
Proceeds from new bank borrowings		81,600	50,000	—	—	—
Repayment of bank borrowings		(196,500)	(15,600)	(489,800)	(1,300)	(500)
Proceeds from amount due to a fellow subsidiary		—	—	521,000	—	—
Increase in paid-in capital		<u>217,200</u>	<u>64,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash generated from/(used in) financing activities		<u>102,300</u>	<u>98,400</u>	<u>31,200</u>	<u>(1,300)</u>	<u>(500)</u>
Net increase/(decrease) in cash and cash equivalents		<u>134,223</u>	<u>(123,417)</u>	<u>178,739</u>	<u>(4,512)</u>	<u>(212,427)</u>
Cash and cash equivalents at beginning of the year/period		<u>64,114</u>	<u>198,337</u>	<u>74,920</u>	<u>74,920</u>	<u>253,659</u>
Cash and cash equivalents at end of the year/period	20	<u><u>198,337</u></u>	<u><u>74,920</u></u>	<u><u>253,659</u></u>	<u><u>70,408</u></u>	<u><u>41,232</u></u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(E) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Target Company			
	Combined Capital (Note 24)	Retained earnings	Non-controlling interest	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2014	1,286,400	1,637	634,407	1,922,444
Comprehensive income				
Profit for the year	—	94,582	46,585	141,167
Transaction with owners				
Capital injection (Note 24)	144,720	—	71,280	216,000
Contribution from non-controlling interests (Note)	—	—	1,200	1,200
At 31 December 2014	<u>1,431,120</u>	<u>96,219</u>	<u>753,472</u>	<u>2,280,811</u>
Balance at 1 January 2015	1,431,120	96,219	753,472	2,280,811
Comprehensive income				
Profit for the year	—	240,654	117,790	358,444
Transaction with owners				
Capital injection (Note 24)	42,880	—	21,120	64,000
At 31 December 2015	<u>1,474,000</u>	<u>336,873</u>	<u>892,382</u>	<u>2,703,255</u>
Balance at 1 January 2016	1,474,000	336,873	892,382	2,703,255
Comprehensive income				
Profit for the year	—	274,669	132,683	407,352
At 31 December 2016	<u>1,474,000</u>	<u>611,542</u>	<u>1,025,065</u>	<u>3,110,607</u>

Note: This represents the 40% paid-in capital in 越秀第一太平戴維斯(武漢)物業服務有限公司 contributed by 第一太平戴維斯物業顧問(上海)有限公司, an independent third party in 2014.

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	Attributable to equity holders of the Target Company			
	Combined capital (Note 18)	Retained earnings	Non-controlling Interest	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017	1,474,000	611,542	1,025,065	3,110,607
Comprehensive income				
Profit for the period	—	29,938	14,746	44,684
Transaction with owners				
Disposal of subsidiaries (Note 14)	—	—	4,211	4,211
At 30 June 2017	<u>1,474,000</u>	<u>641,480</u>	<u>1,044,022</u>	<u>3,159,502</u>
(Unaudited)				
Balance at 1 January 2016	1,474,000	336,873	892,382	2,703,255
Comprehensive income				
Profit for the period	—	22,712	10,731	33,443
At 30 June 2016	<u>1,474,000</u>	<u>359,585</u>	<u>903,113</u>	<u>2,736,698</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and reorganisation

1.1 General information

Fully Cheer Management Limited (the “Target Company”) was incorporated in the British Virgin Islands on 5 March 2010 with limited liability. The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is an investment holding company. The Target Company and its subsidiaries comprising the target group (together the “Target Group”) are principally engaged in development, leasing, selling and management of properties in Mainland China (“China”) (the “Property Business”) before and after the completion of the Target Group reorganisation (the “Reorganisation”) as set out in Note 1.2 below.

On 14 November 2017, Yuexiu REIT (through its wholly-owned special purpose vehicle) (the “WH Purchaser”) entered into the acquisition deed with an indirect wholly owned subsidiary of Yuexiu Property Company Limited (the “WH Vendor”), pursuant to which the WH Purchaser agreed to purchase 100% of Fully Cheer Management Limited, which holds an investment holding subsidiary and after the Reorganisation, 67% of 武漢越秀地產開發有限公司 (“武漢越秀”), an operating subsidiary of the Target Group.

During the Track Record Period, the Target Group holds an office building, a shopping arcade and certain carpark spaces (the “Target Properties”) and residential apartments, an ancillary clubhouse and a kindergarten (the “Non-Target Properties”) in Wuhan, China. Pursuant to the acquisition deed dated 14 November between the WH Purchaser and the WH Vendor, the Non Target Properties would be disposed of before the completion of the acquisition.

1.2 Reorganisation

Prior to the Reorganisation (as defined below), WH Vendor directly held 100% interest in the Target Company and indirectly held 100% interest in 武漢越秀 through its wholly owned subsidiary Extra Act Limited.

The Reorganisation involves the transfer of a 67% interest in 武漢越秀 by WH Vendor to Sure Win International Holdings Limited (“Sure Win”), a wholly owned subsidiary of the Target Company. The transfer of 67% of interest will result in the creation of a shareholder loan owing from the Target Company to WH Vendor.

After the Reorganisation, the Target Company will indirectly hold 67% interest in 武漢越秀 through its wholly owned subsidiary, Sure Win. The Property Business was principally conducted through 武漢越秀 before and after the Reorganisation.

As at the date of this report, the above reorganisation has not been completed.

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During the Track Record Period, the Target Company had direct interests in the following subsidiary:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity	Effective Interest held	
				As at 31 December 2014-2016	As at 30 June 2017
Sure Win International Holdings Limited	25 March 2010	Hong Kong, limited liability company	Investment holding	100%	100%

Upon completion of the Reorganisation, the Target Company would have indirect interests in the following subsidiaries:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity	Effective Interest held	
				As at 31 December 2014- 2016	As at 30 June 2017
武漢越秀地產開發有限公司	11 November 2011	China, limited liability company	Property development	67%	67%
越秀第一太平戴維斯(武漢)物業服務有限公司	10 October 2014	China, limited liability company	Property, club house and carpark management	40%	N/A
越秀(武漢)物業服務有限公司	21 May 2012	China, limited liability company	Property management and consultancy, property agency and leasing	67%	N/A

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1.3 Basis of presentation

Yuexiu Property Company Limited controlled the companies now comprising the Target Group before the Reorganisation and continues to control these companies after the Reorganisation. Pursuant to the Reorganisation, the Property Business is transferred to and held by the Target Company. The Target Company has not been involved in any other business since its incorporation. The Reorganisation is merely a reorganisation of the Property Business with no change in management and the ultimate owner. Accordingly, the combined financial information of the companies now comprising the Target Group is presented using the historical carrying values of the Property Business for all periods presented.

For the purpose of this accountant's report, the Historical Financial Information for the Track Record Period has been presented on the Target Group as a whole. The financial information of the Target Properties and the Non-Target Properties has not been accounted for separately as the Target Properties and Non-Target Properties have not been separately managed and these properties are financially controlled within the Target Group.

- (i) The profit and loss relating to the Non-Target Properties for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017, are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	1,307,194	2,140,728	2,360,231	296,261	252,137
Operating expenses, net	(1,091,161)	(1,574,764)	(1,663,819)	(241,852)	(171,875)
Other gain, net	—	—	—	—	3,597
Finance income	1,140	1,830	2,923	1,794	1,412
Finance expenses	—	—	(5,914)	—	(8,806)
Profit before income tax	217,173	567,794	693,421	56,203	76,465
Income tax expense	(75,992)	(212,208)	(281,158)	(25,245)	(32,577)
Profit and total comprehensive income for the year/period	<u>141,181</u>	<u>355,586</u>	<u>412,263</u>	<u>30,958</u>	<u>43,888</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

- (ii) The assets and liabilities separately identifiable for the Non-Target Properties as at 30 June 2017 are as follows:

	As at 30 June 2017
	<i>RMB'000</i>
- Properties held for sale	<u>121,236</u>
- Receipt in advance	<u>80,822</u>

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

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

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

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Interpretation and new and amended standards have been issued but are not yet effective for the six months ended 30 June 2017 and have not been early adopted by the Target Group

		Effective for accounting periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment properties	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2.2 Consolidation

Subsidiaries

The Historical Financial Information includes the financial statements of the Target Company and all of its subsidiaries made up to 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

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

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Disposal of subsidiaries

When the Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

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

2.4 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to bank borrowings are presented in the combined statement of comprehensive income within "finance income" or "finance expenses". All other foreign exchange gains and losses are presented in the combined statement of comprehensive income within "operating expenses, net".

2.5 Plant and equipment

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

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

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

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

Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "operating expenses, net" in the combined statement of comprehensive income.

2.6 Investment property

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

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

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties under development for sale and properties held for sale. A property's deemed cost for subsequent accounting as properties under development for sale and properties held for sale is its fair value at the date of change in use.

For a transfer from properties under development for sale or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

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2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.8 Loan and other receivables

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

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

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

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

2.9 Properties under development for sale and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development for sale and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

Properties under development for sale and held for sale are classified as current assets unless the construction period of the relevant property development projects is expected to complete beyond the Target Group's normal operating cycle.

2.10 Rental deposits

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

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

2.11 Cash and cash equivalents

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

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

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

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

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

2.14 Bank borrowings and borrowing costs

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statement of comprehensive income over the period of the bank borrowings using the effective interest method.

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

Bank borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

2.15 Share capital

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

2.16 Current and deferred income tax

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

(i) *Current income tax*

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

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(ii) *Deferred income tax*

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

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

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

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

(iii) *Offsetting*

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

2.17 Revenue recognition

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

(a) *Sales of properties*

Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities as receipts in advance.

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(b) *Rental income*

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

(c) *Property management and agency service fee*

Property management and agency service fee are recognised in the period in which the services are rendered.

(d) *Interest income*

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

2.18 Employee benefits

Pension obligations

- (i) A defined contribution plan is a pension plan under which the Target Group pays fixed contributions into a separate entity. The Target Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Target Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
- (ii) Termination benefits are payable when employment is terminated by the Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Group recognises termination benefits at the earlier of the following dates: (a) when the Target Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.19 Financial guarantees

Financial guarantee contracts under which the Target Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Financial guarantees are recognised when it is probable that the Target Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

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2.20 Insurance contracts

The Target Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided by its subsidiaries as insurance contracts.

The Target Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the combined income statement.

3 Financial risk management

3.1 Financial risk factors

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

(a) *Cash flow interest rate risk*

The Target Group's cash flow interest-rate risk arises from interest bearing charged bank deposits, cash and cash equivalents and bank borrowings obtained at variable rates which expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow interest-rate risk.

During the Track Record Period, if interest rates had increased/decreased by 100 basis points and all other variables were held constant, post-tax profit (after taking into account the interest expenses capitalised in the properties under development for sale and properties held for sale) would increase/decrease for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 by approximately RMB3,771,000, RMB10,285,000, RMB6,423,000 and RMB1,546,000 respectively and the Group's properties under development for sale as at 31 December 2014, 2015 and 2016 and 30 June 2017 would increase/decrease by approximately RMB3,779,000, RMB4,037,000, RMB273,000 and RMBNil respectively.

(b) *Credit risk*

Credit risk arises from trade receivables, prepayments and other receivables, amounts due from fellow subsidiaries and a related company, charged bank deposits and cash and cash equivalents.

The Target Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The carrying amounts of receivables, charged bank deposits and cash and cash equivalents included in the combined balance sheets represent the Target Group's maximum exposure to credit risk in relation to these financial assets.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

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

(c) *Liquidity risk*

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

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

	Less than one year RMB'000	Between one and five years RMB'000	Over five years RMB'000	Total RMB'000
Target Group				
At 31 December 2014				
Accruals and other payables	166,434	—	—	166,434
Amounts due to fellow subsidiaries	284,548	—	—	284,548
Amount due to the immediate holding company	43	—	—	43
Bank borrowings and interest payable	<u>44,838</u>	<u>510,031</u>	<u>—</u>	<u>554,869</u>
At 31 December 2015				
Trade payable	757	—	—	757
Rental deposits	46	1,828	1,038	2,912
Accruals and other payables	238,778	—	—	238,778
Amounts due to fellow subsidiaries	118,548	—	—	118,548
Amount due to the immediate holding company	53	—	—	53
Bank borrowings and interest payable	<u>510,383</u>	<u>53,152</u>	<u>—</u>	<u>563,535</u>
At 31 December 2016				
Trade payable	1,829	—	—	1,829
Rental deposits	105	4,334	907	5,346
Accruals and other payables	907,952	—	—	907,952
Amounts due to fellow subsidiaries and interest payable	856,060	—	—	856,060
Amount due to the immediate holding company	64	—	—	64
Bank borrowings and interest payable	<u>2,187</u>	<u>48,752</u>	<u>—</u>	<u>50,939</u>

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	Less than one year RMB'000	Between one and five years RMB'000	Over five years RMB'000	Total RMB'000
At 30 June 2017				
Rental deposits	326	9,088	1,773	11,187
Accruals and other payables	770,155	—	—	770,155
Amounts due to fellow subsidiaries and interest payable	807,706	—	—	807,706
Amount due to the immediate holding company	67	—	—	67
Bank Borrowings and interest payable	<u>49,354</u>	<u>—</u>	<u>—</u>	<u>49,354</u>

Target Company **Less than
one year**

At 31 December 2014
Amounts due to the immediate holding company 43

At 31 December 2015
Amounts due to the immediate holding company 53

At 31 December 2016
Amounts due to the immediate holding company 64

At 30 June 2017
Amounts due to the immediate holding company 67

3.2 Capital risk management

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

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current bank borrowings and interest bearing amounts due to a fellow subsidiary) divided by total asset value as shown in the combined balance sheets.

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The gearing ratios at 31 December 2014, 2015, 2016 and 30 June 2017 were as follows:

	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	<u>503,900</u>	<u>538,300</u>	<u>569,500</u>	<u>569,000</u>
Total assets	<u>4,566,044</u>	<u>5,065,353</u>	<u>5,265,791</u>	<u>4,987,880</u>
Gearing ratio	<u>11%</u>	<u>11%</u>	<u>11%</u>	<u>11%</u>

3.3 Fair value estimation

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

4 Critical accounting estimates

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

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

(a) *Net realisable value of properties under development for sale and properties held for sale*

The Target Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development for sale and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development for sale and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the carrying values may not be fully realised. The identification of write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying values of properties under development for sale and properties held for sale are adjusted in the period in which such estimate is changed.

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(b) *Current and deferred income taxes*

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

5 Revenue and segment information

Turnover mainly consists of sales of properties, rental income and property management and agency service income. The revenue of the Target Group during the Track Record Period is from both external customers and fellow subsidiaries.

The Target Group's revenue is derived solely from its operation in China and the current and non-current assets of the Target Group are also located in China. The additions to non-current assets for each of the financial years/periods are the additions to plant and equipment as set out in Note 12.

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

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Sales of properties	1,302,670	2,127,331	2,322,355	289,150	248,797
Rental income	—	4,993	12,299	3,313	14,953
Property management and agency service income	4,508	13,338	36,958	6,851	3,340
Others	16	59	918	260	—
	<u>1,307,194</u>	<u>2,145,721</u>	<u>2,372,530</u>	<u>299,574</u>	<u>267,090</u>

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The chief operating decision-maker has been identified as the executive directors. Management determines the operating segments based on the Target Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management and others.

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development for sale	sales of property development activities
Property management	property management services
Others	property rental and others

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the historical financial information.

Total segment assets excluded deferred income tax assets, taxation recoverable and corporate assets.

	Property development and sale RMB'000	Property management RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2014				
Revenue	1,302,670	9,263	16	1,311,949
Inter-segment revenue	<u>—</u>	<u>(4,755)</u>	<u>—</u>	<u>(4,755)</u>
Revenue from external customers	<u>1,302,670</u>	<u>4,508</u>	<u>16</u>	<u>1,307,194</u>
Segment results	<u>246,627</u>	<u>(1,979)</u>	<u>16</u>	<u>244,664</u>
Depreciation	<u>657</u>	<u>65</u>	<u>—</u>	<u>722</u>

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	Property development and sale <i>RMB'000</i>	Property management <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Year ended 31 December 2015				
Revenue	2,127,331	19,055	5,052	2,151,438
Inter-segment revenue	<u>—</u>	<u>(5,717)</u>	<u>—</u>	<u>(5,717)</u>
Revenue from external customers	<u>2,127,331</u>	<u>13,338</u>	<u>5,052</u>	<u>2,145,721</u>
Segment results	<u>597,714</u>	<u>(2,510)</u>	<u>5,052</u>	<u>600,256</u>
Depreciation	<u>390</u>	<u>365</u>	<u>—</u>	<u>755</u>
	Property development and sale <i>RMB'000</i>	Property management <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Year ended 31 December 2016				
Revenue	2,322,355	41,679	13,217	2,377,251
Inter-segment revenue	<u>—</u>	<u>(4,721)</u>	<u>—</u>	<u>(4,721)</u>
Revenue from external customers	<u>2,322,355</u>	<u>36,958</u>	<u>13,217</u>	<u>2,372,530</u>
Segment results	<u>722,572</u>	<u>(7,684)</u>	<u>(5,632)</u>	<u>709,256</u>
Depreciation	<u>409</u>	<u>155</u>	<u>—</u>	<u>564</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

	Property development and sale	Property management	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(unaudited)</i>				
Six-month ended 30 June 2016				
Revenue	289,150	9,211	3,573	301,934
Inter-segment revenue	<u>—</u>	<u>(2,360)</u>	<u>—</u>	<u>(2,360)</u>
Revenue from external customers	<u>289,150</u>	<u>6,851</u>	<u>3,573</u>	<u>299,574</u>
Segment results	<u>71,633</u>	<u>(7,704)</u>	<u>3,111</u>	<u>67,040</u>
Depreciation	<u>338</u>	<u>—</u>	<u>—</u>	<u>338</u>
Six-month ended 30 June 2017				
Revenue	248,797	3,340	14,953	267,090
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenue from external customers	<u>248,797</u>	<u>3,340</u>	<u>14,953</u>	<u>267,090</u>
Segment results	<u>93,172</u>	<u>(4,470)</u>	<u>1,061</u>	<u>89,763</u>
Depreciation	<u>104</u>	<u>—</u>	<u>—</u>	<u>104</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

	Property development and sale <i>RMB'000</i>	Property management <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
As at 31 December 2014				
Segment assets	<u>4,196,533</u>	<u>660</u>	<u>956</u>	<u>4,198,149</u>
As at 31 December 2015				
Segment assets	<u>4,788,186</u>	<u>2,119</u>	<u>138</u>	<u>4,790,443</u>
As at 31 December 2016				
Segment assets	<u>3,873,370</u>	<u>4,312</u>	<u>682</u>	<u>3,878,364</u>
As at 30 June 2017				
Segment assets	<u>3,319,532</u>	<u>2,979</u>	<u>—</u>	<u>3,322,511</u>

A reconciliation of total segment results to total profit before income tax is provided as follows:

	Year ended 31 December			Six months ended 30 June	
	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>
				<i>(unaudited)</i>	
Segment results	244,664	600,256	709,256	67,040	89,763
Unallocated operating costs	(28,645)	(29,586)	(19,393)	(9,318)	(8,440)
Other gain, net	—	—	—	—	3,597
Finance income	1,140	1,830	2,923	1,794	1,412
Finance expenses	<u>—</u>	<u>—</u>	<u>(5,914)</u>	<u>—</u>	<u>(8,806)</u>
Profit before income tax	<u>217,159</u>	<u>572,500</u>	<u>686,872</u>	<u>59,516</u>	<u>77,526</u>

Unallocated operating costs mainly include administrative staff salaries, depreciation and other operating expenses.

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A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December		As at 30 June	
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	4,198,149	4,790,443	3,878,364	3,322,511
Deferred income tax assets (note 25)	2,437	5,707	—	—
Tax recoverable	96,390	109,602	73,786	25,505
Corporate assets (Note)	<u>269,068</u>	<u>159,601</u>	<u>1,313,641</u>	<u>1,639,864</u>
Total assets	<u>4,566,044</u>	<u>5,065,353</u>	<u>5,265,791</u>	<u>4,987,880</u>

Note: Corporate assets include mainly cash and cash equivalents, amounts due from fellow subsidiaries and amount due from a related company.

No geographical segment analysis is shown as substantially all of the Target Group's revenue are derived from activities in and from customers located in China and substantially all of the carrying values of the Target Group's non-current assets excluding deferred income tax assets are situated in China.

During the Track Record Period, the Target Group does not have any single customer with the transaction value over 10% of the total external sales.

6 Expenses by nature

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advertising and promotion expenses	26,530	29,925	25,047	9,437	9,812
Business tax and other levies	74,786	122,216	96,626	18,801	4,202
Cost of properties sold	948,569	1,373,609	1,483,189	187,593	149,329
Depreciation (note 12)	722	755	564	338	104
Employee benefit expenses (note 7)	21,484	30,070	41,113	17,158	12,197
Others	<u>19,084</u>	<u>18,476</u>	<u>36,128</u>	<u>8,525</u>	<u>10,123</u>
	<u>1,091,175</u>	<u>1,575,051</u>	<u>1,682,667</u>	<u>241,852</u>	<u>185,767</u>

Auditor's remuneration of the Target Group were borne by an intermediate holding company of the Target Group.

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7 Employee benefit expenses

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Wages, salaries and bonus	18,150	24,289	32,552	13,569	9,598
Social security costs	2,111	3,145	4,479	1,886	1,027
Staff welfare and others	<u>1,223</u>	<u>2,636</u>	<u>4,082</u>	<u>1,703</u>	<u>1,572</u>
	<u>21,484</u>	<u>30,070</u>	<u>41,113</u>	<u>17,158</u>	<u>12,197</u>

8 Finance income

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest income from bank deposits	<u>1,140</u>	<u>1,830</u>	<u>2,923</u>	<u>1,794</u>	<u>1,412</u>

9 Finance expenses

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest expense for bank borrowings (Note a)	38,295	33,402	19,325	14,307	1,098
Interest expense for amount due to a fellow subsidiary	—	—	5,914	—	7,708
Less: amounts capitalised as properties under development (Note b)	<u>(38,295)</u>	<u>(33,402)</u>	<u>(19,325)</u>	<u>(14,307)</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>5,914</u>	<u>—</u>	<u>8,806</u>

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Note:

- (a) The weighted average interest rate of borrowings for the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 were 6.15%, 5.76%, 5.33%, 5.40% and 4.51% per annum respectively.
- (b) Borrowing costs capitalised during the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2016 and 2017 were calculated by applying a weighted average capitalisation rate of 6.15%, 5.76%, 5.33%, 5.40% and 4.51% per annum respectively.

10 Income tax expense

For the subsidiaries incorporated and operating in China, they are subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

No Hong Kong profits tax has been provided as the Target Group has no assessable profits in Hong Kong.

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current taxation					
- China corporate income tax	44,837	150,481	131,102	22,271	4,426
- China land appreciation tax	1,706	44,734	88,495	9,233	9,640
Deferred taxation					
- Origination and reversal of temporary differences	<u>29,449</u>	<u>18,841</u>	<u>59,923</u>	<u>(5,431)</u>	<u>18,776</u>
	<u>75,992</u>	<u>214,056</u>	<u>279,520</u>	<u>26,073</u>	<u>32,842</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

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

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Profit before income tax	<u>217,159</u>	<u>572,500</u>	<u>686,872</u>	<u>59,516</u>	<u>77,526</u>
Calculated at China corporate income tax rates of 25%	54,290	143,125	171,718	14,879	19,382
Income not subject to tax	(488)	(155)	(62)	—	—
Expense not deductible for taxation purposes	7,425	337	486	—	238
Tax loss for which no deferred income tax assets was recognised	—	(466)	(1,626)	(284)	(1,293)
Effect of land appreciation tax deductible for corporate income tax purposes	(426)	(11,183)	(22,123)	(2,309)	(2,410)
Others	<u>117</u>	<u>901</u>	<u>688</u>	<u>501</u>	<u>873</u>
	60,918	132,559	149,081	12,787	16,790
Land appreciation tax	1,706	44,734	88,495	9,233	9,640
Withholding tax (Note)	<u>13,368</u>	<u>36,763</u>	<u>41,944</u>	<u>4,053</u>	<u>6,412</u>
Taxation charges	<u>75,992</u>	<u>214,056</u>	<u>279,520</u>	<u>26,073</u>	<u>32,842</u>

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

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

None of the directors and senior management of the Target Company received any emoluments in respect of their services rendered to the Target Group during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

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12 Plant and equipment

Target Group

	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014			
Cost	1,404	2,222	3,626
Accumulated depreciation	<u>(482)</u>	<u>(938)</u>	<u>(1,420)</u>
Net book amount	<u>922</u>	<u>1,284</u>	<u>2,206</u>
Opening net book amount at 1 January 2014			
Additions	353	—	353
Depreciation	<u>(300)</u>	<u>(422)</u>	<u>(722)</u>
Closing net book amount	<u>975</u>	<u>862</u>	<u>1,837</u>
At 31 December 2014 and 1 January 2015			
Cost	1,757	2,222	3,979
Accumulated depreciation	<u>(782)</u>	<u>(1,360)</u>	<u>(2,142)</u>
Net book amount	<u>975</u>	<u>862</u>	<u>1,837</u>
Opening net book amount at 1 January 2015			
Additions	384	—	384
Depreciation	(365)	(390)	(755)
Disposals	<u>—</u>	<u>(88)</u>	<u>(88)</u>
Closing net book amount	<u>994</u>	<u>384</u>	<u>1,378</u>
At 31 December 2015 and 1 January 2016			
Cost	2,141	1,991	4,132
Accumulated depreciation	<u>(1,147)</u>	<u>(1,607)</u>	<u>(2,754)</u>
Net book amount	<u>994</u>	<u>384</u>	<u>1,378</u>

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Target Group

	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount at 1 January 2016	994	384	1,378
Additions	418	—	418
Depreciation	<u>(375)</u>	<u>(189)</u>	<u>(564)</u>
Closing net book amount	<u>1,037</u>	<u>195</u>	<u>1,232</u>
At 31 December 2016			
Cost	2,559	1,991	4,550
Accumulated depreciation	<u>(1,522)</u>	<u>(1,796)</u>	<u>(3,318)</u>
Net book amount	<u>1,037</u>	<u>195</u>	<u>1,232</u>
Opening net book amount at 1 January 2017	1,037	195	1,232
Additions	13	—	13
Depreciation	(79)	(25)	(104)
Disposal of subsidiaries (Note 14)	<u>(682)</u>	<u>—</u>	<u>(682)</u>
Closing net book amount	<u>289</u>	<u>170</u>	<u>459</u>
At 30 June 2017			
Cost	1,515	1,991	3,506
Accumulated depreciation	<u>(1,226)</u>	<u>(1,821)</u>	<u>(3,047)</u>
Net book amount	<u>289</u>	<u>170</u>	<u>459</u>
(Unaudited)			
Opening net book amount at 1 January 2016	994	384	1,378
Additions	80	—	80
Depreciation	<u>(196)</u>	<u>(142)</u>	<u>(338)</u>
Closing net book amount	<u>878</u>	<u>242</u>	<u>1,120</u>
At 30 June 2016			
Cost	2,221	1,991	4,212
Accumulated depreciation	<u>(1,343)</u>	<u>(1,749)</u>	<u>(3,092)</u>
Net book amount	<u>878</u>	<u>242</u>	<u>1,120</u>

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13 Investment property under development

Target Group

	For the year ended 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017 <i>RMB'000</i>
Beginning of the year/period	1,588,000	—	—	—
Transfer to properties under development for sale	(1,588,000)	—	—	—
End of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

14 Subsidiaries

(a) *Subsidiaries*

During the Track Record Period, the Target Company had direct interests in the following subsidiary:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity	Issued and fully paid up share capital/ registered capital	Effective Interest held	
					As at 31 December 2014-2016	As at 30 June 2017
Sure Win International Holdings Limited (Note 1)	25 March 2011	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	100%	100%

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

Upon completion of the Reorganisation, the Target Company would have indirect interests in the following subsidiaries:

Name	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activity	Issued and fully paid up share capital/ registered capital	Effective Interest held	
					As at 31 December 2014-2016	As at 30 June 2017
武漢越秀地產開發有限公司 (Note 2)	11 November 2011	China, limited liability company	Property development	Registered capital of RMB2,200,000,000	67%	67%
越秀第一太平戴維斯(武漢)物業服務有限公司 (Note 2)	10 October 2014	China, limited liability company	Property, club house and carpark management	Registered capital of RMB3,000,000	40%	N/A
越秀(武漢)物業服務有限公司 (Note 2)	21 May 2012	China, limited liability company	Property management and consultancy, property agency and leasing	Registered capital of RMB3,000,000	67%	N/A

Notes:

1. The statutory financial statements of the subsidiary for the years ended 31 December 2014, 2015 and 2016 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
2. The statutory financial statements of the subsidiaries for the years ended 31 December 2014, 2015 and 2016 were audited by HBHN CPA LTD, Certified Public Accountants, China.

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(b) Disposal of subsidiaries**Target Group**

	For the year ended 31 December			For six-month ended 30 June
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gain/(loss) on disposal of:				
越秀(武漢)物業服務有限公司	—	—	—	(2,720)
越秀第一太平戴維斯(武漢)物業服務有限公司	—	—	—	6,317
End of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,597</u>

On 3 January 2017 and 27 March 2017, the Target Group disposed of the entire interest held in 越秀(武漢)業務服務有限公司 and 越秀第一太平戴維斯(武漢)物業服務有限公司, subsidiaries of the Target Group, to fellow subsidiaries for cash consideration of RMB1 each and RMBNil each respectively.

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Details of the assets and liabilities of 越秀(武漢)業務服務有限公司 disposed of and the loss on disposal are as follows:

	For six-month ended 30 June 2017 RMB'000
Assets and liabilities disposed of:	
Plant and equipment (Note 12)	525
Amount due from a fellow subsidiary	35,296
Amount due from a related company	5,057
Prepayment and other receivables	4,333
Cash and cash equivalents	5,187
Trade payables	(1,829)
Amount due to a fellow subsidiary	(37,024)
Accruals and other payables	<u>(8,825)</u>
Net assets disposed of	<u>2,720</u>
Consideration	—
Less: Net assets disposed of	<u>(2,720)</u>
Loss on disposal of 越秀(武漢)物業服務有限公司	<u>(2,720)</u>
Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash received	—
Cash and bank balances disposed	<u>5,187</u>
	<u>5,187</u>

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Details of the assets and liabilities of 越秀第一太平戴維斯(武漢)物業服務有限公司 disposed of and the gain on disposal are as follows:

	For six-month ended 30 June 2017 RMB'000
Assets and liabilities disposed of:	
Plant and equipment (Note 12)	157
Trade receivables	1,120
Other receivables	786
Cash and cash equivalents	1,579
Accruals and other payables	<u>(14,170)</u>
Net liabilities disposed of	<u>(10,528)</u>
Consideration	—
Add: Net liabilities disposed of	10,528
Less: Non-controlling interest	<u>(4,211)</u>
Gain on disposal of 越秀第一太平戴維斯(武漢)物業服務有限公司	<u>6,317</u>
Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Cash received	—
Cash and bank balances disposed	<u>1,579</u>
	<u>1,579</u>

15 Properties under development for sale

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
Properties under development for sale	<u>3,821,414</u>	<u>3,091,788</u>	<u>2,198,772</u>	<u>—</u>

Properties under development are located in China.

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As at 31 December 2014, 2015 and 2016, the Target Group's properties under development for sale of approximately RMB3,821 million, RMB3,092 million and RMBNil were pledged as collateral for the Target Group's bank borrowings (note 23).

16 Properties held for sale**Target Group**

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Properties held for sale	<u>61,505</u>	<u>398,038</u>	<u>1,058,576</u>	<u>3,106,459</u>

Properties held for sale are located in China.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group's properties held for sale of approximately RMB62 million, RMB398 million, RMB104 million and RMBNil were pledged as collateral for the Target Group's bank borrowings (note 23).

17 Trade receivables**Target Group**

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<u>—</u>	<u>—</u>	<u>2,236</u>	<u>98</u>

The fair values of trade receivables approximate their carrying amounts.

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The credit terms of the Target Group are generally within three months. The ageing analysis of trade receivables, based on invoice date, is as follows:

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	—	—	1,900	—
31-90 days	—	—	232	47
91-180 days	—	—	104	51
	<u>—</u>	<u>—</u>	<u>2,236</u>	<u>98</u>

As at 31 December 2016 and 30 June 2017, trade receivables of approximately RMB2,132,000 and RMB47,000 were fully performing.

As at 31 December 2016 and 30 June 2017, the Target Group had insignificant trade receivables which are past due but not impaired. Those relate to independent customers for whom there are no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Majority of the Target Group's trade receivables are denominated in RMB.

18 Prepayments and other receivables

The balance of prepayments and other receivables mainly represents prepaid business tax and deposits for utilities.

The Target Group's prepayments and other receivables are denominated in RMB.

19 Deferred assets

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

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20 Charged bank deposits and cash and cash equivalents

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Charged bank deposits (a)	304,403	1,296,351	614,868	212,845
Cash and cash equivalents (b)	<u>198,337</u>	<u>74,920</u>	<u>253,659</u>	<u>41,232</u>
	<u>502,740</u>	<u>1,371,271</u>	<u>868,527</u>	<u>254,077</u>

(a) *Charged bank deposits*

Target Group

	As at 31 December			As at 30
	2014	2015	2016	June
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Charged bank deposits (Note)	<u>304,403</u>	<u>1,296,351</u>	<u>614,868</u>	<u>212,845</u>
Maximum exposure to credit risk	<u>304,403</u>	<u>1,296,351</u>	<u>614,868</u>	<u>212,845</u>

Note: In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, 武漢越秀地產開發有限公司 is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

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(b) *Cash and cash equivalents*

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Cash at bank	198,282	74,893	253,656	41,232
Cash on hand	<u>55</u>	<u>27</u>	<u>3</u>	<u>—</u>
	<u>198,337</u>	<u>74,920</u>	<u>253,659</u>	<u>41,232</u>
Maximum exposure to credit risk	<u>198,282</u>	<u>74,893</u>	<u>253,656</u>	<u>41,232</u>

Cash and cash equivalents of the Target Group are mainly denominated in RMB. The carrying amounts approximate their fair values.

Charged bank deposits and cash and cash equivalents are denominated in the following currencies:

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
RMB	502,725	1,371,254	868,510	254,057
HKD	<u>15</u>	<u>17</u>	<u>17</u>	<u>20</u>
	<u>502,740</u>	<u>1,371,271</u>	<u>868,527</u>	<u>254,077</u>

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

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21 Trade payables**Target Group**

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
Trade payables	<u>—</u>	<u>757</u>	<u>1,829</u>	<u>—</u>

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables, based on invoice date, is as follows:

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
0-30 days	—	757	1,688	—
31-90 days	<u>—</u>	<u>—</u>	<u>141</u>	<u>—</u>
	<u>—</u>	<u>757</u>	<u>1,829</u>	<u>—</u>

The Target Group's trade payables are denominated in RMB.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

22 Rental deposits, accruals and other payables

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental deposits				
Current portion	—	46	105	326
Non-current portion	<u>—</u>	<u>2,866</u>	<u>5,241</u>	<u>10,861</u>
	—	2,912	5,346	11,187
Accrual for construction related costs	131,060	174,374	852,942	732,191
Business tax, real estate tax and other tax payables	15,195	13,682	14,036	5,038
Other payables	<u>33,522</u>	<u>64,420</u>	<u>53,942</u>	<u>32,960</u>
Accruals and other payables	<u>179,777</u>	<u>252,476</u>	<u>920,920</u>	<u>770,189</u>

23 Bank borrowings

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current portion of long term bank borrowings, unsecured	—	—	—	48,000
Current portion of long term bank borrowings, secured	13,500	488,800	—	—
Long-term bank borrowings, secured	<u>490,400</u>	<u>49,500</u>	<u>48,500</u>	<u>—</u>
Total long-term bank borrowings	<u>503,900</u>	<u>538,300</u>	<u>48,500</u>	<u>48,000</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group's bank borrowings were repayable as follows:

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	13,500	488,800	—	48,000
Between 1 and 5 years	<u>490,400</u>	<u>49,500</u>	<u>48,500</u>	<u>—</u>
	<u>503,900</u>	<u>538,300</u>	<u>48,500</u>	<u>48,000</u>

The bank borrowings as at 31 December 2014, 2015 and 2016 and 30 June 2017 were denominated in RMB. The nominal interest rate of the bank borrowings is the People's Bank of China lending rate.

The bank borrowings were secured by the Target Group's properties under development for sale (Note 15) and properties held for sale (Note 16) as at 31 December 2014, 2015 and 2016.

24 Combined capital and reserves

As mentioned in note 1.3 above, the Historical Financial Information has been prepared as if the structure after Reorganisation had been in existence throughout the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, or since the respective dates of incorporated establishment of the combining companies, or since the date when the combining companies first came under the control of the Yuexiu Property Company Limited, whichever is the shorter period. Combined capital and reserves during the Track Record Period represents the combined share capital of Fully Cheer Management Limited and 武漢越秀地產開發有限公司 and the combined equity of the Target Group after elimination of inter-company investments.

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share capital of Fully Cheer Management Limited				
Issued capital:				
1 share of USD1, equivalent to RMB6.83	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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Paid-in capital of 武漢越秀地產開發有限公司 attributable to equity holders of the Target Company	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Paid-in capital	<u>1,431,120</u>	<u>1,474,000</u>	<u>1,474,000</u>	<u>1,474,000</u>
	Attributable to			
	Equity holders of the Target Company	Non-controlling interest	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Paid-in capital:				
At 1 January 2014	1,286,400	633,600	1,920,000	
Contribution of paid-in capital				
By cash:				
On 3 January 2014	37,520	18,480	56,000	
On 30 July 2014	107,200	52,800	160,000	
	<u>144,720</u>	<u>71,280</u>	<u>216,000</u>	
At 31 December 2014	<u>1,431,120</u>	<u>704,880</u>	<u>2,136,000</u>	
At 1 January 2015	1,431,120	704,880	2,136,000	
Contribution of paid-in capital				
By cash:				
On 16 April 2015	42,880	21,120	64,000	
At 31 December 2015, 2016 and 30 June 2017	<u>1,474,000</u>	<u>726,000</u>	<u>2,200,000</u>	

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Reserves**Target Company**

	Accumulated losses RMB'000
Balance at 1 January 2014	14
Comprehensive loss	
Loss for the year	4
Other comprehensive income	—
Total comprehensive loss	4
At 31 December 2014	18
Balance at 1 January 2015	18
Comprehensive loss	
Loss for the year	4
Other comprehensive income	—
Total comprehensive loss	4
At 31 December 2015	22
Balance at 1 January 2016	22
Comprehensive loss	
Loss for the year	4
Other comprehensive income	—
Total comprehensive loss	4
At 31 December 2016	26
Balance at 1 January 2017	26
Comprehensive loss	
Loss for the period	4
Other comprehensive income	—
Total comprehensive loss	4
At 30 June 2017	30

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25 Deferred taxation

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

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:				
- Deferred income tax assets to be recovered after more than 12 months	<u>2,437</u>	<u>5,707</u>	<u>—</u>	<u>—</u>
Deferred income tax liabilities:				
- Deferred income tax liabilities to be recovered after more than 12 months	<u>19,936</u>	<u>42,047</u>	<u>96,263</u>	<u>115,039</u>

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

Target Group

	Income tax losses	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	3,559	48,850	52,409
Charged to profit or loss	<u>(1,122)</u>	<u>(3,385)</u>	<u>(4,507)</u>
At 31 December 2014	<u>2,437</u>	<u>45,465</u>	<u>47,902</u>
At 1 January 2015	2,437	45,465	47,902
Credited to profit or loss	<u>3,270</u>	<u>9,941</u>	<u>13,211</u>
At 31 December 2015	<u>5,707</u>	<u>55,406</u>	<u>61,113</u>
At 1 January 2016	5,707	55,406	61,113
Charged to profit or loss	<u>(5,707)</u>	<u>(37,759)</u>	<u>(43,466)</u>
At 31 December 2016	<u>—</u>	<u>17,647</u>	<u>17,647</u>
At 1 January 2017	—	17,647	17,647
Charged to profit or loss	<u>—</u>	<u>(11,825)</u>	<u>(11,825)</u>
At 30 June 2017	<u>—</u>	<u>5,822</u>	<u>5,822</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred income tax assets of RMB466,000 and RMB2,091,000 as at 31 December 2015 and 2016 and in respect of losses amounting to RMB1,851,000, RMB8,353,000 respectively that can be carried forward against future taxable income. The tax losses will expire within five years from the end of the each of year/period.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

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

Target Group

	Withholding tax in respect of unremitted earnings of subsidiaries <i>RMB'000</i>	Fair value gain <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2014	—	22,059	18,400	40,459
Charged to profit or loss	<u>13,368</u>	<u>—</u>	<u>11,574</u>	<u>24,942</u>
At 31 December 2014	<u>13,368</u>	<u>22,059</u>	<u>29,974</u>	<u>65,401</u>
At 1 January 2015	13,368	22,059	29,974	65,401
Charged/(credited) to profit or loss	<u>36,763</u>	<u>(543)</u>	<u>(4,168)</u>	<u>32,052</u>
At 31 December 2015	<u>50,131</u>	<u>21,516</u>	<u>25,806</u>	<u>97,453</u>
At 1 January 2016	50,131	21,516	25,806	97,453
Charged/(credited) to profit or loss	<u>41,944</u>	<u>(588)</u>	<u>(24,899)</u>	<u>16,457</u>
At 31 December 2016	<u>92,075</u>	<u>20,928</u>	<u>907</u>	<u>113,910</u>
At 1 January 2017	92,075	20,928	907	113,910
Charged/(credited) to profit or loss	<u>6,412</u>	<u>(139)</u>	<u>678</u>	<u>6,951</u>
At 30 June 2017	<u>98,487</u>	<u>20,789</u>	<u>1,585</u>	<u>120,861</u>

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26 Note to the combined statements of cash flows

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

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Profit before income tax	217,159	572,500	686,872	59,516	77,526
Adjustments for:					
- Depreciation	722	755	564	338	104
- Finance income	(1,140)	(1,830)	(2,923)	(1,794)	(1,412)
- Finance expenses	—	—	5,914	—	8,806
- Loss on disposal of plant and equipment	—	88	—	—	—
- Net gain on disposal of subsidiaries	—	—	—	—	(3,597)
Changes in working capital:					
- Trade receivables	—	—	(2,236)	—	1,018
- Properties under development for sale and properties held for sales	185,458	393,093	232,478	(137,896)	150,889
- Prepayments and other receivables	(7,557)	(6,325)	76,634	(12,767)	(5,982)
- (Increase)/decrease in charged bank deposits	(190,176)	(991,948)	681,483	663,896	402,023
- Trade payables	(11,746)	757	1,072	2,786	—
- Receipts in advance	(92,348)	35,836	(1,157,824)	330,181	(35,229)
- Rental deposits	—	2,912	2,434	(2,912)	5,841
- Accruals and other payables	139,717	72,699	669,809	(55,446)	(128,092)
- Amount due from/(to) fellow subsidiaries	593	(167,523)	(845,788)	(701,270)	(578,110)
- Amount due to related company	(161,160)	—	(5,057)	—	(11,328)
- Amount due to the immediate holding company	10	10	10	6	6
	<u>10</u>	<u>10</u>	<u>10</u>	<u>6</u>	<u>6</u>
Cash generated from/(used in) operations	<u>79,532</u>	<u>(88,976)</u>	<u>343,442</u>	<u>144,638</u>	<u>(117,537)</u>

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27 Future minimum rental receivable

At 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
				<i>RMB'000</i>
Within one year	—	12,642	29,891	46,182
Between one year and five years	—	58,904	138,613	138,668
Over five years	—	35,612	35,810	30,941
	<u>—</u>	<u>107,158</u>	<u>204,314</u>	<u>215,791</u>

28 Guarantees

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2017
				<i>RMB'000</i>
Guarantees for mortgage facilities granted to certain property purchases of the Target Group's properties (note)	<u>388,288</u>	<u>803,119</u>	<u>1,088,832</u>	<u>1,115,671</u>

Note: The Target Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Target Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Target Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

29 Significant related party transactions and balances

(a) *Related parties*

The table below summarises the names of significant related parties, with whom the Target Group has significant transactions during the year/period, and their relationship with the Target Group during the Track Record Period except as explained in Note(i) below:

Significant related parties	Relationship with the Target Group
Guangzhou Construction and Development Holdings (China) Limited	The immediate holding company
Guangzhou City Construction and Development Co. Ltd (“GCCD”)	Fellow subsidiary
武漢楚景置業有限公司(“楚景”)	Fellow subsidiary
越秀第一太平戴維斯(武漢)物業服務有限公司(“戴維斯”) (Note (i))	Fellow subsidiary
越秀(武漢)物業服務有限公司(“武漢物業”) (Note (i))	Fellow subsidiary
廣州宏城發展有限公司(“宏城”)	Fellow subsidiary
廣州市宏錦房地產開發有限公司(“宏錦”)	Fellow subsidiary
武漢越秀嘉潤房地產開發有限公司(“嘉潤房地產”)	Fellow subsidiary
武漢東焱置業有限公司(“東焱”)	Fellow subsidiary
武漢康景實業投資有限公司(“康景”)	Associate of WH Vendor (“Related company”)
Sure Win International Holdings Limited	Subsidiary

Note (i): These companies became fellow subsidiaries of the Target Group after the disposal as set out in note 14(b).

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

(b) *Transactions with related parties*

Save as disclosed elsewhere in the Historical Financial Information, the Target Group had the following transactions with related parties during the year/period:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Construction cost paid/payable to GCCD	(19,237)	(12,012)	(6,243)	(4,777)	—
Interest expense paid/payable to GCCD	—	—	(5,914)	—	(7,708)
Management service income received/receivables from 康景	—	—	5,057	—	—
Management service income received/receivables from 嘉潤房地產	—	—	14,443	—	—
Management service income received/receivables from (武漢)物業	—	—	—	—	98
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>98</u>

(c) *Balances with related parties*

Target Group

	As at 31 December			As at
	2014	2015	2016	30 June 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from fellow subsidiaries	407	1,930	1,048,600	1,591,414
Amount due from a related company	—	—	5,057	—
Amounts due to fellow subsidiaries	284,548	118,548	840,430	792,078
Amounts due to the immediate holding company	<u>43</u>	<u>53</u>	<u>64</u>	<u>67</u>

Except for an amount due to a fellow subsidiary of RMB521,000,000 at 31 December 2016 and 30 June 2017, which is interest bearing at 3% per annum, all other balances are unsecured, interest free, repayable on demand and denominated in RMB.

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

Target Company	As at 31 December			As at
	2014	2015	2016	30 June 2017
Amounts due from a subsidiary	25	31	38	37
Amounts due to the immediate holding company	<u>43</u>	<u>53</u>	<u>64</u>	<u>67</u>

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

(d) **Key management compensation**

The directors are regarded as key management. Directors' emoluments are disclosed in note 11.

30 **Other assets/(debt), net reconciliation**

This section sets out an analysis of other assets/(debt), net and the movements in other assets/(debt), net for each of the periods presented.

	For the years ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash and cash equivalents	198,337	74,920	253,659	70,408	41,232
Charged bank deposits	304,403	1,296,351	614,868	632,455	212,845
Bank borrowings — repayable within one year	(13,500)	(488,800)	—	(488,000)	(48,000)
Bank borrowings — repayable after one year	(490,400)	(49,500)	(48,500)	(49,000)	—
Amounts due to a fellow subsidiary	<u>—</u>	<u>—</u>	<u>(521,000)</u>	<u>—</u>	<u>(521,000)</u>
Other assets/(debt), net	<u>(1,160)</u>	<u>832,971</u>	<u>299,027</u>	<u>165,863</u>	<u>(314,923)</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

	Other assets		Liabilities from financing activities			Total
	Cash and cash equivalents	Charged bank deposits	Bank borrowings - repayable within one year	Bank borrowings - repayable after one year	Amounts due to a fellow subsidiary	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2014	64,114	114,227	(195,400)	(423,400)	—	(440,459)
Cash flows	134,223	190,176	—	—	—	324,399
Proceeds from new bank borrowings	—	—	—	(81,600)	—	(81,600)
Repayment of bank borrowings	—	—	195,400	1,100	—	196,500
Other non-cash movements	—	—	(13,500)	13,500	—	—
Net debt as at 31 December 2014	<u>198,337</u>	<u>304,403</u>	<u>(13,500)</u>	<u>(490,400)</u>	<u>—</u>	<u>(1,160)</u>

	Other assets		Liabilities from financing activities			Total
	Cash and cash equivalents	Charged bank deposits	Bank borrowings - repayable within one year	Bank borrowings - repayable after one year	Amounts due to a fellow subsidiary	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2015	198,337	304,403	(13,500)	(490,400)	—	(1,160)
Cash flows	(123,417)	991,948	—	—	—	868,531
Proceeds from new bank borrowings	—	—	—	(50,000)	—	(50,000)
Repayment of bank borrowings	—	—	13,500	2,100	—	15,600
Other non-cash movements	—	—	(488,800)	488,800	—	—
Other assets, net as at 31 December 2015	<u>74,920</u>	<u>1,296,351</u>	<u>(488,800)</u>	<u>(49,500)</u>	<u>—</u>	<u>832,971</u>
Other assets, net as at 1 January 2016	74,920	1,296,351	(488,800)	(49,500)	—	832,971
Cash flows	178,739	(681,483)	—	—	(521,000)	(1,023,744)
Repayment of bank borrowings	—	—	488,800	1,000	—	489,800
Other assets, net as at 31 December 2016	<u>253,659</u>	<u>614,868</u>	<u>—</u>	<u>(48,500)</u>	<u>(521,000)</u>	<u>299,027</u>

APPENDIX 1 ACCOUNTANT'S REPORT IN RESPECT OF WH TARGET GROUP

	Other assets		Liabilities from financing activities			Total
	Cash and cash equivalents	Charged bank deposits	Bank borrowings - repayable within one year	Bank borrowings - repayable after one year	Amounts due to a fellow subsidiary	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other assets, net as at 1 January 2017	253,659	614,868	—	(48,500)	(521,000)	299,027
Cash flows	(212,427)	(402,023)	—	—	—	(614,450)
Repayment of bank borrowings	—	—	—	500	—	500
Other non-cash movements	—	—	(48,000)	48,000	—	—
Net debt as at 30 June 2017	<u>41,232</u>	<u>212,845</u>	<u>(48,000)</u>	<u>—</u>	<u>(521,000)</u>	<u>(314,923)</u>
(Unaudited)						
Other assets, net as at 1 January 2016	74,920	1,296,351	(488,800)	(49,500)	—	832,971
Cash flows	(4,512)	(663,896)	—	—	—	(668,408)
Repayment of bank borrowings	—	—	800	500	—	1,300
Other assets, net as at 30 June 2016	<u>70,408</u>	<u>632,455</u>	<u>(488,000)</u>	<u>(49,000)</u>	<u>—</u>	<u>165,863</u>

31 Events after balance sheet date

Disposal of Non-Target Properties

Subsequent to 30 June 2017, all residential apartments and the kindergarten have been sold to third parties and the ancillary clubhouse has also been sold to a fellow subsidiary of the Target Group at above their carrying values.

Transfer of financial guarantees

On 20 and 30 September 2017, financial guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Target Group's properties were transferred to a fellow subsidiary of the Target Group.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2017 and up to the date of this report.

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

The following unaudited pro forma consolidated statement of assets and liabilities and unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the consolidated statement of assets and liabilities and the consolidated statement of comprehensive income of the Enlarged Group as if the Acquisition had been completed on 30 June 2017 for the unaudited pro forma consolidated statement of assets and liabilities and on 1 January 2017 for the unaudited pro forma consolidated statement of comprehensive income.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the unaudited interim condensed consolidated balance sheet and the unaudited interim condensed consolidated statement of comprehensive income of the Group as at and for the six months ended 30 June 2017, as set out in its published report on interim financial information for the six months ended 30 June 2017; (ii) the combined balance sheet and the combined statement of comprehensive income of the WH Target Group as at and for the six months ended 30 June 2017; and (iii) the pro forma adjustments prepared to reflect the effects of the Acquisition as explained in the notes set out below that are directly attributable to the Acquisition and not relating to future events or decisions and are factually supportable.

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

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Manager for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2017 or 1 January 2017 or any future date.

APPENDIX 2

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2017

	Pro forma adjustments									Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 RMB'000
	The Group as at 30 June 2017 RMB'000 Note 1	The WH Target Group as at 30 June 2017 RMB'000			The WH Target Group excluding Non-Target Property Sub-total RMB'000	RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 7	RMB'000 Note 8	
	RMB'000 Note 2	RMB'000 Note 3	RMB'000 Note 4							
ASSETS										
Non-current assets										
Property, plant and equipment	2,423,832	459			459					2,424,291
Land use rights	1,453,897	—			—					1,453,897
Investment properties	25,025,000	—			—	3,587,000				28,612,000
Deferred assets	211,424	6,339			6,339					217,763
Goodwill	824,459	—			—	9,527				833,986
Derivative financial assets	12,339	—			—					12,339
	<u>29,950,951</u>	<u>6,798</u>			<u>6,798</u>					<u>33,554,276</u>
Current assets										
Inventories	3,801	—			—					3,801
Properties held for sale	—	3,106,459	(121,236)		2,985,223	(2,985,223)				—
Trade receivables	13,832	98			98					13,930
Amounts due from fellow subsidiaries	—	1,591,414	(1,591,414)		—					—
Amounts due from related parties	271,683	—			—					271,683
Tax recoverable	—	25,505			25,505					25,505
Prepayments, deposits and other receivables	44,307	3,529			3,529					47,836
Short-term bank deposits	22,458	—			—					22,458
Charged bank deposits	—	212,845			212,845					212,845
Cash and cash equivalents	773,878	41,232	70,929	(25,006)	87,155	(1,149,671)	1,149,671	(868)	(64,132)	796,033
	<u>1,129,959</u>	<u>4,981,082</u>			<u>3,314,355</u>					<u>1,394,091</u>
Total assets	<u>31,080,910</u>	<u>4,987,880</u>			<u>3,321,153</u>					<u>34,948,367</u>

APPENDIX 2
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments									Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017	
	The Group as at 30 June 2017	The WH Target Group as at 30 June 2017				The WH Target Group excluding Non-Target Property Sub-total					
		RMB'000 Note 1	RMB'000 Note 2	RMB'000 Note 3	RMB'000 Note 4		RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 7		RMB'000 Note 8
LIABILITIES											
Current liabilities											
Trade payables	13,679	—			—					13,679	
Rental deposits, current portion	95,813	326			326					96,139	
Receipt in advance	76,105	88,507	(80,822)		7,685					83,790	
Accruals and other payables	613,534	770,189			770,189	3,780				1,387,503	
Amounts due to related parties	80,141	—			—	766,515				846,656	
Amounts due to fellow subsidiaries	—	792,078		(792,078)	—					—	
Amount due to the immediate holding company	—	67			67	(67)				—	
Borrowings	2,933,516	48,000			48,000					2,981,516	
Tax payable	9,320	3,311			3,311					12,631	
	<u>3,822,108</u>	<u>1,702,478</u>			<u>829,578</u>					<u>5,421,914</u>	
Non-current liabilities, other than net assets attributable to unitholders											
Rental deposits, non-current portion	229,639	10,861			10,861					240,500	
Receipt in advance	7,555	—			—					7,555	
Borrowings	8,594,651	—			—	1,149,671				9,744,322	
Deferred tax liabilities	4,086,880	115,039	(82,434)		32,605	200,446				4,319,931	
Derivative financial instruments	38,664	—			—					38,664	
	<u>12,957,389</u>	<u>125,900</u>			<u>43,466</u>					<u>14,350,972</u>	
Total liabilities, other than net assets attributable to unitholders	16,779,497	1,828,378			873,044					19,772,886	
Net assets attributable to unitholders	14,196,791	—			—		(868)	(64,132)		14,131,791	
Total liabilities	<u>30,976,288</u>	<u>1,828,378</u>			<u>873,044</u>					<u>33,904,677</u>	
Net assets	<u>104,622</u>	<u>3,159,502</u>			<u>2,448,109</u>					<u>1,043,690</u>	

APPENDIX 2
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Pro forma adjustments										Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the 6 months ended 30 June 2017 RMB'000	
	The Group for the six months ended 30 June 2017	The WH Target Group for six months ended 30 June 2017		The WH Target Group excluding Non-Target Property Sub-total	Pro forma adjustments							
	RMB'000 Note 9	RMB'000 Note 10	RMB'000 Note 11	RMB'000	RMB'000 Note 5(a)/6	RMB'000 Note 7	RMB'000 Note 8	RMB'000 Note 12	RMB'000 Note 13	RMB'000 Note 14		
Revenue	909,229	267,090	(252,137)	14,953							5,490	929,672
Operating expenses, net	(463,764)	(185,767)	171,875	(13,892)		(868)	(64,132)	(4,472)	(818)	(692)		(548,638)
Other gains, net	—	3,597	(3,597)	—								—
Fair value gain on investment properties	809,189	—	—	—								809,189
Fair value loss on derivative financial instruments	(100,951)	—	—	—								(100,951)
Finance income	238,573	1,412	(1,412)	—								238,573
Finance expenses	(189,724)	(8,806)	8,806	—	(15,760)							(205,484)
Profit before income tax and transactions with unitholders	1,202,552	77,526	—	1,061								1,122,361
Income tax expense	(196,956)	(32,842)	32,577	(265)					205	(1,200)		(198,216)
Profit after income tax before transactions with unitholders	1,005,596	44,684	—	796								924,145
Transactions with unitholders	(1,043,381)	(29,938)	29,405	(533)	15,760	868	64,132	4,472	411	(2,411)		(960,682)
(Loss)/profit after income tax and transactions with unitholders	(37,785)	14,746	—	263								(36,537)
Other comprehensive income for the period : <i>Items that will not be reclassified to profit or loss</i>												
Change in fair value of property, plant and equipment, net of tax												
- Gross	58,928	—	—	—								58,928
- Tax	(16,505)	—	—	—								(16,505)
Other comprehensive income for the period, net of tax	42,423	—	—	—								42,423
Total comprehensive income for the period	4,638	14,746	—	263								5,886
Total distributable income (Note 16)	395,301											380,869
Distribution per unit (RMB) (Note 17)	0.1346											0.1291

Notes:

1. The balances are extracted from the unaudited interim condensed consolidated balance sheet of Yuexiu REIT as at 30 June 2017 as set out in the Yuexiu REIT's published report of interim financial information for the six months ended 30 June 2017.
2. The balances are extracted from the audited combined balance sheet of the WH Target Group as at 30 June 2017 as set out in Appendix 1 to this circular.
3. The adjustment represents the exclusion of the Non-Target Property held by the WH Project Company, which includes properties held for sale with a net carrying amount of RMB121.2 million with reference to the financial information of the WH Target Group as set out in Appendix 1 to this circular. The Non-Target Property comprises residential apartments, an ancillary clubhouse and a kindergarten, which will be disposed prior to the Completion, assuming for cash consideration and at their fair values, net of certain taxes including value-added tax, surcharge tax, land appreciation tax and corporate income tax, of RMB151.7 million as at 30 June 2017.
4. Pursuant to the Acquisition Deed, the WH Vendor has undertaken to use the best endeavours to settle all the outstanding balances between the WH Target Group and its fellow subsidiaries, and to distribute cash dividend. Any retained cash in the WH Target Group as at Completion in excess of RMB300.0 million will be disregarded in the determination of Consideration payable by WH Purchaser. For the purpose of the unaudited Pro Forma Financial Information, the Directors of the Manager assume that the WH Target Group will, after the full settlement of the balances with the WH Target Group's fellow subsidiaries, retain cash and cash equivalents and charged bank deposits totalling RMB300.0 million after the distribution of cash dividends of RMB824.3 million to the shareholders of the WH Target Group. Deferred tax liabilities of RMB82.4 million in relation to withholding tax of unremitted earnings has been released as a result of the cash distribution.
5. The Acquisition

The Acquisition involves the acquisition of 100% equity interest in Fully Cheer Management Limited (which will (after the Reorganisation) indirectly hold 67% of WH Project Company) pursuant to the terms of the Acquisition Deed for a total consideration of RMB1,916.1 million. The Initial Completion Payment (being 60% of the total consideration) and (equivalent to RMB1,149.7 million) will be satisfied by the drawdown of Yuexiu REIT's New Bank Facility and the remaining 40% of RMB766.4 million will be satisfied in the form of Deferred Completion Payment.

Upon completion of the Acquisition, the identifiable assets and liabilities of the WH Target Group were accounted for in the consolidated balance sheet of the Enlarged Group at fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3, "Business Combination" ("HKFRS 3"). For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Group has carried out an illustrative consideration allocation exercise in accordance with HKFRS 3. The identifiable assets and liabilities of the WH Target Group are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair values estimated by the Directors of the Manager with reference to the valuation performed by an independent professional qualified valuer which issued a valuation report dated 15 November 2017 (the "Valuation Report") on the WH Target Group for the purpose of purchase price allocation.

APPENDIX 2**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The goodwill arising from the acquisition of the WH Target Group is calculated as follows:

	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition Consideration			1,916,119
Satisfied by:			
New Bank Facility	(6)	1,149,671	
Deferred Completion Payment	(a)	<u>766,448</u>	
		1,916,119	
Less:			
Net assets of the Target Group as at 30 June 2017, with Non-Target Property being disposed			(2,448,109)
Fair value gain of Wuhan Property	(b)	(601,777)	
Effect of deferred tax liabilities arising from fair value gain of Wuhan Property	(c)	160,754	
Effect of deferred tax liabilities arising from withholding tax on unremitted earnings	(d)	<u>39,692</u>	
		(401,331)	(401,331)
Add:			
Additional real estate tax provision as a result of change of use from properties held for sale to investment properties			3,780
Add:			
Non-controlling interests of 33% of the WH Target Group	(e)		<u>939,068</u>
Goodwill			<u><u>9,527</u></u>

Notes:

- (a) The amount of HKD766.4 million represents 40% of the Acquisition Consideration satisfied in the form of Deferred Completion Payment which is payable within one year after Completion Date and bears interest at a margin of 1.0% per annum over HIBOR.

Interest expenses of RMB5.6 million is calculated for the six months ended 30 June 2017 and included in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group. This adjustment has a recurring nature.

- (b) For the purpose of the Unaudited Pro Forma Financial Information, the fair value of the Wuhan Property of RMB3,587.0 million is based on the valuation report prepared by an independent qualified property valuer, with a fair value gain amounting to RMB601.8 million.

- (c) The adjustment on deferred tax liabilities of RMB160.8 million is determined based on the fair value gain of the Wuhan Property of RMB601.8 million.
- (d) The adjustment on deferred tax liabilities of RMB39.7 million is determined based on the increase in unremitted earnings from note 5(b) and 5(c) of RMB441.0 million by applying withholding tax rate of 10%, after deduction of 10% for statutory reserve purpose.
- (e) The amount represents 33% of the recognised amounts of identifiable net assets attributable to non-controlling interests of the WH Target Group.

Since the fair values of the identifiable assets and liabilities of the WH Target Group at the Completion Date may substantially differ from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets (including intangible assets) and goodwill may be different from the amounts presented above. The Directors of the Manager confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill under Hong Kong Accounting Standard 36 “Impairment of Assets”, and the Directors of the Manager are not aware of any indications that an impairment of the Enlarged Group’s goodwill is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

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

- 6. The amount represents the drawdown of the New Bank Facility of a Hong Kong dollar amount equivalent to RMB1,149.7 million to finance 60% of the Consideration which bears interest at a margin of 1.3% per annum over HIBOR.

Interest expenses of RMB10.2 million is calculated for the six months ended 30 June 2017 and included in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group. This adjustment has a recurring nature.

- 7. Pursuant to the Trust Deed, the Trustee is entitled to charge a one-time additional fee for duties undertaken in connection with the Acquisition which is of an exceptional nature or otherwise outside the scope of the Trustee’s normal duties in the ordinary course of Yuexiu REIT’s day-to-day business operations. The Trustee has agreed with the Manager that the additional fee will be HKD1.0 million (equivalent to RMB0.9 million).
- 8. The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisition of approximately RMB64.1 million.
- 9. The amounts represent the financial results of Yuexiu REIT for the six months ended 30 June 2017, which are extracted from the unaudited interim condensed consolidated statement of comprehensive income of Yuexiu REIT for the six months ended 30 June 2017 as set out in the published report of interim financial information.

10. The amounts are derived from the audited combined statement of comprehensive income of the Target Group for the six months ended 30 June 2017 included in the Accountant's Report as set out in Appendix 1 to this Circular.
11. The adjustment represents the reversal of the profit and loss items in relation to the Non-Target Property of the WH Target Company. The amounts are derived from note 1.3 to the Accountant's Report as set out in Appendix 1 to this Circular. RMB29.4 million represents 67% of profit and loss in relation to the Non-Target Property attributable to Unitholders.
12. Pursuant to the Trust Deed, the Manager of the Yuexiu REIT is entitled to receive in aggregate of manager's fee calculated at 3% per annum of the net property income of properties owned by Yuexiu REIT and a base fee of 0.3% per annum on the carrying value of the Deposited Property. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional manager's fee of RMB4.1 million for the six months ended 30 June 2017 would be charged. The adjustment has a recurring nature.

Also, pursuant to the Trust Deed, Yuexiu REIT will pay the Trustee a fee of 0.03% per annum of the carrying value of the Deposited Property. After taking into account the effect of the Acquisition, should the terms in the Trust Deed remain unchanged, an additional trustee fee of RMB0.4 million for the six months ended 30 June 2017 would be charged. The adjustment has a recurring nature.

13. Pursuant to the Tenancy Service Agreement, the tenancy service of the WH Target Group will be handled by Yicheng Wuhan Branch. The tenancy service fee of RMB0.8 million to Yicheng Wuhan Branch is calculated based on 4.0% of the gross annual rental income. Adjustments also include related income tax credit of RMB0.2 million for the six months ended 30 June 2017. The adjustment has a recurring nature.
14. Pursuant to the Commercial Carpark Master Lease Agreement and Residential Carpark Master Lease Agreement, the Commercial Carpark Spaces and Residential Carpark Spaces will be master-leased to Yicheng Wuhan Branch after the Completion for RMB7.5 million and RMB3.5 million per annum respectively. The adjustment represents the recognition of Car Park Master Lease income of RMB5.5 million, related surcharge tax expenses of RMB0.7 million and a related income tax expense of RMB1.2 million for the six months ended 30 June 2017. The adjustment has a recurring nature.
15. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2017. Unless otherwise stated the adjustments above do not have a recurring effect.
16. Total distributable income in respect of the Enlarged Group is determined in accordance with the Trust Deed, the 2012 Circular and the interim results announcement of the Group for the six months ended 30 June 2017, that is, the consolidated profit after income tax before transactions with unitholders attributable to unitholders for the six months ended 30 June 2017, after adjusting fair value gains on investment properties, deferred taxation in respect of fair value gain on investment properties charged to profit or loss, foreign exchange gain on financing activities, depreciation and amortisation of property, plant and equipment and land use rights under HKFRS, deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights, manager's fee paid and payable in units in lieu of cash, fair value loss on derivative financial instruments, expenses incurred in connection with the potential acquisition and other non-cash adjustments.

APPENDIX 2**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

17. The distribution per unit of the Group for the six months period ended 30 June 2017 is disclosed in the published interim results announcement of the Group for the six months ended 30 June 2017.

The calculation of distribution per unit of the Enlarged Group is arrived at on the basis of the total distributable income after additional items of the Enlarged Group of RMB380.9 million and on the basis that 2,936,181,000 Units were in issue as at 30 June 2017 and 12,880,000 new Units issued for payment of manager's fee.

Number of Units in issue as at 30 June 2017 ('000)		2,936,181
Add:		
- New Units issued for the payment of manager's fee for the Group ('000)	(a)	12,104
- New Units issued for the payment of manager's fee for the WH Target Group assuming the Acquisition has been completed on 1 January 2017 ('000)	(b)	<u>776</u>
Total number of Units entitled to the distribution ('000)		<u><u>2,949,061</u></u>

- (a) The newly issued units were agreed to the Yuexiu REIT's announcement dated 24 August 2017.
- (b) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, an assumed issue price of HK\$4.85 per unit is adopted for the New Units to be issued as payment of 80% of the Manager's Fee for the Enlarged Group, which is based on the higher of the average closing price 10 days immediately preceding 30 June 2017 or the closing unit price on 30 June 2017, pursuant to the Trust Deed.

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

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of the Manager of Yuexiu Real Estate Investment Trust (As manager of Yuexiu Real Estate Investment Trust)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its controlled entities (collectively the "Group") by the directors of the Manager of Yuexiu REIT, Yuexiu REIT Asset Management Limited (the "Manager") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2017, unaudited pro forma consolidated statement of comprehensive income for the six months ended 30 June 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages A2-1 to A2-9 of Yuexiu REIT's circular dated 15 November 2017, in connection with the proposed acquisition of the WH Target Group (the "Transaction") by Yuexiu REIT. The applicable criteria on the basis of which the directors of the Manager of Yuexiu REIT have compiled the Unaudited Pro Forma Financial Information are described on pages A2-1 to A2-9.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Manager of Yuexiu REIT to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2017 and its financial performance for the six months ended 30 June 2017 as if the Transaction had taken place at 30 June 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position has been extracted by the directors of the Manager of Yuexiu REIT from the financial information of the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2017, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Transaction at 30 June 2017 and 1 January 2017 would have been as presented.

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

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

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

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager of Yuexiu REIT on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing rules, as if paragraph 4.29 of the Listing rules were applicable to Yuexiu REIT.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 November 2017

The following is the text of letter and valuation report prepared for the purpose of incorporation in this Circular received from Vigers Appraisal and Consulting Limited, the Principal Valuer of Yuexiu REIT, in connection with the valuation of the Property as at 31st August 2017.

Yuexiu REIT Asset Management Limited

as the “Manager” of “Yuexiu Real Estate Investment Trust”

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



AND

Vigers Appraisal and Consulting Limited
General Practice Sector

HSBC Institutional Trust Services (Asia) Limited

as the “Trustee” of “Yuexiu Real Estate Investment Trust”

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

Direct Line: +852 2342-2000
Facsimile: +852 2840-0614
E-mail: GP@Vigers.com
Website: www.Vigers.com

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

15th November 2017

Our Ref.: DC/FW/SN/VC/VA27113-2017

Dear Sirs,

RE: “WUHAN YUEXIU FORTUNE CENTRE”, “STARRY VICTORIA SHOPPING CENTRE”, 1,134 CARPARK SPACES DESIGNATED BY WH PROJECT COMPANY AS SPACES SUPPORTING “WUHAN YUEXIU FORTUNE CENTRE” AND “STARRY VICTORIA SHOPPING CENTRE” (THE “COMMERCIAL CARPARK SPACES”) AND 375 CARPARK SPACES DESIGNATED BY WH PROJECT COMPANY AS SPACES SUPPORTING THE RESIDENTIAL PORTION OF THE DEVELOPMENT KNOWN AS “STARRY WINKING” (THE “RESIDENTIAL CARPARK SPACES”), LOCATED AT NO. 1 ZHONGSHAN AVENUE, QIAOKOU DISTRICT, WUHAN, HUBEI PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA (“THE PROPERTY”)

We refer to the joint instruction from the **Manager** and the **Trustee** of “**Yuexiu Real Estate Investment Trust**” (“Yuexiu REIT”) to “**Vigers Appraisal and Consulting Limited**” (hereinafter referred to as “we” or Vigers”) to assess the **market value(s)** of the Property in existing state and physical condition as at 31st August 2017 (“Valuation Date”) for **acquisition** purpose. We confirm that we have inspected the Property, made relevant enquiries and investigations of the Property as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of values of the Property as at the Valuation Date.

BASIS OF VALUE

Unless otherwise noted or specified, our valuation is our opinion of the market value of the Property, which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Our valuation has been prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” published by “The Hong Kong Institute of Surveyors” (“HKIS”), “RICS Valuation — Global Standards 2017” published by the “Royal Institution of Chartered Surveyors” (“RICS”), relevant provisions in the “Companies Ordinance”, relevant chapters in the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board)” published by “The Stock Exchange of Hong Kong Limited” (“HKEx”), and relevant chapters in “Code on Real Estate Investment Trusts (August 2014 Fifth Edition)” (“REIT Code”), in particular Paragraph 6.5 and Paragraph 6.8, published by “Securities and Futures Commission” (“SFC”).

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

VALUATION APPROACHES

In the course of our valuation of the Property, we have adopted the income approach using income capitalisation method and discounted cash flow analysis to arrive at our opinion of value; and we have cross-checked our valuation results using the market approach in which recent transactions and/or offering of comparable properties in the locality are analysed and compared with the Property. As defined in the “International Valuation Standards 2017” published by the “International Valuation Standards Council” (“IVSC”), income approach “provides an indication of value by converting future cash flows to a single current capital value”; whilst market approach “provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available”. Both income approach and market approach are applicable for the valuation of the Property, but priority is given to the income approach as the Property is primarily income producing which is particularly relevant for real estate investment trust (“REIT”) based purchasers. In our valuation, the Support Arrangement has not been taken into account and no consideration has been given to alternative use(s) or development option(s), nor have we considered any redevelopment potential of the Property. The Carpark Master Lease Agreements between “**Wuhan Yuexiu Property Development Limited**” (“WH Project Company”) and “Guangzhou Yicheng Property Management Co., Limited Wuhan Branch” (“Yicheng Wuhan Branch”) have been duly considered and reflected in our valuation.

Income Capitalisation Method

The Property is subject to existing tenancies, we have firstly adopted income capitalisation method which estimates the value of the Property on a market value basis by capitalising net rental income of current rent passing as of the Valuation Date (the “term value”), and adding up with the reversionary interests by capitalizing at current market rents by assuming that the Property was fully let for the vacant portion on the Valuation Date at current market rents and renewed at current market rents for the tenanted portion upon expiry of leases (the “reversionary value”) into present value.

Discounted Cash Flow Analysis

The discounted cash flow analysis adopted in our valuation is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Property, which is a well-accepted valuation method within the income approach to valuation. Our discounted cash flow analysis for the Property is established based on our analyses of historical data, including rent passing and occupancy rates, and on assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk as well as prevailing market rent. These assumptions determine the earning capability of the Property upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner over a 10-year investment horizon; and the anticipated net property income stream receivable thereafter is capitalised at terminal capitalisation rate of 3.31% per annum until the end of land use-rights’ term and adjusted to present value to reflect the capital value beyond the years. The discount rate of 8.25% per annum adopted in our discounted cash flow analysis theoretically reflects the rate of return that adequately compensates the investors for the risks taken, because the discount rate reflects not only the time value of money but also the risks associated with the type of cash flow and the future operation of the Property. In our discounted cash flow analysis, we have applied nominal cash flow which includes expectation regarding inflation; and hence the discount rate adopted has taken the inflation rates into account.

Supportive Method — Comparison Method of Valuation

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

Approach to Value

In arriving at the market value of the Property, we have adopted equal weighting to the values derived from income capitalisation method and discounted cash flow analysis. The Property is primarily income producing in nature, and therefore we have applied the income approach as the primary valuation approach and the assessed unit rate is in line with current market offers and transactions.

TITLE INVESTIGATIONS

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

VALUATION CONSIDERATION

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

An inspection to the Property and surrounding environment, but not in any form of a building survey, was carried out by **Sr David W. I. CHEUNG** MRICS MHKIS RPS(GP) CREA RICS Registered Valuer, **Sr Franky C. H. WONG** MSc(RealEst) MCIM MRICS MHKIS RPS(GP) RICS Registered Valuer and **Mr Vincent T. S. CHAN** BSc(Hons) on 12th July 2017. During the course of our inspection, no serious defect was noted; and the condition of the Property is considered to be good commensurate to its age and use. Centralised air-conditioning system and automatic sprinkler system as well as supply of electricity, water and drainage are all available throughout the Property. But we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Property which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Property is free from any structural or non-structural defect.

MARKET COMMENTARY**Overview**

As the key city in the Yangtze River Economic Belt and the most populous city in Central China, Wuhan's economic growth remained robust. In the first quarter of 2017, Wuhan's gross domestic product ("GDP") grew by 6.9% year-on-year ("y-o-y"), in line with the national pace. The tertiary industries, which contribute around 50% of the city's GDP, grew by 11.7% y-o-y in January-February 2017, accelerating 0.1 percentage points y-o-y, according to Wuhan Statistic Bureau. Fixed asset investment increased by 7.2% y-o-y to RMB130.4 billion in the first quarter this year. Besides, Wuhan's infrastructure developed rapidly in recent years. The number of Metro Lines in the city increased from one in 2011 to five in 2016. In particular, the economic activities in Qiaokou District are underpinned by the Metro Line 1, which connects the major business districts in Hankou area. Looking forward, with the construction of the Fourth Yangtze River Bridge scheduled to complete by the end of 2018, Qiaokou District will benefit from the more convenient transportation network and the growth of business activities in the district will accelerate.

Office

Supported by the robust economic growth, office property market in Wuhan is active. Demand is mainly driven by real estate and commercial service sectors. For Hankou area, average rental of mature Grade A office remained stable at around RMB120 per square metre per month in the first quarter of 2017. Three new projects with a total office GFA of around 260,000 square metres in the district are scheduled to complete in the rest of 2017. With the new supply, vacancy rate in Hankou area is estimated to increase in short term. On the demand side, the robust economic growth and growing business activities are estimated to underpin an increasing demand of office space going forward and office absorption will continue to increase. Coupled with the more convenient transportation network in Qiaokou District, rents of Grade A office in the district is expected to experience stable increase.

Retail

In the first five months of 2017, Wuhan retail sales of consumer goods reached RMB239.6 billion, around 10.3% higher than the same period in 2016, close to the national growth of 10.7%. This continued to support Wuhan's retail property market, driving the overall vacancy rate down to around 4.0% by the end of the first quarter this year from 4.3% in the previous quarter. Demand was mainly supported by fashion retailers, entertainment brands and children-related brands. For Hankou area, two new projects are scheduled to complete in the rest of 2017, which will bring a total of 240,000 square metres of new retail space to the market. At the same time, solid market fundamentals will continue to underpin retail property demand. In particular, many health and beauty product, entertainment and children-related retailers expand their network in Qiaokou District, at where some new residential properties and service apartments are located. Stable growth of retail property market in Qiaokou District is expected.

VALUATION ASSUMPTIONS

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

We understand that the Property is a part of a larger integrated development project (the “Development”), which also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities. In our valuation, we have assumed that the owner of the Property has free and uninterrupted rights to use and assign the retail and office portions of the Property and has free and uninterrupted rights to use and assign the Commercial Carpark Spaces and Residential Carpark Spaces to owners of premises within the Development during the whole of the unexpired land-use rights’ term(s) granted subject to payment of usual land-use fee(s). Our valuation for the Property is carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the Property.

We had carried out on-site inspection to the Property in July 2017 but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. According to the PRC legal opinion issued by the PRC Legal Adviser, all necessary consents, approvals and/or licences from relevant government authorities have been granted for the development of the Property.

Our assessment of the Property is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Property have been disregarded. In our valuation, except a restriction for the Commercial Carpark Spaces and Residential Carpark Spaces of the Property that may only be sold to owners of premises within the Development, we have assumed that the Property is free from encumbrances, other restrictions and outgoings of an onerous nature which may serve to affect the value(s) of the Property.

REMARKS

As advised by the taxation adviser to the Manager, “**PricewaterhouseCoopers Limited**”, under the prevailing rule(s) and regulation(s) of tax law(s) in the PRC, potential tax liabilities which would arise if the Property as specified in this valuation report is to be sold include mainly,

- (1) Value Added Tax amounting to 5% of the selling price(s) (Value Added Tax excluded amount) without any input credit for properties purchased before 30 April 2016, and 11% of the selling price(s) (Value Added Tax excluded amount) with Value Added Tax input can be credited for properties purchased after 30 April 2016;

- (2) Land Appreciation Tax amounting to 30% to 60% of appreciated amount;
- (3) Corporate Income Tax amounting to 25% of the capital gain(s) of the seller after deducting the potential tax fee (i.e. surtaxes of Value Added Tax, Stamp Duty and Land Appreciation Tax) in effecting a sales;
- (4) Stamp Duty amounting to 0.05% of transaction amount; and
- (5) Withholding Tax at 10% on dividend distributed for dividend repatriated outside PRC; or at 5% on dividend distributed if Hong Kong and the PRC double tax arrangement applies.

As advised by the Manager, there is no intention in selling the Property (other than the Residential Carpark Spaces after the second anniversary of Completion) as the Property is to be held for long-term investment purpose after Acquisition. The above tax liabilities will not be imposed if the Property is not sold; and no account has been taken into account in the course of our valuation.

We hereby confirm that:

- (1) we have no present or prospective interest(s) in the Property; and are not a related corporation of nor having a relationship with the Manager, the Trustee or other party / parties who, Yuexiu REIT is contracting with, except the Building Consultant;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;
- (3) our valuation(s) has/have been prepared on a fair and unbiased basis;
- (4) the valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event; and
- (5) we are independent of Yuexiu REIT, the Trustee and the Manager and each of the significant unitholders of Yuexiu REIT within the meaning of Paragraph 6.5 and Paragraph 8.1(d) of the REIT Code.

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

We enclose herewith the core content of our valuation report.

Yours faithfully,

For and on behalf of

VIGERS APPRAISAL AND CONSULTING LIMITED

Sr David W. I. CHEUNG

MRICS MHKIS RPS(GP) CREA

RICS Registered Valuer

Executive Director

Sr Franky C. H. WONG

MSc(RealEst) MCIM MRICS MHKIS RPS(GP)

RICS Registered Valuer

Director

Note: **Sr David W. I. CHEUNG** is a “Registered Professional Surveyor in General Practice Division” (“RPS(GP)”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 34 years’ valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Japan, Southeast Asia countries, the United Kingdom (“UK”), Canada and the United States of America (“USA”). Sr CHEUNG has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers” published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Sr CHEUNG has been employed by “Vigers Appraisal and Consulting Limited” as qualified surveyor since 2006.

Graduated from The University of Hong Kong with a Master of Science in Real Estate, **Sr Franky C. H. WONG** is a “Registered Professional Surveyor in General Practice Division” (“RPS(GP)”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 16 years’ valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Japan, Southeast Asia countries, UK and USA. Sr WONG has been vetted on the “List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by the HKIS and “List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers” published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. Sr WONG has been employed by “Vigers Appraisal and Consulting Limited” as valuer since 2006 and as qualified surveyor since 2009.

Property to be Acquired by Yuexiu REIT for Investment Purpose

Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date											
<p>“Wuhan Yuexiu Fortune Centre”, “Starry Victoria Shopping Centre”, 1,134 Carpark Spaces designated by WH Project Company as spaces supporting “Wuhan Yuexiu Fortune Centre” and “Starry Victoria Shopping Centre” (the “Commercial Carpark Spaces”) and 375 Carpark Spaces designated by WH Project Company as spaces supporting the residential portion of the development known as “Starry Winking” (the “Residential Carpark Spaces”), located at No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province the People’s Republic of China (the “Property”)</p>	<p>The Property comprises: (a) a 68-storey office and commercial development known as “Wuhan Yuexiu Fortune Centre” completed in 2016; (b) a 5-storey shopping arcade (inclusive of a 1-storey basement) known as “Starry Victoria Shopping Centre” completed progressively in 2015 and 2016; (c) 1,134 carpark spaces designated as spaces supporting the retail and office portions of the Property (the “Commercial Carpark Spaces”); and (d) 375 carpark spaces designated as spaces supporting the residential development known as “Starry Winking” (the “Residential Carpark Spaces”) in an underground carpark completed in 2016.</p>	<p>Pursuant to the rent roll as of the Valuation Date, part of the retail and office portions of the Property having an aggregate gross floor area of about 74,941.06 square metres was leased out at an aggregate monthly rent of about RMB4,852,894 with the last expiry date on 11th November 2035; while Commercial Carpark Spaces of the Property was let either on hourly or monthly basis and the Residential Carpark Spaces were left vacant.</p>	<p>(Retail and Office Portions Only)</p> <p>(Subject to Note 4. below)</p> <p>RMB3,300,000,000 (RENMINBI THREE BILLION THREE HUNDRED MILLION ONLY)</p> <p>(67.0% interest attributable to Yuexiu REIT after Acquisition: RMB2,211,000,000 (RENMINBI TWO BILLION TWO HUNDRED ELEVEN MILLION ONLY))</p> <p>(Commercial Carpark Spaces Only)</p> <p>(Subject to Note 4. and Note 6. below)</p> <p>RMB200,000,000 (RENMINBI TWO HUNDRED MILLION ONLY)</p> <p>67.0% interest attributable to Yuexiu REIT after Acquisition: RMB134,000,000 (RENMINBI ONE HUNDRED THIRTY FOUR MILLION ONLY)</p>											
	<p>The Property is a part of a larger integrated development project (the “Development”), which also includes, among other things, a residential development known as “Starry Winking (星匯雲錦)” and its ancillary facilities.</p> <p>The Property has a site area of part of about 94,576.62 square metres and an aggregate gross floor area of about 248,205.20 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>43,557.58 square metres</td> </tr> <tr> <td>Office</td> <td>129,446.74 square metres</td> </tr> <tr> <td>Commercial Carpark Spaces</td> <td>47,182.94 square metres</td> </tr> <tr> <td>Residential Carpark Spaces</td> <td>15,602.82 square metres</td> </tr> <tr> <td>Others</td> <td><u>12,415.12 square metres</u></td> </tr> <tr> <td>Total</td> <td>248,205.20 square metres</td> </tr> </tbody> </table> <p>Commerical Carpark Spaces with a gross floor area of about 47,182.94 square metres relate to accommodate 1,134 private carpark spaces on 3-storey basement at Zone A and 2-storey basement at Zone B.</p>			Use	Gross Floor Area	Retail	43,557.58 square metres	Office	129,446.74 square metres	Commercial Carpark Spaces	47,182.94 square metres	Residential Carpark Spaces	15,602.82 square metres	Others
Use	Gross Floor Area													
Retail	43,557.58 square metres													
Office	129,446.74 square metres													
Commercial Carpark Spaces	47,182.94 square metres													
Residential Carpark Spaces	15,602.82 square metres													
Others	<u>12,415.12 square metres</u>													
Total	248,205.20 square metres													

Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
	Residential Carpark Spaces with a gross floor area of about 15,602.82 square metres relate to accommodate 375 private carpark spaces on 3-storey basement at Zone A, 2-storey basement at Zone B and 2-storey basement at Zone C.		(Residential Carpark Spaces Only) (Subject to Note 4. and Note 7. below)
	The Property is held under granted land-use rights from 27th May 2011 to 26th May 2051 for commercial, and financial and commercial services uses.		RMB87,000,000 (RENMINBI EIGHTY SEVEN MILLION ONLY)
			67.0% interest attributable to Yuexiu REIT after Acquisition: RMB58,290,000 (RENMINBI FIFTY EIGHT MILLION TWO HUNDRED NINETY THOUSAND ONLY)

Note:

1. Pursuant to Certificate of State-owned Land-use (Document No.: Wu Guo Yong (2011) Di 380 Hao) dated 15th August 2011, the land-use rights of the Property is vested in the name of "Wuhan Yuexiu Property Development Limited" ("WH Project Company").
2. Pursuant to Property Ownership Certificates (Document Nos.: E (2017) Wu Han Shi Qiao Kou Bu Dong Chan Quan Di 0036064 Hao to E (2017) Wu Han Shi Qiao Kou Bu Dong Chan Quan Di 0036484 Hao) dated 20th September 2017, the aboveground portion of the Property with an aggregate gross floor area of 160,152.32 square metres is vested in the name of "Wuhan Yuexiu Property Development Limited". As advised by the WH Project Company, Property Ownership Certificates of part of the aboveground retail portion of the Property with an aggregate gross floor area of 9,383.54 square metres is expected to be obtained prior to completion of the Acquisition ("Completion").
3. Pursuant to Pre-sale Permits (Document Nos.: Wu Fang Kai Yu Shou [2017] 461 Hao, Wu Fang Kai Yu Shou [2016] 521 Hao and Wu Fang Kai Yu Shou [2015] 236 Hao dated 30th September 2017, 14th October 2016 and 26th May 2015 respectively), Commercial Carpark Spaces and Residential Carpark Spaces of the Property comprising 1,509 carpark spaces may only be sold to owners of premises within the Development.
4. The PRC Legal Adviser has provided certain advice in its legal opinion and/or the circular, including but not limited to that:
 - (1) The land-use rights of the Property is vested in the name of WH Project Company; and WH Project Company is the sole owner of the Certificate of State-owned Land-use and is protected by the laws of the PRC.
 - (2) The land-use rights of the Property is not subject to sealed order or mortgage.

- (3) The building portion of the Property has been certified for construction completion.
 - (4) WH Project Company has legally obtained the state-owned land use rights and is the sole user of the land use rights of the Property; and is the sole owner of the Ownership Certificates (不動產權屬證明) issued in respect of the Property. Ownership Certificates have been issued in respect of the entire Property save in respect of the following portions: (a) the Commercial Carpark Spaces, Residential Carpark Spaces and basement of the Property; and (b) part of the aboveground retail portion of the Property with an aggregate gross floor area of 9,383.54 square metres ("Plot B Retail Portion").
 - (5) Due to the fact that Wuhan Government withholds real estate ownership registration to underground real property in Wuhan temporarily, no Ownership Certificates nor Property Rights Certificates for basement of the Property ("Retail Unit A0001" with a permissible underground gross floor area of 3,468.46 square metres") and Commercial Carpark Spaces as well as Residential Carpark Spaces of the Property could be obtained for now.
 - (6) However, the absence of Ownership Certificates in respect of the Retail Unit A0001 and Commercial Carpark Spaces as well as Residential Carpark Spaces of the Property would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws and subject to the conditions of the relevant pre-sale permits.
 - (7) Regarding the absence of Ownership Certificates in respect of part of the aboveground retail portion of the Property, irrespective of whether WH Project Company has obtained the ownership certificates (being the definitive evidence of title for the Property), WH Project Company, as the owner of the land use right in respect of the Property, has also obtained all the requisite licences, permits and certificates to develop the Property, and is the owner of the Property and such ownership is protected under PRC law, and that the absence of such ownership certificates in respect of the Plot B Retail Portion would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws.
 - (8) No property rights certificates (不動產權證) have been obtained in respect of the Property to date but the absence of such certificates would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws. Guangzhou Construction & Development Holdings (China) Limited ("WH Vendor") has advised the Manager that the process of obtaining property rights certificates in respect of the aboveground portion of Plot A, the Plot B Retail Portion and the office portion of the Property is currently ongoing and is expected to be complete prior to Completion. The PRC legal adviser of the Manager has advised that the issuance of such certificates is only pending certain procedural formalities in the PRC, and does not foresee any legal impediment for WH Project Company to obtain such certificates as long as such procedural formalities are followed. The Property Rights Certificates that are presently being obtained will not cover the entire Property, but as noted above, the absence of such certificates (including those for the remaining portions of the Property in which no Property Rights Certificate is presently being obtained) would not adversely affect WH Project Company's right to legally own, occupy, transfer and lease out such areas in accordance with the relevant PRC laws, although it may be practically difficult to collateralise such areas.
 - (9) Based on the above, WH Project Company can legally own, occupy, transfer and lease out the Property in accordance with the relevant PRC laws free from encumbrances, subject to the conditions of the relevant pre-sale permits and existing tenancies, although it may be practically difficult to collateralise portions of the Property with no Property Rights Certificate.
 - (10) There is no administrative proceeding arising out of and/or in connection with any pending lawsuit or arbitration and/or in violation of the law(s) involving WH Project Company or its assets.
 - (11) There is no pending administrative penalties arising out of and/or in connection with WH Project Company or its assets in their daily business.
5. Based on the aforesaid legal opinion prepared by the PRC Legal Advisor, the Manager is of the view that WH Project Company will have good, marketable, legal and beneficial title to the Property upon Completion.
 6. As advised by the Manager, WH Project Company shall enter into a "Commercial Carpark Master Lease Agreement" with "Guangzhou Yicheng Property Management Co., Limited Wuhan Branch" ("Yicheng Wuhan Branch") on Completion, pursuant to which the Commercial Carpark Spaces of the Property held by WH Project Company as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing on Completion to 31st December 2020 at RMB7,500,000 per annum.
 7. As advised by the Manager, WH Project Company shall enter into a "Residential Carpark Master Lease Agreement" with Yicheng Wuhan Branch on Completion, pursuant to which the Residential Carpark Spaces of the Property held by WH Project Company as a whole will be master-leased to Yicheng Wuhan Branch for the period commencing on Completion to 31st December 2020 at RMB3,480,000 per annum.

APPENDIX 3

INDEPENDENT PROPERTY VALUER'S WUHAN PROPERTY VALUATION REPORT

8. The 67.0% interest of Yuexiu REIT in the Property will be held on trust for Yuexiu REIT by the Trustee in accordance with the provisions of the "Trust Deed". More specifically, the Trustee will, through WH Purchaser and WH Intermediary Company, hold WH Target Company. WH Target Company will after the Reorganisation indirectly own 67.0% of the equity interest in WH Project Company.
9. The Property was newly completed. As advised by WH Project Company, a residual balance of RMB721,494,543.9 for the construction work of the Development (including the Property) is outstanding and payable as at the Valuation Date. As advised by WH Project Company, such balance is to be funded by the WH Project Company but settled by "Guangzhou Construction & Development Holdings (China) Limited" (the "WH Vendor Subsidiary (as one of the only registered shareholders of WH Project Company)", on behalf of WH Project Company and hence we have disregarded it in the course of our valuation.
10. As confirmed by WH Project Company, there is no breach of environmental regulation(s); and there is no pending litigation(s), breaches of law or title defect(s) which may affect the value(s) of the Property; and there is no plan for construction, renovation, improvement or development of the Property after Acquisition, and there is no plan to sell, dispose of (other than the Residential Carpark Spaces after the second anniversary of Completion) or change the use of the Property after Acquisition.
11. Annual rental income exclusive of value-added tax of the retail and office portions of the Property as at the Valuation Date are tabulated as follows.

Uses	Total Rentable Area <i>(square metres)</i>	Leased Rentable Area <i>(square metres)</i>	Annual Rental Income <i>(Approximately)</i>
Retail	43,557.58	36,176.87	RMB19,130,000
Office	<u>129,446.74</u>	<u>38,764.19</u>	<u>RMB39,110,000</u>
Total	<u><u>173,004.32</u></u>	<u><u>74,941.06</u></u>	<u><u>RMB58,240,000</u></u>

Based on the above, the occupancy rates of the retail and office portions of the Property as of the Valuation Date (i.e. 31st August 2017) were 83.06% and 29.95% respectively.

12. Annual rental income exclusive of value-added tax of the Commercial Carpark Spaces, the Residential Carpark Spaces and ancillary portion of the Property as at the Valuation Date is approximately RMB2,610,114 only.
13. Based on the tenancy information provided by WH Project Company, our analysis of the tenancy duration profile for the retail portion of the Property as at the Valuation Date is set out below.

Lease Term Greater Than <i>(Year)</i>	Lease Term Less Than or Equal To <i>(Year)</i>	Proportion by Floor Area
0	1	0.00%
1	2	0.57%
2	3	13.54%
3	4	5.46%
4	5	43.23%
5	Or More	<u>37.20%</u>
Total	=	<u><u>100.00%</u></u>

APPENDIX 3**INDEPENDENT PROPERTY VALUER'S
WUHAN PROPERTY VALUATION REPORT**

14. Based on the tenancy information provided by WH Project Company, our analysis of the tenancy expiry profile for the retail portion of the Property as at the Valuation Date is set out below.

Year of Expiry	Proportion by Floor Area
Year ending 31 December 2017	0.40%
Year ending 31 December 2018	2.60%
Year ending 31 December 2019	8.80%
Year ending 31 December 2020	26.30%
Year ending 31 December 2021 and beyond	<u>61.90%</u>
Total	= <u>100.00%</u>

15. Based on the tenancy information provided by WH Project Company, our analysis of the tenancy duration profile for the office portion of the Property as at the Valuation Date is set out below.

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.00%
1	2	0.87%
2	3	28.47%
3	4	0.00%
4	5	58.73%
5	Or More	<u>11.93%</u>
Total	=	<u>100.00%</u>

16. Based on the tenancy information provided by WH Project Company, our analysis of the tenancy expiry profile for the office portion of the Property as at the Valuation Date is set out below.

Year of Expiry	Proportion by Floor Area
Year ending 31 December 2017	0.00%
Year ending 31 December 2018	0.00%
Year ending 31 December 2019	8.80%
Year ending 31 December 2020	26.10%
Year ending 31 December 2021	16.10%
Year ending 31 December 2022 and beyond	<u>49.00%</u>
Total	= <u>100.00%</u>

17. Save as disclosed, we understand that the Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value(s) of the Property.
18. As advised by WH Project Company, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
19. In the course of our valuation of the Property, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Retail	Income Capitalisation Method	Term Yield	4.00% per annum
	Income Capitalisation Method	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Office	Income Capitalisation Method	Term Yield	4.50% per annum
	Income Capitalisation Method	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Commercial Carpark Spaces	Income Capitalisation Method	Term Yield	4.50% per annum
	Income Capitalisation Method	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Residential Carpark Spaces	Income Capitalisation Method	Term Yield	4.50% per annum
	Income Capitalisation Method	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum

20. We have summarised our valuation of the retail and office portions of the Property by income capitalisation method and discounted cash flow analysis as follows.

Income Capitalisation Method	RMB3,290,000,000
Discounted Cash Flow Analysis	RMB3,310,000,000
Market Value as at the Valuation Date (Equal Weighting of the Above)	RMB3,300,000,000

(67.0% interest attributable to
Yuexiu REIT after Acquisition:
RMB2,211,000,000)

21. The retail and office portions of the Property are primarily income producing in nature, we have applied equal weighting to the values derived from the income capitalisation method and discounted cash flow analysis as our opinion of values.
22. The Property was newly completed for occupation with vacancy rates of 16.94% and 70.05% for retail and office portions respectively; whilst the estimated net yield of the office and retail portions of the Property is 1.76% per annum which is derived from the estimated rental received in August 2017 divided by the market value as at the Valuation Date.

23. As requested by the Manager and having regard to Note 6. and Note 7. above, we are of the opinion that, for reference only, the market value of the Property as at 30th June 2017 is as follows:

Retail and Office portions	:	RMB3,300,000,000 (RENMINBI THREE BILLION THREE HUNDRED MILLION ONLY) (67.0% interest attributable to Yuexiu REIT after Acquisition: RMB2,211,000,000 (RENMINBI TWO BILLION TWO HUNDRED ELEVEN MILLION ONLY)
Commercial Carpark Spaces	:	RMB200,000,000 (RENMINBI TWO HUNDRED MILLION ONLY) (subject to a restriction that may only be sold to owners of premises within the Development) 67.0% interest attributable to Yuexiu REIT after Acquisition: RMB134,000,000 (RENMINBI ONE HUNDRED THIRTY FOUR MILLION ONLY)
Residential Carpark Spaces	:	RMB87,000,000 (RENMINBI EIGHTY SEVEN MILLION ONLY) (subject to a restriction that may only be sold to owners of premises within the Development) 67.0% interest attributable to Yuexiu REIT after Acquisition: RMB58,290,000 (RENMINBI FIFTY EIGHT MILLION TWO HUNDRED NINETY THOUSAND ONLY)

The following is the reproduction of the text of a letter received from Cushman & Wakefield, the Market Consultant, for the purpose of inclusion in this Circular.



The Directors
24/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

15 November 2017

Dear Sir,

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

1.0 Macro Overview

Wuhan, or “Han” for short, or commonly known as “River City”, is the provincial capital of Hubei, the national historical and cultural city and the largest city in central China. It is located in the geographic centre of China, the eastern part of Hubei Province and at the intersection of Yangtze River and Han River. As a major transportation hub in China, Wuhan has been named the “Thoroughfare of Nine Provinces” and it also acts as an important hub for industry and scientific education in China.

Yangtze River and Han River intersect in urban area and divide the city into three towns, namely Wuchang, Hankou and Hanyang. There are 13 administrative districts and 5 functional zones. The total area of Wuhan is 8,569.15 sq.km. and the urban built-up area is 566.13 sq.km.

1.1 Wuhan as one of the National Central Cities

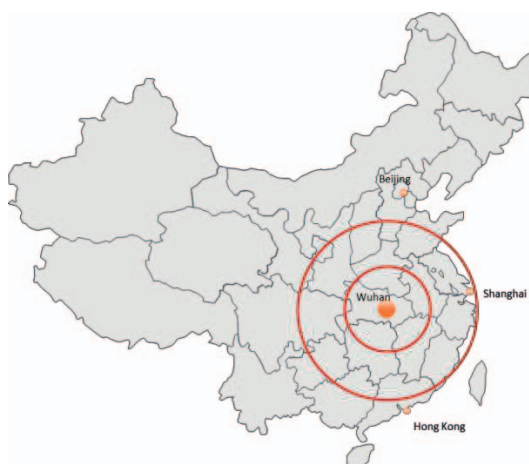
The National Central City, as stated in “The National Urban Hierarchical Plan” (《全國城鎮體系規劃》), was a concept introduced by the Ministry of Housing and Urban-Rural Development (“MoHURD”), as a step in reforming urbanisation in China. Being ranked the highest in China’s urban hierarchy, the National Central Cities are leading cities nationwide. They have major influence on various aspects such as politics, economy, culture and diplomacy. The National Central Cities demonstrate the substantial improvement of China in urbanising and modernising its cities.

In “The 13th Five-Year Plan to Boost the Development of the Central Region” (《促進中部地區崛起“十三五”規劃》) issued in December 2016, the National Development and Reform Commission (“NDRC”) explicitly defined Wuhan as the seventh National Central City after Beijing, Tianjin, Shanghai, Guangzhou, Chongqing and Chengdu.

1.2 Wuhan as one of the Tier 1.5 Cities

The concept of Tier 1.5 cities was first introduced in “The China’s Top 50 Emerging Cities” (《中國新興城市50強》) in 2012. This brand new category comprises of 9 cities, including Wuhan, Chengdu, Chongqing and Hangzhou. In terms of economic and real estate maturity and activity, these cities lead the China’s Top 50 Emerging Cities with large, open and diverse economies. They have benefited from the strong policy support from the central government, and have seen the construction of large scale infrastructure facilities and high influx of investment. These cities have been witnessing massive commercial real estate development and have strong potential across all major commercial real estate sectors (including office and retail). Wuhan is the only Tier 1.5 city selected among cities in the six provinces in central China and has outstanding development potential in multiple real estate categories.

Picture 1: Location of Wuhan



1.3 Analysis of Macroeconomic Indicators of Wuhan

Table 1: Main Economic Indicators of Wuhan

	2012	2013	2014	2015	2016	CAGR
Gross Domestic Product (“GDP”) (RMB billion)	800.38	905.13	1,006.95	1,090.56	1,191.26	10.45%
GDP of Tertiary Industry (RMB billion)	384.31	431.97	493.38	556.43	629.49	13.13%
GDP per capita (RMB)	79,482	89,000	98,000	104,132	111,469	8.82%
Total Retail Sales of Consumer Goods (RMB billion)	346.74	391.66	457.34	510.22	561.06	12.79%

Note: GDP is calculated using prices of the current year.

Source: Wuhan Statistics Bureau

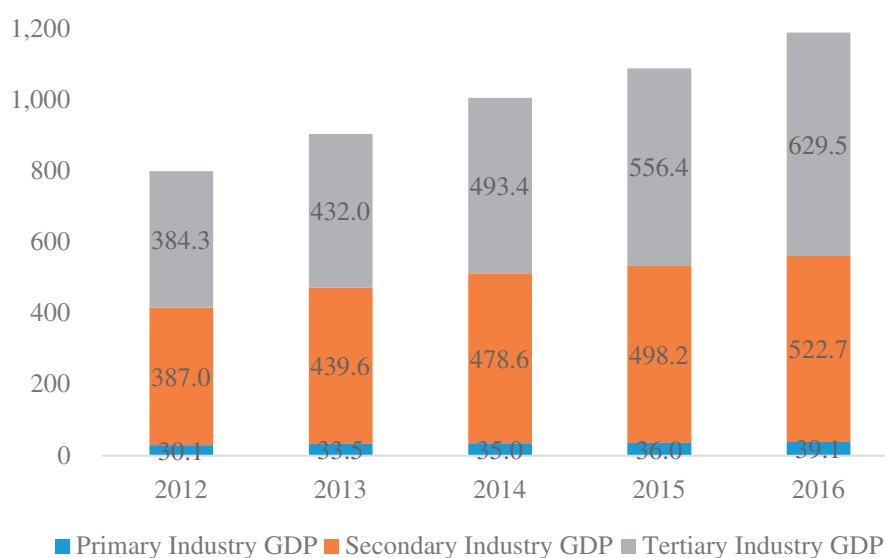
Table 2: The GDP Ranking of 12 Cities in ‘Trillion Club’ in 2016 (RMB billion)

Rank	1	2	3	4	5	6
City	Shanghai	Beijing	Guangzhou	Shenzhen	Tianjin	Chongqing
GDP	2,746.62	2,489.93	1,961.09	1,949.26	1,788.54	1,755.88
Rank	7	8	9	10	11	12
City	Suzhou	Chengdu	Wuhan	Hangzhou	Nanjing	Qingdao
GDP	1,547.51	1,217.02	1,191.26	1,105.05	1,050.30	1,001.13

Source: statistics bureaus of all the cities listed

1.3.1 GDP

Figure 1: Comparison of GDP among Primary Industry, Secondary Industry and Tertiary Industry of Wuhan from 2012 to 2016 (RMB billion)

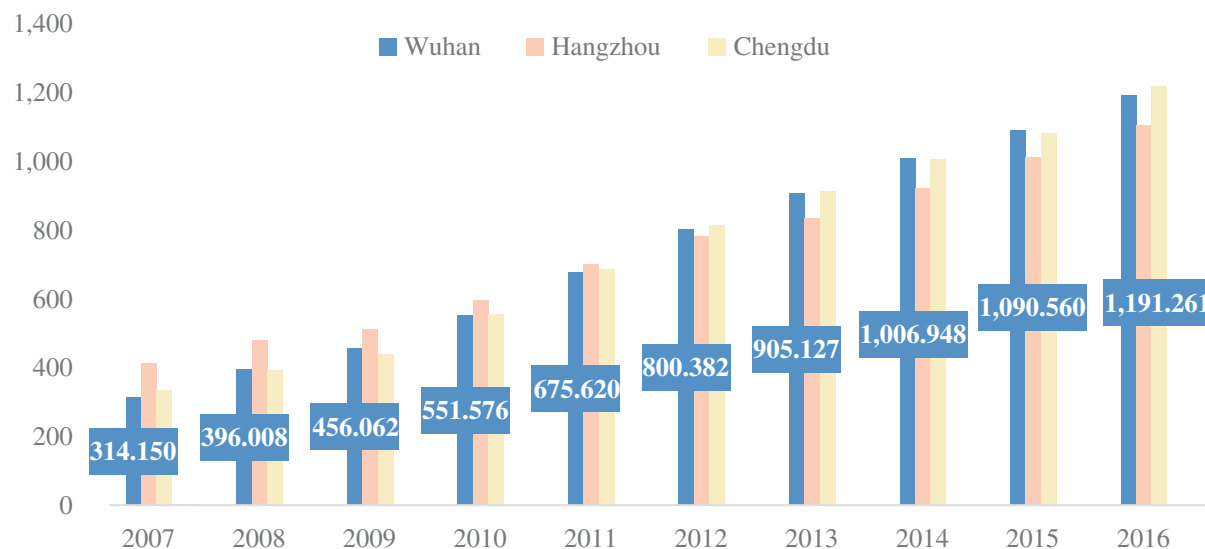


Note: GDP is calculated using prices of the current year.

Source: Wuhan Statistics Bureau

According to the data provided by Wuhan Statistics Bureau, Wuhan’s GDP in 2016 reached RMB1,191.261 billion, increasing by 7.8% y-o-y, and representing a CAGR of 10.45% from 2012 to 2016. Wuhan joined the GDP top 10 cities in 2012 for the first time and became a member of “Trillion Club” in 2014. In 2016, Wuhan was still one of the GDP top 10 cities. According to the “13th Five-Year Plan of Wuhan”, Wuhan’s GDP will reach RMB1.9 trillion by 2020.

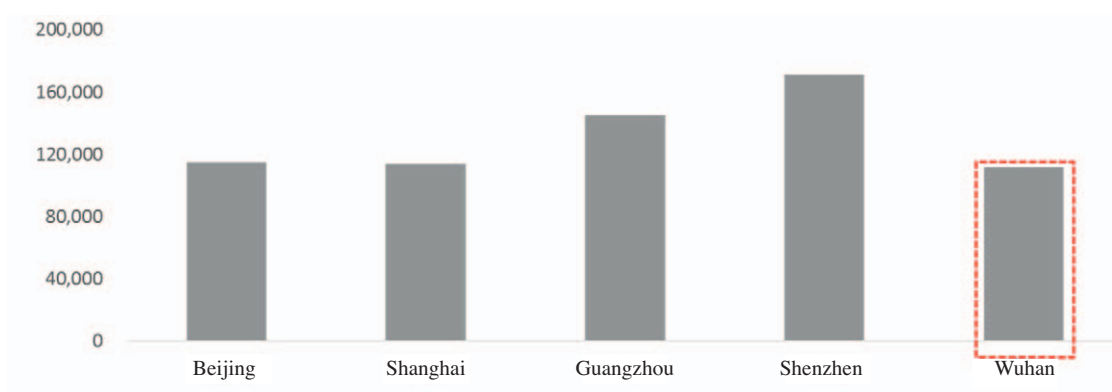
Figure 2: Comparison of GDP among Wuhan, Chengdu and Hangzhou from 2007 to 2016 (RMB billion)



Source: Statistics bureaus of all the cities listed

The cities with the closest GDP to Wuhan in 2016 were Chengdu and Hangzhou. Despite lagging behind Chengdu and Hangzhou in 2007, Wuhan's GDP has surpassed Hangzhou since 2012 due to the city's advantages in infrastructure construction, reasonable industry planning and powerful investment policy. In 2016, Wuhan's GDP ranked 9th in China and 1st among capital cities of the six provinces in central China (Shanxi, Henan, Anhui, Jiangxi, Hunan and Hubei), making Wuhan one of the cities with highest investment potential in China.

Figure 3: Comparison of GDP Per Capita among Wuhan and Tier 1 Cities in 2016 (RMB)



Source: Statistics bureaus of all the cities listed

The GDP per capita of Wuhan maintained a steady growth with a CAGR of 8.82% from 2012 to 2016. Compared with Tier 1 cities, Wuhan's GDP per capita is similar to Beijing's and Shanghai's, showing that its development potential is comparable to Tier 1 cities'.

Wuhan is famous for industrial development and manufacturing was once seen as the pillar industry for Wuhan's economic development. Wuhan adhered to a strategy of "dual emphasis on secondary industry and tertiary industry development" ("兩業並舉、雙輪驅動") during the "12th Five-year Plan" period. As a result of implementing its "service industry upgrading plan", the proportion of tertiary industry exceeded that of secondary industry for the first time in 2014. The services-led tertiary industry became the new core engine of Wuhan's economic growth. At the end of 2016, the proportion of tertiary industry, secondary industry and primary industry to Wuhan's total GDP were 52.84%, 43.88% and 3.28% respectively. Development of service industry can be reflected by the boom of tertiary industry. The growth in the proportion of tertiary industry to other industries will increase employment and demand for office space.

Table 3: Balance of Wuhan's Household Savings Deposits and its Proportion to China's GDP from 2012 to 2016

	2012	2013	2014	2015	2016
Balance of household savings deposits (RMB billion)	462.30	511.74	535.21	605.90	660.60
Proportion in China's GDP	1.48%	1.52%	1.56%	1.58%	1.60%

Source: Wuhan Statistical Yearbook

The balance of savings deposits for Wuhan residents increased by RMB198.305 billion from 2012 to 2016. Its proportion to China's GDP also rose from 1.48% to 1.60%.

1.3.2 Population

According to the 2016 Wuhan population census, resident population as at the end of 2016 was 10,766,200, increasing by 161,500 y-o-y. Household population as at the end of 2016 was 8,338,400, increasing by 46,300 y-o-y. The "13th Five-year Plan" forecasted that household population in Wuhan will reach 8,870,000 by 2020.

In January 2015, Wuhan was selected for a comprehensive pilot project for New Urbanisation. Wuhan's urbanisation rate of residents, increasing by 0.36% from the last year, reached 79.77% in 2016 and was 22.30% higher than the national level. Forecast from the "13th Five-year Plan" showed that the urbanisation rate of Wuhan will exceed 84% by 2020. The most obvious feature of urbanisation is the rapid development of infrastructure construction and property market, which will bring great opportunities to the office market.

Particularly, "the Report on the Nation's Urban Youngster Indices" (《全國城市年輕指數報告》) issued by Tencent in 2016 states that Wuhan's young population (aged 16 to 35) has a net growth rate of 20.38%, just behind Shenzhen. The inflow of young population will bring creativity and energy to the development of Wuhan.

1.3.3 *Employment*

Table 4: Employment and Unemployment Rate of Wuhan from 2012 to 2016

	2012	2013	2014	2015	2016
Employment (1,000 persons)	5,064.0	5,222.4	5,304.4	5,449.2	5,628.6
Registered urban unemployment rate	3.81%	3.52%	3.15%	3.08%	2.94%

Source: Wuhan Municipal Human Resources and Social Security Bureau

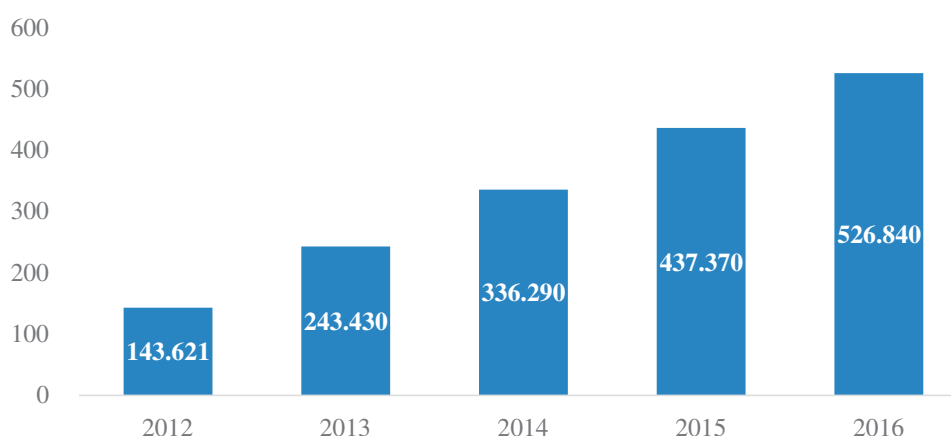
According to the data from Wuhan Municipal Human Resources and Social Security Bureau, Wuhan's employment population grew by 179,400 in 2016, representing a CAGR of 2.68% from 2012 to 2016. Meanwhile, the registered unemployment rate has been decreasing consistently over the past five years, and reached 2.94% by the end of 2016, falling below 3% for the first time.

1.3.4 *Retail*

The total retail sales of consumer goods for Wuhan maintained a steady growth between 2012 and 2016 with a CAGR of 12.79%. In 2016, total the retail sales of consumer goods for Wuhan reached RMB561.059 billion, ranking 7th nationwide. The total retail sales of consumer goods for Wuhan are expected to exceed RMB800 billion by 2020 according to the "13th Five-year Plan of Wuhan".

1.3.5 *Domestic Capital Actually Used*

Figure 4: Domestic Capital Actually Used for Wuhan from 2012 to 2016 (RMB billion)



Source: Wuhan Statistics Bureau

Domestic Capital Actually Used in Wuhan maintained a stable growth in the last 5 years and reached RMB526.84 billion in 2016 as domestic investors' interest in Wuhan continues to increase.

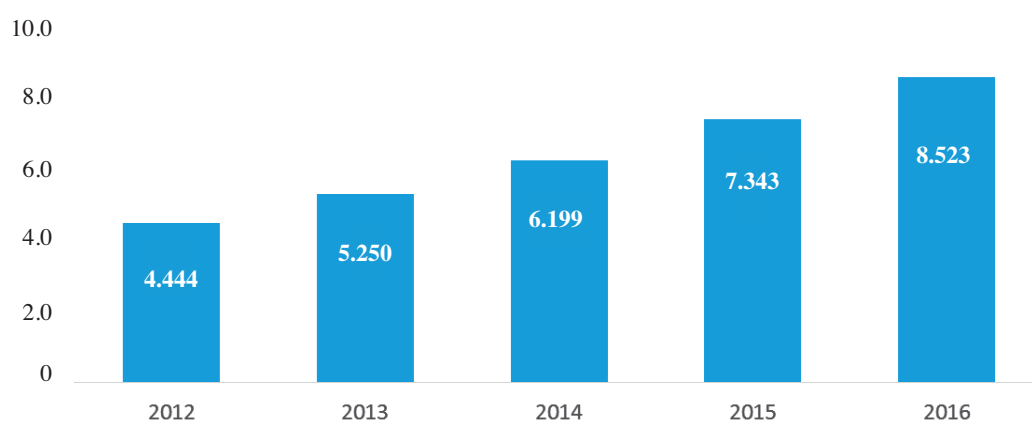
Domestic companies consistently take the lion's share of prime office leasing market in Wuhan. Positive outlook of Wuhan is the key growth driver for Wuhan's office market. Because of the convenient transportation infrastructure for business development and the maturing office market, many domestic companies, being the key drivers of urban economic development, have set up their national and regional headquarters in Wuhan. Wuhan will continue to attract more business investment from top quality companies as it continues to develop in the future.

1.3.6 Foreign Capital Actually Used

Owing to the implementation of "The Belt and Road Initiatives" strategy and Wuhan's geographical location as a National Central City, Foreign Capital Actually Used in Wuhan continued to grow at a rapid pace, increasing by 16.07% y-o-y to US\$8.52 billion in 2016, and grew almost 92.79% compared to 2012. It has attracted RMB582.26 billion of investments in 2016, 10.16% of which is foreign direct investment.

The projects invested by foreign companies are of large value, high quality and widely distributed across various industries, such as optoelectronic manufacturing, auto parts manufacturing, computer software and service, and real estate. There is a tendency for foreign companies to be focus on tertiary industry. 243 of the Fortune 500 companies have invested in Wuhan as of 2016 year-end. Nearly half of the Fortune 500 companies have invested in Wuhan, which is a testament of Wuhan's development potential from world leading companies.

Figure 5: Foreign Capital Actually Used in Wuhan from 2012 to 2016 (US\$ billion)



Source: Wuhan Statistics Bureau

1.4 Positioning of Wuhan

1.4.1 City Status

According to the “13th Five-Year Plan”, various national strategies placed focus on Wuhan, such as “Metropolitan Agglomerations of the Middle Course of the Yangtze River” (長江中游城市群), “Yangtze River Economic Zone” (長江經濟帶), “China (Hubei) Pilot Free Trade Zone” (中國(湖北)自由貿易試驗區), “National Central City” (國家中心城市). Development of Wuhan is constantly being emphasized at a national strategic level:

- With the approval of the State Council, NDRC issued “Development Plan for Metropolitan Agglomerations of the Middle Course of the Yangtze River” (《長江中游城市群發展規劃》) in April 2015. The plan established the core status of Wuhan in Metropolitan Agglomerations of the Middle Course of the Yangtze River;
- “Guidelines of Development Plan for the Yangtze River Economic Zone” (《長江經濟帶發展規劃綱要》) was passed on a conference of the Political Bureau of the Central Committee of the CPC on March 25th, 2016. Wuhan is expected to be an engine for development for the Yangtze River Economic Zone;
- The State Council decided to establish the China (Hubei) Pilot Free Trade Zone (中國(湖北)自由貿易試驗區) in August 2016, enhancing Wuhan’s advantages in strategic emerging industry and high-tech industry.

1.4.2 Advantages in Resources

As the only Tier 1.5 city of the central region, Wuhan has unique advantages in transportation, education and enterprise resources:

- Wuhan, located in the geographic centre of China, enjoys the laudatory title of “Thoroughfare of Nine Provinces”. The central location of Wuhan makes it one of the most important water, land and air transportation hubs in China;
- Wuhan is one of the influential scientific education bases in China. It ranks 3rd in comprehensive strength in science and education. There are 82 colleges in Wuhan, just behind Beijing and Guangzhou. There are 1.07 million college students in Wuhan. The number leads the nation and ranks as one of the highest in the world, comparable with New York (1.3 million college students) and Los Angeles (1.1 million college students), both being the world’s leading education cluster cities;
- The high-tech industry is one of the most crucial industries supporting the economic development of Wuhan. It accounts for over 20% of Wuhan’s GDP. Wuhan East Lake High-tech Development Zone (Optical Valley), as the national high-tech development zone, is leading the nation on optoelectronic information, bio-medicine and new materials;

- As of 2016 year-end, 243 of the Fortune 500 companies have made investments in Wuhan, 174, or 71.6% of which are foreign companies, 8 of the companies are based in Hong Kong, and 5 of which are from real estate industry, evidence that Hong Kong companies have a positive outlook on the real estate development in Wuhan.

1.5 Development Plan of Wuhan

1.5.1 Economic Indicators

According to the “13th Five-Year Plan”, Wuhan’s GDP, total retail sales of consumer goods and value added on financial industry are targeted to reach RMB1.9 trillion, RMB800 billion and RMB120 billion respectively at the end of 2020. The increase is 59.49%, 42.59% and 27.52% respectively when compared with the end of 2016.

1.5.2 Industry Development Plan

According to the “13th Five-Year Plan (2016-2020)” of Wuhan, the government will continue to promote development of secondary industry and tertiary industry:

- Develop national advanced manufacturing centre and implement intelligent manufacturing project. Accelerate industrial transformation from a manufacturing-based to service-based;
- Implement the plan of doubling output of modern service industry. Construct national trade and logistics centre, as well as financial centre in central region. Promote development of production service industry to be more professional and high-valued. Promote the development of service industry catered for daily life to make it more diversified and higher quality. Accelerate construction of hubs for modern service industry. Improve the proportion of tertiary industry to 55%.

1.5.3 Development Plan for Transportation and Infrastructure

Transportation is crucial to economic development. Wuhan, as the “Thoroughfare of Nine Provinces”, has been known for its convenient transportation infrastructure. Through future constructions and development plans, Wuhan will be experiencing several breakthroughs in the transportation sector:

➤ Aviation

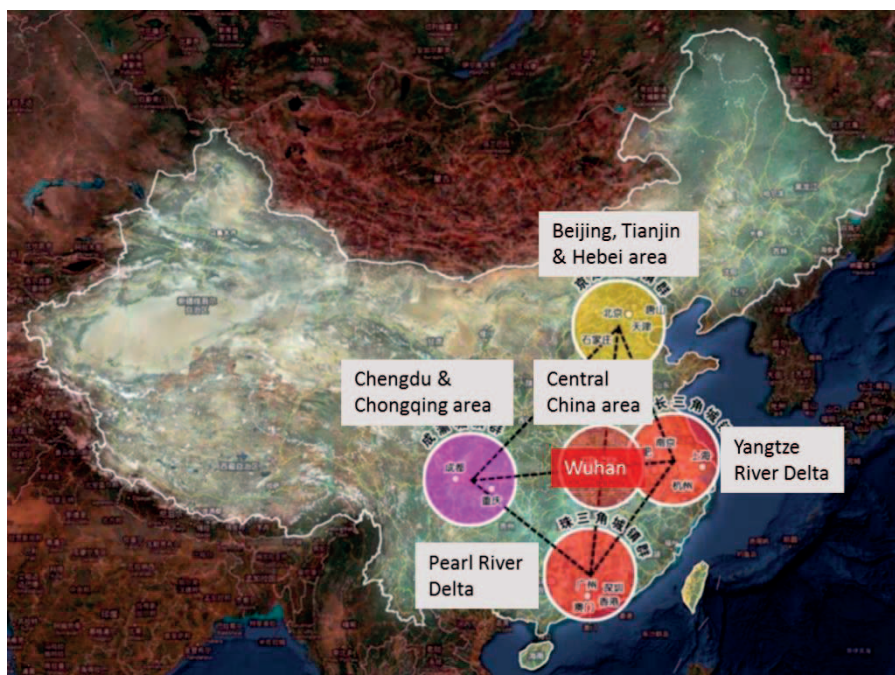
There are 322 civil air routes including 37 international air routes and 285 domestic air routes flying to 57 domestic cities and regions and 21 foreign countries and regions from Wuhan by the end of 2016. Wuhan airport’s passenger throughput increased 9.6% y-o-y to 20,771,000 in 2016. As approved in Wuhan’s government work report for 2017, development of air transportation will be deepened in next five years, and it is expected that more than 70 international air routes will be achieved in Wuhan. Tianhe International Airport will be developed into a gateway airport in the central region, with annual passenger throughput of 45,000,000.

The transportation advantage of Wuhan will be more significant with the growth of air routes and passenger throughput, enabling economic growth and increase in investment opportunities in Wuhan.

➤ High-speed Train

By the end of 2016, the daily operated high-speed train routes by Wuhan Railway Bureau increased from 3 to 402. The operation mileages reached 5,014.6 kilometers, 3,043 kilometers of which are high-speed train routes. The service scope of high-speed train routes operated by Wuhan Railway Bureau covers most regions of the country such as the northeast, the north, the northwest, the central, the east, the south, the southwest and the southeast of China. Passengers can directly travel to 24 provinces, cities and autonomous regions from Wuhan. Taking Wuhan as the centre, it takes approximately 2 hours to travel to capital cities of neighboring provinces, such as Changsha, Nanchang, Hefei, Zhengzhou, and approximately 4 hours to the Yangtze River Delta region, the Pearl River Delta region and the Beijing-Tianjin-Hebei area, forming a “Four-hour life circle” (“4小時生活圈”) for Wuhan.

Picture 2: The 4-hour High-speed Train Economic Circle of Wuhan



Source: Wuhan Land Resources and Planning Bureau

➤ Port

Wuhan is an important port in the national inland transport, the shipping centre of the middle course of the Yangtze River and the main hub of rail-water way appointed by China’s Ministry of Transportation. In 2010, Wuhan New Port handled 100 million tons of cargo and became the first “100 million tons port” (“億噸大港”) on the middle and upper courses of Yangtze River. In 2016, Wuhan

New Port handled 163 million tons of cargo and grew into the biggest container port on the middle and upper courses of Yangtze River. “The Overall Plan of Wuhan Shipping Centre” (《武漢航運中心總體規劃》) established in 2017 presented an overall target to build a shipping centre of the middle course of the Yangtze River by 2020, and to grow into one of the global top 3 inland ports in terms of cargo throughput by 2030. The rapid development of Wuhan’s shipping industry provides a powerful growth driver for the secondary industry and tertiary industry development in Wuhan, especially for modern manufacturing and logistics industries.

➤ **Metro**

Having entered into the “metro era”, there are currently five operating metro lines in Wuhan. Approved by the fourth stage of the construction plan published on 12 October 2016, 14 lines will be completed within nine years with construction mileage reaching 423.5 kilometers. The total mileage under construction and total mileage completed combined will exceed 800 kilometers. The Wuhan Property is connected with Metro Line 1 and the planned Metro Line 10. Convenient transportation is one of the key determining factors on companies’ location choice. Being accessible by two metro lines will enhance the attractiveness of the office building of Wuhan Property to high-quality companies. Meanwhile, the retail portion of Wuhan Property will attract consumers along the metro lines, providing stable spending power to support the project.

1.6 Investment from Hong Kong Invested Real Estate Companies

1.6.1 *Investment from Hong Kong Real Estate Companies*

The Wuhan government continues to introduce high-quality Hong Kong real estate companies to Wuhan, the office buildings of which in turn promote the development of its located district. For example, the New World International Trade Tower completed by New World Group in 2005 not only boosts the development of the Jianshe Avenue Business District, but also Wuhan’s overall business development. The Wuhan Tiandi Office Building completed by Shui On Land in 2011 also leads the development of the Yongqing area.

New World Group, Shui On Land, The Wharf, Hutchison Whampoa and Hang Lung Properties are well-established Hong Kong real estate companies that have invested in Wuhan. According to the location of their office buildings, Hong Kong real estate companies prefer to invest in Hankou, especially in Hankou Riverside Business District. It is believed that the Hankou Riverside Business District will achieve rapid development in the future.

Picture 3: Location of Office Buildings Invested by Hong Kong Real Estate Companies



Source: Cushman & Wakefield

1.7 Development Plan of Qiaokou District

1.7.1 Overall Development Plan

Qiaokou district, where the plan is located by administrative districts, is a central district with great innovation vitality and the economic hinterland with great growth potential. Supported by high-quality resources such as the commercial culture of Hanzheng Street and the premium medical services of Tongji Hospital and Xiehe Hospital, commerce and logistics, healthcare and e-commerce sectors are currently highly concentrated industries in Qiaokou district.

The “13th Five-Year Plan” of Qiaokou district prioritized and focused on the execution of 3 major projects: Hanzheng Street traditional market upgrading project, old industrial zone relocation and renovation project and urban village reconstruction project. It emphasizes the construction of 3 functional zones and development of 3 major industries, aiming to build a beautiful and ecological Qiaokou district with a leading status of modern commercial industry.

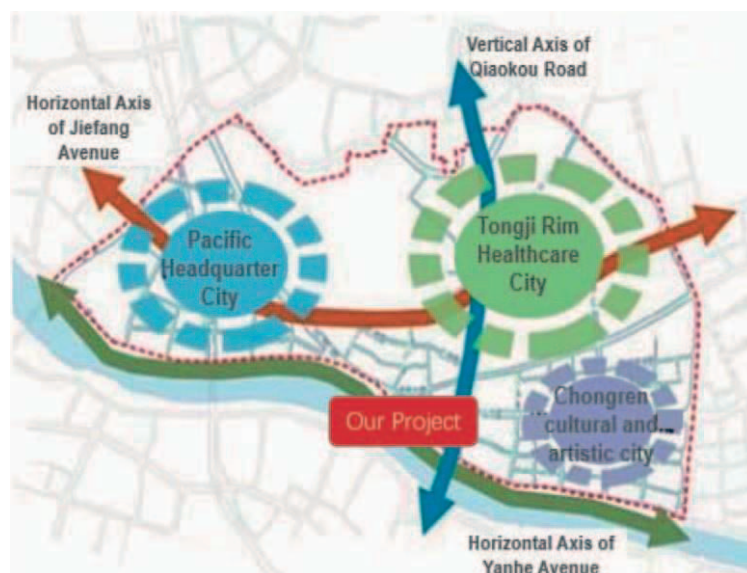
The Hanzheng Street Central Service District is the largest reconstruction project in the old town of Wuhan, with a total area of about 28 sq.km. The Hanzheng Street traditional market will be relocated and renewed in this project. The landscape resources along the Han River will be fully developed. High-end retail, financial industry, modern business industry and culture and tourism industry are listed as the key industry development plans in this area.

1.7.2 Industrial Development Plan and Functional Regionalization for Qiaokou District

The “13th Five-Year Plan” of Qiaokou district proposes to build up an open “1+3+N” industry system led by “Internet +”, dominated by modern business, industrial services and health services, also supported by other competitive industries.

The 3 functional zones emphasized in the “13th Five-Year Plan” of Qiaokou district are the Hanzheng Street Central Service District of Wuhan, the Baofeng-Zongguan distinctive business zone and the Gutian ecological new city at Han River Bay. Our project Wuhan Property is located in the Baofeng-Zongguan distinctive business zone and it is close to the Hanzheng Street Central Service District of Wuhan. As one of the first projects of Qiaokou, the development of the functional zones is one of the primary focus of the government.

Picture 4: The Baofeng-Zongguan Distinctive Business Zone



Source: Qiaokou Branch of Wuhan Land Resources and Planning Bureau “The 13th Five-Year Plan of Qiaokou (Spatial Distribution Plan)”

The Baofeng-Zongguan distinctive business zone is located between the First and Second Ring Road. It is positioned as a modern high-end business zone that serves the country. The spatial distribution of Qiaokou can be seen as “3 cities” and “3 axes”. The “3 cities” are: Tongji Rim Healthcare City, Pacific Headquarter City and Chongren Cultural and Artistic City. Healthcare service industry, cultural service industry and characteristic corporate headquarter cluster are listed into key industry development planning in this area.

1.7.3 Industrial Supporting Policies and its Effects

Government of Qiaokou district published a series of supporting policies for its major industries:

- Strategic emerging industry: “Regulations on Guidance Funds for Strategic Emerging Industry Development in Qiaokou District” (《礪口區戰略性新興產業發展引導基金管理辦法》), “Policies for Supporting Industrial Upgrading, Innovation and Entrepreneurship by Qiaokou District Commission and Government” (《中共礪口區委、礪口區人民政府關於支持產業升級創新創業的若干政策》), “Implementations to Promote “Internet +” Action in Qiaokou District” (《礪口區關於推進“互聯網+”行動的實施方案》)
- Healthcare service industry: “Action Plan of Healthcare Service Industry in Qiaokou District”(《礪口區健康服務業行動計劃》), “Suggestions on the Implementation to Promote Development of Healthcare Service Industry by Wuhan Government” (《市人民政府關於加快健康服務業發展的實施意見》)
- E-commerce industry: “Policies and Suggestions on Supporting Development of E-commerce Industry by Qiaokou District Government (Trial Implementation)” (《礪口區人民政府關於支持電子商務產業發展的若干政策意見(試行)》)
- Cultural industry: “Regulations on Special Funds for Development of Cultural Industry in Qiaokou District (Trial Implementation)” (《礪口區文化產業發展專項資金管理辦法(試行)》)

The e-commerce and healthcare service industries, the major industries promoted by the Qiaokou District Government, are rapidly expanding under the guidance and support from various policies:

With the constructed national model base of the e-commerce industry, e-commerce sales of Qiaokou district reached RMB42.6 billion and attracted over 600 e-commerce companies such as Jiuxian.com, Zhaopin.com and Jiontown Pharmaceutical Group to invest in Qiaokou. Six functions are attached to e-commerce industry in Qiaokou, namely the industrial demonstration centre, cluster of headquarters, business incubator, light warehouse logistics centre, application demonstration centre and comprehensive service centre.

Over 70 companies in Qiaokou district are from the healthcare service industry, with a total revenue of over RMB50 billion. Some of the Fortune 500 companies, such as Pfizer, Abbott and Ecolab, and well known domestic companies such as Labway, Dian Diagnostics, Mindray, the Health 100 and Nepstar, have set up branches in Qiaokou district.

2.0 Overview of Prime Office Market

2.1 Prime Office Market of Wuhan

2.1.1 Definition on Grade of Office Buildings

Wuhan's prime office buildings can be categorised into three grades, namely International Grade A, Grade A and Grade A-, based on indicators including location, gross floor area ("GFA"), facilities, electromechanical devices, ownership status and property management. The target project Yuexiu Fortune Centre is categorised as an International Grade A office building. As some of the Grade A-office buildings are sold under strata-title, individual investors are responsible for its subsequent lease, causing differences in price and property management within the same office building. Moreover, the aforementioned indicators for Grade A- office buildings are often worse than International Grade A and Grade A office buildings. In order to have a more comparable analysis, Grade A- office buildings have been excluded from the list of prime office buildings in our analysis.

Table 5: Definition on Grade of Office Buildings

Technical Parameters		International Grade A office building	Grade A office building	Grade A- office building
Area	Location	Located in core business district with abundant supporting facilities	Located in main business district or commercial district planned by the government	Located in main business district
	Transportation	Commute is convenient with developed traffic network and is close to metro stations nearby	Commute is convenient with developed traffic network	Commute is convenient with developed traffic network
	Visibility	Very high	High	High
Scale	GFA	>50,000 m ²	>40,000 m ²	>40,000 m ²
	Service area per carpark space	120 m ²	<150 m ²	<200 m ²
	Floor area	>2,000 m ²	>1,500 m ²	>1,200 m ²

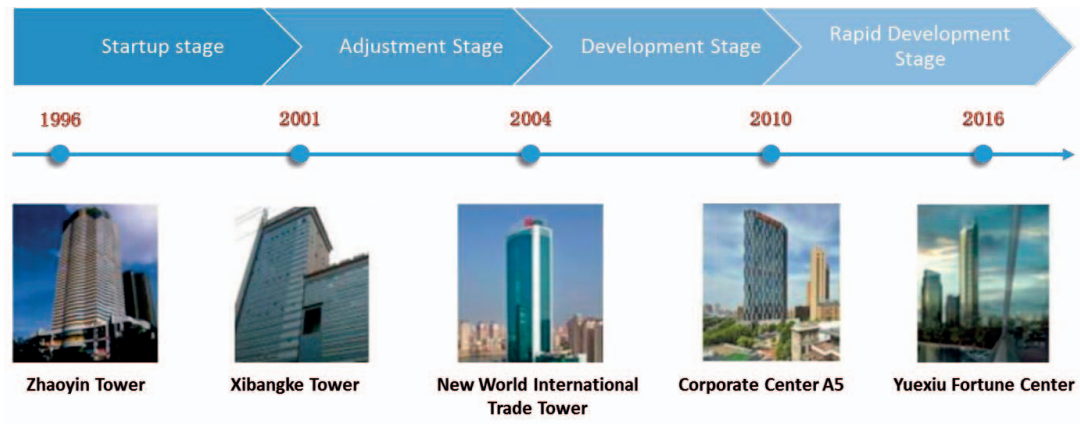
Technical Parameters		International Grade A office building	Grade A office building	Grade A- office building
Facilities	Headroom	>3m	>2.7m	>2.5m
	Height of raised floor	≥15cm	≥10cm	≥10cm
	Elevator System	Service area per elevator ≤4,500 m ² Waiting time ≤30s	Service area per elevator ≤5,000 m ² Waiting time ≤40s	Service area per elevator ≤5,000 m ² Waiting time ≤40s
	Efficiency rate	≤65%	≤70%	≥70%
	Individual cargo elevator	≥2	≥1	≥1
	Air conditioning	High-quality air-conditioning system (two-pipe or four-pipe). Fresh air volume ≥40 m ³ /person/h	High-quality air-conditioning system (two-pipe or four-pipe). Fresh air volume ≥40 m ³ /person/h	High-quality air-conditioning system (two-pipe or four-pipe). Fresh air volume ≥30 m ³ /person/h
	Toilet	High-quality facilities and decorations, and equipped with handicapped toilet	High-quality facilities and decorations	High-quality facilities and decorations
Electromechanical devices and Floor Load	Light current system	Advanced 5A system and software for property management. Permission of entry for all communications service providers. One telephone line per 12 m ²	Advanced 5A system and software for property management. Permission of entry for all communications service providers. One telephone line per 12 m ²	Advanced 5A system and software for property management. Permission of entry for all communications service providers. One telephone line per 20 m ²
	Floor Load	Live load for working area ≥300kg/m ²	Live load for working area ≥250kg/m ²	Live load for working area ≥200kg/m ²

Technical Parameters	International Grade A office building	Grade A office building	Grade A- office building
Ownership Status	For rent only, self-owned	For rent only, self-owned	Self-owned or partial self-owned
Property management	Provides high-quality property management services. Equipped with practical property management computer software to computerize office management. Provides 24-hour security and maintenance services for office management information system	Provides high-quality property management services. Equipped with property management computer software. Provides 24-hour security and maintenance services	Provides high-quality property management services. Equipped with property management computer software. Provides 24-hour security and maintenance services

2.1.2 The Development of Wuhan's Office Market

The development of Wuhan's office market began in 1996, when the first standard office building—Wuguang Forbes Centre was launched. The market's development can be split into 4 stages: the startup stage (1996-2001), the adjustment stage (2001-2004), the development stage (2004-2010) and the rapid development stage (2010 until now).

Picture 5: Stage of Development of Office Market in Wuhan

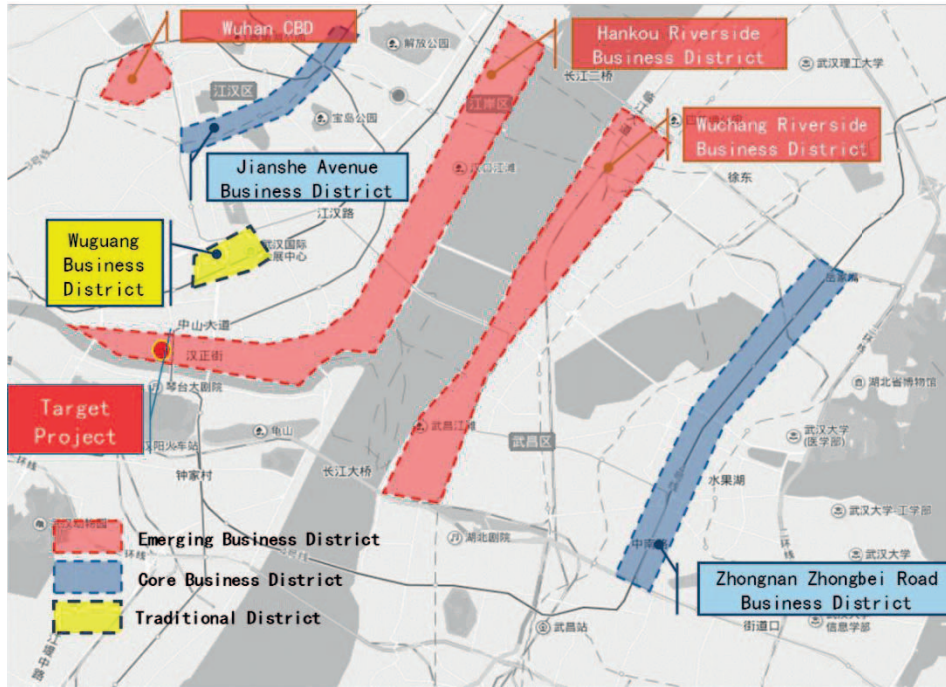


Source: Cushman & Wakefield

2.1.3 Distribution of Prime Office Buildings in Wuhan

There are three International Grade A and eleven Grade A office buildings in Wuhan. Due to historical reasons, the commercial and business development of Hankou is more mature than the other two regions. Hankou has a high concentration of prime office buildings, the most member of Grade A office buildings and the largest matured customer base. Currently, there is only one International Grade A office building (Yuexiu Fortune Centre) in Hankou Riverside Business District. Wuchang's business development is relatively later than that of Hankou, majority of the prime office buildings was launched in Wuchang after 2013. There are currently two International Grade A office buildings in Wuchang and none in Hanyang so far.

Picture 6: Distribution of Core Business District in Wuhan



Source: Cushman & Wakefield

2.1.4 Analysis of Major Business District in Wuhan

Multiple CBDs and business districts have been developed in Wuhan. Mature business districts include Hankou Riverside Business District, Jianshe Avenue Business District, Zhongnan Zhongbei Road Business District, Wuchang Riverside Business District and Wuhan Central Business District (CBD). Most foreign invested enterprises (“FIEs”) in Wuhan are situated in Jianshe Avenue Business District and Hankou Riverside Business District.

Table 6: Features of Core Business District in Wuhan

	Hankou Riverside Business District	Jianshe Avenue Business District	Zhongnan Zhongbei Road Business District	Wuchang Riverside Business District	Wuhan CBD	Wuguang Business District
Maturity	★★★★	★★★★★	★★★★	★★★	★★★	★★★
GFA of Grade A (m²)	295,656	210,207	174,152	68,041	45,000	43,315
Representative Office Buildings	Corporate Centre series, Yuexiu Fortune Centre	New World International Trade Tower, Minsheng Bank Tower	Poly Cultural Centre, Great Wall Complex	Wanda Centre	Oceanwide City Plaza	New World Centre Tower A
Rent (RMB/ m²/month)	131	117	144	127	120	110
Representative Tenants	The Bank of East Asia, Emerson, OLYMPUS, ANA, Wyeth, CFLD	GE, Nissan Guangzhou, Korean Air, Ernst & Young, NTT, Medallion, Pepsi	FedEx, STARR, Yongyou, Everbright Securities	Sharp Global, Honeywell, Beiersdorf	MINSHENG LIFE INSURANCE, Kohler China, DELL	L'ORÉAL, Nikon, Mizuho Bank, HSBC, CHINA CITIC BANK

Note: Rent refers to Grade A office building rent (inclusive of VAT) as of the 1st half of 2017.

Source: Cushman & Wakefield

➤ **Hankou Riverside Business District**

Hankou Riverside Business District has the best landscape resources in Wuhan. Corporate Centre A5 offered the best facilities in Wuhan's office market back in 2011, which immediately attracted companies from high-end consulting service industry, commerce and logistics industry and manufacturing industry. The launch of Corporate Centre A2 (2015) and Corporate Centre A3 (2016) prompted this area to become the best choice for high-end tenants with strict requirements on building's quality. The continuous office investment transactions of Corporate Centre A5, A2, A3 and A1 conveys a strong investor appetite stemmed from the positive development in this area.

The buildings' height, the facilities' quality and the reputation of this business district have been further improved after the launch of Yuexiu Fortune Centre. Hankou Riverside Business District will attract more companies, given its advantages of office views and convenient transportation.

➤ **Jianshe Avenue Business District**

It is the most mature business district in Wuhan. Host to Wuhan's first Grade A office building (New World International Trade Tower launched in 2005), over 70% of the FIEs in Wuhan chose to move into this office building at that time. It is well-known for its excellent location and property management. This area is still the business district of choice for most FIEs in Wuhan. In 2010, Minsheng Bank Tower was launched as the highest office building in central China and this area caught the market's attention for the second time. However, due to improper planning of facilities, leasing strategy and poor property management service, Minsheng Bank Tower could only attract low-quality tenants and its vacancy rate remained high.

➤ **Zhongnan Zhongbei Road Business District**

Zhongnan Road and Zhongbei Road are two main roads of Wuchang. This business district is the traditional business district in Wuchang and large number of Grade B office buildings have been launched at early stage. With the launch of Wanda Han Street, supply in this area began to boom. Poly Cultural Centre, launched in 2013, is the first International Grade A office building in Wuhan. It attracted a significant number of high-quality tenants in this area, such as Siemens, Samsung and Tianfeng Securities, with its excellent location and facilities. The rent of this area rapidly exceeded Jianshe Avenue. In 2016, two towers of Great Wall Complex were launched in tandem. With support of policies of Wuchang District government and leading of the Central China Financial City planning, this office building attracted many companies from financial industry, such as Industrial Bank, Datong Capital and Fubon Bank, etc. Average rent of this area increased rapidly after the launch of the three aforementioned prime office buildings, leading this area to be one of the core business districts in Wuhan.

➤ **Wuchang Riverside Business District**

Wuchang Riverside Business District is the core business district in Wuchang with excellent location and landscape resources. Wanda Centre, launched in 2012, is the first self-owned Grade A office building in Wuchang. Meanwhile, development of Han Street rapidly improved the reputation of Wanda Group in Wuhan. Wanda Centre attracted many high-quality tenants from commerce and logistics industry, financial and insurance industry, healthcare industry and real estate and architecture industry, due to its reputation and self-owned ownership status. The rent of Wanda Centre is also high as there are only few competitors in this area.

➤ **Wuhan Central Business District (CBD)**

It is the first national planning CBD in Wuhan. There is a large number of office buildings in this area, but only one of them (Oceanwide City Plaza) is a Grade A office building. The area is still in its initial development stage and is undergoing a process of development and cultivation. Nearly 70% of the land are developed by Oceanwide Group. Office buildings in this area have attracted tenants from New World International Trade Tower due to lower rent, and tenants are mainly from manufacturing industry and commerce and logistics industry. With concentration of high-quality tenants and mature development, rent of Oceanwide City Plaza has reached the same level as Jianshe Avenue Business District.

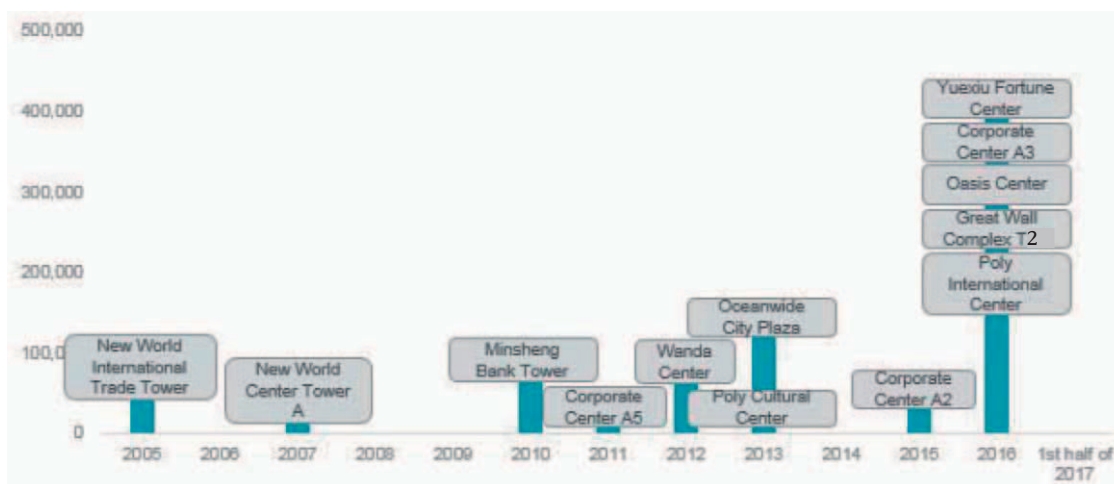
➤ **Wuguang Business District**

The first standard office building in Wuhan appeared in this area. At the early stage, Grade B office buildings, such as Forbes Centre, World Trade Tower and Taihe Plaza, performed well in terms of absorption and rent due to their central location, convenient transportation and sufficient facilities. Grade A office building, New World Centre, was launched in 2007 in this area and immediately attracted many high-quality tenants from commerce and logistics industry, healthcare industry and consulting service industry nearby. With establishment of the concept of Tongji Rim Health City in recent year, healthcare industry has become the key area of focus in Wuguang Business District.

2.1.5 Stock and Supply of Prime Office Buildings in Wuhan

From 2005 to June 2017, total supply of prime office buildings in Wuhan reached 974,501 sq.m.. The development of prime office buildings in Wuhan entered the stage with vast supply after the launch of Corporate Centre A5 in 2011. In general, 1-2 prime office buildings were launched every year. There was a new supply of prime office buildings of 433,441 sq.m. for the 4th quarter of 2016 alone, which is close to the total supply of the last 5 years. Huge supply of prime office buildings signals that Wuhan's overall office building market had entered a period of high-quality supply.

Figure 6: Historical Supply of Prime Office Buildings in Wuhan (Entry Time of Major Office Buildings included), as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

Figure 7: Accumulated Supply of Prime Office Building in Wuhan, as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

2.1.6 Absorption, Vacancy Rate and Rent of Prime Office Building in Wuhan

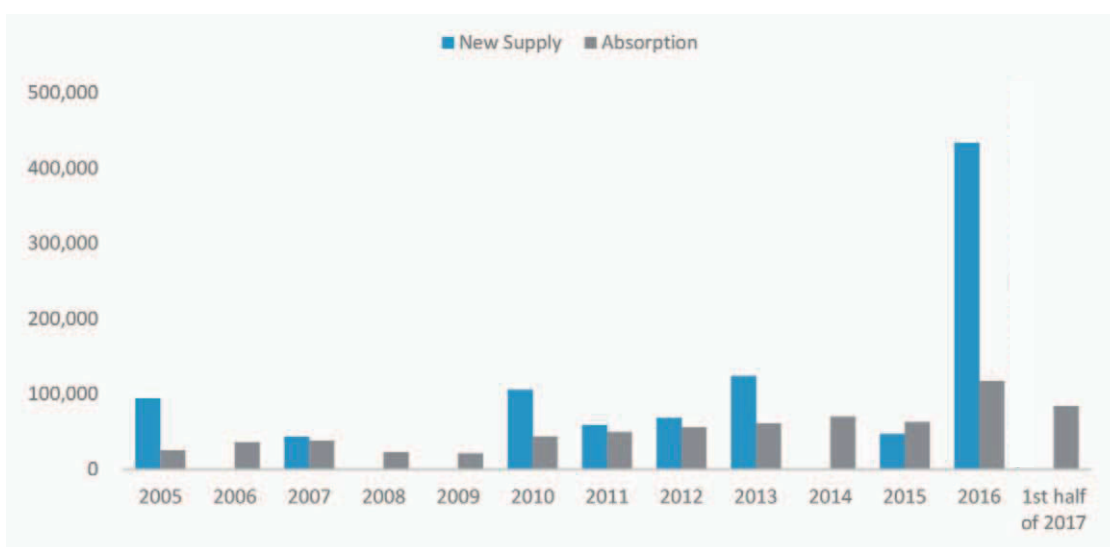
As affected by new supply, the absorption of prime office buildings has been fluctuating since 2006. The launch of New World Centre in 2007 has caused the absorption rate to increase. However, vacancy rate decreased and absorption rate slowed down due to saturation of office building’s leasing space between 2008 and 2009. Average annual absorption stayed at a level of 28,862 sq.m.. From 2010 to 2016, absorption gradually increased and reached 65,800 sq.m. per year on average.

In general, the absorption of prime office buildings was on a rising trend. Although the supply was as large as 433,441 sq.m. in 2016, absorption of prime office buildings reached 117,537 sq.m.. The absorption for the first six months of 2017 already reached 84,132 sq.m.. With the increase in new supply in the recent two years, absorption has reached its historical high.

Since the launch of the first International Grade A office building in 2013, the absorption of International Grade A office buildings has noticeably increased. Tenants started to look for high quality office projects and regarded them as a symbol of status and reputation.

Large scale supply of prime office buildings also stimulated tenants' demand as they seek to improve working environment and relocate their offices to newly-launched prime office buildings from the old ones. Tenants have higher requirement standard on buildings' facilities and image, which has spurred the demand of prime office buildings. Moreover, nearly 30% of the companies, which newly entered Wuhan, chose to lease prime office buildings with excellent facilities and image, stimulating the absorption of prime office buildings.

Figure 8: Absorption of Prime Office Building in Wuhan, as of the 1st half of 2017 (m²)

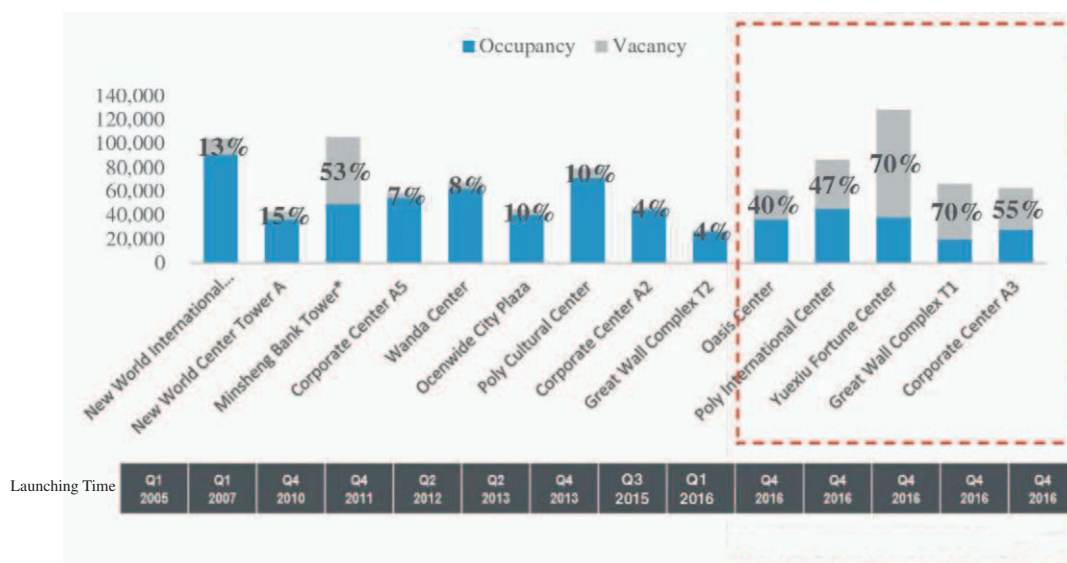
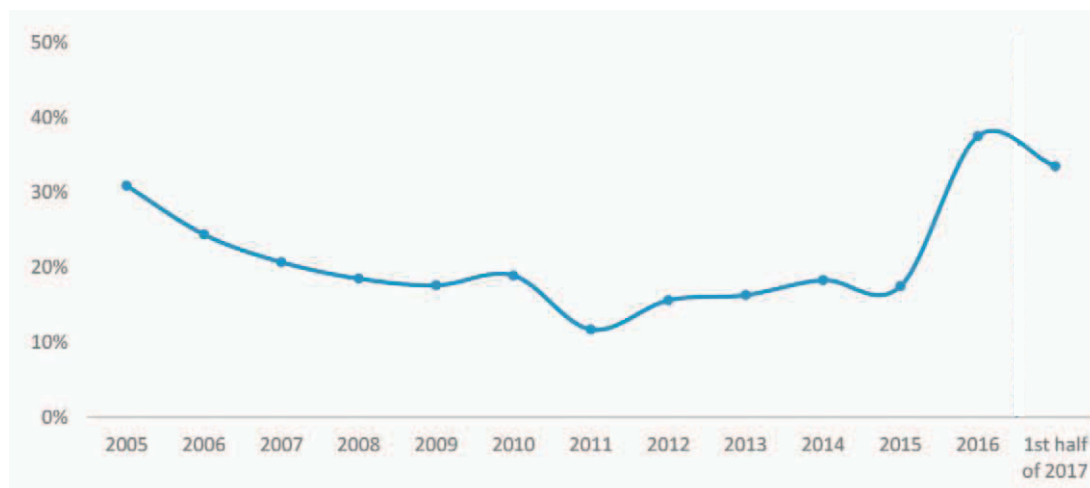


Source: Cushman & Wakefield

Vacancy rate of prime office buildings in Wuhan fell to its lowest point at 11.7% in 2011. From 2012 to 2015, due to continuous increase of supply, vacancy rate maintained at around 15%. In the 4th quarter of 2016, the launch of Oasis Centre, Poly International Centre, Yuexiu Fortune Centre, Great Wall Complex T1 and Corporate Centre A3 (representing a total supply of 433,441 sq.m.) boosted vacancy rate of prime office buildings to 37.5%. Sharp increase in supply within a short period means that the market would need certain time to consume these new supply. During the 1st half of 2017, the market gradually consumed the new supply, and vacancy rate fell to 33.5% by the end of June 2017.

Apart from those 5 newly-completed office buildings, the overall vacancy rate of prime office buildings is only 9.92%.

Figure 9: Vacancy Rate of Prime Office Building in Wuhan, as of the 1st half of 2017 (m²)



Note: Office buildings in the red box are new buildings that launched during the 4th quarter of 2016.

* Due to leasing strategy and poor quality of tenants, Minsheng Bank Tower’s vacancy rate is significantly higher than other prime office buildings.

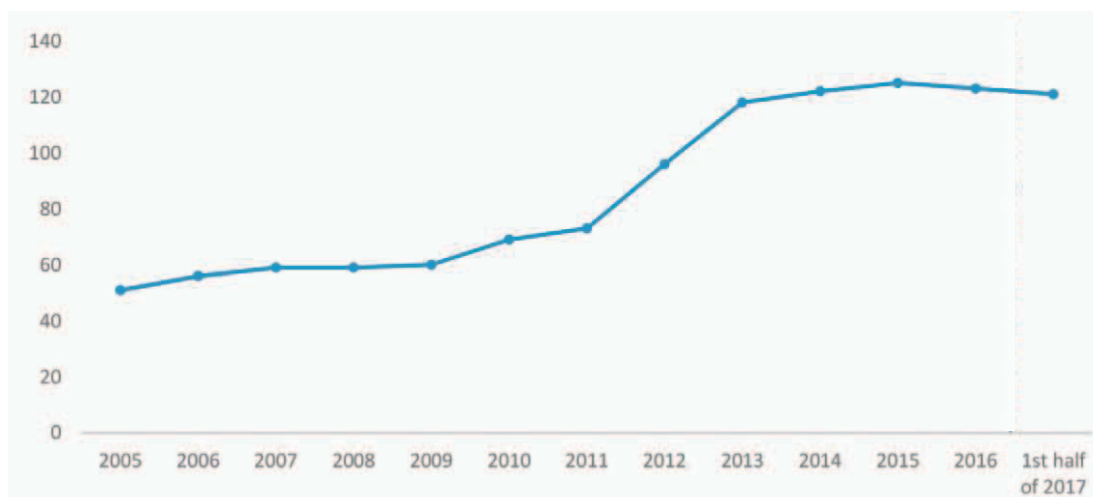
Source: Cushman & Wakefield

In this report, all rents shown are value-added tax (VAT) inclusive.

Average rent was RMB121/m²/month during the first half of 2017, as affected by different leasing strategy of newly-launched office buildings. In general, newly-launched office buildings would adopt the leasing strategy of promoting lower floors with lower rent. This will lead to lower market average rent for the period. However, as the occupancy rate reaches certain level in lower floors, rent tends to rise as mid and upper floors will enter the market. It is expected that the average rent of prime office buildings will increase slightly as new buildings like Yuexiu Fortune Centre start to market its mid and upper floors.

Since the launch of quality facilities and projects with good views, such as Corporate Centre A5 and Wanda Centre, in 2011, the average rent of Wuhan’s prime office buildings increased significantly. The rent of Corporate Centre A5 broke the price ceiling (RMB120/m²/month) of prime office buildings at that time with its outstanding facilities and hardware. Its rent rose from RMB120/m²/month to RMB140/m²/month after two years of development, leading to an increase of average rent of prime office buildings in Wuhan.

Figure 10: Rent Analysis, as of the 1st half of 2017 (RMB/m²/month)



Source: Cushman & Wakefield

2.1.7 Analysis of Absorption of Newly-launched Office Buildings

Average absorption rate of newly-launched prime office buildings is 3,207 m²/month from 2015 to 2016.

The absorption rate of prime office buildings in the riverside area is 500-1,500 m²/month higher than those in other areas, and the rent is RMB20-30/m²/month higher as well. Therefore, it is apparent that tenants prefer prime office buildings with better landscape resource.

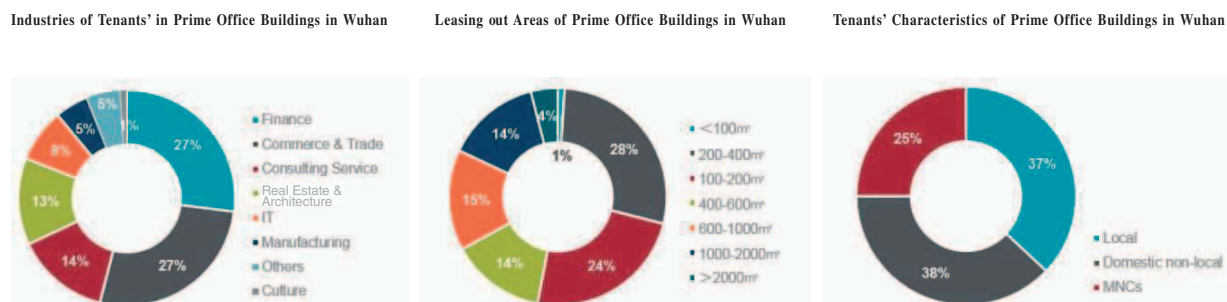
Table 7: Occupancy Rate and Absorption Rate of Newly-launched Office Buildings, as of the 1st half of 2017

Name of Project	Ownership Status	GFA (m ²)	Rent Start Date	Quoted		Occupancy Rate	Absorption Rate (m ² /month)
				Rent (RMB/ m ² /month)	Rent (RMB/ m ² /month)		
Hankou Riverside Business District	Corporate Centre A2	45,602	June 2015	105-180	100-150	96%	3,368
Business District	Corporate Centre A3	55,053	October 2016	100-180	100-160	45%	3,150
	Yuexiu Fortune Centre	128,000	October 2016	100-140	90-120	30%	4,267
Areas apart from Hankou	Oasis Centre	64,000	October 2016	90-110	80-100	60%	4,267
Riverside Business District	Great Wall Complex T1	66,885	November 2016	120-180	120-170	30%	2,508
	Great Wall Complex T2	28,000	May 2015	125-135	105-130	96%	1,680

Source: Cushman & Wakefield

2.1.8 Tenants Features of Prime Office Buildings in Wuhan

Figure 11: Overview of Tenants of Prime Office Buildings in Wuhan



Source: Cushman & Wakefield

Features of prime office buildings' tenants in Wuhan are as follows:

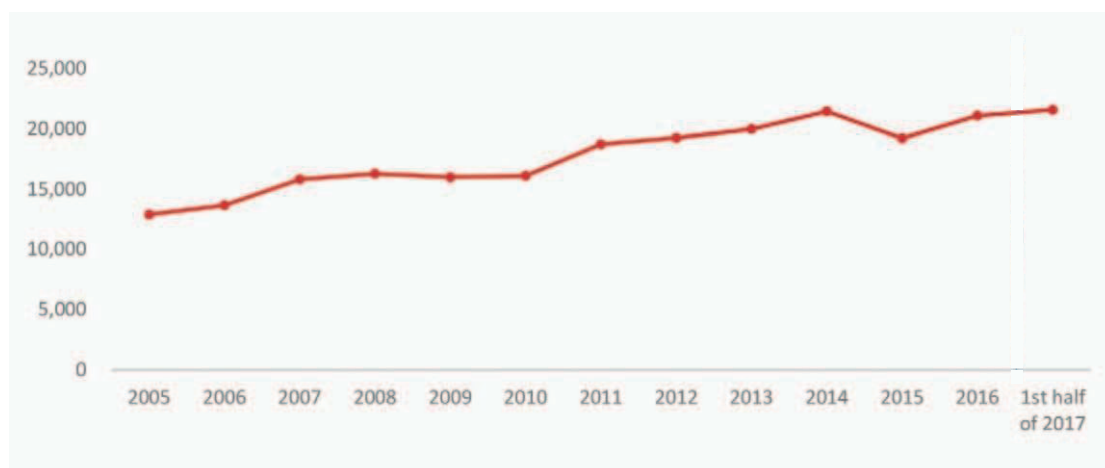
- The tenant mix, in terms of industries, is relatively even. The proportion from the financial industry and the commerce and logistics industry are the highest two among all industries, with a sum of 54%. The proportion from the consulting service industry and the real estate and architecture industry are relatively high as well, with over 10% each;

- 28% of the leased area fall within 200-400 m², and it is the most preferred leasing area by tenants in prime office buildings in Wuhan. Demand for leasing area over 600 m² is also high, accounting for over 34%;
- The proportion of domestic companies and local companies are similar, both reaching 37% or above. The proportion of FIEs is 25%.

2.1.9 Capital Value (CV) of Prime Office Buildings in Wuhan

Capital market has been active in Wuhan since 2013, leading to an increase in CV of prime office buildings. In 2016, CV of prime office buildings in Wuhan achieved RMB21,007/m², up 5.10% y-o-y.

Figure 12: CV of Prime Office Buildings in Wuhan, as of the 1st half of 2017 (RMB/m²)



Note: CV is the price for whole office building transaction.

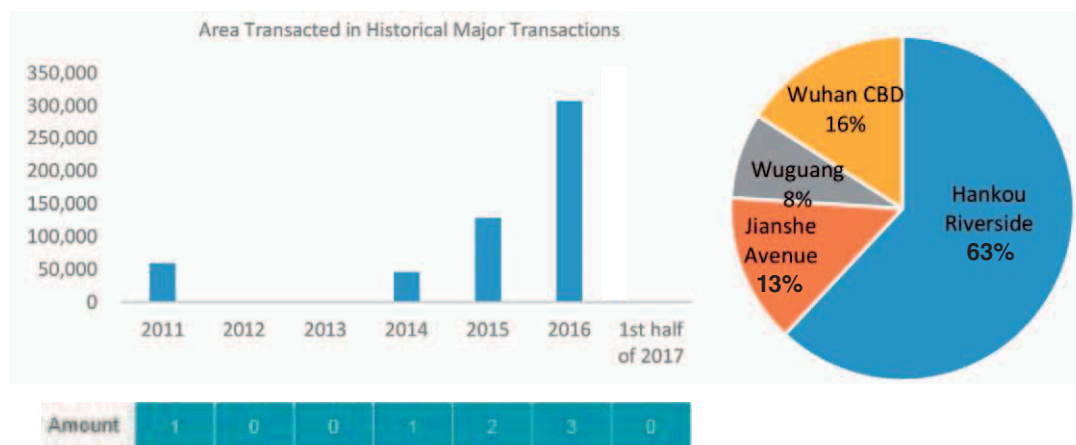
Source: Cushman & Wakefield

2.1.10 Major Commercial Property En-bloc Transactions and Analysis

In the past six years, major prime commercial property en-bloc transactions were active and the volume was stable in Wuhan. Average volume was approximately 89,446.5 sq.m..

In terms of geographic distribution of transactions, Hankou Riverside Business District has the highest volume of 336,771 sq.m., when compared to Wuhan CBD (85,462 sq.m.), and Jianshe Avenue (71,131 sq.m.). The Corporate Centre Series in the Hankou Riverside Business District were sold at a relatively high price, indicating that prime office buildings with outstanding facilities, landscape views and Hong Kong developer background are scarce in the market and will draw the attention of capital market investors.

Figure 13 & Figure 14: Data and Distribution of Historical Major Transactions, as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

From the perspective of recent major en-bloc transactions, investors from Tier 1 cities posted a positive view on Wuhan's office market and are confident of building operation. Meanwhile, Wuhan's convenient transportation and future industry development planning are the main reasons attracting capital investment from Tier 1 cities.

Table 8: Analysis of Major Prime Office Building Transactions in Wuhan during 2014 to the 1st half of 2017

Name of Project	Transaction Time	Completion Time	Level	GFA (m ²)	Seller	Buyer	Price (RMB/m ²)
Corporate Centre A2	2014	2015	Grade A	45,602	Shui On Land	Wuhan Sanyangliyuan	21,400
New World Centre Tower A	2015	2007	Grade A	43,315	New World Group	Zhongrong International Trust	18,500
Corporate Centre A1	2016	2020	International Grade A	177,117	Shui On Land	Citic Pacific	19,000
Corporate Centre A3	2016	2016	Grade A	55,053	Shui On Land	Citic Pacific	20,600
ICC Tower B	2016	2019	Grade A	71,131	Local Developer	Tian An Property Insurance	22,870

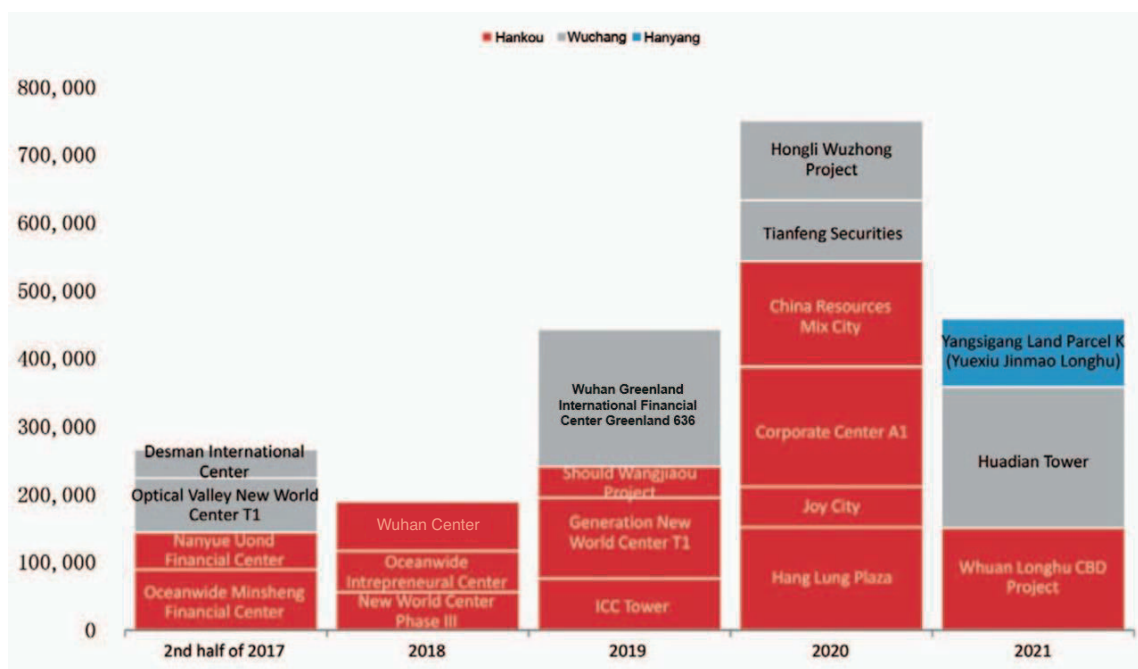
Source: Cushman & Wakefield

2.2 Analysis of the Future Office Market

2.2.1 Supply and Absorption Forecast of Prime Office Buildings in Wuhan

It is expected that there will be 2,108,918 sq.m. of new supply of prime office buildings between the 3rd quarter of 2017 and 2021, representing an average annual supply of 421,784 sq.m. for the next five years. Among the new supply, 799,771 sq.m. are International Grade A office buildings. The largest amount of supply will be in 2020, which is 750,732 sq.m.. Most of the prime office supply will be in Hankou (1,269,168 sq.m.) and Wuchang (739,750 sq.m.), and only one will be in Hanyang (to be launched in 2021). Therefore, a proportion of companies in Hanyang may choose to move to Hankou or Wuchang in order to upgrade office environment over a period of time.

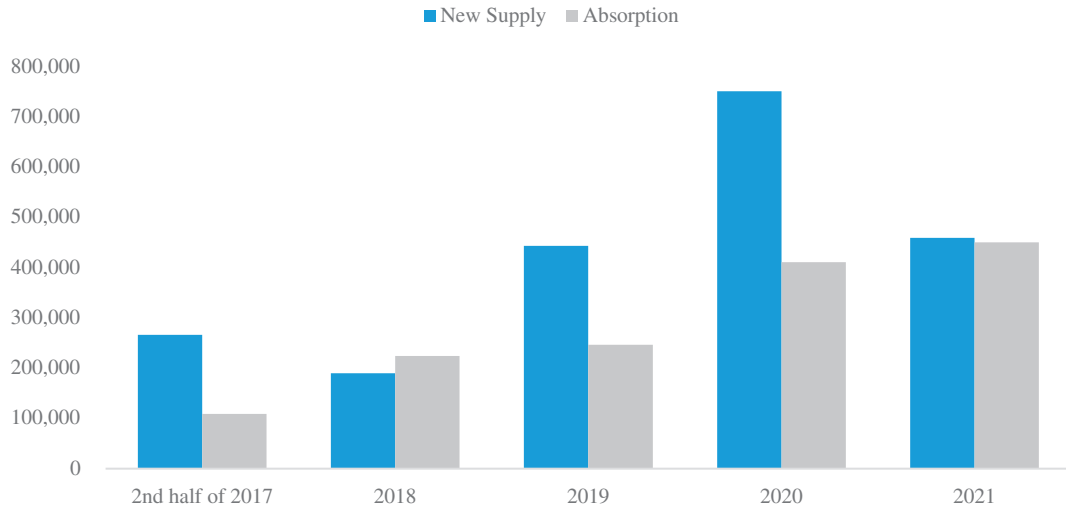
Figure 15: Supply Forecast of Prime Office Buildings in Wuhan, as of the end of 2021 (m²)



Source: Cushman & Wakefield

It is expected that the average annual absorption rate will achieve 220,000-320,000 sq.m. in Wuhan between the 3rd quarter of 2017 and 2021. There are three main drivers: 1) companies relocating from Grade B office buildings to prime office buildings to upgrade their office environment; 2) companies setting up regional headquarters in Wuhan; 3) rapid development of the tertiary industry in Wuhan driving the growth of enterprises, thereby resulting in increasing demand for prime office.

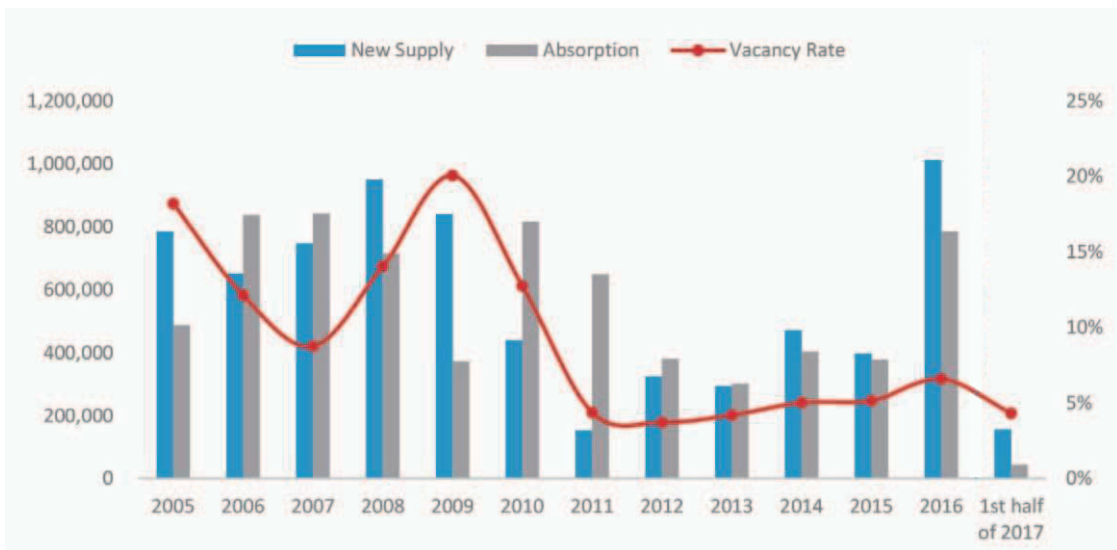
Figure 16: Absorption Forecast of Prime Office Buildings in Wuhan, as of the end of 2021 (m²)



Source: Cushman & Wakefield

2.2.2 Vacancy Rate and Rent Forecast of Prime Office Buildings in Wuhan

Figure 17: Trend of Vacancy Rate of Prime Office Buildings in Beijing during 2005 to the 1st half of 2017 (m²)

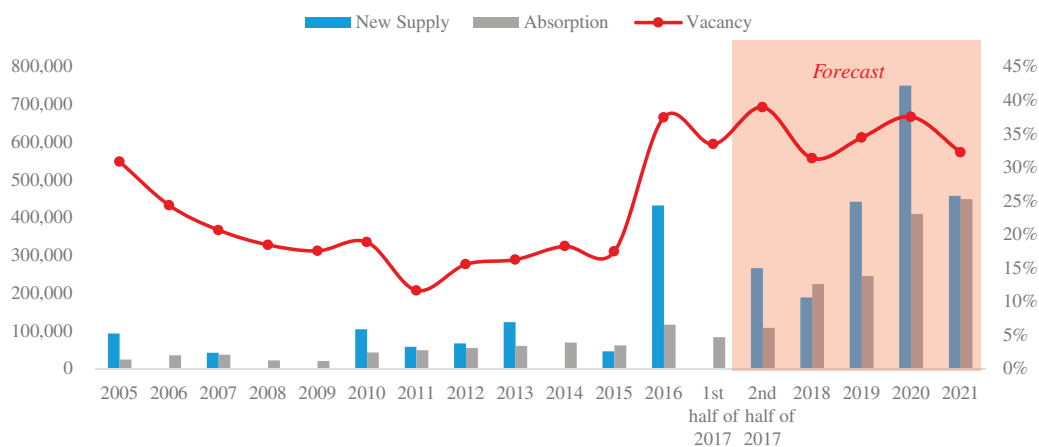


Source: Cushman & Wakefield

According to the correlation between supply and absorption in Tier 1 cities, we notice that as the office market develops, there would always be a supply boom stage that lasts for 4-5 years. Vacancy rates tend to increase sharply at this stage, then fall gradually. For example, Beijing office market used to have huge amount of supply between 2005 and 2009, resulting in a sharp increase in vacancy rate to nearly 20%. The vacancy rate subsequently fell rapidly to around 5% with decrease in new supply and increase in absorption.

Based on the vacancy rate trend of Tier 1 cities, we predict that, as a rapidly developing city, Wuhan is undergoing the stage of huge office supply. With upgrading of industrial structure, and inflow of talents and high-quality enterprises to Wuhan, the absorption rate will increase at a similar pace and vacancy rate will drop accordingly. Vacancy rate of Wuhan’s prime office market in the future will fluctuate at around 30%, and it will decrease to a reasonable level after the stage of huge supply.

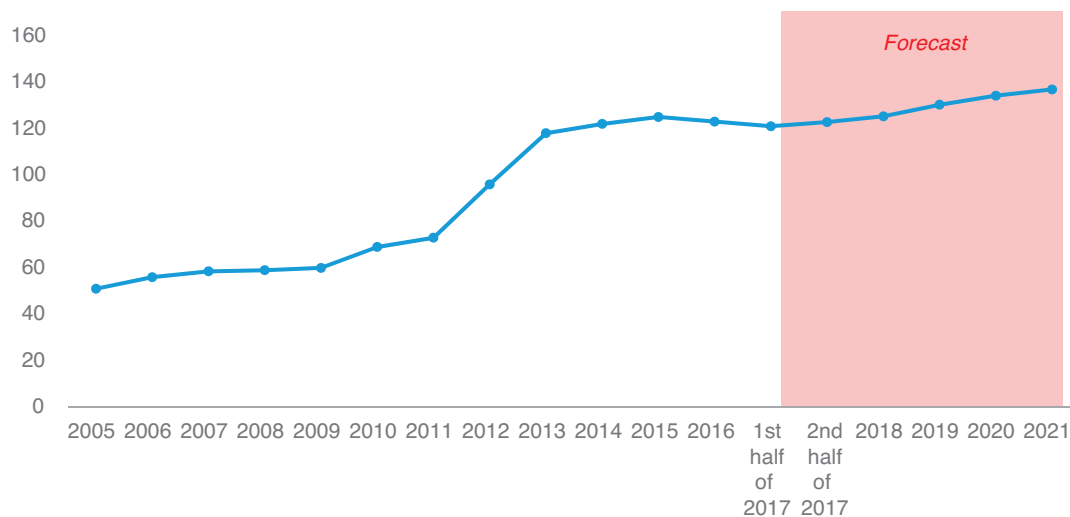
Figure 18: Vacancy Rate Forecast of Prime Office Buildings in Wuhan, as of the end of 2021 (m²)



Source: Cushman & Wakefield

Overall quality of office buildings will be improved with the continuous launch of prime office buildings. Therefore, the rent of office buildings is expected to rise with an annual growth rate of 1%-4% in the future.

**Figure 19: Rent Forecast of Prime Office Buildings in Wuhan,
as of the end of 2021 (RMB/m²/month)**



**Table 10: Annual Rent Growth Forecast of Prime Office Buildings in Wuhan,
as of the end of 2021**

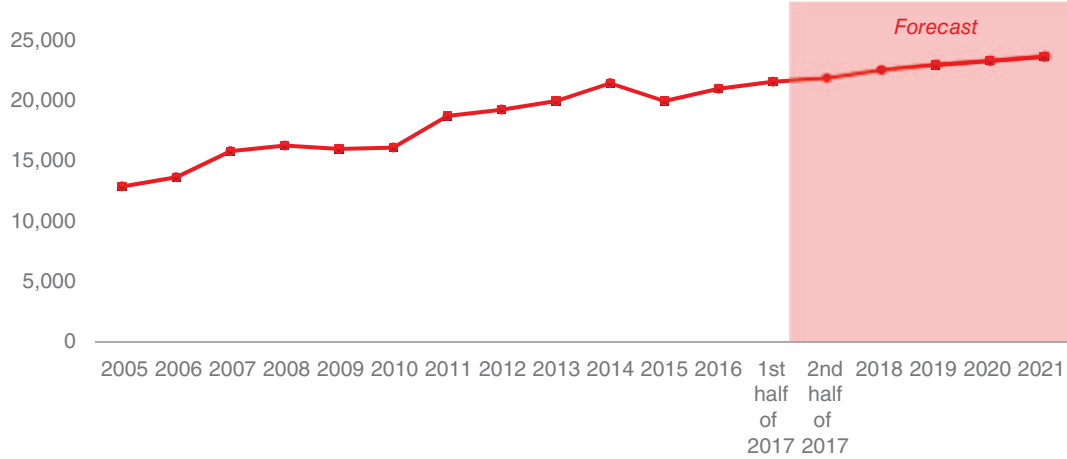
Year	Overall Rent Growth of Office Buildings in Wuhan
2nd half of 2017 forecast	1.50%
2018 forecast	2.03%
2019 forecast	3.98%
2020 forecast	3.00%
2021 forecast	2.01%

Source: Cushman & Wakefield

2.2.3 CV Forecast of Prime Office Buildings in Wuhan

Investment cost of prime office buildings increases as land price rises and building hardware standards improve. Wuhan, as the centre of central China, has attracted continuous capital inflow. Investors are confident in the market prospect. We predict that CV of prime office buildings will keep increasing by 1.5%-3% annually.

**Figure 20: CV Forecast of Prime Office Buildings in Wuhan,
as of the end of 2021 (RMB/m²)**



**Table 11: Overall Annual CV Growth Forecast of Office Buildings in Wuhan,
as of the end of 2021**

Year	Overall CV Growth of Office Buildings in Wuhan
2nd half of 2017 forecast	1.26%
2018 forecast	3.00%
2019 forecast	2.00%
2020 forecast	1.50%
2021 forecast	1.50%

Source: Cushman & Wakefield

2.3 Market of the Hankou Riverside Business District

2.3.1 Overview of the Hankou Riverside Business District Market

Picture 7 & Picture 8: Location and Sketch for
Hankou Riverside Business District



Source: Cushman & Wakefield

- **Introduction of Hankou Riverside Business District**

Hankou Riverside Business District covers the area from Erqi Yangtze River Bridge to Yuehu Bridge, and is in the south to Jingnan Avenue in Hankou, including Erqi area, planned Hanzheng Street Central Service District and Qiaokou area.

- **Advantages and Disadvantages of Hankou Riverside Business District**

Advantages: It is the origin of Wuhan and covers concession area and the famous “The No. 1 Street” Hanzheng Street (“天下第一街”). It has profound culture background and excellent landscape resources. Transportation is also convenient in this area due to its central location;

Disadvantages: The business and commercial facilities are relatively outdated. Transportation is temporarily affected due to urban upgrade and reconstruction project.

- **Business Features of Hankou Riverside Business District**

- 1) With the launch of high-end office buildings Corporate Centre Series, the northern part of Hankou Riverside Business District is in the leading position of the city in terms of rent and absorption rate;

- 2) Standard of office buildings in central Jiangnan Road area is temporarily lag behind. The launch of Millennium Tower will significantly improve business atmosphere of this area. At the same time, Tianyue Bund Financial Centre will be completed soon. Office buildings will form cluster effect on commercial development;
- 3) The launch of Yuexiu Fortune Centre in the western part further brings the quality of Wuhan's office buildings to a new high level. The western area of Hankou Riverside Business District will be constructed as the core financial area in Wuhan under the government's plan. Business atmosphere in this area will be promoted into a better level with construction and completion of Hanzheng Central Service District.

- **Features of Commercial Land Supply in Hankou Riverside Business District**

According to analysis of commercial land supply in Hankou Riverside Business District, there have been two transactions recently; P(2016)157 with a price of RMB11,947/m² by Fosun Group, and P(2015)149 with a price of RMB10,098/m² by Wuhan Xinzhenxinyuan Property. According to that, price of commercial land is over RMB10,000/m². Total cost of prime office buildings in this area will exceed RMB20,000/m² after adding the construction cost. Price of commercial property in this area will further increase in the future with rise of land price and construction cost.

- **Development Prospect**

Hankou Riverside Business District is located in the core section of the Yangtze River Spindle and it will develop into hubs of high-end commercial service industry. Hanzheng Street Central Service District, the key project of Wuhan, is in progress. Development of this area will enter new heights after 3-5 years.

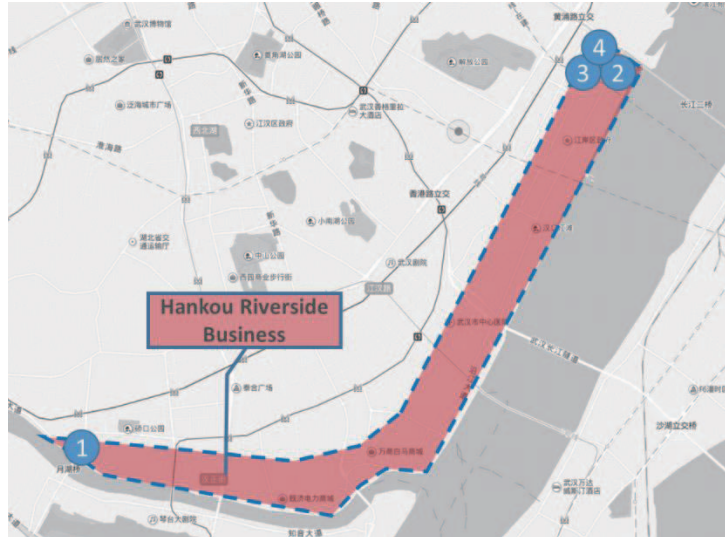
2.3.2 Overview of Prime Office Buildings Market in Hankou Riverside Business District

Hankou Riverside Business District, as an emerging business district with its advantage of the core location of Wuhan and unique riverside landscape resources, will become a business cluster similar to Lujiazui Riverside Business District in Shanghai.

Currently, Hankou Riverside Business District is still in the startup stage of development. Given that many office buildings in this area are in their planning stage, the scale of business cluster is limited. The landmark office buildings in this area are Yuexiu Fortune Centre and Corporate Centre Series. With the launch of new office buildings along the Yangtze River Spindle and Hanzheng Street, office buildings in this area will be lined up as a large-scale riverside business cluster.

The area has entered into a brand new supply stage of prime office buildings after the 4-year construction of the Corporate Centre A5. The launch of Corporate Centre A3 and Yuexiu Fortune Centre in 2016 signifies the rapid development of Hankou Riverside Business District. It attracted several Fortune 500 companies, consulates, FIEs and local high-quality companies with its scarce inner ring resources, outstanding riverside views and reputable property developers.

Picture 9: Distribution of Prime Office Buildings in Hankou Riverside Business District



Source: Cushman & Wakefield

- International Grade A Office Buildings (1: Yuexiu Fortune Centre)
- Grade A Office Buildings (2: Corporate Centre A5, 3: Corporate Centre A2, 4: Corporate Centre A3)

2.3.3 Stock and Supply of Prime Office Buildings in Hankou Riverside Business District

The launch of Corporate Centre A5 (Pingan Financial Centre) in 2011 marked the first prime office building to enter the market in the Hankou Riverside Business District. Supply has since increased. The current stock GFA of prime office buildings in this area is 295,656 sq.m., which is 30.34% of the total supply of prime office buildings in Wuhan. This area is one of the business districts with the largest supply of prime office buildings in Wuhan.

Figure 21: Stock and Supply of Prime Office Buildings in Hankou Riverside Business District, as of the 1st half of 2017 (m²)

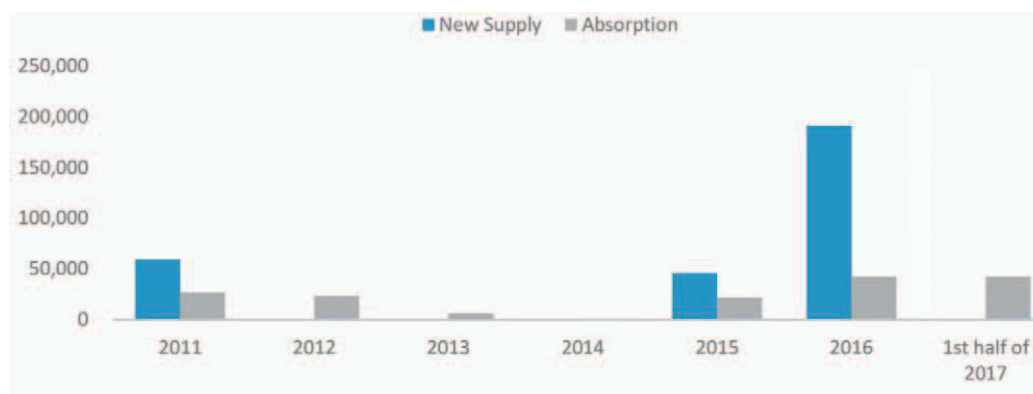


Source: Cushman & Wakefield

2.3.4 Analysis of Absorption, Vacancy Rate and Rent of Prime Office Buildings in Hankou Riverside Business District

Absorption rate of prime office in Hankou Riverside Business District has been consistently high. There was only one office building, Corporate Centre A5 in Hankou Riverside Business District prior to 2015. Corporate Centre A5 expanded its market share in Wuhan’s prime office market rapidly, by successfully attracting high-quality tenants with its top-tier facilities and services. During 2015 to 2016, Corporate Centre A2 was well received in the market after its launch and accounted for one third of absorption of prime office buildings in Wuhan.

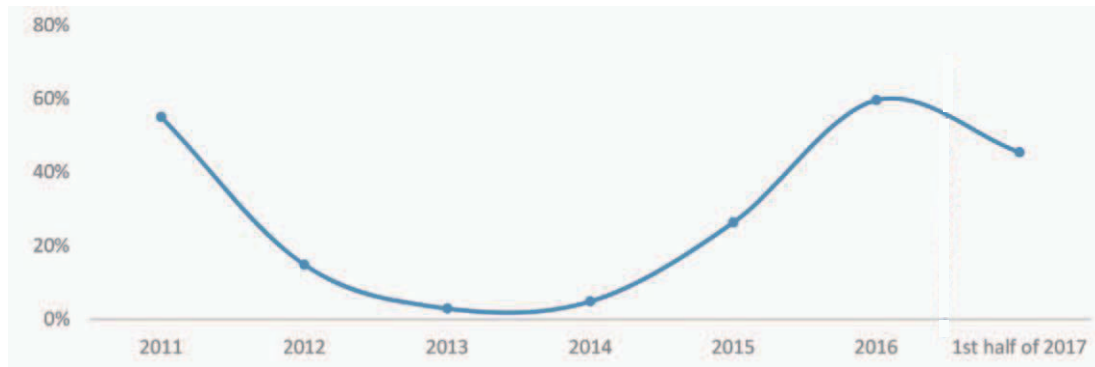
Figure 22: Analysis of Absorption of Prime Office Buildings in Hankou Riverside Business District, as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

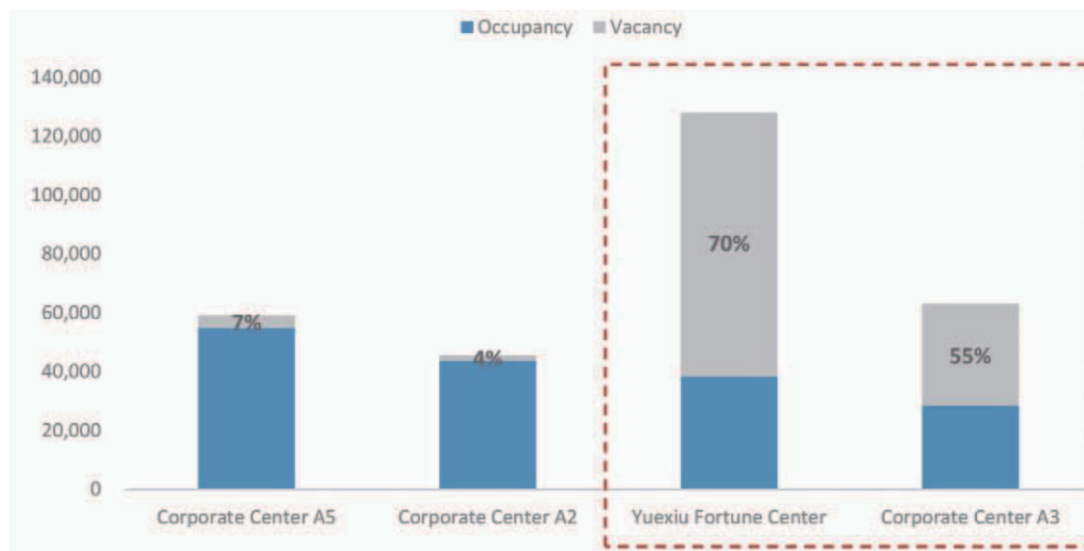
In the 3rd quarter of 2015, the launch of Corporate Centre A2 brought new supply of 45,602 sq.m. to the market. In fourth quarter of 2016, the launch of Yuexiu Fortune Centre and Corporate Centre A3 brought new supply of 183,053 sq.m. to the market thus the vacancy rate in such district climbed from 5% in 2014 to 26% in 2015, and reached 59.9% by the end of 2016. In addition to the new supply, Wuhan’s general market practice of not starting leasing process until only after delivery of the completed office building instead of pre-leasing also contributed to the rapid hike in vacancy rate immediately after office buildings commenced operation. Vacancy rate decreased gradually after delivery of office buildings. Vacancy rate in Hankou Riverside Business District decreased rapidly to 45% as of the 1st half of 2017, showing a continuous trend of decline. According to analysis of market in this area, despite the two new prime office buildings, the vacancy rate of matured office buildings Corporate Centre A5 and A2 are both lower than 10%. Hankou Riverside Business District has a strong track record of average absorption rate of 3,100-4,000 m²/month, which is better than similar office building in other areas in Wuhan.

Figure 23: Vacancy Rate of Prime Office Buildings in Hankou Riverside Business District, as of the 1st half of 2017



Source: Cushman & Wakefield

Figure 24: Vacancy Rate of Prime Office Buildings in Hankou Riverside Business District, as of the 1st half of 2017 (m²)

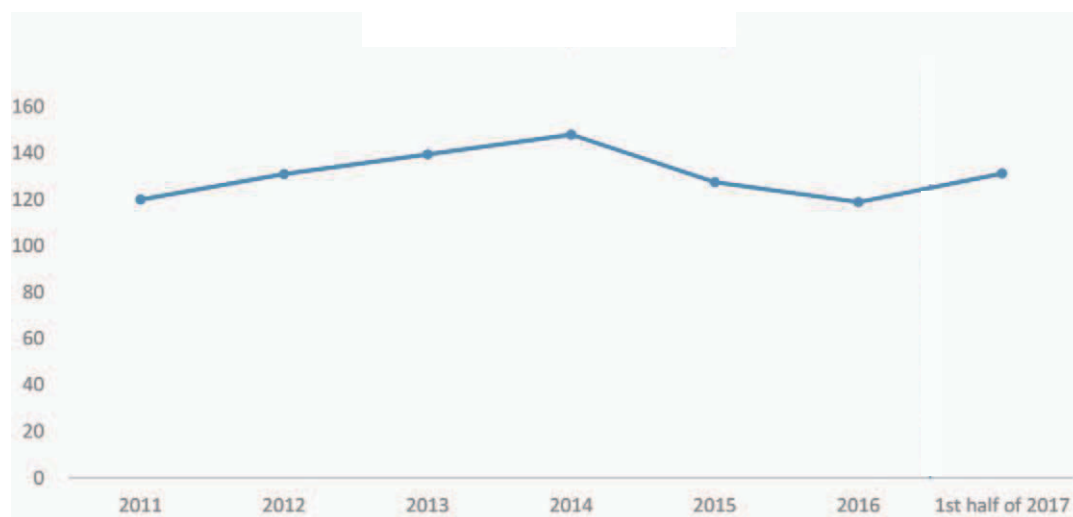


Note: Office buildings in the red box are new buildings that entered the market during the 4th quarter of 2016.

Source: Cushman & Wakefield

The rent in this area has increased rapidly from RMB120/m²/month to RMB148/m²/month during the 4 years after the launch of Corporate Centre A5 in 2011. As a result of the strategy of leasing lower floors of newly-launched office buildings first, the rent of prime office buildings in this area fluctuated in 2015. For instance, the rent of Corporate Centre A2 in 2015 is RMB120/m²/month, which had a negative impact on the average rent in this area for the short term. With improvements in occupancy rate and leasing of upper floors, rent of this office building will continue to increase.

**Figure 25: Analysis of Average Rent of Prime Office Buildings in Hankou Riverside Business District,
as of the 1st half of 2017 (RMB/m²/month)**



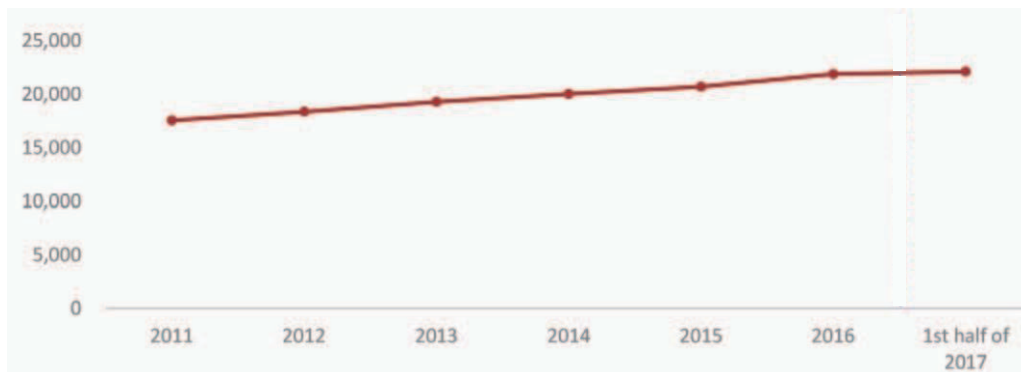
Source: Cushman & Wakefield

2.3.5 Capital Value (CV) of Prime Office Buildings in Hankou Riverside Business District

CV of prime office buildings in Hankou Riverside Business District is higher than other areas. Taking Corporate Centre Series developed by Shui On Group as an example, the existing office buildings (Corporate Centre A2 / A3) were sold at around of RMB20,000/m² in office investment transaction. The Corporate Centre A1, a super high-rise building which will be launched by 2020, was also sold at a price of RMB19,000/m² to CITIC Pacific.

High-end office buildings in Hankou Riverside Business District is scarce in the market. Therefore, they draw attention once they enter the market. Affected by an increasing land price and positive impact from government plans, the price of office buildings in Hankou Riverside Business District in Wuhan is expected to continue rising in the future.

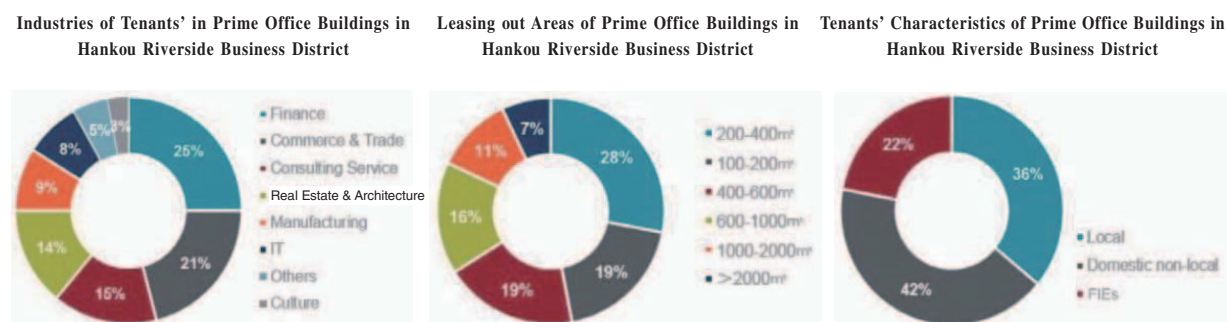
Figure 26: CV of Prime Office Buildings in Hankou Riverside Business District, as of the 1st half of 2017 (RMB/m²)



Source: Cushman & Wakefield

2.3.6 Analysis of Tenants’ Features of Prime Office Buildings in Hankou Riverside Business District

Figure 27: Analysis of Tenants of Prime Office Buildings in Hankou Riverside Business District



Source: Cushman & Wakefield

Tenants of prime office buildings are spread evenly in terms of industries. The proportion of tenants in the financial industry, commerce and logistics industry, consulting service industry and real estate & architecture industry is relatively higher, i.e. over 10% each. Most tenants rent small spaces. The proportion of leasing area which accounts for 600 m² is as high as 66%. These tenants are mostly domestic non-local companies which accounts for approximately 42%.

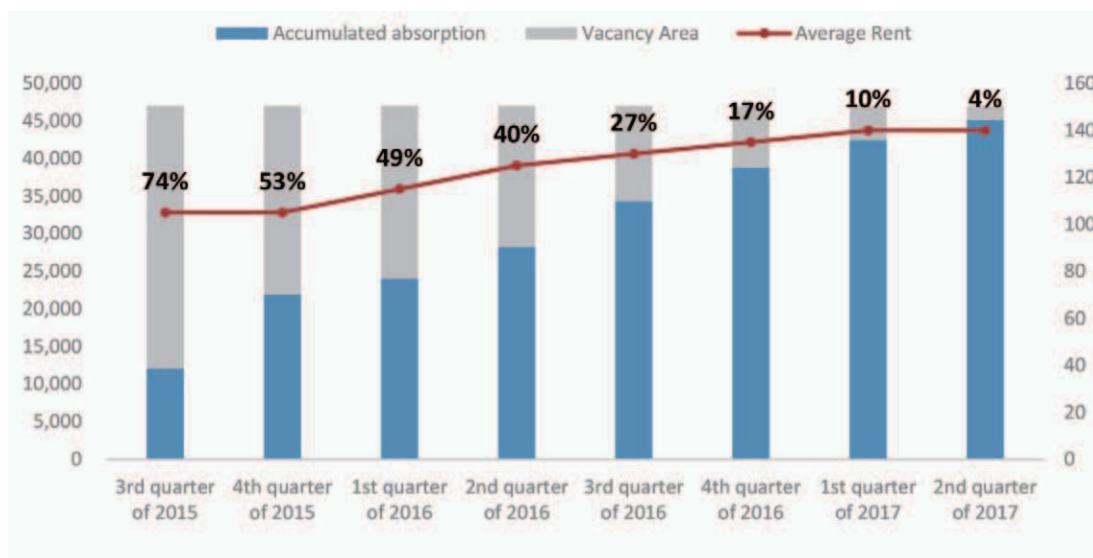
2.3.7 Analysis of Benchmark Office Building

- Corporate Centre A2 (Universal Intelligence Centre)

Corporate Centre A2 is located at Yongqing Street of Jiangan District, with a total GFA of 45,602 sq.m. and an area of 2,000 sq.m. per floor. There are a total of 30 floors for the office portion of the building. It was completed in the 3rd quarter of 2015 and was sold to Wuhan Sanyangliyuan at a price of RMB21,400/m² in 2015. The property management team and leasing team of Shui On are providing property and leasing services for such project, respectively.

The absorption rate of Corporate Centre A2 has been high since its launch in 2015. Average rent rose quarter by quarter during its mature stage. The average absorption rate reached 3,368 m²/month, higher than most comparable prime office buildings in Wuhan at that time.

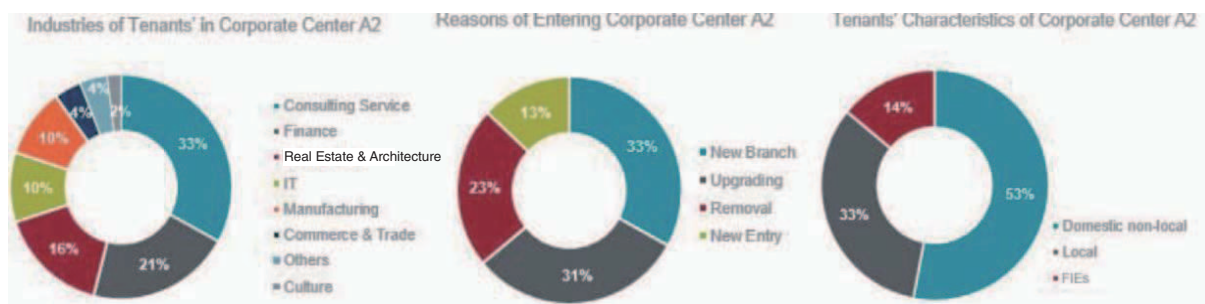
Figure 28: Overview of Leasing of Corporate Centre A2, as of the 1st half of 2017 (m²(LHS), RMB/m²/month (RHS))



Source: Cushman & Wakefield

The top four tenants are all in high-end industries and are able to afford high rents. Over 50% of tenants are domestic non-local companies. The main source of tenants is companies which set up new branches.

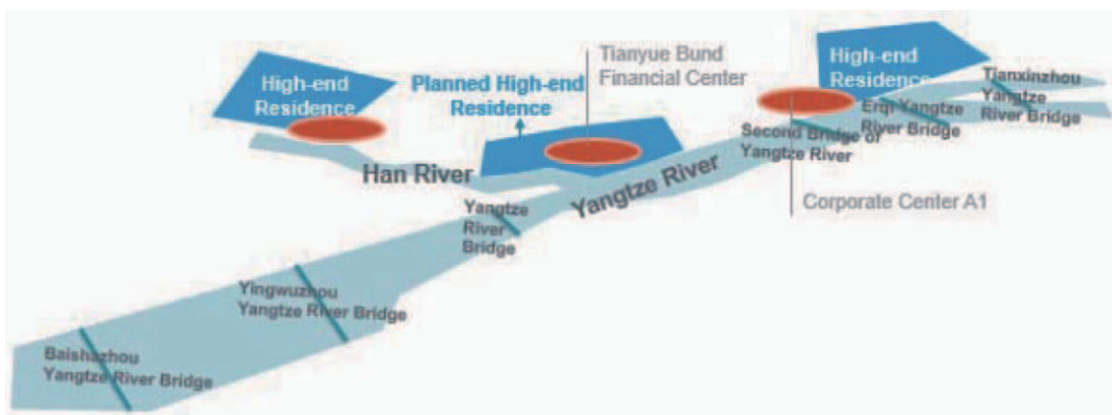
Figure 29: Analysis of Tenants of Corporate Centre A2



Source: Cushman & Wakefield

2.3.8 Analysis of prospect of Hankou Riverside Business District

Picture 10: Supply and Distribution of Office Buildings in Hankou Riverside Business District in the Future



Source: Wuhan Land Resources and Planning Bureau

As the most mature office area in Wuhan, Hankou will serve as a major business district in Wuhan in the future.

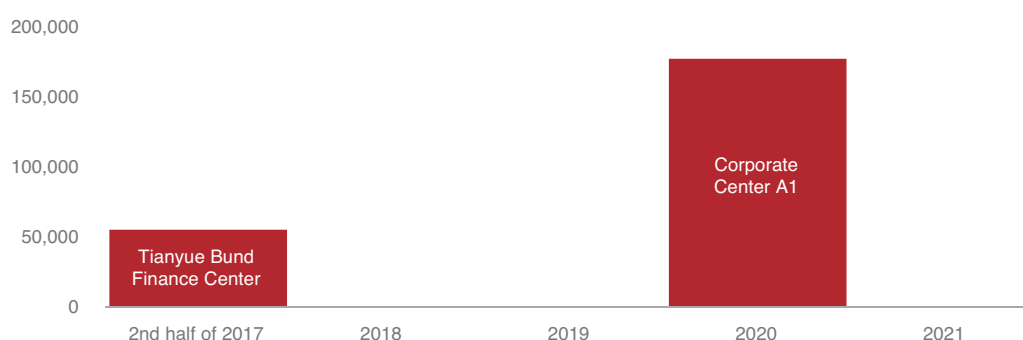
Being the core area of Wuhan, Hankou Riverside Business District has attracted many FIEs, such as Hang Lung Properties, New World Group and Hutchison Whampoa to invest in the area. This area will be constructed as a high-end business district with advantages of landscape resources, concentration of industry and business cluster;

Yuexiu Fortune Centre, which is the first and the only International Grade A office building in the Hankou Riverside Business District and in the Yangtze River Spindle planned area, has the first-mover advantage and will attract corporate tenants that move in from other areas or look for an upgrade in office environment.

2.3.9 Supply and Absorption Forecast of Prime Office Buildings in Hankou Riverside Business District

Two prime office buildings are expected to be launched in Hankou Riverside Business District during the 2nd half of 2017 to 2021 with a total GFA of 232,265 sq.m., one of which is Corporate Centre A1, an International Grade A office building. It will be launched in 2020, bringing a GFA supply of 177,117 sq.m.. This office building was bought by CITIC Pacific in 2016.

Figure 30: Supply Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021 (m²)



Source: Cushman & Wakefield

As there is no new supply of prime office buildings during 2018 to 2019, the market will be at the stage of stock absorption in this period. In terms of future area developments, demand will mainly be driven by 4 aspects: 1) There are many outdated office buildings in this area and some will be demolished. Tenants in these buildings will have to relocate to other office buildings for upgrading. This will bring absorption of prime office buildings within the area; 2) The status as a National Central City will attract more companies to set up their Central China headquarters in Wuhan. High-quality buildings with landscape resources and convenient transportation will draw their attention; 3) Policies on investment promotion from the government will attract new businesses to invest in Wuhan; 4) Companies from Hanyang will seek to upgrade their office as their business develop. However, there are no prime office buildings that accommodate their requirement. These companies will turn to prime office buildings closest to Hanyang. Combined with the absorption of existing office buildings, we predict that by the end of 2021, the average absorption will reach about 72,518 sq.m. annually.

Figure 31: Absorption Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021 (m²)

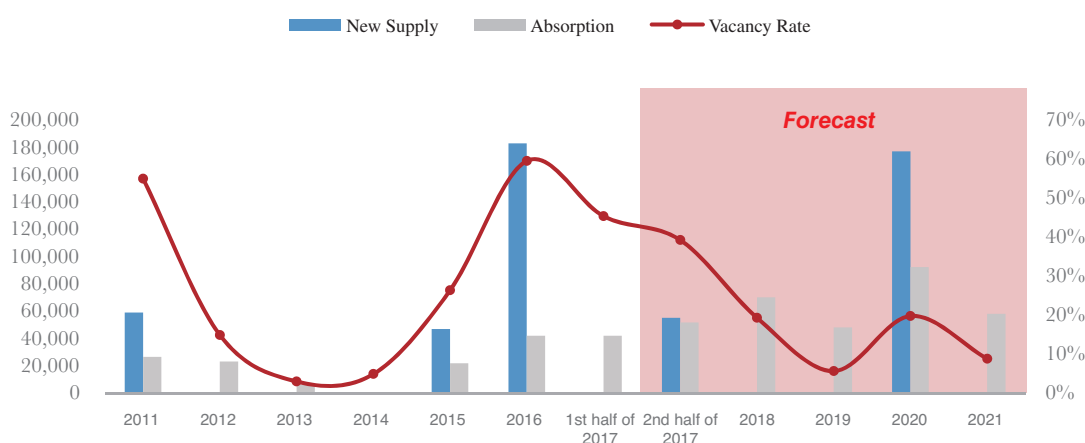


Source: Cushman & Wakefield

2.3.10 Vacancy Rate and Rent Forecast of Prime Office Buildings in Hankou Riverside Business District

Only two prime office buildings are expected to be launched in this area during the 2nd half of 2017 to 2021. Hence, this area will enter into a stage of stock absorption of prime office buildings. According to a forecast on absorption rate and the actual absorption of existing office buildings, we predict that vacancy rate will fall to 8.8% by the end of 2021.

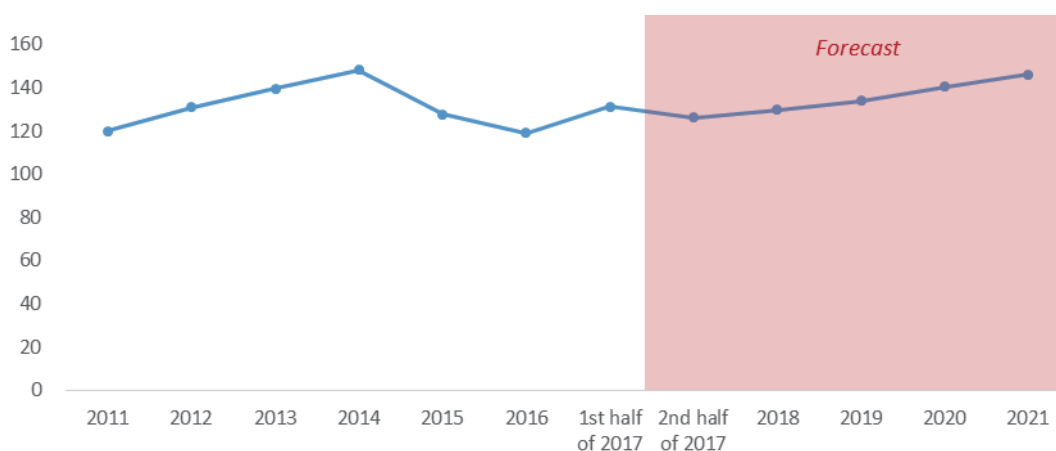
Figure 32: Vacancy Rate Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021 (m²)



Source: Cushman & Wakefield

Average rents of office buildings in the Hankou Riverside Business District will benefit from policies for development of this area, especially the plan of the Yangtze River Spindle. Therefore, we predict that the rent growth in Hankou Riverside Business District will be faster than other areas and the transition across different leasing periods of each office building will become smoother in this area. The average annual growth rate is projected to be around 3%-5% during the 2nd half of 2017 to 2021. It is expected that the average rent in this area will reach RMB146/m²/month by 2021, up by 11.26% compared to the 1st half of 2017.

Figure 33: Rent Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021 (RMB/m²/month)



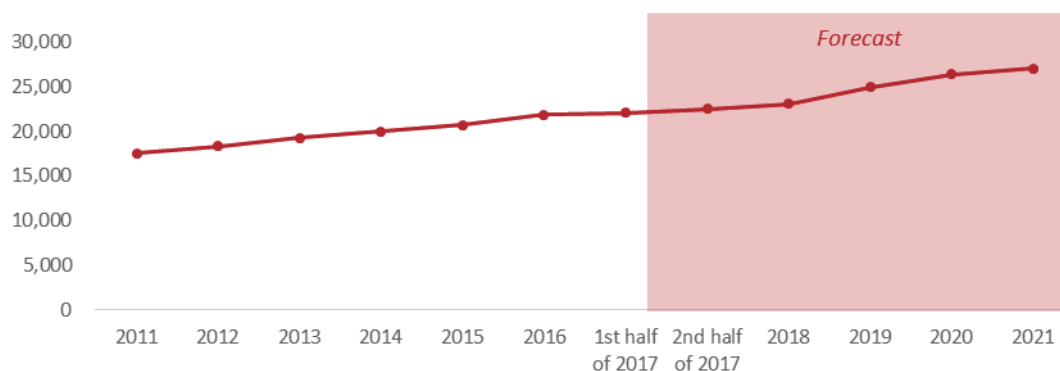
Source: Cushman & Wakefield

Table 12: Rent Growth Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021

Year	Rent Growth of Office Buildings in Hankou Riverside Business District
2nd half of 2017 forecast	-3.96%
2018 forecast	3.00%
2019 forecast	3.00%
2020 forecast	5.03%
2021 forecast	4.07%

Source: Cushman & Wakefield

2.3.11 Future CV Forecast of Prime Office Buildings in Hankou Riverside Business District

Figure 34: CV Forecast of Prime Office Buildings in Hankou Riverside Business District, as of the end of 2021 (RMB/m²)

Source: Cushman & Wakefield

Table 13: CV Annual Growth Forecast of Office Buildings in Hankou Riverside Business District, as of the end of 2021

Year	CV Growth of Office Buildings in Hankou Riverside Business District
2nd half of 2017 forecast	1.68%
2018 forecast	2.78%
2019 forecast	8.10%
2020 forecast	5.63%
2021 forecast	2.37%

Source: Cushman & Wakefield

On one hand, the cost of office buildings continues to rise due to increasing land price and construction cost. On the other hand, CV of Hankou Riverside Business District will increase through promotion from multiple policies, such as the Yangtze River Spindle plan. Therefore, CV of prime office buildings will continue to increase with an annual average growth rate of 4.5% for the next 5 years. By the end of 2021, CV will reach a historic high of RMB26,996/m².

3.0 Overview of Retail Market in Wuhan

3.1 Prime Retail Property Market in Wuhan

3.1.1 Characteristics of Prime Retail Property

According to Cushman & Wakefield definition, prime retail properties in Wuhan should in general follow most of the following characteristics:

- Located either in core commercial areas (where most of them are comprehensive malls) or near large-scale residential areas (where most of them are neighborhood malls)
- GFA of retail section of over 20,000 sq.m.
- Used for commercial operations, including retail, F&B, entertainment and services
- Diversified business mix, including retail and F&B sectors
- Developed as an independent commercial centre instead of being transformed from or located within any office building or residence
- High-quality property management services

3.1.2 Distribution of Prime Retail Properties in Wuhan

The commercial areas in Wuhan have developed from 11 traditional areas to multiple trading belts. Given the outstanding performance of emerging commercial projects, a strip of multiple commercial areas has been formed.

Picture 11: Distribution of Commercial Areas in Wuhan



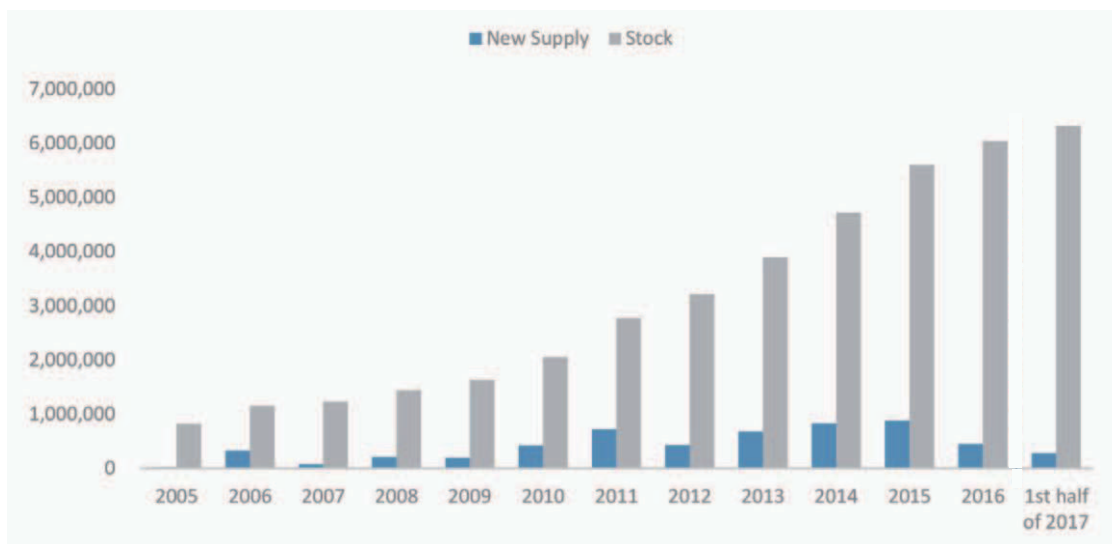
Source: Cushman & Wakefield

3.1.3 Stock and Supply of Prime Retail Property in Wuhan

Total supply of GFA of prime retail properties reached 5,518,886 sq.m. in the past few years. The average annual supply of prime retail properties is approximately 664,589 sq.m. and the expected new supply in the next 5 years will reach 593,559 sq.m. per year. The future supply of prime retail properties from Wuguang Commercial Area will be the largest in Hankou and its status as the core commercial area in Wuhan will be strengthened continuously.

Wuhan Tiandi (launched in 2007) and Lingjiaohu Wanda (launched in 2010) promoted the development of retail blocks and shopping malls in Wuhan. Moreover, many new brands were introduced to Wuhan at that time, improving the commercial level and image of Wuhan. With the launch of Wuhan International Plaza and Wanda Han Street in 2011, development of Wuhan's high-end retail market entered a new stage. There were retail projects with GFA of 723,000 sq.m. completed in 2011 and since then, Wuhan's retail market entered a stage of rapid development with the launch of several mega shopping centres, such as Wanda Shopping Centre, Star City, AEON, Capital Plaza, LIVAT Centre and Horizon. On average, 1-2 prime retail projects launched annually. Xintang Vanke Plaza and Yuexiu Starry Victoria Shopping Centre, as neighborhood malls, are different from other projects in terms of target consumer and trade mix.

Figure 35: Stock and Supply of Prime Retail Properties in Wuhan, as of the 1st half of 2017 (m²)

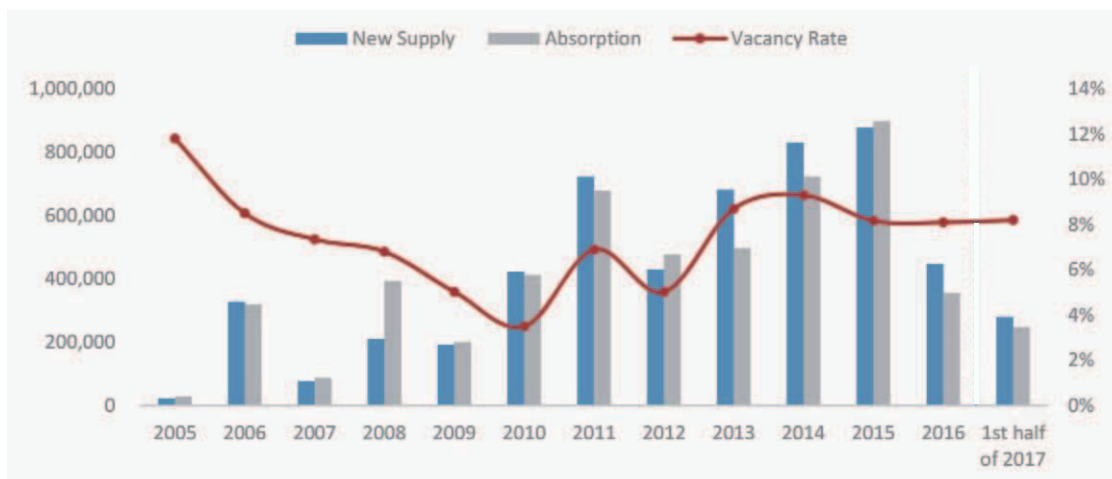


Source: Cushman & Wakefield

3.1.4 Analysis of Absorption and Vacancy Rate

Wuhan's retail market developed rapidly in the past years. The affluent class is growing in Wuhan and Hubei province and consumer recognition on luxury brands has increased. There is a rising trend on the consumption and purchase of luxury product and high-end consumer goods by affluent customers. The annual turnover of Wuhan International Plaza has remained stable at around RMB3.7-4.2 billion since 2011, which ranked among top 10 shopping centres in China. With the establishment of "1+8 Cities Circle" strategy, many high income customers rushed into Wuhan for shopping and investment, which in turn attracted more luxury brands and well-known brands to enter Wuhan. Due to continuous growing demand and limited supply, vacancy rate decreased from 12% in 2005 to 3.5% in 2010. Vacancy rate will rise slightly in the future with the launch of numerous new projects.

Figure 36: Absorption and Vacancy Rate of Prime Retail Properties in Wuhan, as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

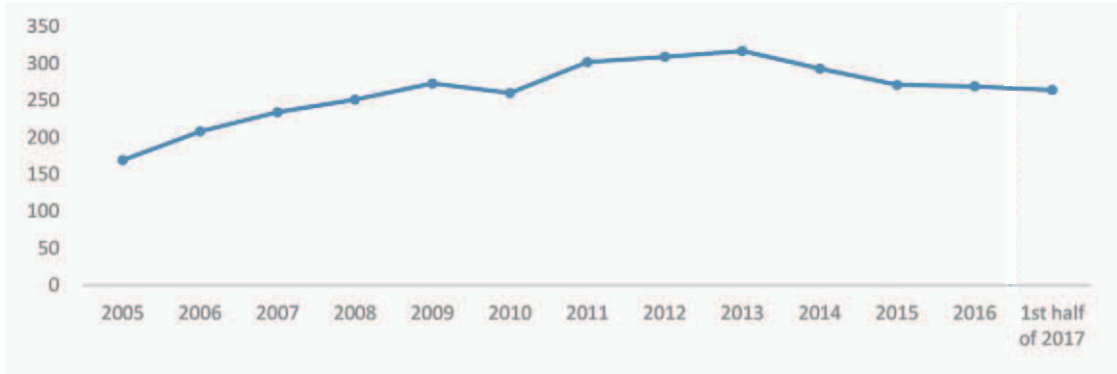
3.1.5 Analysis of Rent of Ground Floor and CV for Prime Retail Properties

Due to an increase in demand, the average rent of ground floor prime retail properties increased rapidly from 2005 to 2012, with a slight decrease between 2008 and 2009 due to the Global Financial Crisis. After the launch of the first shopping mall in Wuhan (Lingjiaohu Wanda) in late 2010, the rent of ground floor prime retail properties began to rise quickly, reaching RMB302/m²/month in 2011, up by 16% y-o-y. The rent maintained at a high level and the average rent of ground floor prime retail properties in Wuhan reached RMB264/m²/month by the 1st half of 2017.

The average rent of ground floor prime retail projects ranges from RMB220/m²/month to RMB585/m²/month as of the 1st half of 2017, depending on the tenant mix and leasing strategy. Retail properties located in mature and prime areas with a professional property management and stable tenant mix will achieve the highest rent.

As the tenant mix of traditional shopping centres consists mainly of apparel, jewelry and cosmetics tenants, while the tenant mix of neighborhood malls consists mainly of household consumer brands, the rent of ground floor neighborhood malls, which is around RMB100-240/m²/month, is usually lower than the traditional shopping centres. For instance, the rent of ground floor of Xintang Vanke Plaza is RMB100-240/m²/month, with tenants such as Starbucks, McDonald's, Mannings and exhibition hall of Vanke, as well as some fast fashion brands. The rent of ground floor of Yuexiu Starry Victoria Shopping Centre is RMB80-240/m²/month, with tenants including KFC, China Construction Bank, Codow and Qinjin Fruits, which is mainly targeted at household customers.

Figure 37: Rent of Ground Floor for Prime Retail Properties in Wuhan (calculated with leasable area), as of the 1st half of 2017 (RMB/m²/month)

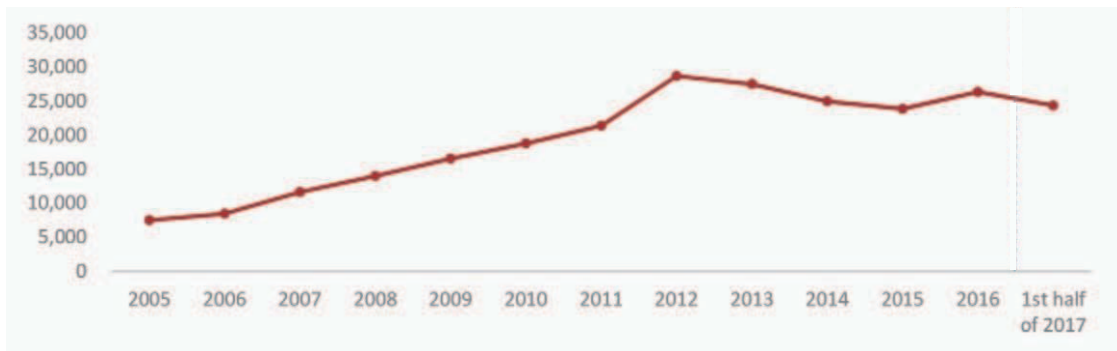


Source: Cushman & Wakefield

The Wuhan retail property sales market is mainly for strata-title sale. There was no en-bloc transaction in the market recorded.

CV of prime retail properties has been increasing steadily, driven by continuous increase in rent, low vacancy rate and limited supply. It rose from RMB7,532/m² in 2005 to RMB24,326/m² by the 1st half of 2017.

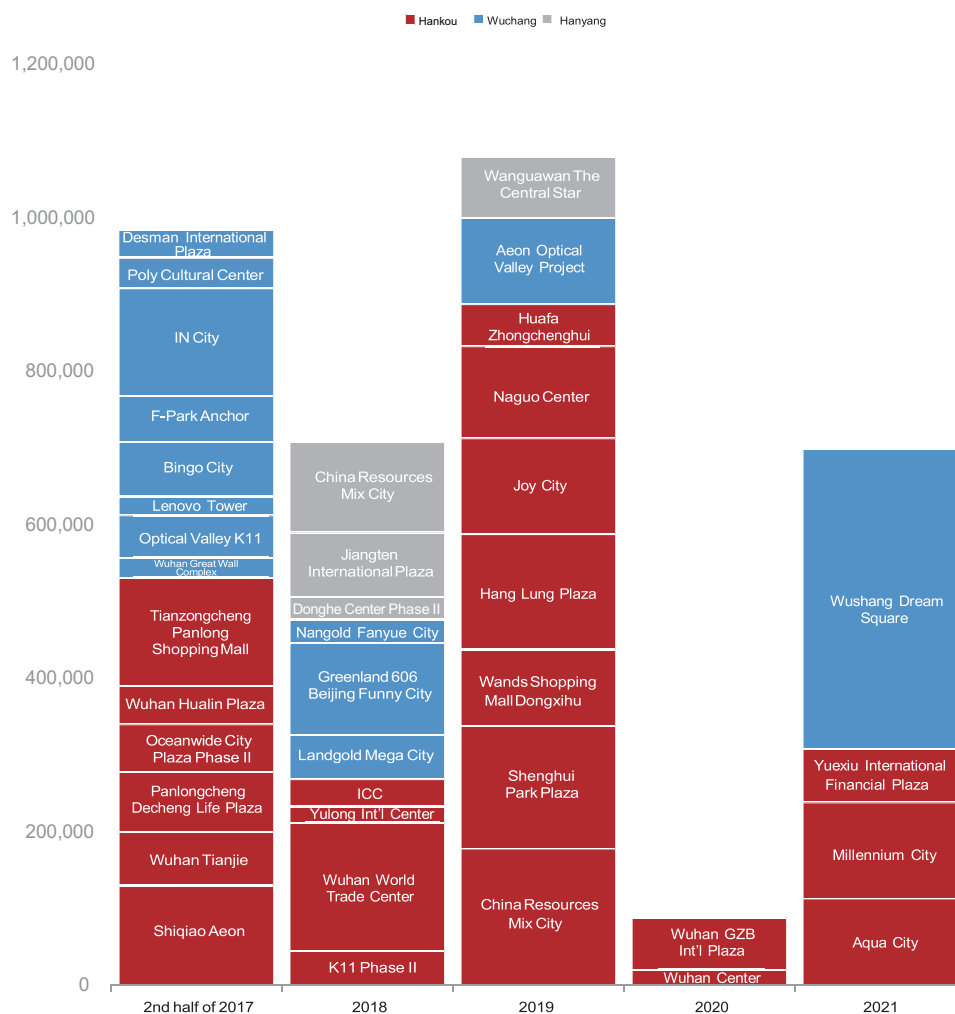
Figure 38: CV of Prime Retail Properties in Wuhan (calculated with leasable area), as of the 1st half of 2017 (RMB/m²)



Source: Cushman & Wakefield

3.1.6 Supply Forecast of Prime Retail Properties in Wuhan

Figure 39: Supply Forecast of Prime Retail Properties in Wuhan, as of the end of 2021 (m²)



Source: Cushman & Wakefield

3.1.7 Absorption and Vacancy Rate Forecast of Prime Retail Properties in Wuhan

The next major round of supply of prime retail properties will be in the 2nd half of 2017. Based on the market trend during 2010 to 2015, vacancy rates of prime retail properties in Wuhan will increase for a certain period and then begin to decrease as a result of a reduction in supply. Vacancy rates of the market in Wuhan will fluctuate between 9%-12% in the next few years and eventually fall to 11.53% by the end of 2021. Although e-commerce has a negative impact on the retail sector, it will lead to trade mix and branding adjustment; more experience-based, family-oriented and business services retailers will be introduced to achieve a higher absorption rate.

Figure 40: Absorption and Vacancy Rate Forecast of Prime Retail Properties in Wuhan, as of the end of 2021 (m²)



Source: Cushman & Wakefield

3.1.8 Spot Rent Forecast of Ground Floor Commercial Space of Prime Retail Properties in Wuhan

Rent of ground floor for prime retail properties in Wuhan will fluctuate until the end of 2018. However, with the launch of Hang Lung Plaza, China Resources Mix City and other projects in 2019, a new batch of high-quality retailers, such as APPLE and CHANEL, will enter Wuhan’s market and the rent will further increase. We predict that the rent of ground floor prime retail properties in Wuhan will rise to RMB291/m²/month by the end of 2021, representing a 10.2% increase compared to the 1st half of 2017.

Figure 41: Rent Forecast of Ground Floor for Prime Retail Properties in Wuhan (calculated with leasable area), as of the end of 2021 (RMB/m²/month)

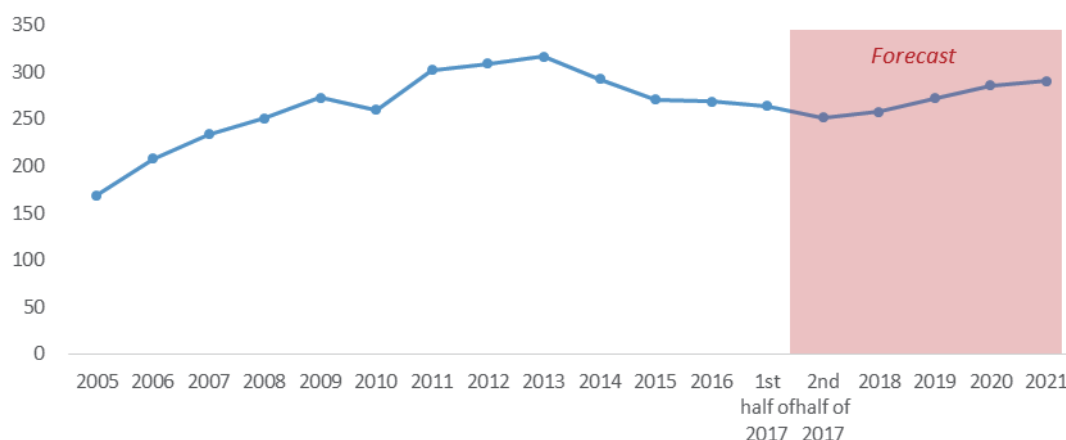


Table 14: Annual Growth Rate Forecast of Rent of Ground Floor for Prime Retail Properties in Wuhan (calculated with leasable area), as of the end of 2021

Year	Growth Rate of Rent of Ground Floor for Prime Retail Properties in Wuhan
2nd half of 2017 forecast	-4.55%
2018 forecast	2.38%
2019 forecast	5.43%
2020 forecast	5.15%
2021 forecast	1.75%

Source: Cushman & Wakefield

3.1.9 CV Forecast of Prime Retail Properties in Wuhan

CV of prime retail properties in Wuhan is expected to experience a stable increase from the 2nd half of 2017. Due to the restriction policy on residential properties purchase, speculation is expected in prime retail properties which have no restriction policy. However, investors would be more rational as compared to 2011-2012 and would pay more attention to retail properties developed and managed by Tier 1 cities developers, mature operations team and with stable customer source. We predict that the CV of prime retail properties in Wuhan will reach RMB27,158/m² by the end of 2021, representing a CAGR of 2.5%.

Figure 42: CV Forecast of Prime Retail Properties in Wuhan (calculated with GFA), as of the end of 2021 (RMB/m²)

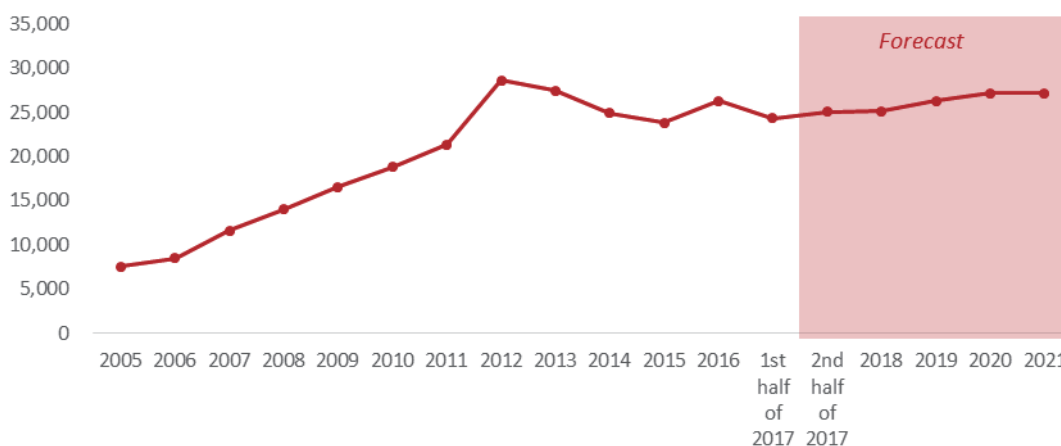


Table 15: Annual Growth Rate Forecast of CV of Prime Retail Properties in Wuhan
(calculated with GFA), as of the end of 2021

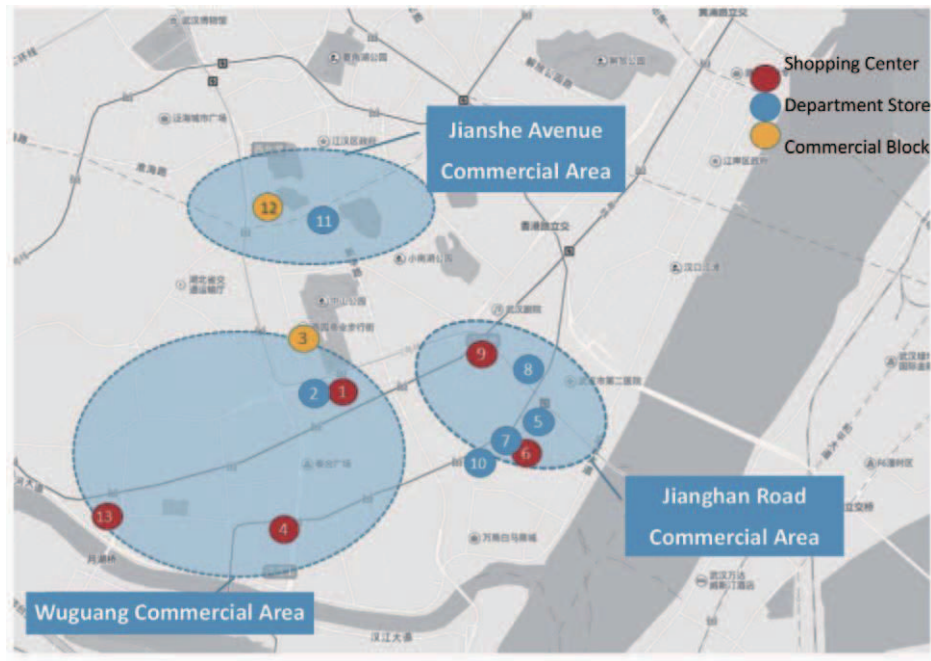
Year	Growth Rate of CV of Prime Retail Properties in Wuhan
2nd half of 2017 forecast	3.08%
2018 forecast	1.36%
2019 forecast	4.82%
2020 forecast	3.18%
2021 forecast	0.00%

Source: Cushman & Wakefield

3.2 Retail Market in Hankou and the Wuguang Commercial Area

3.2.1 Overview of Prime Retail Properties Market in Hankou

Picture 12: Distribution of Commercial Area and Prime Retail Properties in Hankou



Source: Cushman & Wakefield

- **Main Commercial Areas:**

Wuguang Commercial Area, Jianshe Avenue Commercial Area, Jiangnan Road Commercial Area

- **Existing Main Prime Retail Properties**

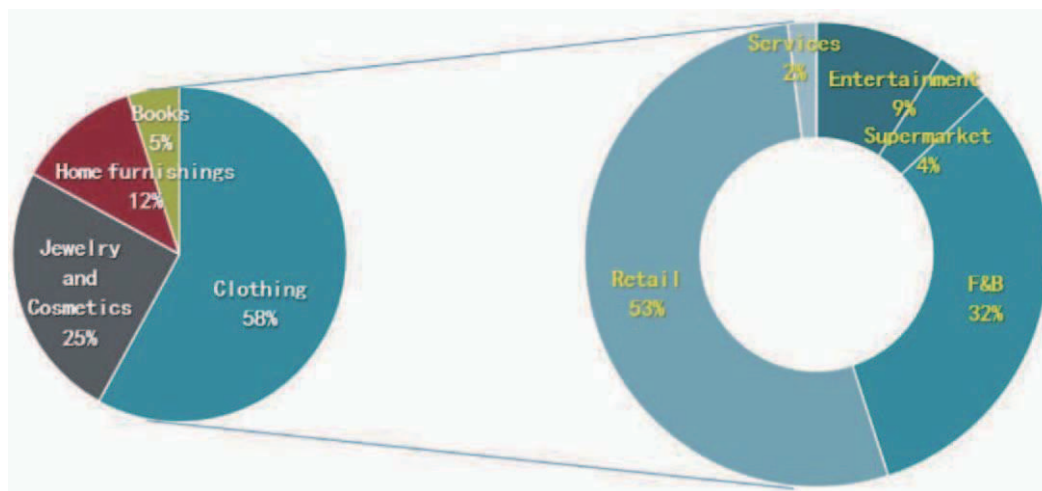
1: Wuhan International Plaza, 2: Wuhan Plaza, 3: West Park, 4: Capital Plaza, 5: Wangfujing Department Store, 6: Mosaic Plaza, 7: Grand Ocean Department Store, 8: New World Department Store (New World Centre Branch), 9: M+ Shopping Centre, 10: People's Paradise, 11: New World Department Store (New World International Trade Tower Branch), 12: Garden Road, 13: Yuexiu Starry Victoria Shopping Centre.

3.2.2 Introduction to Wuguang Commercial Area

Wuguang Commercial Area is the most developed retail commercial area in Wuhan. Wuhan International Plaza, which was launched in 1996 with a total GFA of more than 557,900 sq.m., is the core of Wuguang Commercial Area and it defined Wuguang Commercial Area as a high-end retail area. Wuhan International Plaza and Wusheng Road are the two core sections of Wuguang Commercial Area. Cohesion of Wuguang Commercial Area will be improved after the launch of Hang Lung Plaza and New World K11 in the future and the core status of Wuguang Commercial Area will be further strengthened. Wuhan International Plaza is the only ultra high-end retail project that consolidates the top luxury brands. Its tenants include all top international luxury brand currently in Wuhan.

Wuguang Commercial Area is one of the top commercial areas in Wuhan. As Hanzheng Street Central Service District is under construction and a huge supply of luxury resident projects will be developed at the riverside area, Wuguang Commercial Area has the potential to attract plenty of high-quality tenants including F&B, entertainment, leisure brands and upstream and downstream brands from the healthcare industry which are supported by the local government. Currently, the F&B and retail sectors occupy the majority of the retail space in the Wuguang Commercial Area.

Figure 43: Current Tenant Mix of Wuguang Commercial Area



Note: It only includes tenants that opened by the 2nd quarter of 2017. Pie chart in the left shows proportion of each segment of retail.

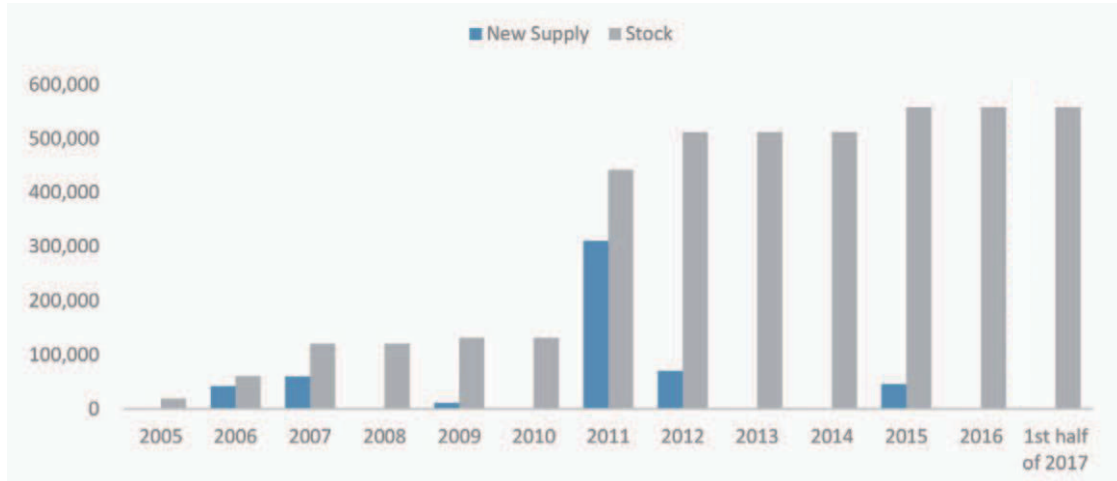
Source: Cushman & Wakefield

The Wuguang Commercial Area attracts both foreign and domestic high-quality tenants. For international brands entering the Wuhan market for the first time, Wuguang Commercial Area would be the first choice. The first flagship store of Apple will be entering Wuguang Commercial Area, enhancing the overall image of the area and attracting consumers from Hubei province and Central China. Moreover, the opening of Hang Lung Plaza will attract high-end retail brands that have yet to enter the Wuhan market, such as CHANEL and other high-end luxury brands.

3.2.3 Stock and Supply of Prime Retail Properties in Wuguang Commercial Area

Total GFA of prime retail properties in Wuguang Commercial Area reached 557,900 sq.m. by the 1st half of 2017. Traditional department stores take up the majority of retail spaces. Wuhan International Plaza Phase II, launched in 2011 with a GFA of 310,000 sq.m., sharply increased the GFA of prime retail properties in Wuguang Commercial Area from 131,900 sq.m. in late 2010 to 441,900 sq.m.. Wuhan International Plaza Phase II is the only shopping centre in Wuhan with a single building that has a GFA of over 300,000 sq.m.

Figure 44: Stock and Supply of Prime Retail Properties in Wuguang Commercial Area, as of the 1st half of 2017 (m²)



Source: Cushman & Wakefield

3.2.4 Analysis of Absorption and Vacancy Rate of Prime Retail Properties in Wuguang Commercial Area

Average annual absorption of prime retail properties in Wuguang Commercial Area was around 50,000 sq.m. by the 1st half of 2017. As the core commercial area of Wuhan, the vacancy rate of the Wuguang Commercial Area remains below 9%. The vacancy rate temporarily increased in 2011 due to the launch of Wuhan International Plaza, which brought a huge supply of tenants to the market. The vacancy rate subsequently decreased as international premium brands began to move in.

Figure 45: Absorption and Vacancy Rate of Prime Retail Properties in Wuguang Commercial Area, as of the 1st half of 2017 (m²)

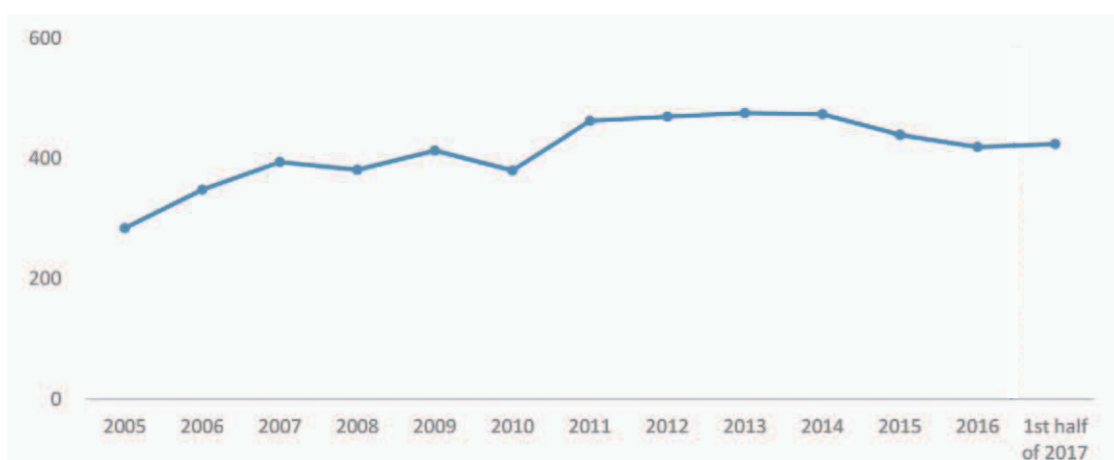


Source: Cushman & Wakefield

3.2.5 Analysis of Rent of Ground Floor for Prime Retail Properties in Wuguang Commercial Area

Rent of ground floor prime retail properties in the Wuguang Commercial Area was RMB424/m²/month as of 1st half of 2017. The rent of the Wuguang Commercial Area was higher than that of other mature commercial areas and the overall market in Wuhan because of the limited supply of prime retail properties in the area and booming demand in recent years. The trade mix in this area mainly consists of reputable apparel & cosmetic brands, as such tenants tend to have higher rental affordability.

Figure 46: Rent of Ground Floor for Prime Retail Properties in Wuguang Commercial Area (calculated with leasable area), as of the 1st half of 2017 (RMB/m²/month)

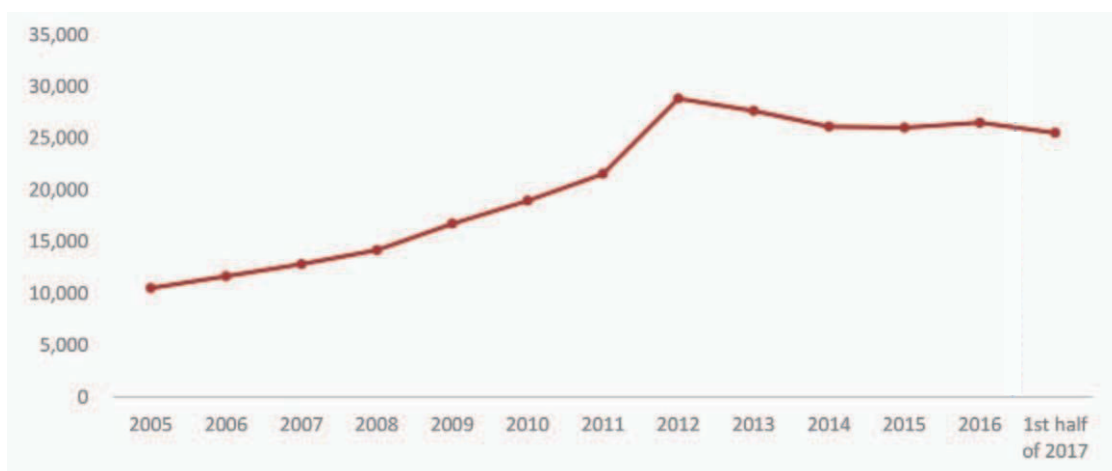


Source: Cushman & Wakefield

3.2.6 Analysis of CV of Prime Retail Properties in Wuguang Commercial Area

Due to high concentration of high-quality retail brands, CV of prime retail properties in Wuguang Commercial Area is higher than the average level in Wuhan. Since there was limited supply and limited sales projects in recent years, the CV was maintained at around RMB26,000/m².

Figure 47: CV of Prime Retail Properties in Wuguang Commercial Area (calculated with GFA), as of the 1st half of 2017 (RMB/m²)



Source: Cushman & Wakefield

3.2.7 Analysis of Prospect of Wuguang Commercial Area

- **Supply Forecast**

It is expected that Wuguang Commercial Area will enter a new supply boom in the next 5 years, especially in 2019 when a number of big scale projects enter the market. The average annual supply will be approximately 125,731 sq.m. and total new supply will reach about 502,924 sq.m. by the end of 2021, resulting that the total GFA of stock for prime retail properties reach over 1,060,824 sq.m., representing 10.7% of the entire market stock of Wuhan. New projects include New World K11, Hang Lung Plaza, Wusheng Road Joy City and Yuexiu International Financial Plaza. GFA of new supply in Wuguang Commercial Area takes up about 19% of total supply of prime retail properties in Wuhan, which will further strengthen the core position of Wuguang Commercial Area.

Picture 13: Distribution of Future Supply of Prime Retail Properties in Wuguang Commercial Area, as of the end of 2021



- **Major supply of prime retail properties in Wuguang Commercial Area in the future: Name of project (Expected completion year)**

2: New World K11 (2018), 3: Hang Lung Plaza (2018), 5: Wusheng Road Joy City (2020), 6: Aqua City (2021), 7: Yuexiu International Financial Plaza (2021)

Source: Cushman & Wakefield

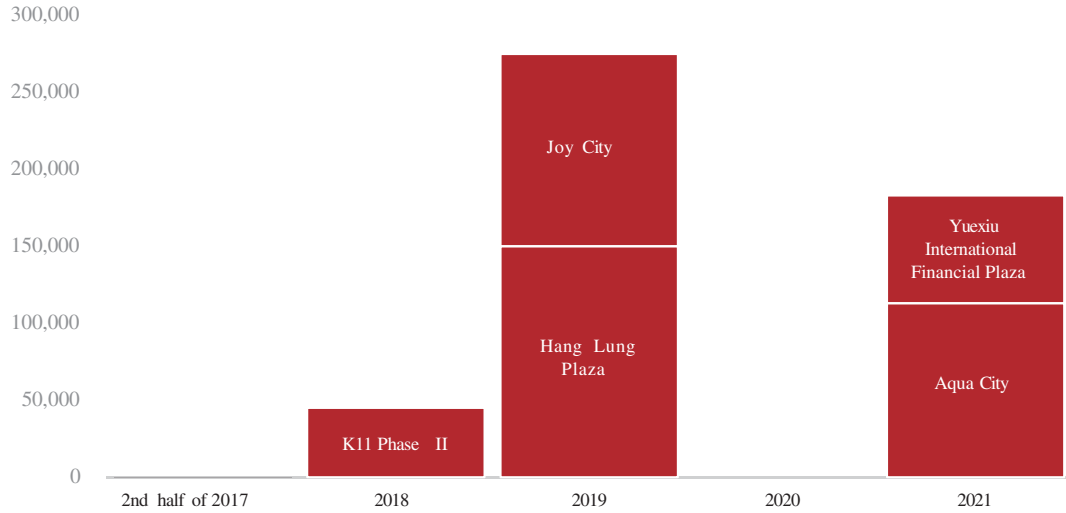
- **Demand Forecast**

The financial service industry and building economy will develop rapidly in Hankou riverside area and Wusheng Road area. Driven by the stable consumer base from a large number of residents and office staff nearby, Wuguang Commercial Area will be more attractive to retailers, providing a strong foundation for future developments.

Facilities of some of the traditional department stores in Wuguang Commercial Area are outdated, which lowers consumers' comfort level and leads to lower market demand. Starry Victoria Shopping Centre is a neighborhood shopping centre that was launched recently and is expected to attract retail tenants that would like to relocate to a property with facility upgrade.

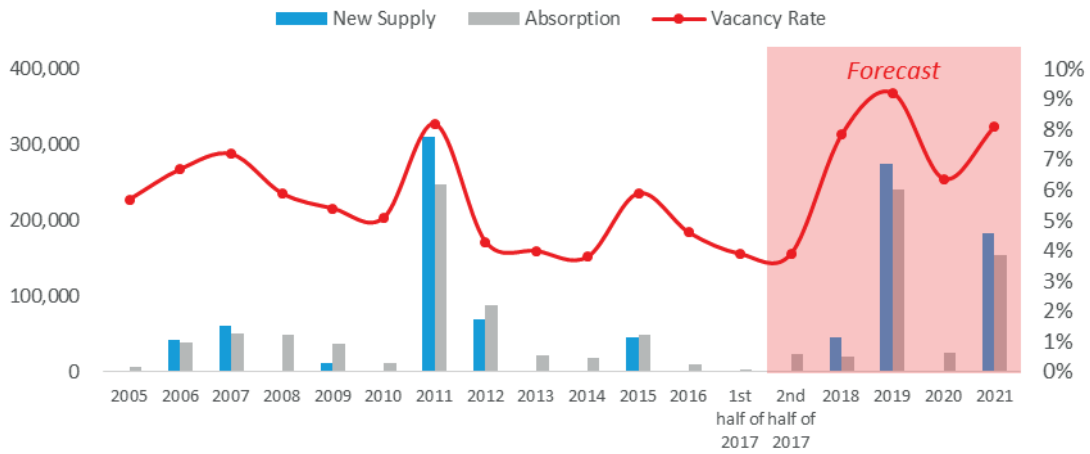
Apart from the sharp increase in vacancy rate in 2019 due to new supply, we predict that the overall vacancy rate of Wuguang Commercial Area will fluctuate between 6% and 8% in the next five years and will reach 8.1% by the end of 2021.

Figure 48: Supply of Prime Retail Properties in Wuguang Commercial Area, as of the end of 2021 (m²)



Source: Cushman & Wakefield

Figure 49: Absorption and Vacancy Rate Forecast of Prime Retail Properties in Wuguang Commercial Area, as of the end of 2021 (m²)



Source: Cushman & Wakefield

• **Rent Forecast**

Rent growth of Wusheng Road area and Riverside area in Wuguang Commercial Area had slowed down due to reconstruction of Zhongshan Avenue since 2015. The rent subsequently rose again after Zhongshan Avenue re-opened in late 2016. We predict that the rent of Wuguang Commercial Area will increase stably from the 2nd half of 2017 to 2021. The annual growth rate will be 3%-5%, which is higher than the average rate of Wuhan. The average rent of ground floor prime retail properties of Wuguang Commercial Area will reach RMB519/m²/month by the end of 2021, 22.41% higher than the 1st half of 2017.

Figure 50: Rent Forecast of Ground Floor for Prime Retail Properties in Wuguang Commercial Area (calculated with leasable area), as of the end of 2021 (RMB/m²/month)

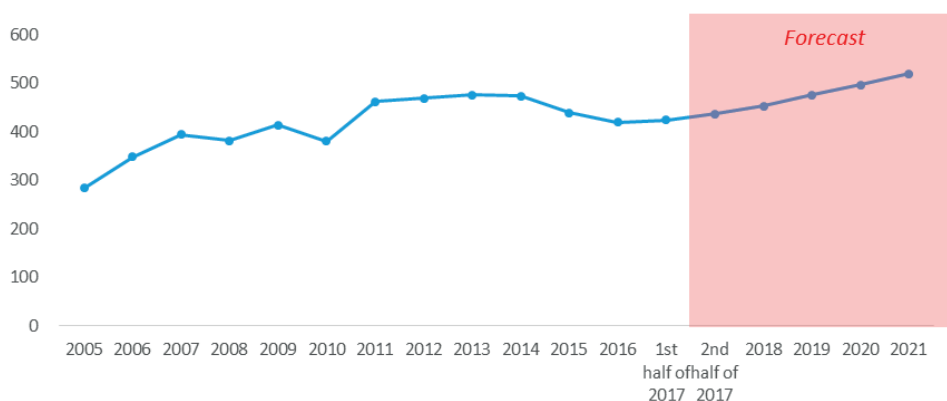


Table 16: Annual Growth Rate Forecast of Rent of Ground Floor for Prime Retail Properties in Wuguang Commercial Area (calculated with leasable area), as of the end of 2021

Year	Growth Rate of Rent of Ground Floor Prime Retail Properties in Wuguang Commercial Area
2nd half of 2017 forecast	3.07%
2018 forecast	3.43%
2019 forecast	5.09%
2020 forecast	4.42%
2021 forecast	4.64%

Source: Cushman & Wakefield

3.2.8 CV Forecast of Prime Retail Properties in Wuguang Commercial Area

Figure 51: CV Forecast of Prime Retail Properties in Wuguang Commercial Area (calculated with GFA), as of the end of 2021 (RMB/m²)

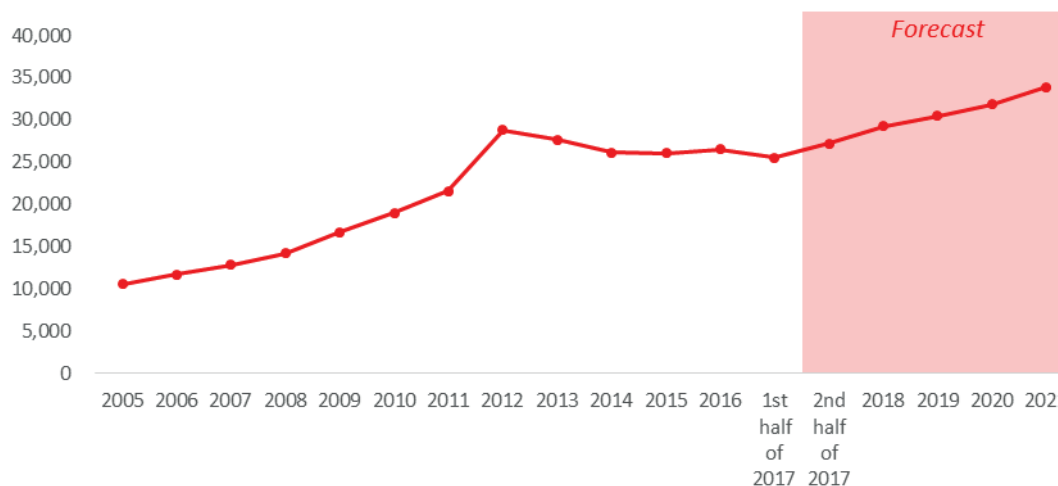


Table 17: Annual Growth Rate Forecast of CV of Prime Retail Properties in Wuguang Commercial Area (calculated with GFA), as of the end of 2021

Year	Growth Rate of CV of Prime Retail Properties in Wuguang Commercial Area
2nd half of 2017 forecast	6.67%
2018 forecast	7.44%
2019 forecast	4.23%
2020 forecast	4.43%
2021 forecast	6.36%

Source: Cushman & Wakefield

• **CV Forecast**

CV of prime retail properties in Wuguang Commercial Area will increase stably from the 2nd half of 2017. As a traditional core commercial area of Wuhan, Wuguang Commercial Area will attract investments from well-known domestic retail property developers. It is predicted that the CV of prime retail properties in Wuguang Commercial Area will reach RMB33,867/m² by the end of 2021, up by 32.68% compared to the 1st half of 2017.

4.0 Carpark Properties Market in Wuhan

4.1 Supply of Carpark Spaces in Wuguang Commercial Area

The car ownership in Wuhan is 1.31 million, 1.64 million, 2.01 million and 2.40 million between 2013 and 2016 respectively, with a CAGR of 22.26%. It is predicted that demand for carpark spaces will rise with the soaring car ownership.

There are over 12,000 commercial carpark spaces in Wuguang Commercial Area and they are mainly located under office buildings and shopping centres for public use.

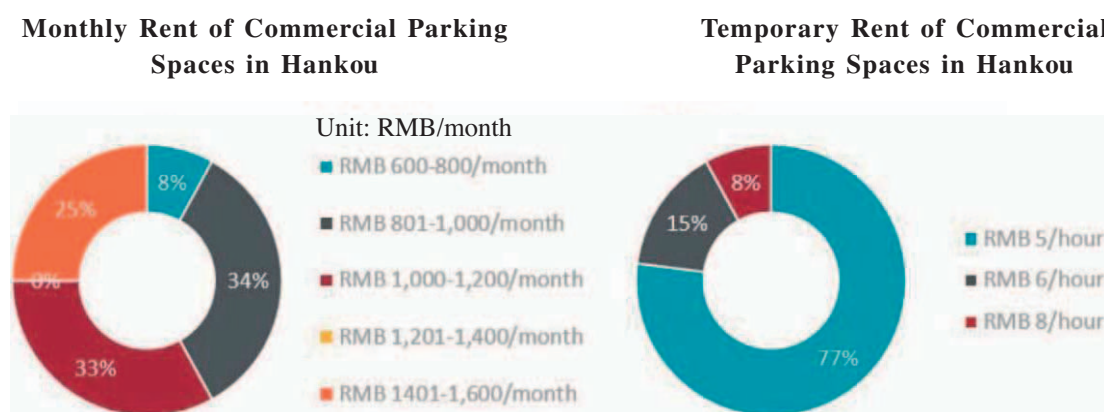
It is worth noting that, apart from commercial carpark space of office buildings and prime retail properties, many public facilities also provide public carpark spaces, such as Chengtuo Carpark and temporary carparks offered by pre-construction land.

The number of spaces in each carpark ranges from 206 to 1,200 in Wuguang Commercial Area. Most carparks offer 300-400 spaces.

4.2 Rent and CV of Carpark Spaces

The rent of 77% of commercial carpark spaces in prime office buildings and shopping centres in Wuhan is RMB8 per hour for temporary parking. Monthly rent is generally for carpark spaces in office buildings, and it differs across different grades of office buildings. The rent of carpark spaces in office buildings that are mainly used by property developers or owners, is around RMB1,400-1,600 per month as at the 2nd quarter of 2017. Such carpark spaces generally belong to complex commercial properties, such as Horizon and New World International Trade Tower, and are shared by both commercial and business section. Apart from the aforementioned projects, the monthly rent of most carpark spaces in Wuhan is between RMB800-1,200.

Figure 52: Monthly Rent and Temporary Rent of Commercial Carpark Spaces in Hankou (RMB/month)



Source: Cushman & Wakefield

The rent of carpark spaces for high-end residence was RMB700-800 per month in Wuhan as of the second half of 2017. The number reached RMB900 per month for several high-end residences in Hankou riverside area. The rent of residential carpark spaces of Wuhan Tiandi, for example, is RMB900-1,100 per month.

There has not been a particularly active resale market for commercial carpark spaces in Wuhan. Developers and owners of prime office buildings or complex commercial properties in each business district prefer to hold the carpark spaces other than to sell them. Recent carpark space transactions in Wuhan are from high-end residential properties. According to information from property developers, the current average price for each high-end residential property carpark space in Wuhan has reached RMB250,000-300,000.

Table 18: Price of Carpark Spaces on Sale in Wuhan

Location	Reference Projects	Price of Residence (RMB/m²)	Price of Carpark Spaces (RMB10,000/ per carpark space)	Rent (RMB/month)
Jiangan District	Wuhan Tiandi	42,829	20-25 (30 for package one)	900-1,100
Jiangnan District	Oceanwide (Songhai Garden)	32,436	25	Not for sale or lease temporarily and it's free for residents
Jiangnan District	Oceanwide (Zhuhai Garden)	30,098	21	600
Jiangan District	Jingnan 1903	30,012	25	700-800
Jiangnan District	Yuexiu International Financial Plaza	35,000	35-40	700-750
Jiangan District	Dongting Garden	45,000	40	For sale only
Jiangan District	Skyline	33,342	30	700-900

Source: Cushman & Wakefield

4.3 Supply Forecast of Carpark Spaces (2017-2021)

To meet the increasing demand of carpark spaces caused by the new supply of office buildings and shopping centres in the area, the number of carpark spaces will also increase in the next five years. According to the latest market information and supply forecast of carpark spaces of nearby office buildings and shopping centres, there will be more than 10,000 carpark spaces from over 30 commercial projects in Wuguang Commercial Area during 2017 to 2021.

5.0 Analysis of Target Project

5.1 Location and Surrounding Environment

Hankou Riverside Business District, where Yuexiu Fortune Centre is located, is an emerging business district in Wuhan. Transport accessibility of Yuexiu Fortune Centre is high as it is directly connected to Metro Line 1 and the planned Metro Line 10. The 330-metre tall Yuexiu Fortune Centre is the tallest existing International Grade A office building in Wuhan (Minsheng Bank Tower, which has the same height as Yuexiu Fortune Centre, is not comparable due to its high vacancy rate caused by initial property design and outdated facilities). There are three other high-end prime office buildings in Hankou Riverside Business District: Corporate Centre A5, A2 and A3. The rents of these prime office buildings ranked top five in the office market of Wuhan. Apart from the newly completed Corporate Centre A3, occupancy rates of Corporate Centre A5 and A2 have achieved 95%. A number of Fortune 500 companies chose to move into these buildings, and the British Consulate is one of the tenants of Corporate Centre A5. In respect of location, tenants prefer high-end office buildings with riverside office views, therefore, we predict that Yuexiu Fortune Centre would rank top 3 in the next 2-3 years in terms of quality of the office building and market influence in Wuhan. Only three International Grade A office buildings, Greenland 636, Wuhan Centre and Corporate Centre A1, will enter into the market in the next five years. Therefore, Yuexiu Fortune Centre is highly competitive in the office market.

It is worth noting that several well-known property developers post positive views on the development area around Yuexiu Fortune Centre in the future. Fosun Group, Greenland Group and Joy City chose to invest in this area. The government focuses on developing Qiaokou District and it is at the stage of frequent land expropriation. The regional business climate will be gradually formed in the next five years. With the completion of land expropriation for Hanzheng Street project and the implementation of the planned project, the target area will become a new high-end area for residence, business and entertainment with bright prospects. In addition, there are on-going traffic renovation around Yuexiu Fortune Centre it is expected that transportation will be improved when Yuehu Bridge re-opens in August of 2018.

5.2 Market Positioning

- **Office Building**

As the only high-rise landmark office building with a height of over 330 meters in the recent 6 years, Yuexiu Fortune Centre has attracted several Fortune 500 companies, such as Hitachi and PSA. As the only International Grade A office building in Hankou and in the riverside area of Hankou, Yuexiu Fortune Centre owns excellent riverside views in 3 directions. It adopted a leasing strategy of a relatively low rent while offering high-quality facilities when it entered the market, hence attracting some of the anchor tenants and tenants with large space requirements, as well as achieving an outstanding absorption rate higher than the average market level. By the end of August 2017, contracted occupancy rate of the office building has exceeded 30%. According to its past absorption rate trend, it is predicted that the occupancy rate will reach 45%-55% by the end of 2017 and will reach 80%-85% by the end of 2018. The tenants' industry analysis shows that the majority of the tenants of Yuexiu Fortune Centre are high-quality domestic companies and foreign companies. Meanwhile, as the only International Grade A landmark office building with excellent hardware facility and top riverside views in this area, Yuexiu Fortune Centre also attracts a number of top domestic companies. The current market rent strike price for middle floors of Yuexiu Fortune Centre is around RMB105/m²/month, including VAT. Accessibility of the target project will be further improved after reopening of the Yuehu Bridge. We predict that the average annual growth rate of rent will reach 4%-5% during 2017 to 2021, and the market rent for the target property will reach RMB125/m²/month by the end of 2021.

- **Retail**

Starry Victoria Shopping Centre, the shopping centre portion of the target project, is the first Hong Kong lifestyle oriented neighborhood shopping centre in Wuhan. It is also the first shopping centre built with a covered walkway to the metro. Office staffs and family-oriented consumers are its target consumer groups. The current commercial brands of the shopping centre include tenants such as Tao Heung, Hong Kong Prince Ice-room Cafe, Mannings, Yinxin International Cinema, CCB and Sky Fitness. Differentiating itself from other shopping centres in the area, Starry Victoria Shopping Centre does not solely rely on retail, but also provides supplementary services to office and residence services, F&B and life experience stores. Although rent is relatively low, it provides efficient services to office and residence of the project. Occupancy rate of Starry Victoria Shopping Centre reached nearly 83.54% by the end of August 2017. With the continuous increase in the occupancy rate of the office building, it is predicted that the occupancy rate of Starry Victoria Shopping Centre will reach 93% by the end of 2017 and it will stabilize at around 95%-98% in the future. The rent including VAT of ground floor in Starry Victoria Shopping Centre is RMB139/m²/month (net lettable area). With continuous increase of the occupancy rate of the office building and residence as well as the optimization of tenant's structure, we predict that average annual rent growth of the project will achieve 5% during 2017 to 2021. The rent including VAT of ground floor in the shopping centre will reach RMB169/m²/month by the end of 2021 (Net lettable area).

- **Carpark Spaces**

There are a total of 3,188 carpark spaces in the target project, 1,134 of which are for commercial use and the remaining 2,054 spaces are for residence use. Among the carpark spaces for residence use, 1,679 were sold to residential owners and the remaining 375 spaces are still available for sale. Taking the ratio of residential apartments to residential carpark spaces of comparable high-end residences as reference, the ratio is 1:1.16 for Oceanwide (Songhai Garden), 1:1.17 for City Hub and 1:0.92 for Skyline. The ratio of the target project is 1:0.74, meaning that residential carpark spaces are relatively scarce. Therefore, the remaining 375 residential carpark spaces of the target project are predicted to be sold relatively quickly. According to historical sales data, it is forecasted that the remaining 375 residential carpark spaces will be sold out in 2-3 years. Meanwhile, based on the historical growth rate of sales price of nearby residential project's carpark spaces, it is forecasted that the annual growth rate of sales price of the target project's residential carpark spaces will reach 3%-5% during 2017 to 2021.

5.3 Accessibility

The target project is located within the second ring of Wuhan. Public transportation is convenient and people can easily access Wuchang and Hanyang. It is connected to Hanyang by Yuehu Bridge on the south side. Two metro lines meet at Qiaokou Road station (Metro Line 1 is in operation and Metro Line 10 is under planning). The Yuehu Bridge on the south side of the project is under reconstruction and road widening project, and will reopen in August 2018. After completion, it will be more convenient for people to access the large residences in Sixin area (A core startup-area of Wuhan New District with a planned population of 250,000). The comprehensive value of target project will further increase.

5.4 SWOT Analysis of Yuexiu Fortune Centre

Strengths

- Located within the second ring of the city. Easy access to most parts of the city;
- Tallest building among the existing office buildings in Wuhan, with top hardware and facilities;
- Directly connected to station of Metro Line 1 and planned Metro Line 10, with convenient transportation;
- Located near the Yangtze River and the Han River. Enjoys excellent river view from three directions;

Weaknesses

- Accessibility is temporally affected due to renovation project nearby and Yuehu Bridge reconstruction. The situation will be improved after the completion of the Yuexhu Bridge project in the second half of 2018;
- Prime office buildings nearby are currently still in the initial stage. Tenants' understanding of the state of such high-end office buildings may be incorrect;
- The area currently lacks different grades of office buildings which can transition from low-end, mid-end to high-end.

- Single-owned office building is scarce in the market. Also, it would be easier to control tenant quality and protect the quality and reputation of the project;
- Currently, the absorption rate of its office building is the highest in Wuhan, meaning good market acknowledgement and reputation.

Opportunities

- Occupancy rates of nearby existing office buildings are high, indicating strong business demand in the area;
- Plenty of old office buildings located in the area. Part of their tenants have needs to upgrade their office environment;
- The government shows strong support for target project's leasing;
- City development plan of "One Centre, Two Cores and a Capital Valley" ("一心兩核資本谷") will be implemented in Wuhan. Target project is the first office project located at its financial hub;
- "Jiang Han Chao Zong" Landscape Belt Project (江漢朝宗景觀帶) and Hanzheng Balcony Project will provide the Wuhan property with better views.

Threats

- The height of future projects like Wuhan Centre, Greenland 636 and office buildings in Hanzheng Street will exceed the target project;
- Competition caused by huge supply in other areas such as Hanyang;
- Wuhan office supply will increase in the future. Competition for tenants will be intense with continuous improvement on product level and gradual segmentation as well as maturity in the market.

Limitation of this report

This report contains forward-looking statements, bearing the views, expectations, projections or predictions of Cushman & Wakefield Limited (the “Consultant”) for the future. The Consultant hereby emphasizes that all projections and statements, except statements relating to historical facts, shall be considered as indicative assessments of the possibilities, rather than fully determined assessments. The process of projections involves assumptions on a large number of variables, which can easily be subject to changing circumstances. The Consultant would like to ask you to note that any changes in the variables may have a significant impact on the results of the projections.

Therefore, the Consultant cannot guarantee that the projections contained in this report will be fulfilled, or that projections and forward-looking statements will be proved to be correct. Thus, you should not rely too much on those statements. The Consultant has no obligation to publicly update or revise any forward-looking statements contained in this report as a result of any new data, future events or otherwise, except as required by law. All forward-looking statements contained in this report are subject to this warning statement.

This report is prepared by the Consultant for reference only. Although the Consultant has written the report in a reasonable and prudent manner, the facts described in the report may change, and such data does not constitute a contract or part thereof. Interested parties shall not rely on any statements concerning the facts and shall verify the accuracy in other ways. This report does not express or imply any declarations, warranty or covenants, or guarantee accuracy, reasonability or integrity of the data. While preparing the report, the Consultant relied on data and statistical models from a third party to draw a forward-looking statement. Please be well noted that we would like to make it clear that the documents and data from third parties have not been independently verified. This report is only relevant to the matters that referred in the report. For any matters not mentioned in this report, there are not any suggestions or inferences.

Yours sincerely,
Cushman & Wakefield Limited

An investment in real estate involves risks. Unitholders should consider carefully, together with all other information contained in this Circular, the risk factors described below before deciding to vote on the Transaction Matters Requiring Approval.

RISKS RELATING TO YUEXIU REIT

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

WH Project Company receives almost all of its revenue in RMB, and RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies, including the Hong Kong dollar, despite significant relaxation over the years of the PRC government's control over routine foreign exchange transactions on the current account.

As advised by the PRC legal advisers to the Manager, for a foreign-invested company (such as WH Project Company), under the existing PRC foreign exchange regulations, its dividends (whether in a foreign currency or in RMB) representing the profit distributed to its foreign investor are treated as current account items and can be legally remitted out of the PRC to its foreign investor without the need to obtain the prior approval or authorisation of the relevant foreign exchange bureau by complying with certain procedural requirements.

Yuexiu REIT's distribution policy is that two distributions are made in respect of each year, being distributions with respect to the six-month period ending 30 June and 31 December, which are anticipated to be paid in November and May each year, respectively. There can be no assurance that the PRC government will liberalise the level of control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If, due to the relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB indirectly from WH Project Company to Yuexiu REIT and/or the conversion of RMB to Hong Kong dollars, there could be a delay in the timing of payment of distributions to the Unitholders. Further, if WH Project Company is not able to repatriate funds out of the PRC in RMB, Yuexiu REIT's ability to pay distributions to the Unitholders will be affected.

- (b) **Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and Unit price**

The PRC government introduced a limited floating currency system in July 2005 under which the RMB is pegged against a basket of currencies. The exchange rates between the RMB and each of the other currencies comprised in the basket may fluctuate to a significant extent and the RMB may also be revalued in the future. In addition, if the PRC converts to a fully floating currency system, the RMB may experience wide fluctuations as a result of market forces.

Yuexiu REIT receives all its revenue in RMB, which will have to be translated to HK\$ for payment as distributions to Unitholders. A substantial portion of Yuexiu REIT's borrowings are denominated in HK\$ or US\$. Any decrease in the value of the RMB may adversely affect accounting profit of Yuexiu REIT and will adversely affect the value of distributions paid in HK\$.

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

Yuexiu REIT shall hold its 67.0% interest in the Wuhan Property through the WH Target Group. Dividend payments by WH Project Company will be made indirectly to Yuexiu REIT. Yuexiu REIT relies on such dividend payments and other payments and/or distributions for its income and cash flows to satisfy its payment obligations and to make distributions to Unitholders. PRC regulations currently permit PRC subsidiaries (such as WH Project Company) to pay dividends only out of their retained profits, if any, as determined in accordance with PRC accounting standards and regulations. The profits available for distribution by WH Project Company are determined in accordance with CAS. Such profits available for distribution by such entities may differ from the profits available for distribution by Yuexiu REIT, which will be determined using HKFRS. CAS and HKFRS differ in certain significant respects, including but not limited to differences in the accounting treatments of depreciation, amortisation and impairment loss in the properties and other fixed assets of WH Project Company and deferred tax thereon. Thus, the amount of profit which is available for distribution by WH Project Company as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be payable by Yuexiu REIT to the Unitholders under HKFRS pursuant to its distribution policy.

In addition, PRC subsidiaries are required to set aside a certain amount of their retained profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Accordingly, the ability of WH Project Company to make distributions may therefore be restricted by, among other things, its business and financial condition and the availability of distributable profits, which in turn, may affect the net operating profit generated by Yuexiu REIT.

The ability of WH Project Company to make distributions may also be restricted by applicable laws and regulations (that may restrict the repatriation in RMB or other currencies of rental and other income by WH Project Company out of the PRC). See the section above headed "RMB is not freely convertible...". There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of WH Project Company to remit RMB to Hong Kong and the ability of Yuexiu REIT to make distributions may be subject to future limitations imposed by the PRC government above.

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

Yuexiu REIT will enter into the new facility summarised in section 3.1 headed "New Bank Facility" in this Circular, and expects to fully draw down on that facility to partially fund the Acquisition. In addition, Yuexiu REIT may also use leverage in connection with its other investments, and may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business, to achieve its investment strategies and/or to refinance

existing debt obligations. Borrowings by Yuexiu REIT are subject to the borrowing limits under the REIT Code which currently limit the gearing ratio to 45.0%. If the 45.0% borrowing limit is crossed (for example where there is a downturn in the value of Yuexiu REIT's properties), Yuexiu REIT will not be allowed to incur additional borrowings until the gearing ratio falls below 45.0%. This may potentially affect the Manager's ability to carry out any plans involving a large capital requirement (including asset enhancement projects or acquisitions).

Yuexiu REIT's Gearing Ratio immediately following Completion is expected to be approximately 36.4%. The Manager believes that this level is prudent under the current market conditions and is within the borrowing limit under the REIT Code. However, there can be no assurance that Yuexiu REIT's borrowings will not cross such borrowing limit due to circumstances beyond the Manager's control.

Furthermore, Yuexiu REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Yuexiu REIT with insufficient cash resources to operate its properties or make distributions to Unitholders as required under the REIT Code. Yuexiu REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may be unable to borrow additional funds as needed or on commercially acceptable terms; (iii) it may be unable to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness; (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities; (v) it is subject to restrictive covenants and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Yuexiu REIT's operations, such as its ability to incur additional indebtedness, acquire properties, make certain other investments, make capital expenditures, or make distributions to Unitholders, and affirmative covenants, which may require them to set aside funds for maintenance or repayment of security deposits; (vi) it may violate restrictive covenants under current facility agreement and in future loan documents, which would entitle the lenders to accelerate its debt obligations; and (vii) its default under any one of its loan agreements could result in a cross default under other indebtedness, which may result in the lending banks enforcing the security and demanding immediate payment of all outstanding loans and other sums payable under such loan agreements.

If any one or more of these events were to occur, Yuexiu REIT's financial condition, results of operations, cash flow, cash available for distributions to Unitholders, Unit price and/or its ability to satisfy its debt service obligations could be materially adversely affected.

RISKS RELATING TO THE ACQUISITION

- (e) **Failure by WH Vendor, WH Vendor Subsidiary or Yuexiu Property to fulfil their respective obligations under the Acquisition Deed, the Joint Venture Agreement and the Vendor Facility may have a material adverse effect on Yuexiu REIT's operations**

Under the Acquisition Deed, Joint Venture Agreement and the Vendor Facility, WH Vendor, WH Vendor Subsidiary and Yuexiu Property are subject to certain obligations in favour of Yuexiu REIT which will continue after Completion, including, among others, the obligation to provide support payments to WH Purchaser under the Support Arrangement and the obligation to compensate WH Purchaser in the event of any warranty or indemnity claims against WH Vendor and/or Yuexiu Property under the Acquisition Deed.

Failure by WH Vendor, WH Vendor Subsidiary or Yuexiu Property to fulfil any of their respective continuing obligations may have a material adverse effect on Yuexiu REIT's operations.

In addition, warranty claims under the Acquisition Deed are subject to various limitations including, without limitation, that the maximum aggregate liability of WH Vendor shall not exceed the Agreed Acquisition Amount and is subject to a minimum per claim threshold of RMB1,000,000. There is also no assurance that the Manager will be successful in making a warranty claim against WH Vendor or Yuexiu Property under the Acquisition Deed.

- (f) **The Wuhan Property may experience a net loss after expiry of the Support Arrangement. This could have a material and adverse effect on the amount of distributions to be made by the Manager to the Unitholders**

The Wuhan Property was only approved for operation progressively between 2014 and 2017. The Support Arrangement under the Acquisition Deed will help Yuexiu REIT mitigate its exposure to the start-up risks associated with the operation of the Wuhan Property and to ensure Yuexiu REIT receives at least a minimum amount of rental income during the period from 1 January 2018 up to and including 31 December 2020. There can be no assurance that WH Project Company will be able to maintain or improve on its Actual Adjusted Net Income after the expiry of the Support Arrangement. If there is an underperformance of Actual Adjusted Net Income after the expiry of the Support Arrangement, this may have a material adverse effect on Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations.

- (g) **The road reconstruction and widening project in respect of Yuehu Bridge, near the Wuhan Property, may not be completed as planned and could adversely impact the accessibility of the Wuhan Property**

Yuehu Bridge, near the Wuhan Property, is closed due to a road reconstruction and widening project and is intended to reopen in August 2018. Yuehu Bridge is one of various routes linking Hankou District (where the Wuhan Property is located) to large residential areas in Sixin District (with a planned population of approximately 250,000). Although Yuexiu REIT has the benefit of the Support Arrangement described in section 2.4.10 headed "Support Arrangement relating to the Wuhan Property", there can be no assurance that the road reconstruction and widening project may complete

on time or within the term of the Support Arrangement under the Acquisition Deed (being the period from 1 January 2018 up to and including 31 December 2020). If such event occurs, it could reduce the accessibility of the Wuhan Property and the attractiveness and marketability of the Wuhan Property to prospective tenants, notwithstanding that the Wuhan Property remains accessible to the large residential areas in Sixin District through other existing routes. This may have an adverse impact on the demand and rental rates for the Wuhan Property and could adversely impact the rental income receivable by Yuexiu REIT from the operation of WH Project Company after the expiry of the Support Arrangement.

- (h) **Wuhan Property's success depends on the ability of the Manager to cooperate with WH Vendor Subsidiary in operating the WH Project Company and Wuhan Property. Failure to cooperate in an efficient and effective manner could have a material adverse effect on the value of the Wuhan Property and Yuexiu REIT's results of operations**

Yuexiu REIT is acquiring a 67.0% interest in the Wuhan Property, with the remaining 33.0% interest being retained by WH Vendor (held through WH Vendor Subsidiary). The Joint Venture Agreement sets out their agreement as to operation of WH Project Company and the Wuhan Property.

Failure of the JV Shareholders to cooperate may adversely affect the underlying value of the Wuhan Property and Yuexiu REIT's results of operations. Disputes between the JV Shareholders may also lead to legal proceedings that result in damage to Yuexiu REIT's reputation, incurrence of substantial costs and the diversion of resources and management's attention. Serious disputes may lead to Yuexiu REIT prematurely disposing its interest in the WH Project Company (for example, in the very unlikely event that a deadlock cannot be resolved). Also, there can be no assurance that WH Vendor Subsidiary will not commit a default under the Joint Venture Agreement.

The Manager has sought to mitigate such risks by limiting the reserve matters which require WH Vendor Subsidiary's approval, although the occurrence of any of the foregoing risks could still arise and adversely affect Yuexiu REIT's expected financial return on its 67.0% interest in the Wuhan Property.

- (i) **Yuexiu REIT may be unable to renew leases, lease vacant space or re-lease space as Wuhan Property leases expire**

As at 31 October 2017, approximately: (i) 0.0%, 0.0% and 7.7% of leases (calculated in terms of gross rented area) in respect of the office portion of the Wuhan Property; and (ii) 0.4%, 2.8% and 8.7% of leases (calculated in terms of gross rented area) in respect of the retail portion of Wuhan Property, were scheduled to expire during the three years ending 31 December 2017, 2018 and 2019 respectively. The Manager cannot assure that such leases will be renewed or that new leases will be entered into for the vacant spaces at rental equal to or above the current rental upon or promptly after the expiry of the current leases. Tenants of the Wuhan Property may also decide not to renew their leases or to terminate their leases early, and Yuexiu REIT may not be able to re-lease the space. If the occupancy rate and/or rental for the Wuhan Property decreases, Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations could be materially adversely affected.

(j) WH Project Company may face difficulties when it seeks to extend the term of land use rights upon expiry of the term of such land use rights

The land and real estate laws of the PRC, including laws relating to land use right and ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and the Manager cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Yuexiu REIT. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of Yuexiu REIT's resources and management attention.

The term of land use rights for the Wuhan Property will expire in 26 May 2051. It is expected that WH Project Company will, prior to this date, submit an application for extension of the land use rights. Under the current applicable PRC laws and regulations, the application for extension of non-residential land use rights will typically be approved except for public interest considerations concerning the land. Where the application for extension of land use rights is granted, a new land grant contract must be executed and a premium must be paid by WH Project Company in respect of the relevant land use rights and additional conditions may also be imposed. The current PRC laws and regulations do not specify the terms and conditions of such new land grant contract or the amount of such premium. In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and withdraw early the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. In the event that Yuexiu REIT's application for extension of the land use right for the Wuhan Property is granted, but the terms and conditions of the new land grant contracts are less favourable than the existing land grant contracts, or there is a significant increase in the premium payable by WH Project Company, the business operations of WH Project Company, and in turn Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations, could be materially adversely affected.

In the event that the application for extension of land use rights for the Wuhan Property is not approved, the land use rights, together with the buildings and auxiliaries thereon, must be returned to the PRC government for no consideration when the land use rights expire and Yuexiu REIT would lose the entire value of its 67.0% interest in the Wuhan Property. In that case, the business operations of WH Project Company, and in turn Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations, could be materially adversely affected.

(k) WH Project Company may not be able to renew its original operating term

Similar to most other PRC companies, the duration of WH Project Company is not unlimited. WH Project Company's approved original operating term is 20 years with possible extension. The expiry date of the original operating term (being 19 January 2031) is earlier than the expiry date of the land use right terms (being 26 May 2051).

WH Project Company may apply to the competent local authority for an extension of its operating term no later than 180 days before the time of expiration of the current operating term and upon the agreement between the WH JV Shareholders to such extension in accordance with the Joint Venture Agreement. In the event that the operating term of WH Project Company cannot be extended, WH Project Company will need to be dissolved and its residual assets (i.e., after payment of employee wages, social insurances, compensation payable to employees as prescribed by law, outstanding tax liabilities and the company's debts and all costs and expenses arising from the liquidation process) will be distributed to its shareholders in proportion to their respective shareholding in WH Project Company. Such an event, particularly if the Wuhan Property cannot be transferred or otherwise disposed of at an acceptable price, may cause Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations to be materially adversely affected.

(l) The Wuhan Property is located in Wuhan. The Manager does not have prior experience with owning, operating and managing properties in Wuhan

The existing properties of Yuexiu REIT are all located in Guangzhou or Shanghai. The Acquisition of 67.0% interest in the Wuhan Property represents Yuexiu REIT's first acquisition of a property outside of Guangzhou and Shanghai. Although the Manager has experience with property management in Guangzhou and Shanghai, it has no operating history in Wuhan. The Manager's experience in property management in Guangzhou and Shanghai may not be applicable in other regions such as Wuhan. Given the differences in the economic conditions, local property market conditions and property values and rental rates in Wuhan, there can be no assurance that the Manager will be successful in managing the WH Target Company (which will after the Reorganisation hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property).

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces, and they may have different and varying applications and interpretations in different parts of the PRC. Accordingly, although the Manager might be familiar with the laws, rules, regulations and policies applicable in Guangzhou and Shanghai, this familiarity may not be applicable in Wuhan.

Any failure by the Manager to understand and adapt to the property market in Wuhan may have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations.

(m) The Wuhan Property is exposed to the risk of tenant delinquency and default in the overall retail and offices markets in Wuhan

The operating income of WH Target Company may be adversely affected by the insolvency or downturn in the business of retail and office tenants of the Wuhan Property. The property values and rental rates for office properties in the major cities in the PRC are cyclical and volatile in nature. Property values and rental rates in Wuhan have been affected by, among other factors, supply and demand dynamics, economic conditions, interest rates, inflation and political developments in the PRC. The value of the Wuhan Property may be adversely affected by these and a number of local property market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for commercial space.

If the financial performance of any tenants of the Wuhan Property decline significantly, these tenants may be unable to pay their minimum rents or expense recovery charges and Yuexiu REIT may experience delays and costs in enforcing its rights as landlord, as well as finding sufficient numbers of replacement tenants.

The value of the Wuhan Property could be adversely affected by the loss of an anchor tenant of the Wuhan Property in the event that such anchor tenant files for bankruptcy or insolvency or experiences a downturn in its business, including the decision by any such tenants not to renew their leases. Space that has been vacated by an anchor tenant can reduce the demand for and value of other spaces within the Wuhan Property because of the loss of the departed anchor tenant's customer drawing power. Any of these events could materially and adversely affect Yuexiu REIT's businesses and results of operation.

(n) The due diligence survey on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies

Prior to the entry into of the Acquisition Deed, the Manager instructed the Building Consultant to conduct a physical and technical inspection and investigation of the Wuhan Property. Nevertheless, there can be no assurance that such reviews, surveys or inspections would have revealed all defects or deficiencies affecting the Wuhan Property.

In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Yuexiu REIT's business, financial condition and results of operations.

If the Wuhan Property has design, construction or other latent property or equipment defects, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Yuexiu REIT's earnings and cash flows.

- (o) **The appraisal of the Wuhan Property is based on various assumptions and the price at which Yuexiu REIT is able to sell its 67.0% interest in the Wuhan Property may be different from the Proportionate WH Appraised Value or the Agreed Acquisition Amount**

The valuation of the Wuhan Property prepared by Vigers Appraisal and Consulting Limited, the principal valuer of Yuexiu REIT, is set out in Appendix 3 to this Circular. In conducting its valuation, the Independent Property Valuer made use of the income capitalisation method and discounted cash flow analysis cross-referenced with the direct comparison method. The valuation was based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to the Wuhan Property, such as its relative market position, financial and competitive strengths, location, and physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or the Wuhan Property. Further, the appraised value of a property is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Yuexiu REIT may subsequently sell the Wuhan Property or any portion thereof may be lower than the Proportionate WH Appraised Value or the Agreed Acquisition Amount.

- (p) **The Wuhan Property may be compulsorily acquired or expropriated by the PRC government**

The PRC government has the power to compulsorily acquire any land in the PRC to meet the demand of public interest pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in the PRC, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the Wuhan Property is compulsorily acquired by the PRC government, the level of compensation paid to Yuexiu REIT pursuant to this basis of calculation may be less than Consideration and/or the fair value of Yuexiu REIT's 67.0% interest in the Wuhan Property as shown in Yuexiu REIT's financial statements.

1. RESPONSIBILITY STATEMENTS OF THE MANAGER AND THE DIRECTORS

For the purposes of paragraphs 5.2A and 10.10(t) of the REIT Code, the Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

2. INFORMATION ON PARTIES TO THE ACQUISITION

(a) WH Vendor, WH Vendor Subsidiary, WH Target Company, WH Intermediary Company, WH Project Company, Yicheng Wuhan Branch

WH Vendor is incorporated in the British Virgin Islands, and holds the entire equity interest in WH Target Company. WH Target Company is incorporated in the British Virgin Islands and will (after the Reorganisation) hold 100.0% of WH Intermediary Company which will, in turn, hold 67.0% of WH Project Company, which is the registered legal owner of the land use rights and current ownership rights underlying the Wuhan Property. WH Vendor holds the remaining 33.0% of WH Project Company indirectly through its 100.0% interest in WH Vendor Subsidiary.

As specified in the business licence (營業執照) of WH Project Company currently in force, the operating term of WH Project Company is from 19 January 2011 to 19 January 2031. The PRC legal adviser of the Manager, Zhong Lun Law Firm, has advised that if the operating term is to be extended, a shareholders' meeting is required to pass the resolution to extend the original operating term and to amend WH Project Company's articles of association for the extension. Zhong Lun Law Firm does not foresee any legal impediment for the renewal of the operating term of WH Project Company as long as WH Project Company's articles of association and PRC regulations are followed. As advised by the Manager's tax adviser, PricewaterhouseCoopers Limited, the unremitted retained earnings of the WH Project Company will be subject to a withholding tax at the rate of 10% or 5% (in the case that preferential tax treatment could be applied successfully pursuant to the China-Hong Kong Double Tax Treaty) based on the business nature of the WH Intermediary Company. Zhong Lun Law Firm has further advised that, under existing PRC foreign exchange regulations, there is no legal impediment on the remittance of dividends on retained earnings of the WH Project Company out of the PRC to WH Intermediary Company, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC foreign investment, tax and foreign exchange laws and regulations. However, there is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittance in the future or that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future.

To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date: (i) WH Target Company and WH Intermediary Company were existing indirect subsidiaries of Yuexiu Property and will, after the Reorganisation, be in the principal business activity of investment holding and property investment in the Wuhan Property; (ii) the principal business activities of WH Vendor and WH Vendor Subsidiary were the holding of investments; (iii) the principal business activities of WH Project Company were investment holding in, and property development of, the Development; and (iv) immediately prior to Completion, pursuant to the Acquisition Deed, WH Project Company, the WH Target Company and WH Intermediary Company shall not hold any other property investments other than the Wuhan Property.

Yicheng Wuhan Branch is the Wuhan branch of Guangzhou Yicheng Property Management Ltd* (廣州怡城物業管理有限公司), which is a limited liability company established in the PRC indirectly owned as to 99.28% by Yuexiu Property. Guangzhou Yicheng Property Management Ltd* (廣州怡城物業管理有限公司) is principally engaged in the provision of leasing, marketing, tenancy management and property management services to real estate, and presently acts as the property manager for four Existing Properties of Yuexiu REIT.

(b) Yuexiu Property

Yuexiu Property is a Hong Kong listed company principally engaged in property development and investment, mainly focusing on properties in Guangzhou, the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

3. DISCLOSURE OF INTERESTS IN UNITS

(a) Interests held by the Manager and the Directors and chief executive officer

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of the Trust Deed, Part XV of the SFO is also deemed to be applicable, among other things, to the Manager, the Directors and the chief executive of the Manager.

The interests and short positions held by Directors and chief executive officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and short positions in the Units as at the Latest Practicable Date:

Name of Directors	Nature of Interest	As at the Latest Practicable Date	
		Beneficial interests in Units	Approximate % of interest
Mr. Lin Zhaoyuan	Personal	240	0.000008%
Mr. Lin Deliang ⁽¹⁾	—	Nil	—
Mr. Cheng Jiuzhou	Personal	480	0.000016%
Mr. Li Feng	Personal	1,825	0.000062%
Mr. Chan Chi On, Derek	—	Nil	—
Mr. Chan Chi Fai, Brian	—	Nil	—
Mr. Cheung Yuk Tong	—	Nil	—
Mr. Chen Xiaou	—	Nil	—

Note:

(1) Mr. Lin Deliang is also the chief executive officer of the Manager.

(b) Interests held by holders with 5% or more interests

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units as at the Latest Practicable Date:

Name of substantial Unitholder	Nature of interest	As at the Latest Practicable Date	
		Interests in Units	Approximate % of interest
GZYY ⁽¹⁾	Deemed	1,718,491,569 ⁽³⁾	58.29%
	Total	1,718,491,569 ⁽³⁾	58.29%
Yue Xiu	Beneficial	27,320	0.0009%
	Deemed	<u>1,718,464,249⁽³⁾</u>	<u>58.29%</u>
	Total	1,718,491,569 ⁽³⁾	58.29%
Excellence Enterprises Co., Ltd. Bosworth International Limited	Deemed	1,717,165,019 ⁽³⁾	58.24%
	Beneficial	5,698,282	0.19%
	Deemed	<u>1,709,229,984⁽³⁾</u>	<u>57.97%</u>
	Total	1,714,928,266 ⁽³⁾	58.16%
Yuexiu Property ⁽²⁾ Dragon Yield	Deemed	1,709,229,984 ⁽³⁾	57.97%
	Beneficial	1,697,125,730 ⁽³⁾	57.56%

Notes:

(1) Further information in relation to interests of corporations controlled by GZYY:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYY	100.00	Y	27,320	—
	GZYY	100.00	N	1,718,464,249 ⁽³⁾	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,717,165,019 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,709,229,984 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—

APPENDIX 6
GENERAL INFORMATION

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yuexiu Property	Bosworth International Limited	33.89	N	1,709,229,984 ⁽³⁾	—
Dragon Yield	Yuexiu Property	100.00	Y	1,697,125,730 ⁽³⁾	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
Yuexiu International Investment Limited (“YXII”)	Yuexiu Property	100.00	Y	12,104,254	—

- (2) The deemed interest in 1,709,229,984 Units were held through Dragon Yield and YXII, both are 100.0% owned subsidiaries of Yuexiu Property.
- (3) The number of Units includes 668,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or a YXP Nominee) at an issue price of HK\$4.00 per unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.
- (4) After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 35.616%, while the approximate interest in Yuexiu REIT held by YXP, Dragon Yield and YXII will be approximately 35.303%.

(c) Holdings of Senior Executives of the Manager

Interests in the Units held by senior executives of the Manager, being connected persons of Yuexiu REIT, as at the Latest Practicable Date are set out below:

Name of senior executive	Nature of interest	As at the Latest Practicable Date	
		Interests in Units	Approximate % of interest
Mr. Liao Ningjun	Personal	1,250	0.000042%
Ms. Ou Haijing	Personal	1,000	0.000034%
Mr. Liu Bihong	Personal	225	0.000008%

Save as disclosed in this Circular, none of the Manager, the Directors and the chief executive of the Manager is interested (or deemed to be interested) in Units, or held any short position in Units as at the Latest Practicable Date.

Save as disclosed in this Circular and as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Manager:

- (i) none of the Directors or the Unitholders with an interest in more than 5.0% of all Units in issue had an interest, direct or indirect, in the Acquisition;
- (ii) no person (other than a Director) is interested (or deemed to be interested in) Units, or holds any short position in Units, which were required to be disclosed to the Manager and the Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO; and
- (iii) none of the Directors or chief executives of the Manager had any interests or short positions in the Units of Yuexiu REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Manager and the Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), which the Trust Deed, subject to certain exceptions, deems to apply to the Directors and chief executive of the Manager, the Manager and each Unitholder and all persons claiming through or under them.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND IN COMPETING BUSINESSES

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since the date that the latest published audited accounts of Yuexiu REIT were prepared, acquired or disposed of by (or leased to) or are proposed to be acquired or disposed of by (or leased to) Yuexiu REIT;

- (b) none of the Directors was materially interested in any contract or arrangement entered into by Yuexiu REIT and subsisting at the date of this Circular which was significant in relation to Yuexiu REIT's business; and
- (c) none of the Directors or any of their associates had interests in a business which competes or is likely to compete, either directly or indirectly, with Yuexiu REIT's business.

5. STATEMENT IN RELATION TO FINANCIAL POSITION

The Manager confirms that, as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of Yuexiu REIT since the date that the latest published audited accounts of Yuexiu REIT were prepared.

6. EXPERTS AND CONSENTS

Each of the Reporting Accountant, the Tax Adviser, Financial Advisers, the Independent Financial Adviser, the Market Consultant, the Independent Property Valuer and the Building Consultant has given and has not withdrawn its written consent to the inclusion of its name in this Circular. Each of the Reporting Accountant, the Independent Property Valuer, the Market Consultant and the Independent Financial Adviser where relevant has also given their consent to the inclusion of its name in the accountant's report of the WH Target Group as set out in the Accountant's Report, the Unaudited Pro Forma Financial Information of the Enlarged Group, the Independent Property Valuer's Wuhan Property Valuation Report, the Market Consultant Report, the Letter from the Independent Financial Adviser and all references thereto, in the form and context in which they are included in this Circular.

The following are the qualifications of the experts who have been named in this Circular and have given opinion or advice which are contained in this Circular.

PricewaterhouseCoopers	Certified Public Accountants
PricewaterhouseCoopers Limited	Tax Consultant
Somerley Capital Limited	A licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Cushman & Wakefield	Market Consultant
Vigers Appraisal and Consulting Limited	Independent Property Valuer
Vigers Building Consultancy Limited	Building Consultant

As at the Latest Practicable Date, none of the experts had any interest in Yuexiu REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Yuexiu REIT.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of Yuexiu REIT were made up (being 31 December 2016), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to Yuexiu REIT.

7. LITIGATION

As at the Latest Practicable Date, none of Yuexiu REIT, the Manager, the Trustee (in its capacity as the trustee of Yuexiu REIT), the WH Target Company, WH Intermediary Company or WH Project Company were involved in any litigation or claims of material importance and no litigation or claims of material importance, by or against Yuexiu REIT, the Manager, the Trustee (in its capacity as the trustee of Yuexiu REIT), the WH Target Company, WH Intermediary Company or WH Project Company was pending or threatened.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Stock Code: 00405)

Managed by



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the unitholders (**Unitholders**) of Yuexiu Real Estate Investment Trust (**Yuexiu REIT**) will be held at Ballroom C, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on 4 December 2017 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 15 November 2017 (**Circular**).

ORDINARY RESOLUTIONS

1. **THAT** approval (where relevant, shall include approval by way of ratification) be and is hereby given for the Transaction Matters Requiring Approval, being:
 - (a) the Acquisition (including entry into the Acquisition Deed) and the consummation of transactions contemplated under the Acquisition Deed as more fully described in the Circular and on the terms and conditions set out in the Acquisition Deed; and
 - (b) upon completion of the Acquisition, the execution of the Joint Venture Agreement and the consummation of the transactions contemplated under the Joint Venture Agreement as more fully described in the Circular and on the terms and conditions set out in the Joint Venture Agreement,

in each case, as more fully described in the Circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

AND THAT authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Yuexiu REIT to give effect to all matters in relation to the Transaction Matters Requiring Approval generally.

2. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the CCPT Matters Requiring Approval as more fully described in the Circular; and
- (b) authorisation be granted to the Manager, any director of the Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Yuexiu REIT to give effect to all matters in relation to the CCPT Matters Requiring Approval generally.

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

Hong Kong, 15 November 2017

Registered Office:

24/F, Yue Xiu Building,
160 Lockhart Road,
Wanchai,
Hong Kong Hong Kong

Notes:

- (a) A Unitholder is entitled to attend and vote at the Extraordinary General Meeting and is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the unit registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) Where there are joint registered Unitholders of a unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders of Yuexiu REIT in respect of such unit shall alone be entitled to vote in respect thereof.
- (d) In order to determine which Unitholders will qualify to attend and vote at the Extraordinary General Meeting, the register of Unitholders of Yuexiu REIT will be closed from 29 November 2017 to 4 December 2017, both days inclusive, during which period no transfer of units will be registered. For those Unitholders who are not on the Register of Unitholders, in order to be qualified to attend and vote at the Extraordinary General Meeting of Yuexiu REIT, all unit certificates accompanied by the duly completed transfer forms must be lodged with the unit registrar of Yuexiu REIT, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 28 November 2017.

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

Executive Directors:

Mr. Lin Deliang and Mr. Cheng Jiuzhou

Non-executive Directors:

Mr. Lin Zhaoyuan (Chairman) and Mr. Li Feng

Independent Non-executive Directors:

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