



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

A Hong Kong collective investment scheme under section 104 of the Securities and Futures Ordinance <chapter 571 of the Laws of Hong Kong>

Stock Code : 00405



VISION FOR A STEADY FORTUNE

ANNUAL REPORT 2019



WUHAN



SHANGHAI



HANGZHOU



GUANGZHOU

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GUANGZHOU



PROFILE OF YUEXIU REIT

PROFILE OF YUEXIU REAL ESTATE INVESTMENT TRUST (“YUEXIU REIT”)

Yuexiu REIT is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 (“Trust Deed”) between HSBC Institutional Trust Services (Asia) Limited as the trustee (“Trustee”) and Yuexiu REIT Asset Management Limited as the manager of Yuexiu REIT (“Manager”) as modified by the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010, the Third Supplemental Trust Deed dated 25 July 2012 and the Fourth Supplemental Deed dated 3 April 2020 and made between the same parties. Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 21 December 2005 (“Listing Date”).

Yuexiu REIT’s property portfolio (“Properties”) consists of five commercial properties located in Guangzhou, one commercial property located in Shanghai, one commercial property located in Wuhan and one commercial property located in Hangzhou. Yuexiu REIT is the first listed real estate investment trust in the world which invests in real properties in the mainland of the People’s Republic of China (“PRC”).



UNITHOLDERS CALENDAR

UNITHOLDERS CALENDAR 2020-2021

**MAY
2021**

PAYMENT OF FINAL DISTRIBUTION
FOR 2020

**FEBRUARY
2021**

ANNOUNCEMENT OF 2020 ANNUAL RESULTS

**OCTOBER
2020**

PAYMENT OF DISTRIBUTION FOR SIX-MONTH PERIOD
ENDED 30 JUNE 2020

**AUGUST
2020**

PUBLICATION OF 2020 INTERIM REPORT

**MAY
2020**

PAYMENT OF FINAL DISTRIBUTION FOR 2019 AND ANNUAL
GENERAL MEETING

**APRIL
2020**

PUBLICATION OF 2019 ANNUAL REPORT

DISTRIBUTION

DISTRIBUTION

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the trust deed. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, surplus disposal proceeds, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2019 to 31 December 2019 ("2019 Final Period") will be approximately RMB0.1051 which is equivalent to HK\$0.1172 (2018: RMB0.1371 which is equivalent to HK\$0.1595) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Managers fees) prior to the record date for the 2019 Final Period distribution. A further announcement will be made to inform Unitholders of the final distribution per Unit for the 2019 Final Period.

The final distribution for the 2019 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2019 to 30 June 2019 ("2019 Interim Period") being approximately RMB0.1355 which is equivalent to HK\$0.1540 (2018: RMB0.1394 which is equivalent to HK\$0.1608) per Unit, represents a total distribution to each Unitholder for the year ended 31 December 2019 ("Reporting Year") of approximately RMB0.2406 which is equivalent to HK\$0.2712 (2018: RMB0.2765, which is equivalent to HK\$0.3203).

The total distribution amount for the Reporting Year, being RMB761,240,000 (2018: RMB849,537,000), includes an amount of approximately RMB194,000,000 (2018: RMB219,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the offering circular (being approximately RMB461,760,000) plus a further distribution of approximately RMB299,480,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

Distributions payable to the Unitholders will be paid in Hong Kong dollars. The exchange rate between the RMB and Hong Kong dollars adopted by the Manager is the central parity rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distributions.

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 14 consecutive years after listing in 2005.

DISTRIBUTION YIELD

Disregarding new units to be issued prior to the relevant record date with respect to the Manager's fees, Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.2712 (2018: HK\$0.3203), of which approximately HK\$0.0439 (2018: HK\$0.0655) is attributable to capital items, represents a yield of approximately 5.14% (2018: 6.4%) per Unit based on the closing price of HK\$5.28 per Unit as at 31 December 2019 (2018: HK\$5.02).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 16 April 2020. The register of Unitholders will be closed from 16 April 2020 to 17 April 2020, both days inclusive, during which period no transfer of units will be effected. In order to be qualified for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 April 2020. The final distribution will be paid on 26 May 2020 to the Unitholders whose names appear on the register of Unitholders on 16 April 2020.

PERFORMANCE SUMMARY

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2019 together with comparative figures for the corresponding period in 2018:

(in Renminbi ("RMB"), unless otherwise specified)

	Financial Year ended 31 December 2019	Financial Year ended 31 December 2018	Increase/ (decrease)
Gross income (Note a)	2,058,112,000	2,031,876,000	1.3%
Net property income	1,494,740,000	1,468,590,000	1.8%
Profit after tax	940,408,000	966,519,000	(2.7)%
Earnings per unit - Basic	0.28	0.30	(3.3)%
Portfolio valuation (Note b)	34,961,000,000	33,970,000,000	2.9%
Net assets attributable to Unitholders per Unit	4.55	4.65	(2.2)%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	5.08	5.41	(6.1)%
Units issued (units)	3,205,856,551	3,106,450,427	3.2%
Total borrowings as a percentage of gross assets (Note c)	39.1%	38.7%	percentage point
Gross liabilities as a percentage of gross assets (Note d)	56.6%	56.4%	percentage point
Distribution			
Total distribution (including additional items)	761,240,000	849,537,000	(10.4)%
Distribution per Unit (HK\$)	0.2712	0.3203	(15.3)%

Note a: The revenue of Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces was recorded since 20 November 2019. The revenue of Hangzhou Victory was recorded since 29 December 2018. Due to the disposal of Neo Metropolis, the revenue from Neo Metropolis was recorded up to 21 December 2018.

Note b: Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces are newly acquired in November 2019. As at 31 December 2019, the valuation of those Carpark Spaces are RMB101,000,000.

Note c: Calculation of Total borrowings is based on bank loan and other borrowings, excluding capitalization of debt-related expenses.

Note d: Calculation of Gross liabilities is based on total liabilities, excluding capitalization of debt-related expenses and net assets attributable to Unitholders.

CHAIRMAN'S STATEMENT

Dear Unitholders of Yuexiu REIT,

On behalf of the management team of Yuexiu REIT Asset Management Limited ("Manager"), the Manager of Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), I am very pleased to present to you the 2019 annual report of Yuexiu REIT.

LIN DELIANG

Chairman



RESULTS AND DISTRIBUTION

In 2019, China's economy maintained high quality development and advanced steadily. Yuexiu REIT continued to record stable operating results with the portfolio of premium properties and excellent efforts exerted by all members of the management team, all key operating indicators presented outstanding performance.

As at 31 December 2019, the eight properties currently owned by Yuexiu REIT comprised White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), located in Shanghai, Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), located in Wuhan, and Hangzhou Victory Business Center Units ("Hangzhou Victory"), located in Hangzhou, with a total rentable area of 632,915.1 sq.m., in which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Tower) accounted for 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.



CHAIRMAN'S STATEMENT

As at 31 December 2019, the occupancy rate of properties under Yuexiu REIT was satisfactory, in which the overall occupancy rate of maturity properties was 97.1%, and the overall occupancy rate of growth properties was 82.4%. During the Reporting Year, Yuexiu REIT recorded total operating revenue of approximately RMB2,058,112,000, representing an increase of 1.3% as compared to RMB2,031,876,000 for the same period last year. Operations of all properties were stable with a continuous, steady upward growth.

In 2019, Yuexiu REIT recorded a total distributable income of approximately RMB761,240,000, representing a decrease of approximately RMB88,297,000 or approximately 10.4% as compared to the total distributable income of approximately RMB849,537,000 for the corresponding period of the previous year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.2712 per Unit, representing a decrease of HK\$0.0491 or approximately 15.3% as compared to the distribution amount of HK\$0.3203 for the same period last year. Based on the closing price of HK\$5.28 on 31 December 2019, the interim distribution yield was approximately 5.14%.

MARKET REVIEW

In 2019, the world economy kept changing drastically. Protectionism and unilateralism were intensifying, unstable and uncertain factors in the world economy increased significantly, the risk and challenges both at home and abroad rose significantly, and downward pressure on the Chinese economy also increased. According to data released by the National Bureau of Statistics, GDP in 2019 increased by 6.1% year-on-year, continuing to maintain a medium-to-high-speed growth on a high base, and GDP per capita for the first time reached a new level of US\$10,000. Among the world economies with a total volume of more than US\$1 trillion, China's economic growth ranked first, continuing to be an important engine of world economic growth.

In 2019, in the face of complicated and severe situations such as the obvious increase in the risks and challenges both at home and abroad, Guangzhou insisted on maintaining stability and continued to improve the quality of development. The industrial foundation had been continuously consolidated, and new-generation information technology, artificial intelligence, biomedicine, new energy, etc. had accelerated the deployment and promoted a new vitality for the industry. The hub function had been significantly enhanced, giving full play to the leading role of national central city and comprehensive gateway city and the core engine role of the Guangdong-Hong Kong-Macao Greater Bay Area. Regional GDP of Guangzhou was approximately RMB2,362.86 billion, increasing by 6.8% year-on-year.





In 2019, Shanghai's economy continued to grow steadily. With a high base and increasing downward pressure on the economy, the city's regional GDP was approximately RMB3,815.532 billion, increasing by 6% year-on-year. New momentum for economic development continued to increase. New industries, new business formats, and new models maintained rapid growth. The output value of the new energy industry increased by 15%, and Internet business revenue increased by more than 30%. The economic structure continued to be optimized. The added value of the tertiary industry accounted for more than 70%, and the manufacturing industry value of the strategic emerging industry increased to 30%. The development of the first store economy and the night economy stimulated the potential of a new round of consumption upgrade.

The successful hosting of the 7th CISM Military World Game has greatly enhanced the city's popularity and international influence of Wuhan and accelerated its internationalization process. In 2019, Wuhan's high-quality development momentum was good, and the city's regional GDP was approximately RMB1,152.84 billion, increasing by 7.8% year-on-year. The main indicators remained at the forefront of similar cities in the PRC. The growth of new kinetic energy accelerated. The added value of high-tech industry accounted for 24.5% of the total economy, and the digital economy accounted for about 40%. The construction of the five major industrial bases achieved an all-round acceleration, bracing a strong support for high-quality development.

Hangzhou is making every effort to build the first digital economy city. In 2019, the core industry of the digital economy realized an added value of RMB379.5 billion, increasing by 15.1%. The growth rate was higher than the regional GDP by 8.3 percentage points, accounting for 24.7% of the regional GDP which was RMB1,537.3 billion. The growth of key industries was steady, and the added value of the tourism and leisure industry, cultural and creative industry, and health industry continued to maintain a double-digit growth.

CHAIRMAN'S STATEMENT

In the second half of 2019, only one grade-A office building in Guangzhou entered the market, inventory in the market rose slightly to 495.5 sq.m., and the overall vacancy rate was 5.5%. Looking back throughout the year, the status of the Zhujiang New Town as the CBD of the city was still the primary area to attract tenants, followed by the Pazhou business district. On the demand side, the well-known TMT companies occupying a large leased area accounted for about 32% of the demand, which was the main force for office leasing transactions throughout the year; the demand for professional services accounted for 21%, mainly from commercial activities operations and law firms. Upgrading and relocation were the main type of leasing, accounting for more than 60%. In the second half of the year, due to the continued economic uncertainty, the city's average rent was slightly affected. In the fourth quarter, it dropped to RMB190.8/sq.m./month.

In 2019, the new supply of grade-A office in Shanghai was 810,000 sq.m., pushing up inventory in the market to 12,530,000 sq.m., but the rental demand was clearly insufficient, and the net take-up was only 270,300 sq.m, a significant year-on-year decrease. The decrease caused the city's vacancy rate to ascend to 19.6%. The vacancy rate in Zhuyuan area was 11.2%, and the average rent was RMB8.9/sq.m/day. In terms of customer types, electronic information technology and professional services continued to maintain a steady and progressive trend, and transactions in the financial industry declined under continuous supervision.

Mr. CHEN Xiaou

Independent Non-Executive Director

Mr. CHAN Chi On, Derek

Independent Non-Executive Director

Mr. LIN DeliangChairman, Executive Director and
Chief Executive Officer**Mr. CHAN Chi Fai, Brian**

Independent Non-Executive Director

Mr. LI Feng

Non-Executive Director



The grade-A office market in Wuhan was in a phase of continuous destocking, and many projects delayed entering the market. The annual net take-up amounted to 100,200 sq.m, showing a situation of an accumulated inventory, the overall vacancy rate slowly decreased to 30.44%. Driven by the slowdown in new supply and some high-quality projects, the average rent of grade-A office in the city has steadily increased, and the average rent at the end of the year reached RMB123.1/sq.m./month. It exceeded RMB123 for the first time since 2018. The proportion of demand in the consulting service industry still stood out, reaching 25%.

As of the end of 2019, the stock of the grade-A office market in Hangzhou was 5,140,000 sq.m., of which the Qianjiang New Town district with no new projects entered the market throughout the year, and the stock remained at 959,000 sq.m., with a vacancy rate of 9.6%. Affected by the macroeconomic environment, Hangzhou's office leasing market was in a slow-moving channel, and market rent continued to decline. Financial, Internet and real estate companies still dominated the market demand, but their activities had shrunk significantly compared to the last year.

Mr. CHEUNG Yuk Tong
Independent Non-Executive Director

Mr. LIANG Danqing
Non-Executive Director

Mr. CHENG Jiuzhou
Executive Director and
Deputy Chief Executive Officer



CHAIRMAN'S STATEMENT

In terms of the clothing specialization market, at the macro level, the supply of the specialization market in the central and western regions continued to increase, pressure on market diversion continued to increase, and the oversupply of products led to fierce market competition; market transactions and profits declined year by year, and the industry declining tendency has been noticeable. At the micro-level, competition in Guangzhou's clothing business district has intensified, the vacancy rate in the physical market has continued to rise, and business pressure has increased sharply. As of now, the overall shop opening rate of the three major clothing retail districts in Guangzhou dropped to 79%.

In terms of retail commerce, the new supply in Guangzhou for the whole year of 2019 was approximately 430,000 sq.m., maintaining a small supply peak in 2018, which improved both the quality and quantity of the high-quality retail business market in Guangzhou. The Zhujiang New Town and Sports Center business districts in the area had no new supply throughout the year, the vacancy rate was stable, and the first-floor rent levels increased steadily, recording RMB1,547/sq.m./month and RMB628/sq.m./month respectively. Retail and catering businesses have been actively expanding. The "first store economy" enriched brands in the Guangzhou retail market. The premium retail shops in Wuhan increased by 537,600 sq.m. throughout the year, and the target customer group was mainly household consumption; the annual rent level remained stable, and the first-floor rent at the end of the year was RMB443.7/sq.m./month. The sum of retail and catering exceeded 85%, which was absolutely the driving force of commerce in Wuhan.

Affected by the fluctuations in international trade and the downward pressure on the national economy, the overall market performance in 2019 entered a downward trend, and market confidence had clearly weakened. The growth rate of high-end hotels in Guangzhou narrowed slightly year-on-year. Demand from individual leisure travellers increased. The entry of Jumeirah Guangzhou and Rosewood Guangzhou into the market further intensified competition for high-end hotels in Zhujiang New Town. The performance of Guangzhou's high-end serviced apartments was stable, and the proportion of short-term tenants rose, driving rental to increase. The successive opening of Jumeirah Living Guangzhou and Rosewood Residences Guangzhou posed a greater challenge to maintain a high-end customer base for existing serviced apartments.

For high-end hotel market, the development plan of Guangdong-Hong Kong-Macao Greater Bay Area will stimulate an increase in demand for commerce and conferences in Guangzhou in the future. Meanwhile, the opening of Guangzhou-Shenzhen-Hong Kong high-speed rail will continue to play a strong role in promoting the market for leisure tourism in Guangzhou. As of December 2019, the average occupancy rate of high-end hotel market was 82.3%, an increase of 1.6 percentage points year-on-year, and the average daily room rate increased by 1.8% on a year-on-year basis to RMB 1,179.4 per room.

As for high-end serviced apartments, the demand structure of high-end serviced apartments in Guangzhou in the second half of 2019 was still mainly dominated by foreign employees and consulates, supplemented by senior executives from other provinces working for local enterprises, high-income business groups and tourists from other places. As of December 2019, the average net transaction price of high-end serviced apartments in Guangzhou was RMB191/sq.m./month, increased by 2.4% compared with the same period in 2018. The rent premium was mainly due to the slight increase in the rents of apartments for long-term tenants, coupled with the increase in the proportion of daily rental tenants, which also increased the average rent level.

BUSINESS OPERATING STRATEGIES

In response to the dynamic changes in the market, the Manager implemented proactive and flexible leasing strategies to deeply tap into the commercial value of the properties, aiming at achieving long-term sustainable business growth and stable rental returns.

For the office projects (GZIFC, Fortune Plaza, City Development Plaza, Yue Xiu Tower, and Wuhan Yuexiu Fortune Center) under the Yuexiu REIT, the Manager implemented the operating strategy of "Excellent Product, Strong Solicitation for Business and Precision Operation". Among them, GZIFC leveraged the landmark advantages of super high-rise buildings, which created a good office environment and service experience, gathered high-quality customer resources, and set an industry benchmark. Fortune Plaza and City Development Plaza focused on optimizing office products and controlling operational risks. Shanghai Yue Xiu Tower made every effort to tap the new market demand and implemented flexible methods to secure leasing. Wuhan Yuexiu Fortune Center broadened the investment channels and raised the level of the rent for new leasing. Hangzhou Victory Center managed core customers well and generated revenue through multiple channels.

In terms of retail shopping malls, the GZIFC is dedicated to the management of core tenants and tenants paying turnover rent, tapping the potential to promote and elevate the business performance of tenants paying turnover rent, building a precise marketing system, and managing the conversion of realization of the members' value and customers flow. The "VT101" shopping mall at Victory Plaza increased the operating aids and marketing promotion of the core merchants, thereby boosting the overall rental income of the project. The Starry Victoria Shopping Centre eliminated low-value tenants, optimized the structure of tenants and increased the rental value of the project.

In terms of specialized apparel market, the Manager adhered to the mid to high-end positioning of original design and first-hand supply, implemented the operation strategy of "bringing in the exemplary superior, blocking the inferior ones", continuously optimized the tenant structure, innovated marketing methods, and comprehensively enhanced market competitiveness.

In terms of the hotels and apartments, the Manager continued to upgrade the products in a targeted manner, optimized customer channels, promoted a steady increase in average hotel prices, improved catering quality, implemented the Four Seasons 3C Service Concept (Connection, Craftsmanship, Character), and enhanced the guest experience and hotel prestigious reputation. Ascott consolidated the source of long-term residents through multiple channels, responding to new competitors entering the market. It also improved short-stay income management, achieving the growth in efficacy and benefit of the serviced apartments.

INVESTMENT AND FINANCIAL STRATEGIES

In 2019, the Manager continued to implement proactive and prudent investment strategies. In the second half of 2019, the Manager successfully completed the acquisition of 110 parking lots of Fortune Plaza and 179 parking lots of City Development Plaza, integrating commercial supporting resources, and further optimizing the tenant experience. The Manager also continued to seek quality projects that were in line with the investment strategies of the REIT and seized investment opportunities with growth potential.

Yuexiu REIT implemented stable and prudent financial policies, the ratio of total borrowings to total assets of the REIT as at 31 December 2019 was maintained at the level of 39.1%, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager paid close attention to the changes in interest rates and exchange rates, actively expanded the capital channels, made reasonable planning for overseas loans which fall due in future and sought to obtain an appropriate average rate of finance cost.

CHAIRMAN'S STATEMENT

The Manager continued its work in maintaining a stable credit rating of the Yuexiu REIT. Based on the confidence in Yuexiu REIT's relatively strong operating capability and stable cash flow expectations, the rating agency granted Yuexiu REIT an investment-grade rating with a stable outlook.

ASSET ENHANCEMENT STRATEGIES

The Manager continued to implement strategic asset enhancement plan and explore opportunities for asset enhancement by reviewing the property portfolio of the REIT on a regular basis, thereby maintaining market competitive advantages and increasing returns of the projects. Meanwhile, the Manager was also committed to optimizing the tenant mix, improving and maintaining good customer relationship continuously, increasing business solicitation by developing multi-channels to augment resources in solicitation for business, and achieving a continuous enhancement in the rental value of properties of Yuexiu REIT.

PROSPECTS

The economic situation next year is mixed, and the basic trend of China's economic stability and long-term improvement has not changed, but the impact of the "three-period superposition" (growth rate shifting period, painful structural adjustment period, and early stimulus policy digestion period) has continued to deepen, and downward pressure has increased. Meanwhile, due to the adverse impact of Novel Coronavirus (COVID-19), the current world economic growth has continued to slow down and the sources of global turbulence and various types of risks have also increased significantly.

According to the "Guangzhou City's Action Plan for Building a Modern Industrial System with International Competitiveness in the Guangdong-Hong Kong-Macao Greater Bay Area", Guangzhou will be dominated by five industries "advanced manufacturing industry, strategic emerging industry, modern service industry, marine economy, and urban modern agriculture", and build a world-class industrial cluster together with cities in the Greater Bay Area. By 2035, Guangzhou will build an important global comprehensive transportation hub that connects the world efficiently and conveniently links the cities in the Greater Bay Area. Looking forward to 2020, it is estimated that the new supply of the office around 570,000 sq.m. will enter the market, some of which are for personal use and will have a limited stimulus to the market. In addition, the expected downward trend of the economy will continue, and corporate expansion will slow down. Therefore the market vacancy rate is estimated to rise. It is estimated that the solicitation of entry projects in the market in 2021 will be carried out earlier than scheduled, which will result in intensifying the market competition, then enter the tenant market.

It is estimated that in 2020, the new supply for high-quality commerce in Guangzhou will reach a historical peak of 700,000 sq.m. Large-scale shopping malls in urban sub-business districts and urban renewal projects in traditional core commercial districts will emerge, especially the opening of the latter, which is expected to drive more first-store brands into the Guangzhou market.

Under the combined influence of multiple factors such as the complex and ever-changing domestic and international trade situation, the challenges of e-commerce, urban transportation, and fire and public security, the transformation and innovation challenges facing the Guangzhou apparel specialization market will become even more severe.

In 2020, the new supply of the hotel and apartment market in Guangzhou will be relatively limited. The Greater Bay Area Development Outline is expected to stimulate the growth in demand of business and conference. Compared with Shenzhen, Guangzhou is more dependent on the domestic market and is less affected by the turbulent international environment. The opening of the Guangzhou-Shenzhen-Macao high-speed railway will continue to have a strong promotional impact on the tourism market, driving the rapid growth of individual tourists.

It is estimated that in 2020, Shanghai will basically be built into an international economic, financial, trade and shipping center. Compared with other cities, Shanghai has three major driving forces: the construction of a science and technology innovation center with global influence, an active opening-up policy, and the national strategy for the integrated development of the Yangtze River Delta., which will continue to attract world-class science and technology innovation enterprises, foreign enterprises and industry leaders to settle in Shanghai. It is estimated that 5,900,000 sq.m. of grade-A office projects will enter the market by 2023. Among these, 70.5% come from emerging commercial districts, which will put greater pressure on rents of office buildings in core commercial districts. At present, the slowdown of macroeconomic growth and the complex domestic and international economic environment will not raise the overall demand for the office market in 2020 quickly.

The combination of the national strategies such as promoting the development of the Yangtze River Economic Belt and promoting the national strategies on layering and focusing on the emerging central and western regions has provided strategic opportunities for Wuhan's high-quality development. Wuhan will seize this opportunity to enhance the capacity level and core competitiveness of the city, accelerate the construction of a modernized, internationalized and ecologically great Wuhan, and accelerate its progress towards national central city and new tier-1 city. The grade-A office market in Wuhan will have a peak supply in 2020, when nearly 500,000 sq.m. of new supply will be put into the market, and which are mainly super-high-rise landmark projects above 300 meters such as Hang Lung Center, Wuhan Tiandi A1. It is expected that it will have a greater impact on the pattern of the office market in Wuhan, and the business atmosphere in the core business district will be further elevated. In terms of retail commerce, 2,280,000 sq.m. of high-quality commercial supply will be welcomed in the next three years, including well-known projects located in the core area of Hankou, such as Hang Lung Plaza, Hankou K11, and China Resources MixC.

Hangzhou's economic scale and market energy, as well as the agglomeration effect as a provincial capital, will allow more people, businesses and funds to enter Hangzhou's market. The positive benefits brought by the Asian Games is expected to continue to exert a long-term effect. From 2020 to 2022, the leasing market in Hangzhou will usher in 966,000 sq.m. of the new supply of the grade-A office, mainly in core business districts.

We are cautiously optimistic in our belief that we are benefiting from the steady growth of the PRC economy, on the basis of our premium portfolio of properties coupled with the professional management team of Yuexiu REIT, through implementing proactive and prudent leasing strategies complemented with effective property appreciation measures to proactively plan debt restructuring, and opening up financing opportunities of capital markets to effectively reduce finance costs, aiming at continuously generating stable returns for the Unitholders.

APPRECIATION

We would like to take this opportunity to express our sincere gratitude to the Board of Directors, senior management and all staff for their hard work in the development of Yuexiu REIT, and our heartfelt thanks to the Unitholders, tenants and business partners for their strong support for Yuexiu REIT.

LIN Deliang

Chairman

Hong Kong, 5 March 2020

2019 BUSINESS REVIEW AND FUTURE PROSPECTS

BUSINESS REVIEW

MAINTAINED STABILITY IN OPERATING RESULTS

The year of 2019 witnessed increased uncertainty in Chinese economy with declining growth. Under such a complex economic background, Yuexiu REIT successfully resolved various operational risks and maintained good development resilience through rapid adjustment of leasing policy. The overall operation income showed a slight increase and the performance result met with expectation. The Manager effectively managed the maturing tenancies. The properties achieved an overall renewal rate of 73.6%, and stable resource of premium tenants was maintained.

PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2019, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou; Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai; Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), which are located in Wuhan; as well as Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory"), which are located in Hangzhou. The aggregate area of ownership of the properties was approximately 973,001.4 sq.m. and the total rentable area was 632,915.2 sq.m. (excluding 1,408.3 sq.m. of parking space of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Tower) accounted for 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.

PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

Property	Type	Location	Year of Completion	Area of	Total	Property	Number of	Unit Rent ⁽¹⁾ (RMB/sq.m./ month)
				Ownership	Rentable Area	Occupancy Rate ⁽¹⁾		
				(sq.m.)	(sq.m.)			
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100.0%	908	632.4
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2 ⁽²⁾	99.2%	79	158.2
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4 ⁽³⁾	96.3%	85	138.8
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	98.2%	27	271.5
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	97.0%	284	220.1
Including:	Grade A office			267,804.4	183,539.6 ⁽⁴⁾	96.8%	230	236.6
	Retail shopping mall			46,989.2	46,727.3	98.0%	54	156.0
	Hotel			91,460.9 ⁽⁵⁾	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Pudong New District, Shanghai	2010	62,139.4	46,026.3 ⁽⁶⁾	92.2%	108	264.9
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	81.2%	245	82.8
Including:	Grade A office		2016	139,937.1	129,446.7 ⁽⁷⁾	75.0%	139	95.3
	Retail shopping mall		2015	45,471.4	43,546.6 ⁽⁸⁾	99.5%	106	54.8
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Jianggan District, Hangzhou	2017	40,148.4	22,484.8 ⁽⁹⁾	92.1%	35	117.8
Total				973,001.4	632,915.2	92.6%	1,771	214.4

2019 BUSINESS REVIEW AND FUTURE PROSPECTS

Notes:

- (1) As at 31 December 2019;
- (2) Excluding 1,408.3 sq.m. of parking space area;
- (3) Excluding 2,104.3 sq.m. of parking space area;
- (4) Excluding 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area;
- (5) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor;
- (6) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (8) Excluding 1,924.8 sq.m. of common facilities area;
- (9) Excluding 17,663.6 sq.m. of parking space area.

SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

Rental Property	Area of Ownership (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate ⁽¹⁾	Percentage point increase as compared to the same period in 2018	Unit Rent (VAT exclusive) ⁽¹⁾ (RMB/sq.m./month)	Percentage increase / (decrease) as compared to the same period in 2018	Operating Income ⁽²⁾ (RMB'000)
Office	597,294.4	465,250.1 ⁽³⁾	90.2%	2.3	183.7	-0.3%	941,682
Retail	120,158.7	117,536.1	98.6%	0.3	144.8	2.4%	191,207
Wholesale	50,199.3	50,128.9	100.0%	0.0	632.4	0.7%	372,724

Notes:

- (1) As at 31 December 2019;
- (2) For the year ended 31 December 2019;
- (3) Excluding 1,408.3 sq.m. of parking space area of Fortune Plaza; 2,104.3 sq.m. of parking space area of City Development Plaza; 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor) of Yue Xiu Tower; 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Fortune Centre, and 17,663.6 sq.m. of parking space area of Hangzhou Victory.

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate ⁽¹⁾	Average Daily Rate ⁽¹⁾ (RMB: yuan/night)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	83.5%	2,074
Ascott Serviced Apartments GZIFC	High-end serviced apartments	September 2012	51,102.3	314	93.2%	1,052

Notes:

- (1) From 1 January 2019 to 31 December 2019;
(2) Both hotel and serviced apartments are entrusted operation.

PROPERTY VALUATION

On 31 December 2019, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited ("Savills"), an independent professional valuer, and the revalued market value was approximately RMB34.961 billion.

The following table summarizes the valuation of each of the Properties as at 31 December 2019 and 31 December 2018:

Name of Property	Valuation as at 31 December 2019 RMB million	Valuation as at 31 December 2018 RMB million	Increase %
White Horse Building	5,165	5,061	2.1%
Fortune Plaza	1,266	1,197	5.8%
City Development Plaza	1,049	975	7.6%
Victory Plaza	961	936	2.7%
GZIFC	18,940	18,366	3.1%
Yue Xiu Tower	3,210	3,149	1.9%
Wuhan Properties	3,761	3,685	2.1%
Hanzhou Victory	609	601	1.3%
Total	34,961	33,970	2.9%

LEASE EXPIRY OF THE PROPERTIES

In respect of the rental area in the next five years and beyond, ratios of lease expiry of Yuexiu REIT Properties each year will be 23.1%, 26.1%, 22.5%, 12.0% and 16.3% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 26.8%, 23.9%, 23.2%, 14.3% and 11.8% respectively.

2019 BUSINESS REVIEW AND FUTURE PROSPECTS

REVENUE CONTINUED TO INCREASE

In 2019, the properties of Yuexiu REIT recorded total revenue of approximately RMB2,058,112,000, representing an increase of 1.3% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yuexiu Tower, Wuhan Properties and Hangzhou Victory accounted for approximately 18.1%, 3.7%, 3.2%, 3.7%, 55.1%, 6.4%, 8.2% and 1.6% respectively of the total revenue.

No bad debt was recorded during the reporting period. The following table sets out a comparison of revenue in respect of the Properties between the reporting period and the same period of the previous year:

Name of Property	Revenue in 2019 RMB million	Revenue in 2018 RMB million	Increase/ (Decrease) as compared to 2018 RMB million	Increase/ (Decrease) %
White Horse Building	372.7	367.5	5.2	1.4%
Fortune Plaza ⁽¹⁾	75.2	75.5	(0.3)	(0.4)%
City Development Plaza ⁽¹⁾	66.4	67.1	(0.7)	(1.0)%
Victory Plaza	76.6	70.8	5.8	8.2%
Neo Metropolis ⁽²⁾	—	69.5	(69.5)	N/A
GZIFC	1,133.0	1,112.1	20.9	1.9%
Yue Xiu Tower	132.5	142.8	(10.3)	(7.2)%
Sub-total of the maturity properties	1,856.4	1,905.3	(48.9)	(2.6)%
Wuhan Properties	169.7	126.4	43.3	34.3%
Hangzhou Victory ⁽³⁾	32.0	0.2	31.8	15,900.0%
Sub-total of the growth properties	201.7	126.6	75.1	59.3%
Total	2,058.1	2,031.9	26.2	1.3%

Notes:

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019;
- (2) Neo Metropolis was sold in December 2018;
- (3) Hangzhou Victory was acquired on 28 December 2018.

The following table sets out a comparison of net property income in respect of the Properties between the reporting period and the same period of previous year:

Name of Property	Net Property Income in 2019 RMB million	Net Property Income in 2018 RMB million	Increase/ (decrease) as compared to 2018 RMB million	Increase/ (decrease) %
White Horse Building	313.9	308.4	5.5	1.8%
Fortune Plaza ⁽¹⁾	62.5	62.8	(0.3)	(0.5)%
City Development Plaza ⁽¹⁾	55.2	55.9	(0.7)	(1.3)%
Victory Plaza	63.8	58.9	4.9	8.3%
Neo Metropolis ⁽²⁾	—	57.8	(57.8)	N/A
GZIFC	705.2	688.1	17.1	2.5%
Yue Xiu Tower	122.1	130.9	(8.8)	(6.7)%
Sub-total of the maturity properties	1,322.7	1,362.8	(39.9)	(2.9)%
Wuhan Properties	145.6	105.6	40.0	37.9%
Hangzhou Victory ⁽³⁾	26.4	0.2	26.2	13,100.0%
Sub-total of the growth properties	172.0	105.8	66.2	62.6%
Total	1,494.7	1,468.6	26.1	1.8%

Notes:

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019;
- (2) Neo Metropolis was sold in December 2018;
- (3) Hangzhou Victory was acquired on 28 December 2018.

2019 BUSINESS REVIEW AND FUTURE PROSPECTS

GZIFC – REALIZING STABILITY IN OPERATION OF OFFICE BUILDINGS AND OPTIMIZATION IN TENANTS

Facing the disadvantageous situation caused by the declined yearly subscription from the Central Business District (“CBD”) in Zhu Jiang New Town and the termination of leases by financial enterprises, the Manager proactively expanded channels for business solicitation, maintained and preserved customer base, significantly enhancing premium customer reserves. The Manager carried out a targeted lease breakthrough, improved customer transformation and obtained newly signed contracts with more favorable premium in the market. The manager also effectively managed expiry of leases, with renewal rate of 81% throughout the year. The Manager continued to build up the service differentiation for urban landmark projects, in addition to continuously deepening the “double supreme service”, GZIFC was also honored with Certificate of Excellence (“COE”) by Building Owners and Managers Association (China) (“BOMA China”), being the first landmark building of super high-rise complex with an international operation and management system in South China and also the first REIT asset project certified by BOMA in Asia.

“GZIFC Shopping Mall” continued to enrich the retail operational format, achieving the goal that its Basement Level 1 transformed from light-catering brands to retail brands. It introduced seven branded tenants throughout the year, enhanced the overall brand image of catering, and gained favorable rental yields with an increase of 12.6% during the first year of newly signed contracts. In regard to the mall operation, the Manager strengthened the empowerment and business assistance to tenants. Tenants whose operating indicators were at an unhealthy level were given a lot of support, including media publicity, marketing activities, the flow of diverting member activities, and recommendations for business strategies, the promotional effect was prominent. With regard to the marketing, the Manager enhanced the brand image of “GZIFC Shopping Mall” as a cultural and artistic landmark by integrating the excellent artistic resources inside and outside the mall, and hosting multiple high quality cultural events.

In the year of 2019, Four Seasons Hotel Guangzhou and Ascott Serviced Apartments GZIFC continued to implement high level stable operation. Four Seasons Hotel continued to optimize customer channels and effectively enhanced the channel proportion of high-valued customers. It achieved significant room revenue management with the room revenue reaching a historical high. The occupancy rate of hotel was 83.5%, 6.8 percentage points higher than its competitors, the average rent reached a historical high of RMB2,074 and the RevPAR index was up at 147.1. The customer satisfaction continued to rank first. Four Seasons Hotel Guangzhou was awarded “Forbes Travel Guide 2019 Five-star Hotel Award” by Forbes Travel Guide.

Ascott Serviced Apartments optimized the long-term tenants enjoying long-stay preferential rates in the first half of the year, while in the second half of the year timely adjusted strategies to consolidate the long-term customers in response to new competitors entering the market; it realized significant effect in short-term revenue management with its annual income reaching a historical peak. The occupancy rate of apartment was 93.2%, 5.1 percentage points higher than its competitors, with the average rent hitting an all-time high of RMB1,052 and the RevPAR index arriving at 147.0. Ascott Serviced Apartments ranked first both in operating revenue and gross operating profit in Ascott China since 2016.

WUHAN PROPERTIES – SIMULTANEOUSLY ADOPTING LEASING PROMOTION AND OPERATIONAL CONTROL, ACHIEVING STEADY IMPROVEMENT IN BUSINESS PERFORMANCE

Yue Xiu Fortune Center effectively increased its customer reserves through continuous expansion of business solicitation, organization of numerous marketing activities, promotion meetings for project investment and marketing activities in full swing, as well as undertaking various essential conferences. There were 70 newly signed customers for the year, including a number of Fortune 500 companies and related partners. The newly signed contract area reached over 36,000 sq.m. with steady increase of the occupancy rate. Given the specific nature of potential customers with intention to rent office buildings and the check-in tenants, multiple activities were organised for tenants in related market segments in the office buildings in the second half of the year, which resulted in favorable promotional effect.

With an introduction of 27 brands throughout the year, Starry Victoria Shopping Centre greatly enriched the business category and upgraded the brand level. Meanwhile the Manager effectively provided operational assistance for the merchants, leading to improvement in customer flow and tenants' operating performance, along with a year-on-year rental increase of 19.4% from the turnover rent tenants; as a result of supporting core tenants, over 13 tenants exceeded the best threshold value and the overall contribution from turnover rent steadily increased. Concerning the marketing activities, more than 150 various theme-based activities for targeted tenants were carried out during the year. The Manager also introduced resources from different industries, launching fashion pop-up stores, thereby creating a better overall business atmosphere.

WHITE HORSE BUILDING - BREAKING THROUGH THE PREDICAMENT IN INDUSTRY, ACCELERATING TRANSFORMATION AND UPGRADE

As the apparel business and the industry as a whole were under an economic downturn, the Manager promoted transformation and the upgrading of the market in an all-round manner, which was mainly reflected as follows: firstly, through the implementation of effective measures in business solicitation, the Manager successfully introduced 170 high quality customers from outside, vigorously supported 100 internal promising tenants, and provided assistance to the most competitive tenants while reducing the least competitive to enhance the overall competitiveness of tenants; secondly, the Manager continued to advance hardware renovation, and successfully completed the project in improving the image of the building's main entrance, its fashionable outlook was well received and well acclaimed; the Manager also adjusted and optimized the second floor of the mall's business line with a new layout to boost sales of apparel; thirdly, the Manager innovated marketing to nurture the physical market, adopted the integration of traditional marketing and theme-based marketing, and proactively collaborated with top domestic fashion designer teams to create a fashion industry carrier with White Horse elements. Due to the efforts of the Manager and the onsite operation team, White Horse continued to be in the leading position in the industry with average rent of RMB632/sq.m..

YUE XIU TOWER - HANDLING SLUGGISH DEMAND AND OUTPERFORMING THE MARKET

Demand for the Shanghai office market shrank sharply during 2019, of which the vacancy rate of Zhuyuan district in Pudong surged. The Manager calmly responded to such a severe situation, rapidly adjusted the leasing policy, refurbished vacant units, enriched office supporting services, and took the lead in implementing multi-tier progressive commission policies in the district. By swiftly responding to market needs, Yue Xiu Tower achieved satisfactory results under adverse conditions. As of the end of 2019, major indicators such as occupancy rate and unit price of Yue Xiu Tower outperformed the market level in Zhuyuan district.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA - MANAGING EXPIRING CONTRACTS AND MINIMIZING VACANT AREA

Fortune Plaza successfully renewed contracts with key tenants, smoothly introduced the Fortune 500 companies and growing customers to seamlessly undertake units of terminated lease, thus ensuring stable operation. City Development Plaza curbed the trend of declining tenant stability, quickly filled up vacancies by introduction of well-known enterprises via multiple channels, and resolved operational risks.

VICTORY PLAZA - ENHANCING THE BRAND RICHNESS AND PROMOTING SALES FOR KEY TENANTS

The manager further enhanced the brand image of "VT101" through proactive optimization of the brand portfolio, successful introduction of GU, the first flagship store in South China with smooth opening, along with the upgrading of the mall's sunken plaza. Making use of multiple methods continued to help the prominent and key tenant "UNIQLO", which contributed to a year-on-year increase of 8.3% and approximately 11.5%, in customer flow and sales performance respectively, thereby stimulating the overall growth of project revenue. In March, Victoria Plaza was awarded the "Golden Light Award for Excellence in Vision" that represents the highest honor of China-VMD, therefor the visibility and influence of the project were gradually enhanced.

2019 BUSINESS REVIEW AND FUTURE PROSPECTS

HANGZHOU VICTORY - EXPANDING CUSTOMER RESOURCES AND UNDERTAKING PROPER LEASE MANAGEMENT

The year of 2019 was the first complete year for Hangzhou Victory under Yuexiu REIT. Based on optimizing product positioning, the Manager continuously expanded channel resources for major tenants and properly managed leases. The area of newly signed contracts for the year exceeded 5,000 sq.m., with rental increased by more than 17%.

ACTIVE PROMOTION OF ASSET APPRECIATION PROJECTS TO ACHIEVE VALUE PRESERVATION AND APPRECIATION OF PROPERTIES

In the year of 2019, the Manager continued to invest in a number of asset renovation and upgrading projects, which included carrying out the upgrade of the visitor access control system of GZIFC office buildings, and the video surveillance system of Four Seasons Hotel, renovation and upgrading projects on the image of Ascott Serviced Apartments and the main entrance of White House Building, renovating the air-conditioning terminal on the first floor lobby of Yue Xiu Tower, enlarging capacity of low voltage panels for electricity distribution of Yue Xiu Tower, replacing the major fire alarm controllers on the podium of Victory Plaza, and fresh air ventilators of City Development Plaza and Fortune Plaza, and upgrading the public area of City Development Plaza, as well as renovating Unit 57F, an office building in Wuhan Yuexiu Fortune Centre. It was expected that the relevant cost reached approximately RMB22 million, which improved the operating efficiency and business environment of the projects on a continuous basis.

In 2020, the Manager still plans to invest mainly in asset renovation projects for GZIFC, White Horse Building, City Development Plaza, Yue Xiu Tower and Wuhan Yuexiu Fortune Centre in order to achieve value preservation and appreciation of the properties.

ACTIVE MANAGEMENT IN FINANCE RISKS AND EFFECTIVE REDUCTION OF FINANCE COST

In terms of liquidity management, the Manager captured on the advantageous window of the Hong Kong dollar bond market to issue the HK\$1.12 billion 5-year private-placement bonds, coupled with the finance cost rate (3.60%) lower than that of US dollar bonds (4.99%). Long- and short-term finance structure portfolio was optimized and short-term liquidity risks were effectively in control; additionally, a revolving credit line of HK\$700 million non-commitment loan was obtained to improve the resistance of liquidity risk.

Regarding foreign exchange risk management, the Renminbi's exchange rate fluctuated due to China-US trade frictions. Yuexiu REIT's accumulated net exchange loss for the whole year was RMB263 million, the fair value gain of hedging products was RMB72 million, and the net loss for the whole year was RMB191 million (2018 net loss: RMB449 million).

Concerning interest rate management, average one-month HIBOR increased by 0.55 percentage point whereas average one-month LIBOR increased by 0.20 percentage point after the Federal Reserve lowered interest rates three times during 2019. The Manager paid close attention to changes in interest rates at home and abroad, and selected projects with long remaining duration in project financing to implement interest rate hedging, in order to balance the finance cost. The average finance cost rate was approximately 3.82% for the year.

OUTLOOK IN 2020

After the signing of the Phase 1 Economic and Trade Agreement between the government of the United States of America (“USA”) and the government of the People’s Republic of China (“PRC”) in January 2020, the market seemed to be more stable for the time being though it still remained uncertain in its future development.

In addition, the outbreak of the Coronavirus Disease 2019 (“COVID-19”) in Wuhan of the PRC, as well as the gradually mounting cases of infection reported in countries worldwide created further threats and anxieties. Although the government of the PRC has continuously implemented various and large-scale contingency measures to mitigate the adverse impact of the COVID-19, it is expected that the business environment in the PRC will remain soft in the near term until the spread of the COVID-19 is effectually contained. To abide by Yuexiu REIT’s corporate social responsibility and strike a balance for the expectation of the stakeholders, rental concessions will be offered and negotiated on a case-by-case basis to the tenants of wholesale mall, retail mall and offices by Yuexiu REIT. Moreover, the hospitality industry in the PRC has been adversely affected by the COVID-19 outbreak. Four Seasons Hotel Guangzhou, being the only hotel in Yuexiu REIT’s property portfolio, is no exception as it recorded a significant drop in both average occupancy and patronage rates in February 2020.

There is uncertainty for when the COVID-19 epidemic disease might end and the PRC economy might fully rebound, the Manager will continue to monitor and assess the situation closely, with respect to leasing, after analyzing the current tenant base and operation situation, the Manager will apply a more flexible and effective leasing strategy to our targeted tenants. Moreover, reasonable and prudent cost control measures, subject to the hotel situation, will be adopted to optimize cost savings.

FINANCIAL REVIEW

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2018. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2019 RMB'000	2018 RMB'000	Increase/ (Decrease) %
Gross income	2,058,112	2,031,876	1.3%
Hotel and serviced apartments direct expenses	(318,226)	(313,447)	1.5%
Leasing agents fees	(47,456)	(47,002)	1.0%
Property related taxes (Note 1)	(194,734)	(194,940)	(0.1)%
Other property expenses (Note 2)	(2,956)	(7,897)	(62.6)%
Total property operating expenses	(563,372)	(563,286)	0.0%
Net property income	1,494,740	1,468,590	1.8%
Withholding tax	(59,174)	(58,277)	1.5%
Depreciation and amortisation	(129,796)	(129,572)	0.2%
Manager's fees	(147,511)	(147,263)	0.2%
Trustee fees	(10,481)	(10,710)	(2.1)%
Other trust expenses (Note 3)	(39,874)	(3,750)	963.3%
Total non-property expenses	(386,836)	(349,572)	10.7%
Net profit before finance expenses, finance income and income tax	1,107,904	1,119,018	(1.0)%
Finance income	33,748	35,517	(5.0)%
Fair value gain on support arrangement asset	32,318	22,736	42.1%
Finance expenses	(777,515)	(1,008,160)	(22.9)%
Profit before tax	396,455	169,111	134.4%
Income tax expense	(441,828)	(458,369)	(3.6)%

	2019 RMB'000	2018 RMB'000	Increase/ (Decrease) %
Net loss after income tax before fair value gain on investment properties, other expenses in relation to the acquisition of subsidiaries and fair value gain on derivative financial instruments	(45,373)	(289,258)	(84.3)%
Fair value gain on investment properties	752,700	905,159	(16.8)%
Other expenses in relation to the acquisition of subsidiaries	(2,858)	(8,799)	(67.5)%
Fair value gain on derivative financial instruments	72,331	56,638	27.7%
Gain on disposal of subsidiaries	—	302,779	N/A
Gain on construction payable adjustment	163,608	—	N/A
Net profit after income tax before transactions with Unitholders	940,408	966,519	(2.7)%

Note 1 Property related tax included urban real estate tax, land use right tax, urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties.

Note 2 Other property expenses included valuation fee, insurance premium and other expenses.

Note 3 Other trust expenses included audit fees, legal counselling fees, printing charges, unit registrar fees, listing fees, exchange differences and miscellaneous expenses.

Gross income and net property income during the Reporting Year were approximately RMB2,058,112,000 (2018: RMB2,031,876,000) and RMB1,494,740,000 (2018: RMB1,468,590,000) respectively, which represented an increase of approximately 1.3% and 1.8% respectively while comparing with 2018.

FINANCIAL REVIEW

Gross income included income from office, wholesales, retail, hotel and serviced apartments. Gross income analysis is listed in the following table:

	2019 RMB'000	2018 RMB'000
Office	941,682	945,942
Wholesales	372,724	367,445
Retail	191,207	175,970
Hotel and serviced apartments	552,499	542,519
Total	2,058,112	2,031,876

Net property income amounted to approximately RMB1,494,740,000 (2018: RMB1,468,590,000), representing approximately 72.6% (2018: 72.3%) of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property operating expenses. Net property income analysis is listed in the following table:

	2019 RMB'000	2018 RMB'000
Office	802,347	801,568
Wholesales	313,953	308,371
Retail	161,073	147,580
Hotel and serviced apartments	217,367	211,071
Total	1,494,740	1,468,590

Hotel and serviced apartments direct expenses were RMB318,226,000 (including depreciation expense of RMB830,000 incurred in connection with right-of-use asset and interest expense of RMB118,000 incurred in connection with lease liability), an increase of 1.5% as compared with 2018. It was mainly because of an increase of occupancy rate and rental income of hotel and serviced apartment.

Leasing agent fees increased by approximately 1.0% as compared with 2018. It was mainly because of an increase in rental income.

Property related tax decreased by approximately 0.1% as compared with 2018.

Depreciation and amortisation charge was mainly due to the fact that hotel and serviced apartments of GZIFC were booked as fixed assets and land use right incurring the depreciation and amortization charge.

Other trust expenses increased by approximately 963.3%. It was mainly due to the foreign exchange loss from operation. Excluding this foreign exchange loss from operation of approximately RMB18,988,000 (2018: foreign exchange gain of approximately RMB21,282,000), other trust expenses incurred for the Reporting Year amounted to approximately RMB20,884,000 (2018: RMB25,032,000).

Overall, the Manager's fees increased by approximately 0.2%. The Trustee fees decreased by approximately 2.1%.

As Renminbi depreciated against Hong Kong Dollar and US Dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in Hong Kong Dollar and United States Dollar resulted in an exchange loss of approximately RMB243,580,000 (2018: exchange loss of approximately RMB527,549,000). Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB533,934,000 (2018: RMB480,611,000). The average one-month Hong Kong Interbank Offered Rate ("HIBOR") for 2019 was higher than that of 2018 by more than 50 basis points and led to an increase of interest cost on the floating portion of debt.

Profit after tax before transactions with Unitholders amounted to approximately RMB940,408,000 (2018: RMB966,519,000) which represented a decrease of 2.7%, mainly due to the decrease in fair value gain of revaluation for the reporting year of 2019.

NET ASSET VALUE

The net assets attributable to the Unitholders per unit as at 31 December 2019 was approximately RMB4.55 (2018: RMB4.65), which represented a decrease of approximately 2.15%.

DEFERRED UNITS

According to the circular in relation to the acquisition of GZIFC dated 30 June 2012, commencing from 31 December 2016, Yuexiu REIT will, on 31 December of each year, issue to Yuexiu Property Company Limited ("Yuexiu Property") (or its nominee ("YXP Nominee")) such number of Deferred Units as shall be equal to the maximum number of Units that may be issued to YXP (or YXP Nominee) and its concert parties which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Issue Date, will not trigger an obligation on the part of Yuexiu Property (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time. Based on the Illustrative Financing Structure and assuming that no additional Units are issued post-Completion (other than Manager Fee Units), it is expected that all of the deferred units will be issued by 31 December 2023.

On 31 December 2019, Yuexiu REIT issued 74,000,000 Units to a wholly-owned subsidiary of Yuexiu Property. The remaining balance of deferred units were approximately 461,401,000.

FINANCIAL PERFORMANCE OF WUHAN PROPERTIES AND THE SUPPORT ARRANGEMENT

The Wuhan Properties recorded actual net profit of approximately RMB80,529,000 and contributed net distribution of approximately RMB28,109,000 after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB52,420,000), etc. to Yuexiu REIT for the Reporting Year.

Moreover, based on the agreements set forth in the circular in relation to the acquisition of Wuhan Properties, the amounts under the Support Arrangement is approximately RMB17,471,000 for the Reporting Year. After deducting the amount of RMB14,630,000 paid by Yuexiu Property on 6 August 2019, the balance amounting to RMB2,841,000 should be paid by Yuexiu Property within 7 business days after the announcement of Yuexiu REIT's annual result for the Reporting Year. Please refer to the circular dated 15 November 2017 for details.

FINANCIAL REVIEW

NEW UNITS ISSUED AND UNIT ACTIVITY

In respect of issuance of new units during the Reporting Year for settlement of the Manager's fee, Yuexiu REIT newly issued 13,167,795 and 12,238,329 units at HK\$5.46 and HK\$5.24 on 14 March 2019 and 26 August 2019 respectively. On 31 December 2019, referring to the terms disclosed from the circular dated 30 June 2012, Yuexiu REIT issued 74,000,000 Units at a price of HK\$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of Yuexiu Property (a significant holder of the Yuexiu REIT), in part satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2019, a total of 3,205,856,551 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$5.63 and a low of HK\$4.95 during the Reporting Year. The average trading volume amounted to approximately 3,785,000 Units per day during the Reporting Year (2018: approximately 4,239,000 Units).

The closing price of the Units as at 31 December 2019 was HK\$5.28, represented a discount of approximately 5.78% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2019.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Bank borrowings and notes		
Denominated in RMB	1,821,280	2,521,280
Denominated in HKD	9,649,445	8,624,328
Denominated in USD	2,781,674	2,730,120
Total bank borrowings and notes	14,252,399	13,875,728
Maturity analysis		
Within one year	3,217,958	2,276,543
Two to five year	10,555,361	10,420,105
Beyond five year	479,080	1,179,080
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	3.95%	3.65%
USD	4.99%	4.99%

The overall interest rate per annum of the borrowings and notes at the balance sheet is 4.20% (2018: 4.04%). The average interest rate was approximately 3.82% for the year.

In 2019, the Manager adopted a series of liquidity management measures. It managed the annual interest rate at a reasonable level and has been alert of the foreign exchange risk.

As at 31 December 2019, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total hedged loan amount was approximately RMB3,297,227,000 (2018: RMB2,533,823,000).

As at 31 December 2019, Yuexiu REIT held certain hedging financial derivatives with a fair value assets of approximately RMB42,126,000 (2018: fair value liabilities of RMB120,018,000).

Referring to the US\$1,500,000,000 guaranteed medium-term note plan, Yuexiu REIT issued a total principal of HK\$1,120,000,000 guaranteed note at 3.6% in May and June 2019 respectively, which would mature in 2024. The fund was used for partial repayment of HK\$ bank loan facility and for general corporate working capital requirement.

On 31 October 2019, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain lending banks in connection with HK\$5,200,000,000 term loan facilities. The term loan facilities included 1) three-year unsecured and floating rate of HK\$3,100,000,000 ("HK\$3.1Billion Loan Facility") and 2) five-year unsecured and floating rate of HK\$2,100,000,000 ("HK\$2.1Billion Loan Facility"). On 7 November 2019, the HK\$3.1Billion Loan Facility was drawn down and used for repayment of certain matured HK\$ bank loan facility. The HK\$2.1Billion Loan Facility will be drawn down for repayment of certain matured HK\$ bank loan facility in April 2020.

On 13 November 2019, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain bank in connection with a three-year unsecured and floating rate term loan facility of HK\$122,622,390. On 19 November 2019, the loan was drawn down to pay for the acquisition cost of the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces.

As at 31 December 2019, total borrowings of Yuexiu REIT amounted to approximately RMB14,252,400,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 39.1% of total assets of Yuexiu REIT. The gearing ratio was below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 31 December 2019, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB20,620,701,000, representing approximately 56.6% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2019 amounted to approximately RMB1,341,760,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

The Manager has adopted a prudent approach in cash management to ensure flexibility to meet the operational needs and the distributions of Yuexiu REIT.

FINANCIAL REVIEW

ACCOUNTING TREATMENTS

UNITS RECORDED AS FINANCIAL LIABILITIES; DISTRIBUTIONS TO UNITHOLDERS AS FINANCE COSTS

Pursuant to Rule 7.12 of the REIT Code and the terms of the Trust Deed, Yuexiu REIT is required to distribute to the Unitholders not less than 90% of its audited annual net income after tax (subject to certain adjustments as defined in the Trust Deed).

Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the Units contain contractual obligations to pay cash distributions and, upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with Unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT.

In accordance with the Hong Kong Accounting Standards 32 ("HKAS 32"), Yuexiu REIT has, for accounting purposes, classified its Units as financial (not legal) liabilities.

On the basis of the HKAS 32, distributions to be paid to the Unitholders are represented as finance costs and are therefore presented as expenses in the consolidated statement of comprehensive income. Consequently, Yuexiu REIT has, for accounting purposes, recognised distributions as finance costs in its audited consolidated statement of comprehensive income.

The above accounting treatment does not have any impact on the net assets attributable to the Unitholders.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

During the Reporting Year, Yuexiu REIT carried out the following acquisition:

Acquired the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces for the consideration of approximately RMB98,000,000. The acquisition was completed on 19 November 2019.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd (formerly named as Guangzhou Yicheng Property Management Ltd) ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") and Guangzhou Yue Xiu Asset Management Company Limited ("GZAM") to provide designated leasing, marketing, tenancy management and property management services (collectively, "Leasing Agents") to the Properties.

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, Baima BM and GZAM in the amounts of RMB16,719,000, RMB11,182,000 and RMB19,555,000 respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Yuexiu REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange.

During the Reporting Year, there was no repurchase, sale or redemption of Units by Yuexiu REIT or its subsidiaries.

EMPLOYEES

As at 31 December 2019, Yuexiu REIT employed 632 and 132 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

Yuexiu REIT is managed by the Manager. Except for the abovementioned, Yuexiu REIT does not employ any staff.

REVIEW OF FINANCIAL RESULTS

The final results of Yuexiu REIT for the Reporting Year have been audited by the independent auditor of Yuexiu REIT and reviewed by the Disclosures Committee and the Audit Committee of the Manager.

CORPORATE GOVERNANCE

Article A.2.1 of the Corporate Governance Code required that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. At present, Mr. Lin Deliang is both the Chairman and Chief Executive Officer of the Manager. This structure was considered of more efficiency in business planning and decision-making for Yuexiu REIT. The Board also did not believe that the current structure of a single Chairman and Chief Executive Officer will compromise the balance of power and authority between the board and the company's management.

Except for the abovementioned, the Manager has adopted an overall corporate governance framework that is designed to promote the best operation of Yuexiu REIT in a transparent manner with internal audit and controls to evaluate the performance of the Manager, and consequently achieved the success of Yuexiu REIT.

The Manager has adopted a compliance manual ("Compliance Manual") for use in relation to its management and operation of Yuexiu REIT which includes key policies and procedures for maintaining a high standard of corporate governance.

During the Reporting Year, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2020.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 27 May 2020. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT SUMMARY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT SUMMARY

Yuexiu REIT is managed by the Manager who in turn has delegated the functions of leasing and marketing all properties to Baima BM, Yicheng and GZAM (Yuexiu REIT, the Manager and parties who have been delegated functions are collectively referred to as “we” hereinafter, as and when the context requires). While maintaining a leading position in the capabilities of asset appreciation, business operation and capital operation, we adhere to the concept of sustainable development and establish the Corporate Social Responsibility (CSR) Working Committee to integrate environmental protection and social responsibility into our development strategy, actively addressing the expectation of stakeholders in aspects of environmental, social and governance to achieve quality, efficient and sustainable growth.

In order to realize the strategies for win-win, green and shared interests, the three major areas of sustainable development, we repay our clients and rebate the society through a series of initiatives, which include implementing capital technical alteration of properties and service innovation to enhance satisfaction and trust of customers; improving policies for caring employees to create a safe, fair, inclusive and open working environment; taking effective measures for energy conservation and waste disposal to reduce the adverse effects of property operation on social environment; and advocating charity and poverty alleviation activities to offer help to the needy in the community.

For ensuring reasonable disclosure of various initiatives on ESG work, we have conducted multi-faceted risk assessment and analysis. We have identified important issues as the basis of preparing the ESG Independent Report through tasks such as regulatory requirement analysis, media research, industrial benchmarking, stakeholder research and property field visits. We consider government agencies, media, unitholders and potential investors, tenants, customers, employees, suppliers and local communities etc. as our key stakeholders. During the year, the business nature and scale of Yuexiu REIT did not change significantly. Based on the evaluation results of previous year and in consideration of the latest concerns of the stakeholders, the Manager comprehensively updated the issue bank, integrated similar issues, issued questionnaires to the internal management, finally reviewed and drew material issues for 2019 and responded to them through the ESG Report.

For further information on the performance of Yuexiu REIT in areas of environmental, social and governance during this year, please refer to the forthcoming ESG Independent Report. After the report is published, it can be viewed in or downloaded from Yuexiu REIT’s website or Hong Kong Stock Exchange’s website.

PROPERTY PORTFOLIO

OVERVIEW OF THE PROPERTIES

The property portfolio of Yuexiu REIT comprises eight high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory.

LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are located in the core business districts ("CBD") of Guangzhou, Shanghai, Wuhan and Hangzhou, the PRC. In particular, the White Horse Building is located in the Liuhua business and exhibition area of Guangzhou, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specializing in apparels, shoes and leatherware in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the north end of the Guangzhou Tianhe CBD, which is located on the new axis of Guangzhou and being one of the top three CBDs in China approved by the State where prime grade-A office buildings are concentrated, with highly concentrated metro line networks, convenient transportation, established and sound ancillary facilities. GZIFC is located at the core financial business district of the Zhujiang New Town which is located on the new axis of Guangzhou, and enjoys favorable geographical advantages, with well-developed commercial and thriving cultural activities in the surrounding areas integrating natural landscape and arts of the new town center, which is the new icon of Guangzhou City. Yue Xiu Tower is located at 388 Fushan Road, Pudong New District, Shanghai Municipality, PRC and only 2 kilometres away from the Little Lujiazui central district. Due to its convenient traffic conditions, Yue Xiu Tower can be reached by various rail transit lines in the vicinity and is adjacent to the intersection of metro lines 2, 4, 6 and 9. Wuhan Yuexiu Fortune Center and Starry Victoria Shopping Center, located in Hankou Riverside Business District in Wuhan, the capital of Hubei Province, Central China, enjoy high transport accessibility as they are directly connected to Metro Line 1 and the planned Metro Xingang Line. Hangzhou Victory is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC, enjoys high transport accessibility as the two metro stations, within a walking distance to Sanbao Station and Yudao Station, are adjacent to the intersection of two metro lines (line 6 and line 9) and one airport express line.

PROPERTY PORTFOLIO

LOCATIONS MAP OF PROPERTY



WHITE HORSE BUILDING

CITY DEVELOPMENT PLAZA

VICTORY PLAZA

FORTUNE PLAZA

GUANGZHOU IFC

SHANGHAI YUE XIU TOWER

YUEXIU FORTUNE CENTRE AND STARRY VICTORIA SHOPPING CENTRE

HANGZHOU VICTORY BUSINESS CENTER

杭州 HANGZHOU



杭州維多利商務中心
HANGZHOU VICTORY BUSINESS CENTER



白馬大廈
WHITE HORSE BUILDING

★ 廣東省人民政府
GUANGDONG PROVINCIAL PEOPLE'S GOVERNMENT

★ 廣州市人民政府
GUANGZHOU MUNICIPAL PEOPLE'S GOVERNMENT

西門口
XIMENKOU

公園前
GONG YUAN QIAN

武漢 WUHAN



武漢越秀財富中心及
星匯維港購物中心
WUHAN YUEXIU FORTUNE CENTRE AND STARRY VICTORIA SHOPPING CENTRE



上海越秀大廈
SHANGHAI YUE XIU TOWER

上海 SHANGHAI

廣州 GUANGZHOU



越秀區 YUEXIU DISTRICT

天河區 TIANHE DISTRICT

海珠區 HAIZHU DISTRICT



PROPERTY PORTFOLIO



WHITE HORSE BUILDING



VICTORY PLAZA



CITY DEVELOPMENT PLAZA



FORTUNE PLAZA



GUANGZHOU INTERNATIONAL FINANCE CENTER



SHANGHAI YUE XIU TOWER



WUHAN YUE XIU FORTUNE CENTRE
AND STARRY VICTORIA SHOPPING CENTRE

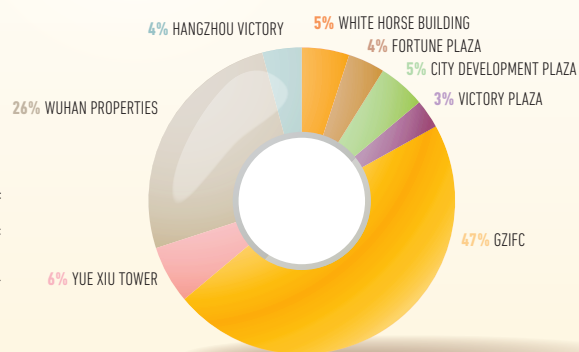




HANGZHOU VICTORY
BUSINESS CENTER

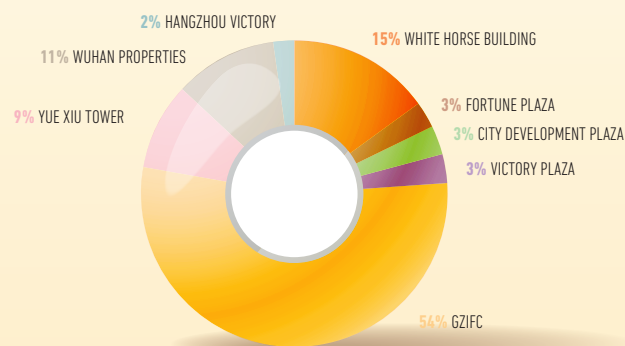
AREA OF PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 973,001.4 sq.m. and a rental area of 632,915.2 sq.m. As at 31 December 2019, the overall occupancy rate of the property portfolio was 92.6%.



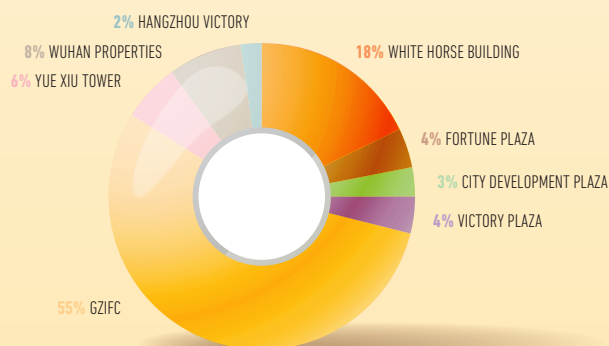
PROPERTY VALUATION

According to the valuation report issued by Savills, the property portfolio of Yuexiu REIT was valued at a total value of RMB34.961 billion as at 31 December 2019.



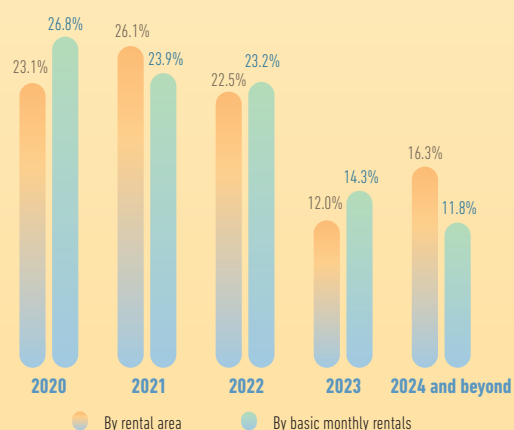
OPERATING INCOME GENERATED BY THE PROPERTIES

In 2019, Yuexiu REIT recorded a total annual operating income of RMB2.0581 billion, representing an increase of 1.3% as compared to the same period last year.



LEASE EXPIRY OF THE PROPERTIES

In terms of rental area in the next five years and beyond, the proportion of lease expiry of the Properties for each year will be 23.1%, 26.1%, 22.5%, 12% and 16.3% respectively. In terms of basic monthly rentals, the proportion of lease expiry for each year will be 26.8%, 23.9%, 23.2%, 14.3% and 11.8% respectively.

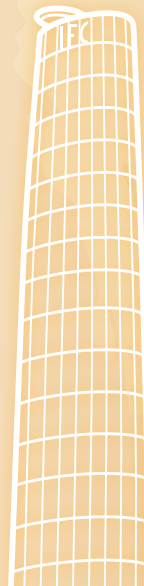




**GUANGZHOU
TIANHE DISTRICT**

GUANGZHOU IFC

**GZIFC – A GLOBAL BUSINESS LEADER
AND GUANGDONG-HONGKONG-
MACAU GREATER BAY AREA URBAN
LANDMARK COMPLEX**





Guangzhou International Finance Center (GZIFC) is located in the central business district (CBD) of Zhujiang New Town, the most radiant and glamorous CBD in Guangzhou. It is a landmark of mixed-use premium grade commercial complex in Guangzhou.

The property is in an excellent location of the core CBD which is on the axis of Guangzhou, where the No. 3 and No. 5 Metro Lines and the passenger automatic transportation system (APM) intersect. It is 45 minutes from Guangzhou Baiyun International Airport, 10 minutes from Guangzhou East Railway Station, 45 minutes from Nansha Expressway, and 15 minutes from Pazhou convention and exhibition business district, facilitating quick and easy business connection.

Having a total gross floor area of 457,000 sq.m., the property comprises a main tower with 103 floors above the ground and 4 floors underground, and a 28-storey annex building. It has 58 floors of Grade A offices, 6 floors of shopping mall, a carpark with 1,700 parking spaces, a five-star hotel with 344 guest rooms, and 314 units of luxury serviced apartments.

PROPERTY PORTFOLIO

GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC – OFFICE



The main tower of the property is 432 meters tall, being one of the world's top ten skyscrapers. The property is designed by the renowned architectural firm, Wilkinson Eyre Architects, and its structural works are undertaken by Arup. The property won the "Highly Commended Mixed-use Project" Award of the International Property Awards at the Asia Pacific Presentation Ceremony in 2012, and the honour of "The Most Outstanding Architecture outside the European Union" awarded by the Lubetkin Prize granted by the Royal Institute of British Architects (RIBA) in a global competition during the same year. The property also won the Lu Ban Award in 2013, representing the highest honour in quality management and engineering level in the construction industry of China. In 2017, it became a

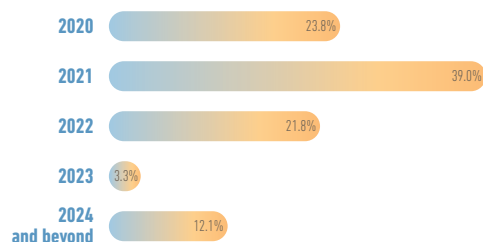
super high-rise landmark building granted the LEED V4 standard platinum level certification for the operation stage. In 2019, it obtained Building Owners and Managers Association China ("BOMA CHINA") COE certifications (Architecture Management Excellence Certification).

The offices of Guangzhou IFC are on the 4th to 65th floors of the main tower. It has a gross floor area of 268,000 sq.m. and commenced operation in July 2011. As an iconic building and a landmark in southern China, Guangzhou IFC has attracted many multinational companies and renowned enterprises to lease its office space. Currently its tenants include renowned companies such as Zurich General Insurance, FAW-Volkswagen, SFUND, China Export & Credit Insurance, Dow Chemical, Bank of America, Société Générale, JD Allianz Insurance, Bank of Taiwan, Wing Lung Bank, The British Consulate, ChinaAMC, Harvest Fund, Youngy Group, AON, Lucent Shanghai Bell, Biostime, The Portuguese Consulate, The Panamanian Consulate, BSH Home Appliances, Lu An Financial Leasing, China Financial Leasing, Ping An Merchants, Bank of China, China Construction Bank, Agricultural Bank of China, Mitsubishi Electric, Huafa Commercial Management, GLP, DassaultSystemes, AllBright Law Offices.

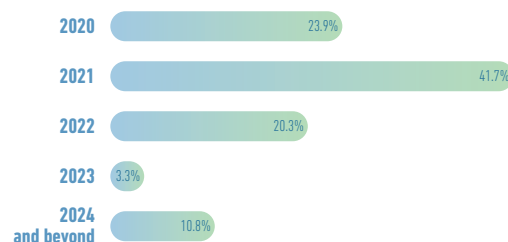
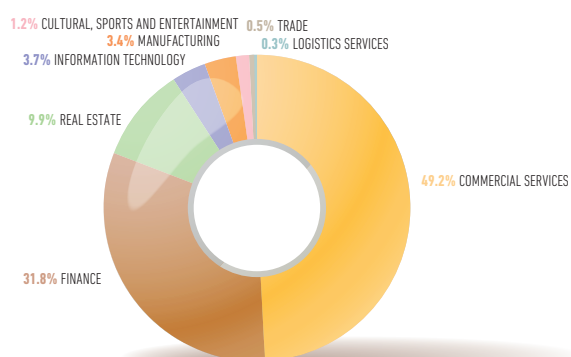
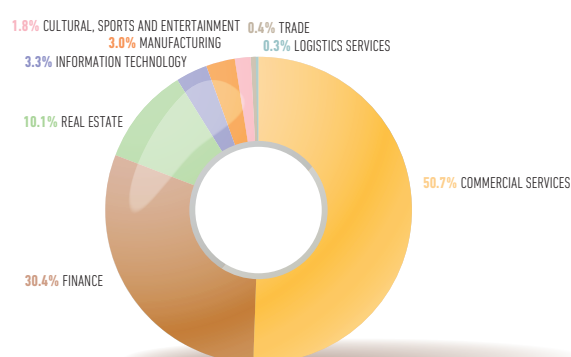


LEASE EXPIRY OF THE OFFICES

(by rental area)

**LEASE EXPIRY OF THE OFFICES**

(by basic monthly rentals)

**INDUSTRY COMPOSITION OF OFFICES TENANTS BY RENTAL AREA****INDUSTRY COMPOSITION OF OFFICES TENANTS BY BASIC MONTHLY RENTALS****TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)**

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Yuexiu Group and its subsidiaries	Mixed	26.3%	31%
Guangzhou Industrial Investment Fund and its subsidiaries	Finance	7.1%	7.8%
China Export Credit Insurance Corporation Guangdong Branch	Finance	3.1%	2.9%
Guangzhou Huihua Investment Co., Ltd.	Commercial Services	1.8%	2.2%
Youngy Investment Holding Group Co.,Ltd.	Finance	1.8%	1.9%
Health and Happiness (H&H) China Limited	Commercial Services	1.8%	1.7%
Guangzhou Rich GuoJin Clinic Co.,Ltd	Commercial Services	1.0%	1.7%
Guangzhou Dabexiang Techonology Co.,Ltd.	Commercial Services	1.6%	1.3%
Allianz JingDong General Insurance Company Ltd	Finance	1.5%	1.1%
Guangzhou Servcorp Business Service Co.,Ltd	Commercial Services	0.9%	0.9%
Total		46.9%	52.5%

PROPERTY PORTFOLIO



GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC - SHOPPING MALL

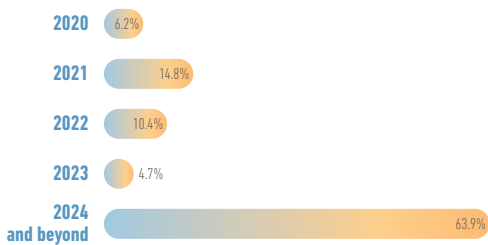
The shopping mall occupies a total of six floors of the podium. It has a gross floor area of 47,000 sq.m. and commenced operation in November 2010.

As of 31 December 2019, the occupancy of the shopping mall was 98%, and the unit rental price was RMB156 per sq.m. per month.



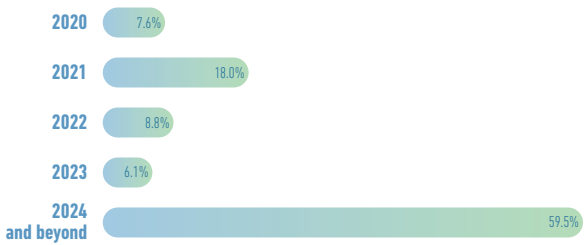
LEASE EXPIRY OF THE OFFICES

(by rental area)

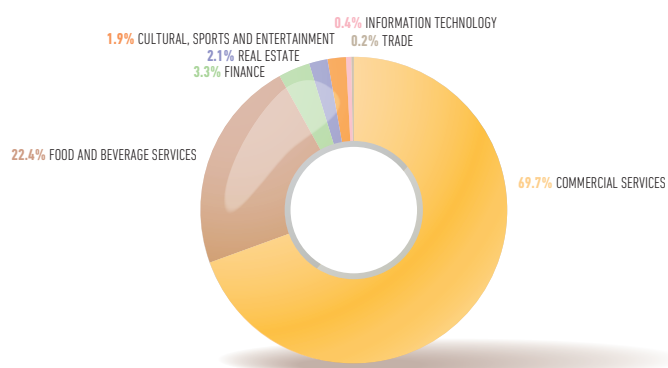


LEASE EXPIRY OF THE OFFICES

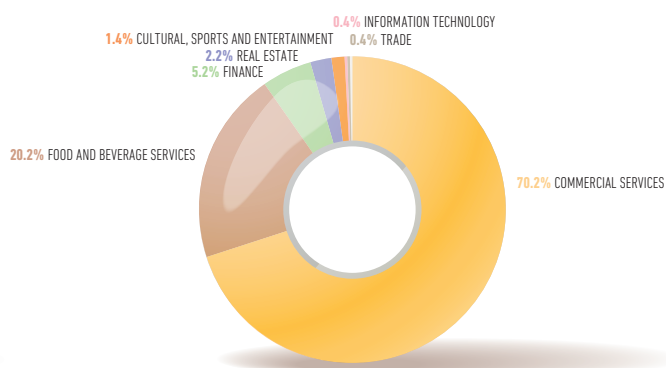
(by basic monthly rentals)



INDUSTRY COMPOSITION OF SHOPPING MALL TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF SHOPPING MALL TENANTS BY BASIC MONTHLY RENTALS

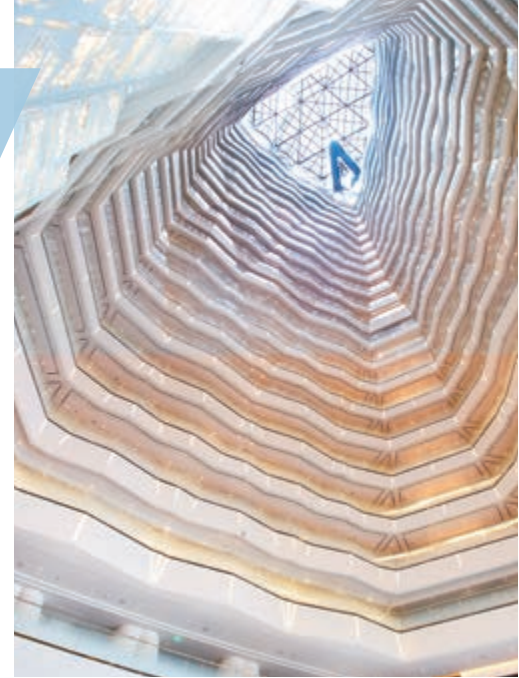


TOP 10 OFFICE TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Group Co., Ltd.	Commercial Services	58.1%	36.9%
Guangzhou Nio Sales and Service Co., Ltd	Commercial Services	3.7%	18.2%
Yuexiu Group and its subsidiaries	Food & Beverage	5.9%	7.0%
Welcom Fitness Management Consulting (Guangzhou) Co., LTD	Commercial Services	3.5%	4.2%
Harvest Fund Management Co., Ltd.	Finance	1.4%	4.0%
Guangzhou Jinlong Catering Management Co., Ltd/ Guangzhou Jinlong Culture Technology Co., Ltd.	Food & Beverage, Culture, Sports and Entertainment	3.0%	2.6%
Guangzhou Guojin TaoTaoJu Catering Management Limited	Food & Beverage	4.3%	2.4%
Youyue Restaurant of Zhujiang New Town, Tianhe District, Guangzhou	Food & Beverage	2.3%	1.7%
Guangzhou Backstreet Tangchu Catering Co., Ltd., Zhujiang New Town Branch	Food & Beverage	1.7%	1.4%
Guangzhou ZiZhouLou Little Catering Restaurant Management Limited	Food & Beverage	1.5%	1.4%
Total		85.4%	79.8%

GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC - FOUR SEASONS HOTEL GUANGZHOU



Four Seasons Hotel Guangzhou is entrusted to Four Seasons Group, the world-famous hotel brand management company, for operation and management. The hotel occupies the 68th to 100th floor of the main tower of Guangzhou International Finance Center, and the 1st to 5th floor (partial) of the podium, with a gross floor area of about 91,000 sq.m.

Four Seasons Hotel Guangzhou provides comprehensive service support, including conference and banquet facilities with a gross floor area of approximately about 14,000 sq.m., CATCH (Asia-flavor seafood restaurant) on the 100th floor, Tian Bar on the 99th floor, Kumoi (Japanese restaurant) and Caffe Mondo (Italian buffet) on the 72nd floor, the Yu Yue Heen (one Michelin star Chinese restaurant) on the 71th floor, the Atrium on the 70th floor, Dolcetto Cafe on the first floor, and Hua Spa (a SPA clubhouse, a sky swimming pool and a fitness center) on the 69th floor. There is a grand tapering atrium rising from 70th through 100th floor. There is also a reception hall on the 1st floor of the hotel lobby to provide guests with convenient and efficient concierge services.

Four Seasons Hotel Guangzhou adheres to its consistent objectives of making guests feel at home, creating an exclusive and prestigious experience for every honourable guests with our most attractive and quality services.

	Date of inception	Area of ownership (sq.m.)	Number of rooms (Units)	Average occupancy rate	Average room rate (RMB/night)
Four Seasons Hotel Guangzhou	August 2012	91,460.9	344	83.5%	2,074



GUANGZHOU TIANHE DISTRICT

GUANGZHOU IFC - ASCOTT IFC GUANGZHOU

Luxury serviced apartments under the operation and management of Ascott, located on the 6th to 28th floor of the property's annex building, with a gross floor area of about 51,000 sq.m..

Ascott IFC Guangzhou provides 314 sets of elegant stylish luxury apartments for global business travelers. From one bedroom to three bedrooms, each apartment has separate living room and dining area with a fully equipped kitchen as well as a high-quality home theater system, allowing you to enjoy pleasant and comfortable living for both long-term residential and leisure purposes. The 24-hour security patrol and CCTV surveillance system can ensure a safe and well protected residence for our guests.



	Date of inception	Area of ownership (sq.m.)	Number of rooms (Units)	Average occupancy rate	Average room rate (RMB/Square/month)
Ascott IFC Guangzhou	September 2012	51,102.3	314	93.2%	1,052



GUANGZHOU
YUEXIU DISTRICT

WHITE HORSE BUILDING

WHITE HORSE BUILDING – TOP 10
CHINA APPAREL WHOLESALE MARKET
AND MEDIUM-TO-HIGH END ORIGINAL
APPAREL PROCUREMENT CENTRE





Located in the heart of Liuhua business and exhibition area, a famous fashion center in China, which is close to the Guangzhou Railway Station, Guangdong Bus Station and Guangzhou Bus Station, located at the intersection of the Metro Line Nos. 2 and 5 enjoying greatly convenient traffic, the White Horse Building formally commenced operation on 8 January 1993. It has an operating area of 60,000 sq.m., comprising 4 storeys of shopping mall, 5 storeys of offices and one storey of underground carpark.

More than 1,000 fashion manufacturers from various regions across the country congregate in the Guangzhou White Horse Apparel Market. The Market is mainly engaged in medium- to-high end fashionable men's and women's branded apparel and adheres to the competitive advantages featuring "Original Brands, High Quality Products, Primary Source of Goods and Manufacturers' Direct Sales". 80% of the tenants in the Market operate their own factories and are capable of independent product R&D and manufacturing. Their products are widely popular worldwide, covering over 30 provinces, municipalities and autonomous regions in the PRC, as well as over 70 countries and regions such as the United States, Russia, the Middle East, Southeast Asia and Western Europe. The Market has an average daily traffic flow of 40,000 customers with an annual trading amount of over RMB10 billion.

PROPERTY PORTFOLIO

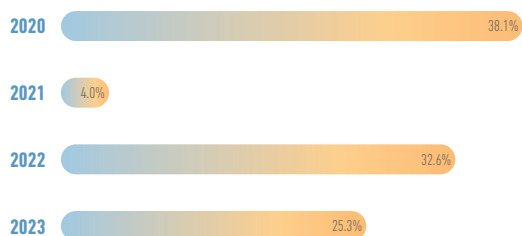
In recent years, Guangzhou White Horse Apparel Market made timely use of Internet resources to provide free WIFI services across the Market. The WeChat of Guangzhou White Horse Apparel Market(WeChat ID: baima_market) has been created to concurrently provide purchasers with the latest fashion information and recommendation of superior brands and sources of goods, which creates limitless business opportunities through mobile phones. Meanwhile, the market provides more comprehensive information services for merchants by actively exploring the new media image-text short video marketing model.

After years of cultivation and development, the Guangzhou White Horse Apparel Market has become a bellwether in the wholesale industry of garments in the country, and has won various recognition and awards, such as the Top 10 Professional Markets of Fashion in China, CNTAC Product Development and Promotion Award, the First Incubation Bases for Fashion Brands in China, National Civilized Market, Guangdong Civilized Market, Guangdong Fashion Apparel International Purchase Centre, Guangdong Famous Brand, Leading Enterprise in Guangdong Modern Wholesale Market, China E-Commerce Modelling Enterprise, China E-Commerce Modelling Enterprise and 2013-2014 Top 100 E-Commerce Enterprises in Guangdong, 2018 Silk Road Textile Industry Influence Innovation Market, The Most Influential Brand Market in China Over The Past 40 Years of Reform and Opening-Up, Chinese Apparel Brand Incubation Base Service Model, and 2019 Guangdong Apparel Industry Benchmarking Professional Market.

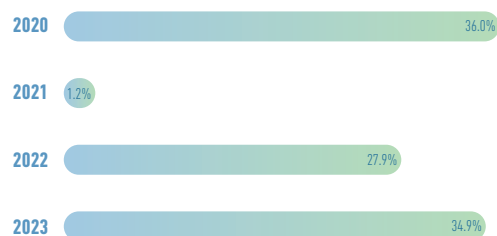
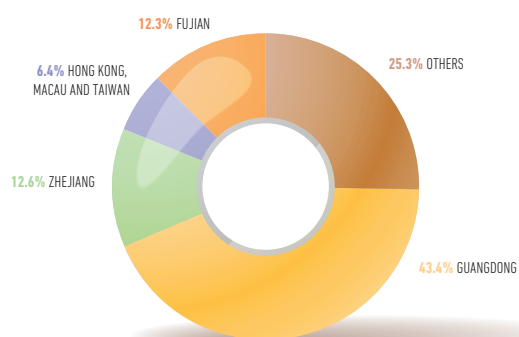
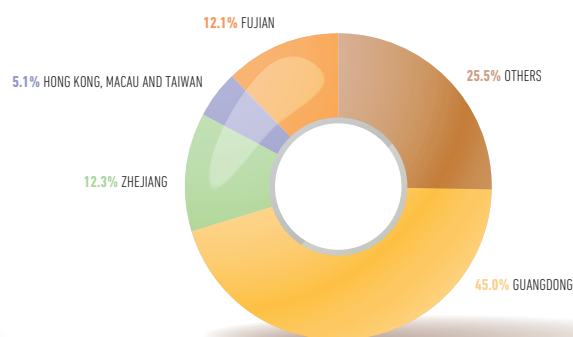


LEASE EXPIRY

(by rental area)

**LEASE EXPIRY**

(by basic monthly rentals)

**GEOGRAPHICAL DISTRIBUTION OF TENANTS BY RENTAL AREA****GEOGRAPHICAL DISTRIBUTION OF TENANTS BY BASIC MONTHLY RENTALS****TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)**

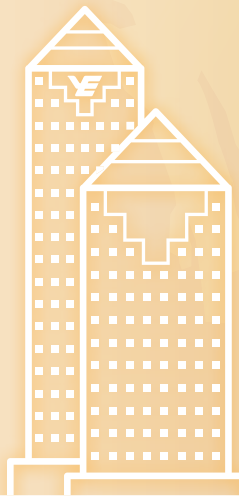
Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Lin Mingguang	Commercial services	1.2%	1.8%
Chen Yufang	Commercial services	1.1%	1.2%
Chen Chunlong	Commercial services	0.6%	1.2%
Li Tie	Commercial services	0.6%	0.9%
Zhou Yanmei	Commercial services	0.4%	0.9%
Wang Jiang	Commercial services	0.7%	0.8%
Zhou Fawei	Commercial services	0.5%	0.7%
Lin Peifang	Commercial services	0.4%	0.7%
Zhu Huifeng	Commercial services	0.4%	0.7%
Bank of Communications Co., Ltd. Guangdong Provincial Branch	Finance	0.4%	0.7%
Total		6.3%	9.6%



**GUANGZHOU
TIANHE DISTRICT**

FORTUNE PLAZA

**FORTUNE PLAZA—PREMIUM GRADE-A
COMMERCIAL BUILDING AND MODEL OF
NATIONAL PROPERTY MANAGEMENT**





Located on Ti Yu Dong Road which is known as the “Guangzhou Wall Street”, and also at the heart of the Tianhe CBD, Fortune Plaza is a property erected above the Tianhe Sports Center Station, which is the interchange of metro lines No. 1 and 3 with various public transport stations. It is easily accessible and adjacent to two important business districts, being Zhujiang New Town in the south and Tianhe North in the north, benefiting greatly from its geographical advantages. This project has a total gross floor area of over 80,000 sq.m. comprising a 2-storey underground carpark, a 6-storey commercial podium, a single-storey hanging garden clubhouse and 2 grade-A office towers with 26 storeys and 36 storeys respectively, which are among the few intelligent 5A Grade-A office buildings purely for office use in the Tianhe CBD business circle in Guangzhou. Inside the building, there are banks, a business center, a large conference center, convenience stores and a grand clubhouse, which provide all-round and convenient ancillary business services for business people in the building.

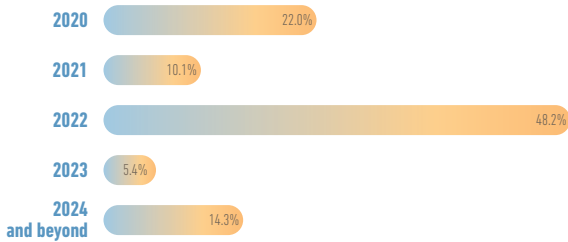
PROPERTY PORTFOLIO

As an iconic building and landmark in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice for large renowned companies in the world. It has been recognized as the “Model of National Property Management” and Building Sustainability Authentication Flag (樓宇可持續發展指數驗證標誌) and is well received by customers in the industry. The existing tenants of Fortune Plaza include many famous enterprises, such as Chevron, Citibank, AEON Group, CITS American Express, COSCO Shipping, Hanwha Chemical, Publicis Group, Swatch Group, Ping An Bank, Wanglaoji, Nikon Imaging, Wall Street English, Baleno and Master Meditech.



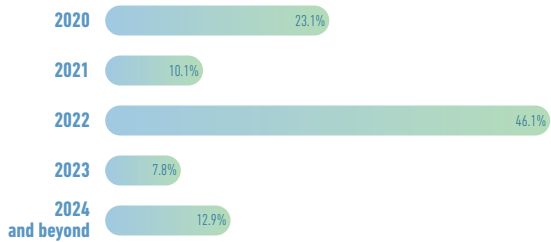
LEASE EXPIRY

(by rental area)

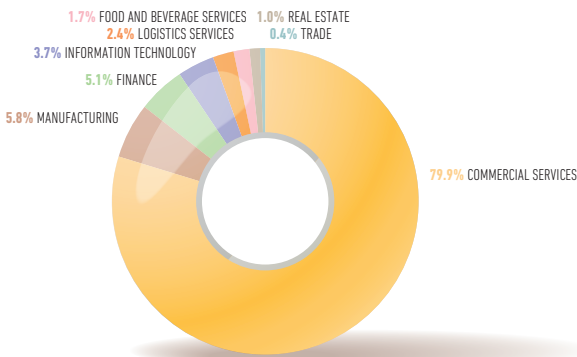


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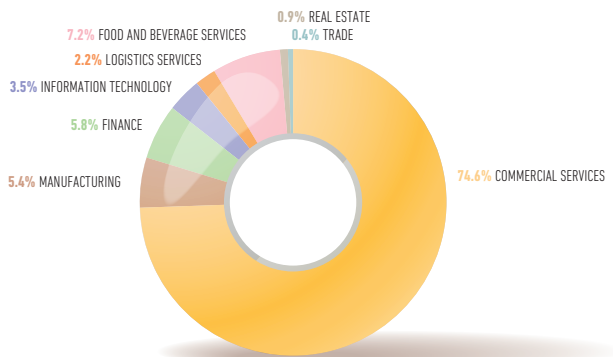
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS





TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

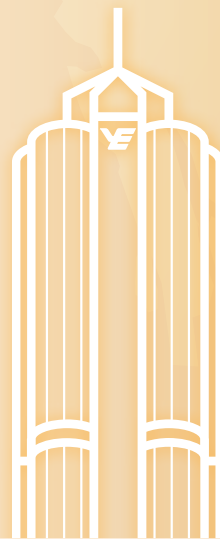
Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Baleno Company Limited	Commercial Services	10.4%	9.9%
Guangdong AEON Teem CO., Ltd	Commercial Services	10.4%	7.2%
Wall Street English Training Centre (Guangdong) Co., Ltd.	Commercial Services	3.8%	6.3%
Shinyway Education Group and its subsidiaries	Commercial Services	4.6%	4.3%
Shenzhen Qianhai Qimeng Space Investment Co., Ltd.	Commercial Services	4.9%	3.9%
Kungfu Catering Management Co., Ltd.	Food & Beverage	1.0%	3.5%
Guangzhou Shenshenfu Catering Management Co., Ltd.	Commercial Services	0.6%	3.3%
Saatchi & Saatchi Guangzhou Yuexiu Branch	Commercial Services	3.2%	2.7%
Guangdong Guohui Law Firm	Commercial Services	2.9%	2.6%
Ping An Bank Co., Ltd. Guangzhou Branch	Finance	1.9%	2.6%
Total		43.7%	46.3%



**GUANGZHOU
TIANHE DISTRICT**

CITY DEVELOPMENT PLAZA

**CITY DEVELOPMENT PLAZA-PREMIUM
GRADE-A COMMERCIAL BUILDING
MODEL OF NATIONAL PROPERTY
MANAGEMENT**





Located at the junction of Tianhe North Road and Tiyu West Road, City Development Plaza is facing Tianhe Sports Center and is adjacent to landmark buildings such as CITIC Tower and Victory Plaza. With bus stops within easy reach, it is just a 5-minute walk from Linhexi Station of the Metro Line No.3 and Automatic Passenger Mover System and has many restaurants and ancillary facilities in its adjacent areas. City Development Plaza has a total gross floor area of over 70,000 sq.m., comprising a 2-storey underground car park, a 4-storey commercial podium and a 28-storey high-end office building. With a uniquely large green area square of 5,000 sq.m., it provides a super large area for holding events by its business and office customers, it is a commercial complex integrating office, finance, business and food and beverage functions. In 2018, it was awarded the Building Sustainability Authentication Flag (樓宇可持續發展指數驗證標誌).

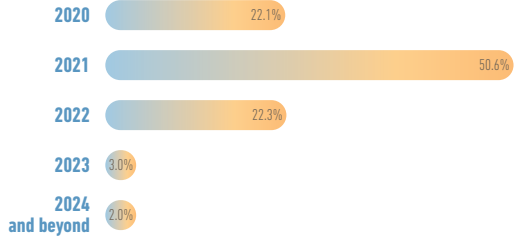
Existing tenants of City Development Plaza include many famous enterprises, such as Efund, SPD Bank, Guangfa Bank, Taikang Life, General Mills, Wangsu Science & Technology, Cinda Securities, LY.COM, and visa centres for several countries such as the U.K., Canada and Spain were set up in its podium.

PROPERTY PORTFOLIO



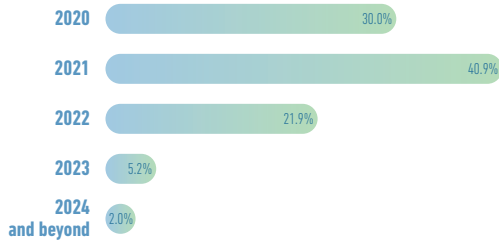
LEASE EXPIRY

(by rental area)

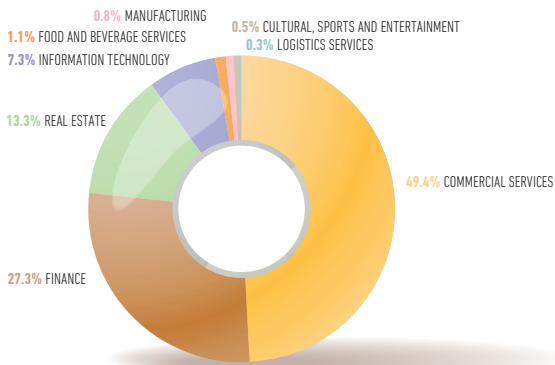


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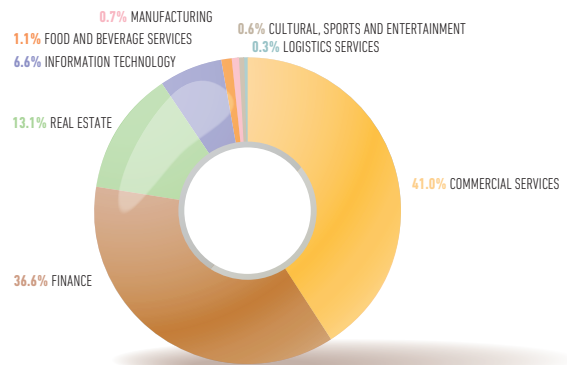
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS





TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Wisevalley Development Co., Ltd.	Commercial Services	19.2%	11.4%
Shanghai Pudong Development Bank, Guangzhou Branch	Finance	3.7%	11.4%
Efund Management Co., Ltd.	Finance	9.0%	8.9%
Guangzhou City Construction & Development Xingye Property Agent Co., Ltd.	Real Estate	9.0%	8.7%
Guangdong Development Banking Co., Ltd. Guangzhou Branch	Finance	1.4%	3.5%
Ping An Bank Co., Ltd. Shanghai Branch	Finance	3.4%	3.4%
Taikang Life Insurance Co., Ltd. Guangdong Branch	Finance	3.6%	3.3%
Greatwall Life Insurance Co., Ltd. Guangdong Branch	Finance	3.1%	3.3%
Wangsu Science & Technology Co., Ltd. Guangzhou Branch	Information Technology	2.8%	2.6%
General Mills Trading(Shanghai)Co., Ltd. Guangzhou Branch	Commercial Services	2.3%	2.2%
Total		57.5%	58.7%

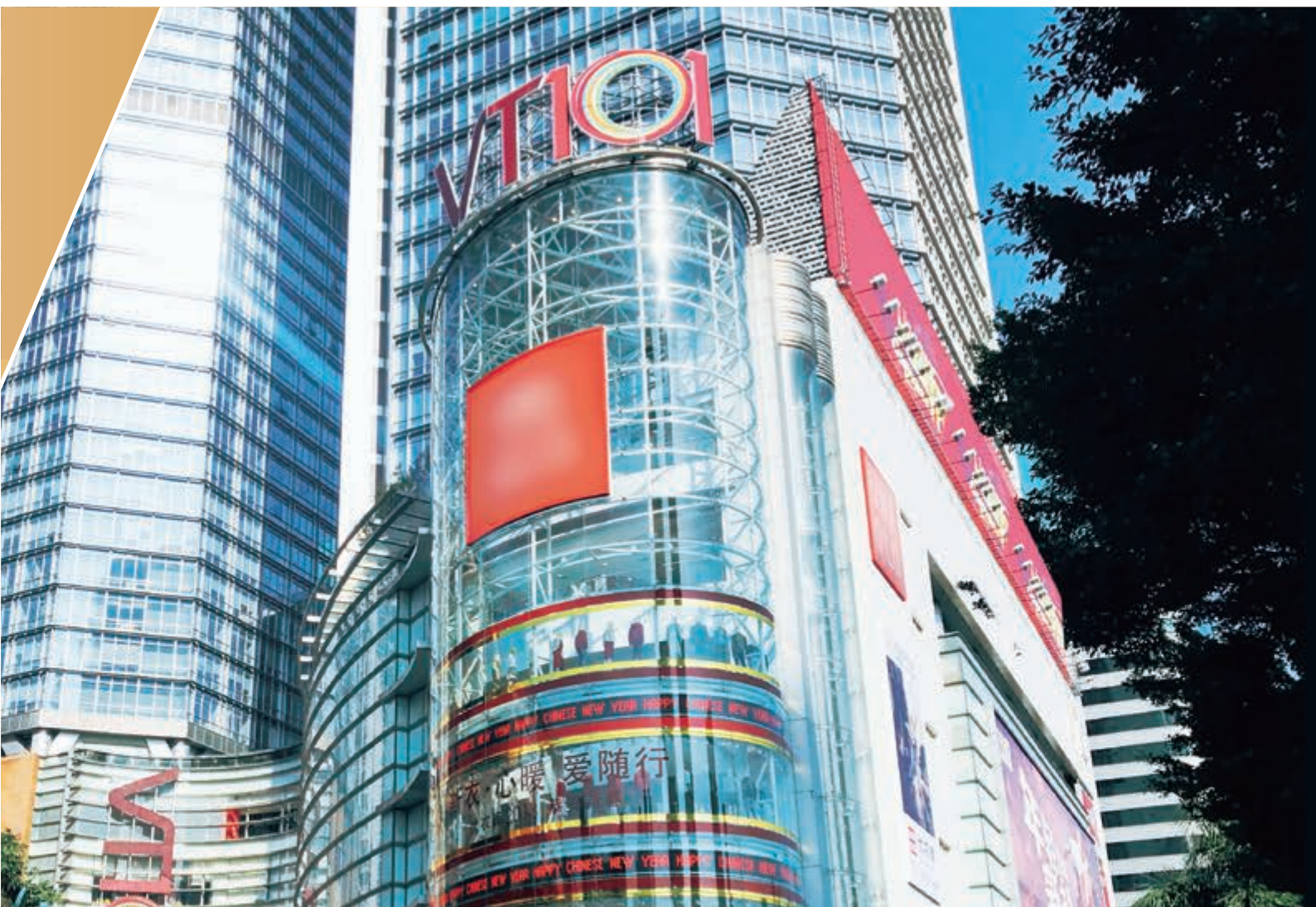


**GUANGZHOU
TIANHE DISTRICT**

VICTORY PLAZA

**VICTORY PLAZA – AN EXPERIENCE
SHOPPING MALL AND FASHION TREND
“HOLY LAND”**





Located at the junction of Tianhe Road and Tiyu West Road and the interchange of Metro Lines 1 and 3, Victory Plaza is at the core of the most prosperous area of Tianhe CBD and enjoys a strong and well developed business environment. With a magnificent diamond shape and contemporary look, it is no doubt the business landmark of Tianhe CBD. With a total gross floor area of approximately 140,000 sq.m., it comprises a 4-storey underground car park, a 6-storey shopping mall, a single-storey hanging garden clubhouse and two grade A office buildings with 52 storeys and 36 storeys respectively.

Its shopping mall is positioned as an "Youth New Home" and was renamed as "VT101" on 28 September 2014. It features fashionable, young, LOHAS and trendy lifestyle. Its shopping mall focus on young people, students, white collars and young families as the target customers to build a cluster of flagship stores in the business circle of Tianhe road through the introduction of the first store brand of Guangzhou and personalized flagship stores with homogenous branding.

It has introduced tenants including Uniqlo's largest and latest flagship store in southern China, Guangzhou McDonald's first future canteen flagship store, GU's first flagship store in southern China, COLINMINT (Dazhongdianpin No.1 most-favoured western cuisine in Guangzhou), and "Cheng Sushi" (Tokyo Sushi College's the first direct store in China). It has integrated fast fashion, global trend culture and creativity, and art space.

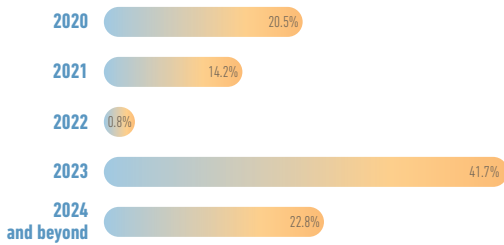
PROPERTY PORTFOLIO

In 2019, the shopping mall won many prestigious awards including the “Best Popularity Award” by the Tianhe Road Chamber of Commerce in Tianhe District of Guangzhou, the “Star of the Originality Services” by the Tianhe Road Business Circle Management Committee, the “Golden Light Award for Excellence in Vision” which represents the influence of decoration in China, the “Good City Love Unit” by Guangzhou Charity Association.



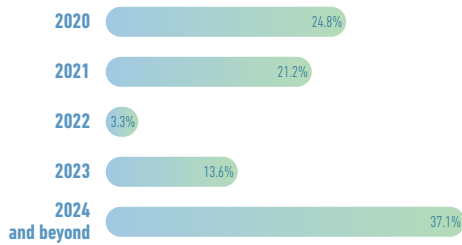
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(by rental area)

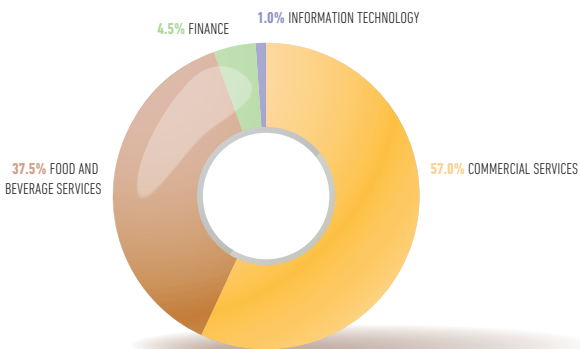


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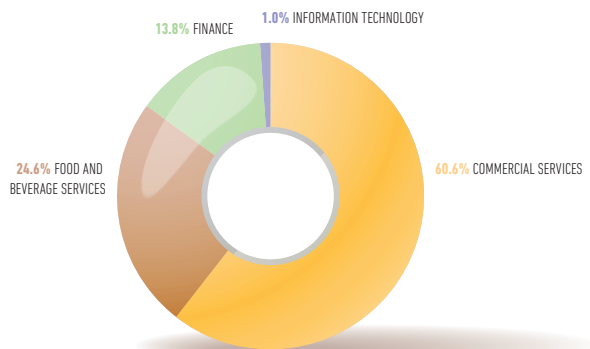
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Fast Retailing (China) Trading Co., Ltd. Victory Plaza Shop	Commercial Services	38.8%	41.6%
GU Shanghai Trading Co., Ltd.	Commercial Services	5.4%	9.9%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.9%	7.7%
Industrial and Commercial Bank of China Limited, Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.6%	6.0%
Guangdong Sanyuan McDonald's Food Company Limited	Food & Beverage	4.8%	5.2%
J.M. Developments (Limited Partnership)	Food & Beverage	11.3%	4.4%
Guangzhou Meten Education Technology Co., Ltd	Commercial Services	5.2%	3.1%
Guangzhou Libao Food & Beverage Catering Management Co., Ltd.	Food & Beverage	2.8%	2.0%
Guangzhou Xin Ying Dong Education Consultancy Co., Ltd.	Commercial Services	2.6%	2.0%
Guangdong Starbucks Coffee Co., Ltd.	Food & Beverage	1.4%	1.9%
Total		76.8%	83.8%

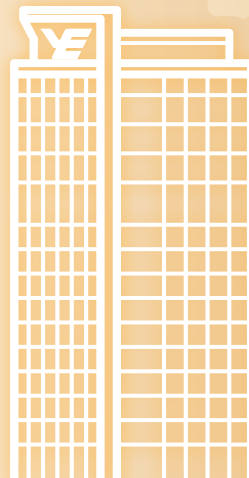




SHANGHAI
PUDONG NEW DISTRICT

YUE XIU TOWER

**YUE XIU TOWER – CONCENTRATED
LOCATION FOR HIGH-GROWTH FINANCIAL
ENTERPRISES, PREMIUM PROPERTY IN
THE CORE AREA OF ZHUYUAN CBD IN
PUDONG, SHANGHAI**





Yue Xiu Tower, located in Zhuyuan commercial district, Pudong, Shanghai, is only two kilometers from the centre of small Lujiazui Finance and Trade Zone. The property, being completed in September 2010, consists of a 25-storey Grade A office building attached with a 2-storey basement, as well as its retail space and car park, with a total gross floor area of 62,139.35 sq.m. and a rental gross floor area of 59,528.91 sq.m. (of which the area of the office building and retail space is 46,026.33 sq.m.). Yue Xiu Tower is situated at the transfer point of Metro Line 2, Line 4, Line 6 and Line 9 and surrounded by many retail and auxiliary facilities, such as banks, convenience stores and restaurants.

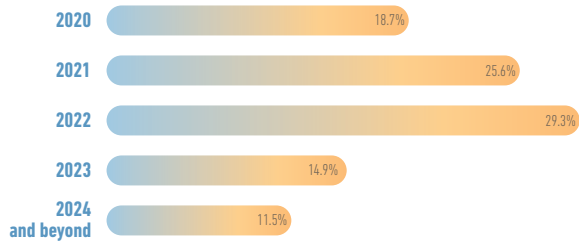
Existing tenants of Yue Xiu Tower are a number of renowned enterprises, including COFCO Futures, Huashe Assets, China Credit Trust, Nabtesco, Huawei Media, Huawei Media, Huatai Securities, Hongta Securities, and Sulzer Pumps Equipment.

PROPERTY PORTFOLIO



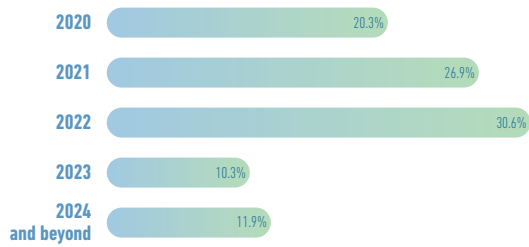
LEASE EXPIRY

(by rental area)

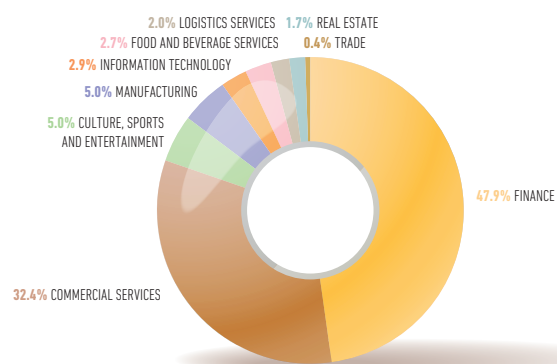


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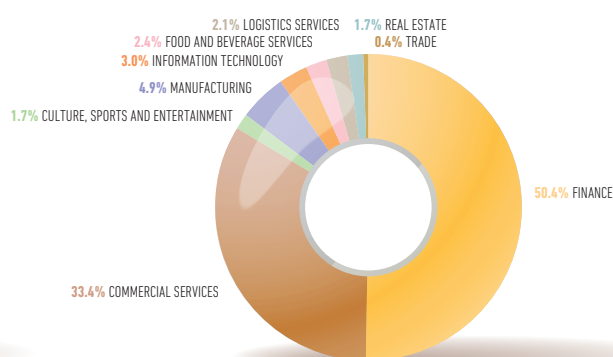
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
ABIE Enterprise Development (ShangHai) Co., Ltd	Commercial Services	6.6%	6.7%
Hongta Securities Co., Ltd	Finance	4.6%	5.0%
Huashe Assets Management (ShangHai) Co., Ltd	Finance	4.2%	4.3%
Chong Hing Bank Limited	Finance	3.7%	3.9%
BAODE Financial Leasing (ShangHai) LTD	Finance	3.7%	3.8%
Shanghai Yaogu Biomedical Innovation Research Institute	Commercial Services	3.0%	3.8%
Xingong (Shanghai) Information Technology Services Limited	Commercial Services	4.2%	3.6%
Shanghai Nabtesco Business Management Co., Ltd	Manufacturing	3.1%	3.1%
Tecan (Shanghai) Trading Co., Ltd	Commercial Services	2.4%	2.8%
Access World (Shanghai) Logistics Co., Ltd	Logistic Services	1.9%	2.1%
Total		37.4%	39.1%



WUHAN QIAOKOU DISTRICT

WUHAN PROPERTIES

YUEXIU FORTUNE CENTRE -
WORLD COMMERCE PORTAL AND A
RIVERSIDE BUSINESS LANDMARK
COMPLEX IN QIAOKOU, WUHAN





Yuexiu Fortune Centre, located in Hankou Riverside Business District which is an emerging business district in Wuhan, is currently the tallest International Grade A office building completed in Wuhan. 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. The property is located within the second ring of Wuhan. Public transportation is convenient and people can easily access three towns in Wuhan. 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 Xingang Metro Line is under planning).

WUHAN - QIAOKOU DISTRICT

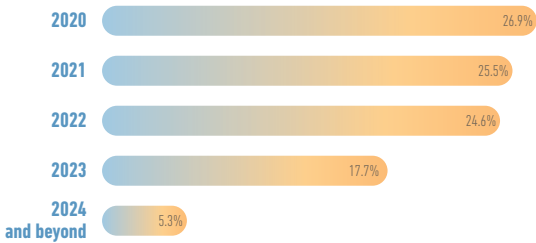
WUHAN PROPERTIES - YUEXIU FORTUNE CENTRE



Yuexiu Fortune Centre was completed in August 2016, with a height of 330 metres and a total gross floor area of 129,446.74 sq.m., comprising a 68-storey office building. The main tenants of Yuexiu Fortune Centre are premium domestic and foreign companies. Yuexiu Fortune Centre has attracted certain Fortune 500 companies, such as SAP, Kaili Air Conditioning, Hitachi, PSA, Sumitomo Group, Kenfair etc, and a number of renowned enterprises, including AVIVA-COFCO, Guangdong Guangxin, Shenzhen Investment Holding, Prolog, Chinatex, Agile Property, Fosun Property, New China Life Insurance, McQuay, DHH Law Firm, and Kangda Law Firm.

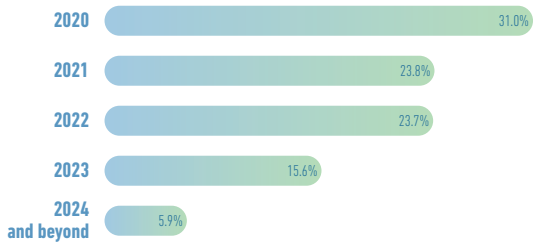
LEASE EXPIRY

(by rental area)

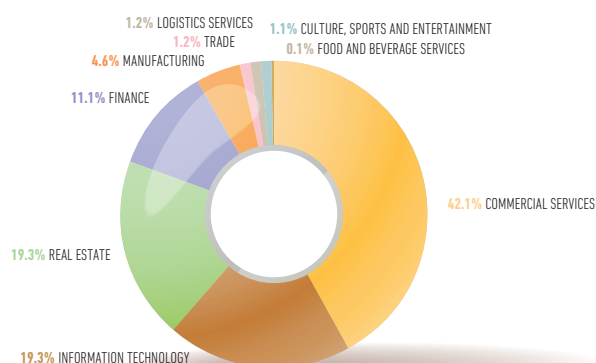


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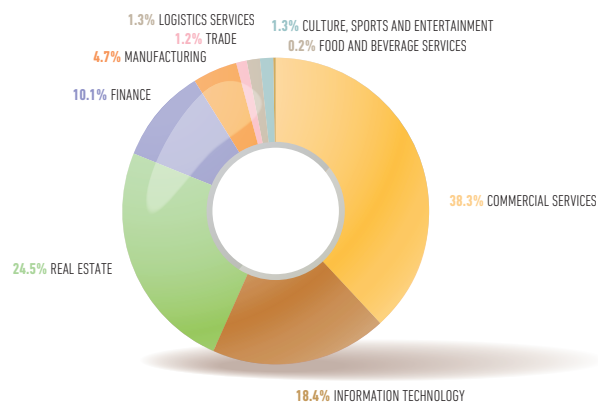
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Yuexiu Group and its subsidiaries	Mixed	17.9%	24.3%
Guangdong Guangxin Communication Service Co., Ltd.	Information Technology	10.3%	9.3%
Wuhan Universal Innovation Business Consultancy Co., Ltd.	Commercial Services	10.3%	8.1%
New China Life Insurance Co., Ltd. Wuhan Central Branch	Finance	3.3%	3.1%
Aviva-COFCO Life Insurance Co., Ltd. Hubei Branch	Finance	3.1%	2.8%
Wuhan Prolog Integrated Technology Co., Ltd.	Information Technology	2.6%	2.7%
Wuhan Today Dream Trade Co., Ltd	Commercial Services	2.7%	2.6%
51 TALK	Commercial Services	3.2%	2.4%
Beijing FENBI TIANXIA CO., LTD. Wuhan Branch	Commercial Services	2.5%	2.0%
FOSUN	Real Estate	2.0%	1.9%
Total		57.9%	59.2%

PROPERTY PORTFOLIO

WUHAN - QIAOKOU DISTRICT

WUHAN PROPERTIES - STARRY VICTORIA SHOPPING CENTRE

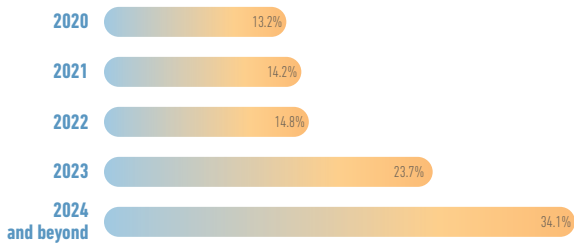


Starry Victoria Shopping Centre is the first Hong Kong lifestyle oriented neighborhood shopping centre in Wuhan. Office staffs and family-oriented consumers are its target consumer groups. It is also the first shopping centre built with a covered walkway to the metro. The 5-storey shopping arcade (inclusive of a 1-storey basement) has a gross floor area of 45,471.4 sq.m. with 1,134 commercial carpark spaces and 375 residential carpark spaces.

Starry Victoria Shopping Centre provides supplementary services to office and residence services, F&B and life experience stores. Existing tenants of Starry Victoria are a number of renowned enterprises, including KFC, Hutaoli, KenGee, Pacific Coffee, Mannings, Tao Heung, Insun Cinema, Zhongbai Life Theatre, Starbucks, Hotwind, Xiaomi, Semir, KM, Aike, Zihan, TeaMACC, Yi Fang, SHEERCOOL, Food Storm, The green party, Huawei, Luckin Coffee, Artisan Bread, and Scent.

LEASE EXPIRY

(by rental area)

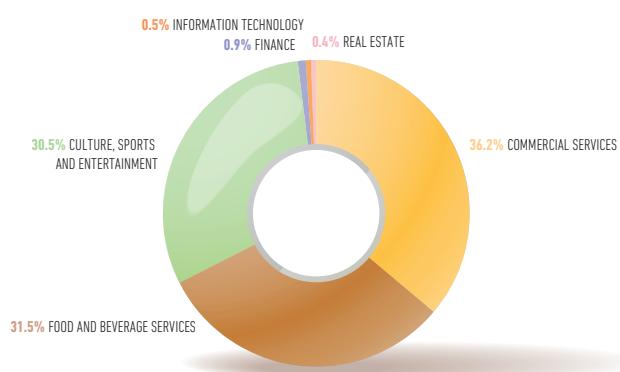


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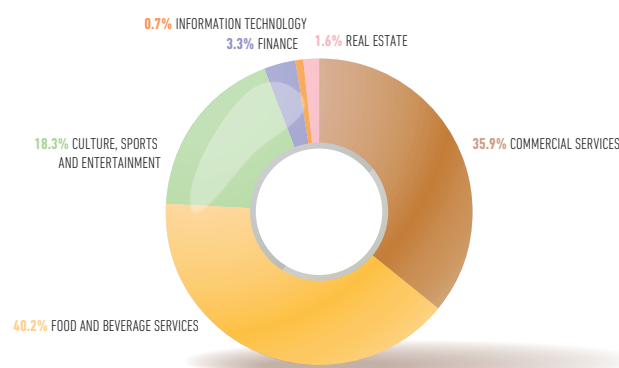
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

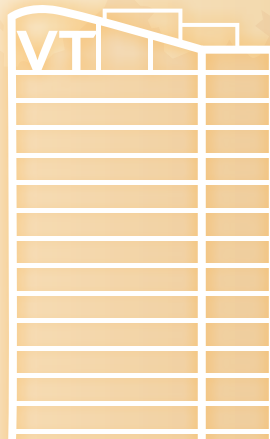
Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Wuhan KINGZONE Fitness Management Co., Ltd.	Culture, Sports and Entertainment	8.0%	6.3%
Wuhan Insun Starry Victoria Cinema Co., Ltd.	Culture, Sports and Entertainment	10.9%	5.3%
Wuhan Starry Victoria Hutaoli Restaurant Management Co., Ltd.	Food & Beverage	2.2%	4.1%
Zhongbai Warehouse Supermarket Co., Ltd	Commercial Services	8.0%	3.9%
China Construction Bank Corporation, Wuhan Qiaokou Sub-branch	Finance	1.0%	3.6%
Shanghai Yingxi Tianhao Catering Co., Ltd. Qiaokou Branch	Food & Beverage	4.8%	2.4%
Wuhan Today's Dream Trading Co., Ltd.	Commercial Services	0.8%	2.3%
Chen Hua	Food & Beverage	0.9%	1.9%
Wuhan Kengee Food Sales Co., Ltd	Food & Beverage	0.5%	1.6%
Wuhan Lianjia Hongye Real Estate Agency Co., Ltd.	Real Estate	0.5%	1.5%
Total		37.6%	32.9%

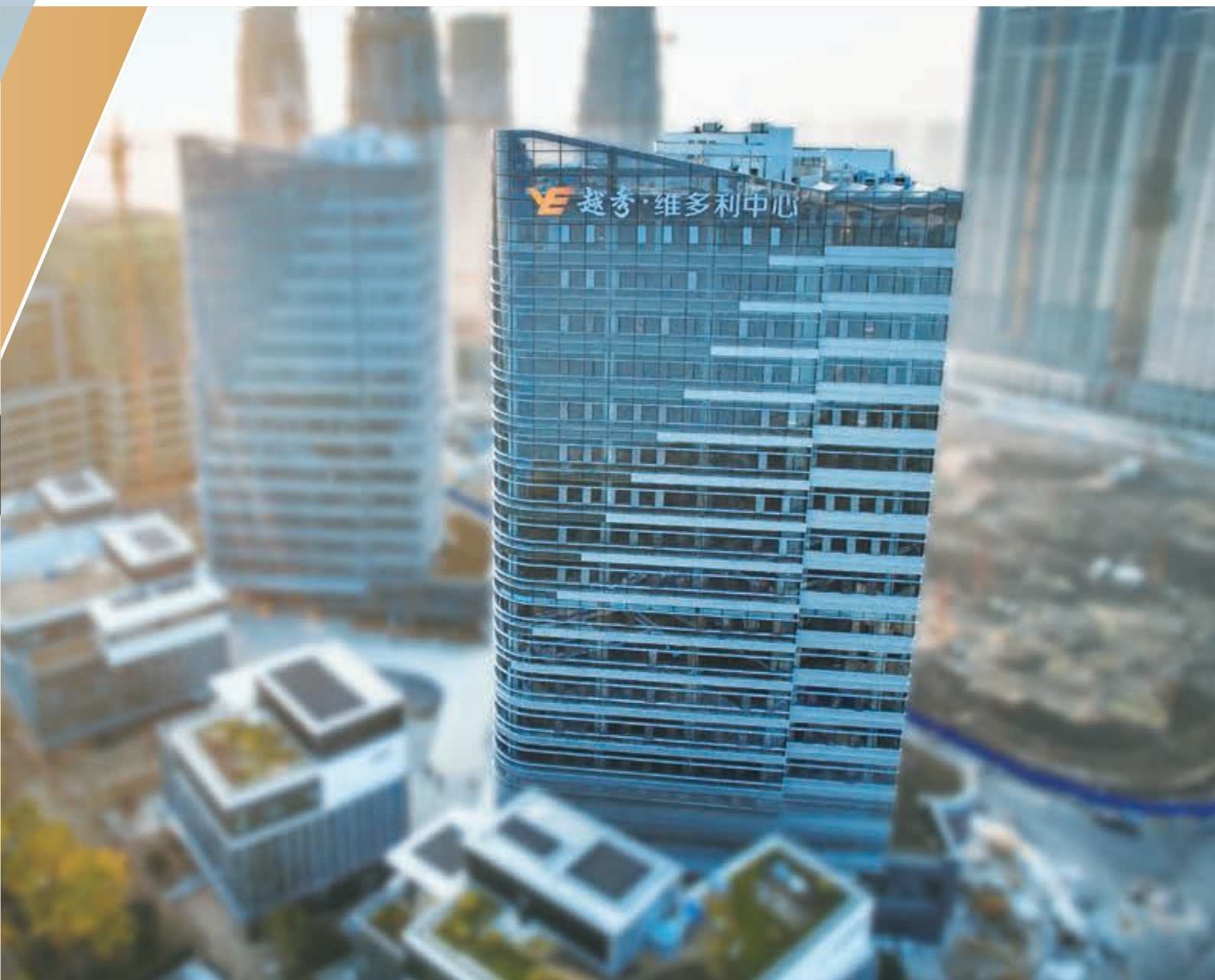


**HANGZHOU
JIANGGAN DISTRICT**

HANGZHOU VICTORY BUSINESS CENTER

**HANGZHOU VICTORY – A NEW OFFICE
ENVIRONMENT WITH 270-DEGREE CIRCULAR-
SCREEN DIAMOND OFFICE BUILDINGS**





Hangzhou Victory Business Center Tower is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, within only 10-minute walking distance of junction (Sanbao station and Yudao station,) at which two planning metro lines (line 6 and line 9) and one airport express line will intersect, and will enjoy greater accessibility to the Xiaoshan International Airport, Asian Games Village and other main metro stations in the future. The project was completed in January of 2017, with a total area of more than 70,000 sq.m., including two 18-storey Grade A offices, four blocks of detached villa-style office buildings and 2-storey underground car park spaces.

Hangzhou Victory Business Center Tower Block 2 has attracted a number of renowned enterprises, including Hangzhou Customs, Powerchina Real Estate, Qingwang Group, Sunkwan Properties, Qingchuang Hezi IPO Industry Park, Zhongdian Tourong (E-Commerce Association), and Zhejiang Basic Construction Investment Co.,Ltd.

PROPERTY PORTFOLIO

LEASE EXPIRY

(by rental area)

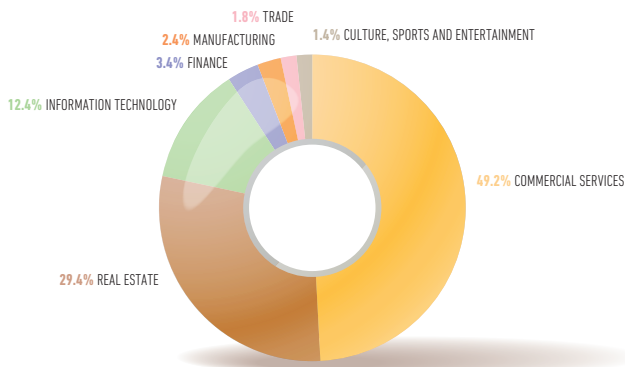


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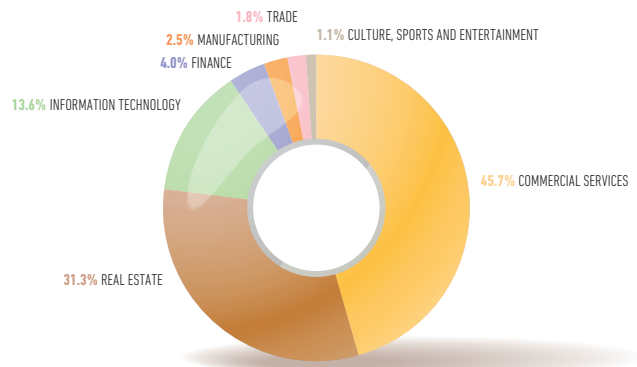
(by basic monthly rentals)



INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2019)

Name of Tenant	Type	% of Gross Rented Area	% of Monthly Rentals
Yuexiu Group and its subsidiaries	Mixed	23.0%	26.3%
Hangzhou Qiantang Wisevalley Industrial Construction Center	Commercial Services	15.4%	17.1%
Sijiqing Street Government Office of Jianggan District, Hangzhou	Commercial Services	17.4%	15.5%
Zhejiang Yiqiwan Internet Technology Co., Ltd.	Information Technology	6.1%	6.3%
Zhejiang Zhongdian Tourong Technology Co., Ltd.	Information Technology	6.1%	5.7%
Hangzhou Muzhuang Internet Technology Co., Ltd.	Commercial Services	6.1%	4.7%
Sijiqing Street Qianyun Community Committee, Jianggan District, Hangzhou	Commercial Services	5.1%	4.2%
Hangzhou Kunxin Real Estate Co., Ltd.	Real Estate	4.4%	3.9%
Hangzhou Long Yue Real Estate Co., Ltd.	Real Estate	2.8%	2.9%
Zhejiang Zhoushan Runshi Energy Co., Ltd.	Manufacturing	2.8%	2.9%
Total		89.2%	89.5%



REPORT OF THE TRUSTEE

TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Yuexiu Real Estate Investment Trust has, in all material respects, managed the Yuexiu Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010 and the Third Supplement Deed dated 25 July 2012 for the financial year ended 31 December 2019.

HSBC Institutional Trust Services (Asia) Limited

(in its capacity as the trustee of Yuexiu Real Estate Investment Trust)

Hong Kong, 5 March 2020

DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr. LIN Deliang (林德良)	50	Chairman, Executive Director and Chief Executive Officer
Mr. CHENG Jiuzhou (程九洲)	48	Executive Director and Deputy Chief Executive Officer
Mr. LI Feng (李鋒)	51	Non-Executive Director
Mr. LIANG Danqing (梁丹青)	47	Non-Executive Director
Mr. CHAN Chi On, Derek (陳志安)	56	Independent Non-Executive Director
Mr. CHAN Chi Fai, Brian (陳志輝)	65	Independent Non-Executive Director
Mr. CHEUNG Yuk Tong (張玉堂)	62	Independent Non-Executive Director
Mr. CHEN Xiaou (陳曉歐)	50	Independent Non-Executive Director

CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. LIN Deliang

Mr. Lin has been appointed as Chairman on 14 August 2018 and is an Executive Director and Chief Executive Officer of the Manager and as one of the Responsible Officers licensed under the Securities & Futures Ordinance ("SFO") and is authorized to carry out type 9 regulated activities.

Prior to joining the Manager, Mr. Lin participated in and was in charge of investment planning, sales and marketing programmes for various large scale residential and commercial properties of the Yuexiu Property Company Limited ("Yuexiu Property"), a company listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (Stock Code: 00123). After joining Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) ("GCCD") in 1992, Mr. Lin held various managerial positions in the investment development department of GCCD as well as in Xingye Real Estate Agent Co., Ltd. (being a subsidiary of Yuexiu Property) and Guangzhou Investment (HK Property) Company Limited. He was responsible for the operations management of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005. In 2006, Mr Lin was deputy general manager of Guangzhou Dongfang Hotel Group of Yue Xiu Group, responsible for financial revenue management, hotel brand development, and tourism affairs etc. Mr. Lin is a qualified Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

After joining the Manager, Mr. Lin was responsible for organizing to implement Yuexiu REIT's acquisition of Guangzhou International Finance Center and a series of major capital operation projects in Shanghai, Wuhan and Hangzhou since 2009. Mr. Lin promoted the successful acquisition of a number of immature projects of the Fund, and enhanced the potential of the business growth of the Fund. Mr. Lin has been committed to operation of Hong Kong-listed fund company's business and capital market for more than 10 years, and is familiar with asset merges and acquisition, divestiture transactions and allocation optimization. As a composite professional of "DOS" (develop, operate and securitise) in the real estate investment and securitization field, Mr. Lin has accumulated nearly 30 years of practical experience in large property positioning and planning, investment development, commercial operations, and capital operations.

Mr. Lin graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a bachelor degree in economics. He completed a MBA postgraduate course at South China University of Technology from 2004 to 2005.

DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

EXECUTIVE DIRECTOR AND DEPUTY CHIEF EXECUTIVE OFFICER

Mr. CHENG Jiuzhou

Mr. Cheng Jiuzhou is an Executive Director and Deputy Chief Executive Officer of the Manager and one of the Responsible Officers licensed under the SFO.

Mr. Cheng joined GCCD in 1996, following which he has held various managerial positions in GCCD and its subsidiaries. From 2006 to 2008, Mr. Cheng was the head supervisor of asset management and the deputy chief executive officer of the Manager. Mr. Cheng subsequently became the general manager and chairman of Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yicheng Property Management Ltd. (being the leasing agents of Yuexiu REIT) from 2008 to 2014, Mr. Cheng was re-appointed as the deputy chief executive officer of the Manager in 2014 and became one of the Manager's Responsible Officers in 2016.

Mr. Cheng has over 20 years of experience in real estate market research and the operation and management of commercial real estate. He also holds the practicing qualifications and titles of China Property Valuer, China Registered Property Manager and Senior Economist, and is hired by the Guangzhou Municipal People's Government as a major administrative decision making argumentation expert for Guangzhou City.

Mr. Cheng graduated from Hubei University in the PRC with bachelor's degree in law in 1993, and obtained a master's degree in economics from Jinan University in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. LI Feng

Mr. LI Feng is Non-Executive Director of the Manager. He is also an executive director of Yuexiu Property, a non-executive director of Chong Hing Bank Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01111), Chairman and an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport"), a company listed on the Hong Kong Stock Exchange (Stock Code: 01052), Chairman of Yue Xiu Securities Holdings Limited and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000987). Mr. Li is also a director of GCCD, and chairman and a non-executive director of Yuexiu Financial Holdings Limited.

Besides, Mr. Li is also the chief capital officer of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團股份有限公司) ("Guangzhou Yue Xiu") and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), and oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and upgrading the customer resource management and synergizing, promoting and improving information construction. Mr. Li holds the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. He is also the president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr. Li joined Yuexiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, general manager of capital department, assistant manager of the corporate management department, assistant to general manager of the supervision and auditing department and deputy general manager of Yue Xiu International Development Limited. Mr. Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu; before that, he was also involved in the successful listing of Yuexiu REIT, and has extensive practical experience in capital operations.

Mr. Li graduated from Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China.

Mr. LIANG Danqing

Mr. Liang Danqing is Non-Executive Director of the Manager. He is also currently the deputy general manager of Yuexiu Property and a director and deputy general manager of GCCD. From 2006 to 2014, Mr. Liang served as the deputy chief executive officer and the director of corporate services of the Manager, and he was responsible for asset management operations and overseeing corporate services of the Manager. Prior to joining the Manager, Mr. Liang was the general manager of GCCD's marketing centre and the general manager of commercial property business department and the general manager of Guangzhou Yue Xiu Commercial Property Investment Management Co., Ltd. Mr. Liang holds a real estate agent's licence of the PRC and has over 24 years of experience in property investment, planning and marketing.

Mr. Liang graduated from South China University of Technology, majoring in management engineering. He also obtained a master degree of business administration from the University of Western Sydney.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Chi On, Derek

Mr. Chan is an Independent Non-Executive Director ("INED") of the Manager.

Mr. Chan has over 30 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

Mr. Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities businesses in Hong Kong respectively. He worked for the Hong Kong Stock Exchange from 1989 to 1996 and was an executive director of Haitong International Securities Group Limited (Stock Code: 00665) (formerly known as Taifook Securities Group Limited), and had been the head of its corporate finance division for 16 years until the end of 2012.

Mr. Chan is also currently an independent non-executive director of Longfor Group Holdings Limited (Stock Code: 00960) and China Conch Venture Holdings Limited (Stock Code: 00586). Until his resignation in April 2018, Mr. Derek Chan was an independent non-executive director of Tianli Holdings Group Limited (Stock Code: 00117). The shares of the companies mentioned above are listed on the Hong Kong Stock Exchange.

Mr. Chan graduated from the Hong Kong University of Science and Technology with a master's degree in business administration in 1994 and from the University of Hong Kong with a bachelor's degree in social sciences (majoring in economics) in 1985.

DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

Mr. CHAN Chi Fai, Brian

Mr. Chan is an INED of the Manager.

Mr. Chan is currently also a director of the Hong Kong Parkview Group. He has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, PRC, Singapore and United Kingdom, the Hong Kong Parkview Group is principally engaged in property development and hospitality.

Prior to joining the Hong Kong Parkview Group, Mr. Chan worked in the banking sector from 1978 to 1989, the first 7 years of which was with a reputable international bank. The last position Mr. Chan held before leaving his banking career was as group financial controller of IBI Asia (Holding) Limited. During his 11 years in banking, Mr. Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr. Chan is a director of Primeline Energy Holdings Inc., which is listed on the TSX Venture Exchange (Stock Code: PEH.V).

Mr. Chan is a certified public accountant with professional accounting qualifications in Hong Kong and United Kingdom, and has a higher diploma in business studies from Hong Kong Polytechnic University.

Mr. CHEUNG Yuk Tong

Mr. Cheung is an INED of the Manager.

Mr. Cheung joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China mergers and acquisitions practice until June 2013 when he ceased to be a partner of Baker & McKenzie. His practice was focused in the areas of mergers and acquisitions and corporate finance.

Mr. Cheung was a member of the Judging Panel for the Corporate Governance Excellence Awards organized by the Hong Kong Chamber of Listed Companies from 2012 to 2015. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission of Hong Kong from 2012 to 2014.

Mr. Cheung graduated from the University of Hong Kong with an LL.B. and a postgraduate certificate in laws, and from the London School of Economics with an LL.M.. He was admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

Mr. CHEN Xiaou

Mr. Chen is an INED of the Manager.

Mr. Chen, has over 23 years of professional experience in large scale real estate asset management and investment, fund management, development, planning and design and international business operations. He has been living and working in PRC, United States, Hong Kong, Singapore and Australia for many years. He is the deputy vice chairman of The Building Owners and Managers Association China ("BOMA") and a BOMA-certified commercial real estate expert.

Mr. Chen is the chairman of F.O.G. Capital & Asset Management Corporation, and had been vice president, China, of CDPQ-Ivanhoe Cambridge. His past experience also includes an executive position in New World China Land, the China property flagship of New World Development Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00017). He had worked as an architectural designer and urban planner in United States. Mr. Chen's management record includes large scale mixed-use development, high-end residential, retail, office and hotel projects.

Mr. Chen is a visiting professor of Cheung Kong Graduate School of Business, and is also the MBA Mentor for The School of Business of Renmin University of China. He received an AMDP (Advanced Management Development Program in Real Estate) certificate from Harvard University Graduate School of Design in 2010, obtained a master of architecture degree from University of New South Wales in Australia in 1999, and obtained a bachelor of architecture degree from Northwestern Polytechnical University in China in 1992.

COMPENSATION OF DIRECTORS OF THE MANAGER

All fees and compensation of the Directors and senior executives of the Manager were borne by the Manager and not by Yuexiu REIT or any of its controlled entities.

INDEPENDENCE OF DIRECTORS

The Manager has received written annual confirmation of independence from each of the four INEDs of the Manager confirming his independence based on the criteria set out in the Compliance Manual and the Manager considered all independent non-executive Directors to be independent.

SENIOR EXECUTIVES OF THE MANAGER

Mr. LIN Deliang

Mr. Lin is the Chairman, Chief Executive Officer, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

Mr. CHENG Jiuzhou

Mr. Cheng is the deputy chief executive officer, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

Ms. OU Haijing

Ms. Ou has been appointed as deputy chief executive officer and one of the responsible officer licensed under the SFO since 26 April 2019. She is responsible for supervising the asset investment of the Manager, including leasing, property management and asset enhancement. She joined the Yuexiu group in 2002, she was also involved in the successful listing of Yuexiu REIT, and she was the head supervisor of the investment team of the Manager from 2007 to 2009. She was subsequently responsible for the internal governance and human resources management of the Manager from 2009 to 2015. Before joining the Manager, Ms. Ou was mainly engaged in the capital operations and had participated in various mergers and acquisitions.

Ms. Ou has over 10 years of experience in internal corporate governance in Yuexiu REIT. She is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Ms. Ou was graduated from Jinan University in the PRC with professional studies in international economics and trade and economic law, and obtained a bachelor's degree in economics and a bachelor's degree in law (i.e. a double degree). Subsequently, she completed postgraduate studies in finance at the Lingnan College of Sun Yat-Sen University in 2003.

DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

Mr. YU Tat Fung

Mr. Yu is the company secretary and appointed as the compliance manager on 1 March 2010 of the Manager. He is also the group general legal counsel of Yue Xiu and is responsible for the company secretarial affairs and compliance of the Manager. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property and Yuexiu Transport, and he has also been appointed as the company secretary of Yue Xiu since January 2014. Mr. Yu obtained a bachelor's degree in social sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining Yuexiu Property in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

Mr. KWAN Chi Fai

Mr. Kwan is the Chief Financial Officer and one of the Responsible Officers of the Manager. He is responsible for the financial management of the Manager. Prior to joining Yue Xiu in January 2007, Mr. Kwan was the financial controller of 2 companies which are listed on the Hong Kong Stock Exchange. He has over 25 years of experience in finance, accounting and taxation.

Mr. Kwan is a member of Chartered Professional Accountants of Canada, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a master degree in business administration and a bachelor degree in accounting from the University of Hong Kong.

Ms. YOU Quan

Ms. You is the general manager of the project development department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations of the properties. Before joining the Manager by the end of 2018, Ms. You was a project manager of TaiKoo Hui Guangzhou Development Co., Ltd.; nearly 10 years of HVAC director of Guangzhou City Construction & Development Design Institute Co.,Ltd, and she has successively held positions such as technology and design department director, design and engineering department deputy director, regional director, project management department general manager of subsidiaries of Yuexiu Property since 2010. She has rich experience in both engineering and operations management, involved in management of 5-star hotels, likes Four Seasons Hotel Guangzhou, and super high-rise buildings and city level multi-functional commercial complexes, likes Guangzhou IFC and TaiKoo Hui.

Ms. You graduated from the HVAC, Gas and Refrigeration Department of Chongqing University of Architecture in 1995 with a master degree in engineering. She has a wide range of professional knowledge and is the holder of certified Public Utility Engineer (HVAC) qualification, senior HVAC engineer license, fire facility design certificate, building equipment engineer license.

Mr. YU Xinyuan, Philip

Mr. Yu is the Owner Representative of hotels and apartments of the Manager. Mr. Yu joined the Yuexiu Property since 2008, he was involved in the Four Seasons Hotel Guangzhou and Ascott Serviced Apartments management contracts negotiation and related reopening works. Mr. Yu joined the Manager in 2012, and was the deputy general manager of hotels and apartments department of the Manager. Before joining the Yuexiu Property, Mr. Yu had served as the department manager and general manager in domestic high-star level hotels. Mr. Yu has accumulated abundant experiences on hotel operations, reopening works and asset management.

Mr. Yu graduated from Quanzhou Huaqiao University in 1992 with a bachelor's degree in economics. Mr. Yu is also the members of Hospitality Asset Managers Association in Asia Pacific and China branch.

Mr. LIU Bihong

Mr. Liu is the general manager of the internal audit department and the deputy general manager of the compliance department of the Manager, and also the vice president of the legal department of Yue Xiu. He is mainly responsible for the examination of the correctness and completeness of the records of the operations and transactions and risk assessments and control, and also responsible for the prevention and management of PRC legal risks, and provides PRC legal support for the Manager's business and investment acquisitions. He assists in compliance work to ensure that conforming to the requirements of the regulatory bodies such as the Hong Kong Stock Exchange and the SFC. He is also responsible for the corporate service of the Manager. Mr. Liu joined the GCCD Group in 1999 and worked in legal department. He was involved in the successful listing of Yuexiu REIT.

Mr. Liu obtained a bachelor's degree in engineering from Jilin University of Technology (吉林工業大學) in 1994 and graduated from the Sun Yat-sen University in 2005 with a Juris master degree. Mr. Liu has a wide range of professional knowledge and has gained professional qualifications successively in PRC, including Chinese Lawyer Qualification (1996), Certified Public Accountant (1998), Enterprise Legal Consultant (2000) and the Qualification for Registered Tax Agent (2001).

Mr. CHEN Yongqin

Mr. Chen is currently the general manager of the finance department of the Manager and is responsible for the finance, taxation and fund management of the Manager. Mr. Chen joined GCCD Group in 2005 and has successively held positions such as deputy manager and senior manager of the finance department of a subsidiary of GCCD. He has nearly 15 years of experience in finance and auditing in the real estate industry.

Mr. Chen graduated from the accounting department of Sun Yat-sen University in 2002 with a bachelor's degree in management. Mr. Chen is a Chartered Management Accountant (CIMA), certified Internal Auditor (CIA), U.S. Certified Information System Auditor (CISA), Certified Fraud Examiner, and U.S. Certified Risk Manager. Mr. Chen is also an associate member of Association of International Accountants (AAIA), member of Australia Institute of Public Accountants (IPA), member of U.K. Institute of Financial Accountants (IFA), member of International Forensic Certified Public Accountants Association and international affiliate of Hong Kong Institute of Certified Public Accountants (HKICPA IA).

THE LEASING AGENTS

THE LEASING AGENTS

Yicheng was incorporated in the PRC in 1997 and is 99.28% owned by Yuexiu Property. (It introduced quality management system, environmental management system and professional health and safety management system in 2009. It has passed annual review and acquired re-certification. It was GB/T19001-2016/ISO9001:2015, GB/T24001-2016/ISO14001:2015 and GB/T28001-2011/OHSAS18001:2007 certified as at 31 December 2019.

Baima BM (previously known as Guangzhou White House Property Management Co. Ltd was incorporated in the PRC in 1998) provides leasing, marketing, tenancy management and property management services to White Horse Building and has been exclusively managing the property since 1998. It was GB/T19001-2016/ISO9001:2015 certified in 2018.

Guangzhou Yue Xiu Asset Management Company Limited ("GZAM") was incorporated in the PRC in 2012 to provide leasing, marketing and tenancy management services for the office buildings and retail mall of GZIFC and Shanghai Yue Xiu Tower.

CONFLICTS OF INTEREST

Yuexiu Property, its subsidiaries and associates are engaged in, amongst other things, investment in and development and management of commercial properties. Possible conflicts of interest may arise where Yuexiu REIT competes directly with Yuexiu Property and/or its subsidiaries or associates for property acquisitions and tenants. In order to address such potential conflict of interest, the following arrangements have been made.

SEGREGATION OF OPERATIONAL LEASING AND MARKETING FUNCTIONS

The Yuexiu Property Group has effected an internal restructuring which resulted in Baima BM, Yicheng and GZAM (together "Leasing Agents") only being solely responsible for providing leasing and marketing services to Yuexiu REIT's properties and another company within the Yuexiu Property group ("YXP Property Manager") will be responsible for providing such services to properties not belonging to Yuexiu REIT.

"CHINESE WALLS"

"Chinese Wall" procedures have been put in place to ensure that there is segregation of information between the Leasing Agents and the YXP Property Manager. These include having separate operating premises and IT systems, and separate reporting lines, for each of the Leasing Agents and the YXP Property Manager. Leasing Agents have on-site premises for their use in connection with their property management functions. The personnel and IT systems of the Leasing Agents and the YXP Property Manager have been physically segregated.

CONTRACTUAL PROTECTION

Contractual provisions have been included in each of the tenancy services agreements entered into between the Manager and Partat Investment Limited ("Partat"), Moon King Limited ("Moon King"), Full Estates Investment Limited ("Full Estates"), Keen Ocean Limited ("Keen Ocean"), Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd ("GYCCIFC"), Shanghai Hong Jia Real Estate Development Co., Ltd. ("Shanghai Hong Jia"), Wuhan Yuexiu Property Development Limited ("Wuhan YXPD") Hangzhou Yuehui Real Estate Development Co., Ltd ("Hangzhou Yuehui") or, as the case may be, and the relevant Leasing Agent to provide that:

- (i) the Leasing Agents will at all times act in the best interests of Yuexiu REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable leasing agent would use in providing similar services for comparable local commercial properties;
- (ii) the Leasing Agents will adhere to the organisational charts and reporting lines agreed with the Manager and will act in accordance with the directions of the Manager;
- (iii) the Leasing Agents will implement the annual business plan and budget approved by the Manager every year and use its best endeavours to achieve the revenue targets in such approved annual business plan and budget; and
- (iv) if leasing or marketing opportunities in relation to any of the Properties become available to the Leasing Agents which the Leasing Agents, acting reasonably and in good faith, consider are or are likely to be in competition with the Yuexiu Property Manager, the Leasing Agents will either:
 - refer all such business proposals to the Manager for vetting and confirmation before the relevant Leasing Agent proceeds with such proposals or opportunities; or
 - sub-contract to a third party leasing agent independent of the Yuexiu Property Group, to devise and implement the relevant business proposal.

Yuexiu Property, being the parent company of the Leasing Agents, has provided an undertaking to Yuexiu REIT that it will procure that the Leasing Agents will comply with the relevant provisions set out in the tenancy services agreements in this regard.

CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Yuexiu REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and are followed by the Manager and Yuexiu REIT.

AUTHORISATION STRUCTURE

Yuexiu REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has four persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, Mr. Lin Deliang and Mr. Cheng Jiuzhou, the Executive Directors of the Manager, are also Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO. Ms. Ou Haijing and Mr. Kwan Chi Fai are also Responsible Officers.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29) and is qualified to act as a trustee for authorised collective investment schemes under the SFO and the REIT Code.

ROLES OF THE TRUSTEE AND MANAGER

The Trustee is responsible under the Trust Deed for, among other things, the safe custody of the assets of Yuexiu REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Yuexiu REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Yuexiu REIT's assets are professionally managed in the sole interests of the Unitholders.

FUNCTIONS OF THE BOARD

As at 31 December 2019, the board of Directors of the Manager ("Board") comprised eight members, four of whom are INEDs.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board's function is largely separated from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Day-to-day management functions and certain supervisory functions have been delegated to relevant committees of the Board and a schedule of matters specifically reserved to the Board has been formally adopted. The Board exercises its general powers within the limits defined by the Manager's articles of association ("Articles of Association"), with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

ROLES OF THE KEY BOARD MEMBERS

The roles of the key members of the Board are as follows:

- Chairman - responsible for the overall leadership of the Board and the Manager generally.
- Chief Executive Officer - responsible for the day-to-day operations of the Manager and supervises the Manager's management team to ensure that Yuexiu REIT is operating in accordance with its stated strategies, policies and regulations.
- INEDs - govern the Manager through the Board and their participation in Board committees.

BOARD COMPOSITION

The composition of the Board is determined using the following principles:

- the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry; and
- at least half of the Board and, in any event, not less than three Directors should comprise INEDs.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

BOARD MEETINGS

Board meetings will normally be held at least four times a year at approximately quarterly intervals. To ensure that Directors will be given sufficient time to consider the issues to be tabled at the various Board meetings, details of the venue, time and agenda of the meeting are required to be given at least 10 clear days in advance of the meeting (except if there are exceptional circumstances or if the majority of Directors agree to a shorter period of notice).

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being (excluding any Directors which the Manager has a right to exclude for that purpose, whether pursuant to a contract or otherwise) are present at the time when the relevant business is transacted. A Director who, whether directly or indirectly, has a material interest in a contract or proposed contract with the Manager, which is of significance to the Manager's business, he must declare the nature of his interest during the Board meeting or by giving a general notice to the Board, whichever is earlier before the question of entering into the contract is taken into consideration on behalf of the Manager.

A Director who is prohibited from voting by reason of a conflict of interest will not be counted for the purposes of establishing the necessary quorum for the meeting.

Matters to be considered by the Board will be adopted on the basis of a simple majority of votes.

CORPORATE GOVERNANCE

The Manager has held eleven full Board meetings, five of which was held by means of written resolution, during the Reporting Year and the attendance of individual directors at such Board meetings is as follows:

Members of the Board	Number of meetings attended
Chairman and Executive Director	
Mr. Lin Deliang	11
Executive Directors	
Mr. Cheng Jiuzhou	11
Non-executive Director	
Mr. Li Feng	9
Mr. Liang Danqing	10
Independent Non-executive Directors	
Mr. Chan Chi On, Derek	11
Mr. Chan Chi Fai, Brian	11
Mr. Cheung Yuk Tong	11
Mr. Chen Xiaou	11

BOARD COMMITTEES

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and to then submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are as follows:

AUDIT COMMITTEE

The Audit Committee comprises INEDs only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. As at the date of this report, the members of the Audit Committee are Mr. Chan Chi On, Derek, Mr. Cheung Yuk Tong, Mr. Chan Chi Fai, Brian and Mr. Chen Xiaou. Mr. Chan Chi Fai, Brian is the Chairman of the Audit Committee. Among other matters, it reviews the completeness, accuracy and fairness of Yuexiu REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management.

The Audit Committee's responsibilities also include:

- (1) appointing external auditors, reviewing their reports and guiding management to take appropriate actions to remedy faults or deficiencies identified in internal control.
- (2) monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the applicable Listing Rules.
- (3) reviewing all financial statements and internal audit reports.
- (4) reviewing and monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Yuexiu REIT and a "connected person" (as defined in REIT Code).

The Audit Committee meets on a half yearly basis and otherwise on an as-needed basis. During the Reporting Year, five meetings of the Audit Committee were held, none of which was held by means of written resolution.

Audit Committee meeting was held during 2019 for considering and reviewing 2018 annual result, 2019 interim result, connected party transactions and other internal controls, risk management and compliance matters of Yuexiu REIT.

The attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Chan Chi Fai, Brian (Chairman)	5
Mr. Chan Chi On, Derek	5
Mr. Cheung Yuk Tong	5
Mr. Chen Xiaou (appointed on 25 February 2019)	5

The external auditors of Yuexiu REIT attended the Audit Committee meeting to report major audit issues and findings. The Audit Committee also met with the external auditors without the presence of the management team of the Manager twice during the Reporting Year.

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee comprises seven Directors, including the Chairman, the Chief Executive Officer and at least one INED. As at the date of this report, the members of the Finance and Investment Committee are Mr. Lin Deliang, Mr. Cheng Jiuzhou, Mr. Li Feng, Mr. Liang Danqing, Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian and Chen Xiaou. Mr. Lin Deliang is the Chairman of the Finance and Investment Committee. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets and reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Yuexiu REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

CORPORATE GOVERNANCE

Finance and Investment Committee meeting was held during 2019 for reviewing 2018 annual result, 2019 interim result, bank loan refinancing, foreign exchange and capital renovation of Yuexiu REIT.

The Finance and Investment Committee has held six meetings, none of which was held by means of written resolution, during the Reporting Year, and the attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Lin Deliang (Chairman)	6
Mr. Li Feng	4
Mr. Cheng Jiuzhou	6
Mr. Liang Danqing	5
Mr. Chan Chi On, Derek	6
Mr. Chan Chi Fai, Brian	6
Mr. Chen Xiaou	6

DISCLOSURES COMMITTEE

The Disclosures Committee comprises the Chief Executive Officer and at least one INED. Among other matters, it is responsible for reviewing matters relating to the regular, urgent and forward looking disclosure of information to Unitholders and public announcements and circulars. The Disclosures Committee also oversees compliance with applicable legal requirements (including those relating to Yuexiu REIT's connected party transactions) and the continuity, accuracy, clarity, completeness and currency of information disseminated by the Manager and Yuexiu REIT to the public and applicable regulatory agencies.

The Disclosures Committee's responsibilities also include:

- 1 Regularly review and recommend to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions and potential areas of conflict of interests.
- 2 Oversee compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and circulation of information disseminated by both the Manager and the Yuexiu REIT to the public and applicable regulatory agencies.
- 3 Review and approve all material non-public information and all public regulatory filings of the Group prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable.

The Disclosures Committee members are appointed by the Board from among the Directors. The Disclosures Committee presently consists of two members, namely, Mr. Lin Deliang and Mr. Chan Chi On, Derek. Mr. Chan Chi On, Derek is the Chairman of the Disclosures Committee.

The Disclosures Committee meets on a half yearly basis and otherwise on an as-needed basis. During the Reporting Year, thirty four meetings of the Disclosures Committee were held, twenty eight of which were held by means of written resolutions.

The Disclosures Committee meetings were held during 2019 for considering and reviewing results announcements, interim and annual reports and other corporate disclosure issues of Yuexiu REIT.

The attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Chan Chi On, Derek (Chairman)	34
Mr. Lin Deliang	34

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises of one member appointed by Manager and at least three INEDs. As at the date of this report, the members of the Remuneration and Nomination Committee are Mr. Lin Deliang, Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brain and Mr. Cheung Yuk Tong. Mr. Cheung Yuk Tong is the Chairman of the Remuneration and Nomination Committee. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration and Nomination Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

Remuneration and Nomination Committee meetings were held during 2019 for reviewing the performance management and manpower deployment of the Yuexiu REIT and the Manager and reviewing the structure, size and composition of the board and committees.

CORPORATE GOVERNANCE

The Remuneration and Nomination Committee has held five meetings, one of which was held by means of written resolution during the Reporting Year and the attendance of members at such meetings is as follows:

Members attended	Number of meetings attended
Mr. Cheung Yuk Tong (Chairman)	5
Mr. Lin Deliang	5
Mr. Chan Chi On, Derek	5
Mr. Chan Chi Fai, Brian	5

INDEPENDENT BOARD COMMITTEE

Independent Board Committee presently comprises of four INEDs, namely, Mr. Chan Chi On, Derek, Mr. Cheung Yuk Tong, Mr. Chan Chi Fai, Brian and Mr. Chen Xiaouu.

One Independent Board Committee has held during the Reporting Year.

Independent Board Committee held by INEDs to review and approve the connected party transactions relating to the acquisition of Car Parks of City Development Plaza and Fortune Plaza property;

Members attended	Number of meeting attended
Mr. Chan Chi On, Derek	1
Mr. Chan Chi Fai, Brian	1
Mr. Cheung Yuk Tong	1
Mr. Chen Xiaouu	1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

In accordance with the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Directors should also provide the company with their respective training records according to the Corporate Governance Code.

During the Reporting Year, the Directors have participated in relevant seminars or readings etc. which covered topics relating to the management and related regulations, as well as compliance issues with respect to the Listing Rules and the Securities and Futures Ordinance. Based on the Director's training records, trainings received by each Director during the period from 1 January 2019 to 31 December 2019 are summarized as follows:

Name of Directors	Readings on publications and newspapers on updated information about economics, commerce, Directors duties, etc.	Participation in trainings/briefings/corporate governance/seminars/conferences relevant to Directors' duties
Executive Directors		
Mr. Lin Deliang	√	√
Mr. Cheng Jiuzhou	√	√
Non-Executive Directors		
Mr. Li Feng	√	√
Mr. Liang Danqing	√	√
Independent Non-Executive Directors		
Mr. Chan Chi On, Derek	√	√
Mr. Chan Chi Fai, Brian	√	√
Mr. Cheung Yuk Tong	√	√
Mr. Chen Xiaoou	√	√

APPOINTMENT AND REMOVAL OF DIRECTORS

Directors may be nominated for appointment by the Board following a recommendation made by the Remuneration and Nomination Committee. All Directors will be appointed for specific terms. One-fourth of the INEDs who are subject to retirement by rotation (if necessary, rounded up to the nearest whole number) will retire at every annual general meeting from and including the first annual general meeting and the retiring Directors on each occasion will be those who have been in office longest since their last appointment or re-appointment, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by ballot.

The Chairman has been appointed for an initial term of three years. Upon the expiration of such initial term, he may be re-appointed as a Chairman.

A Director may also be removed from office if served with a notice of removal signed by all of the other Directors. An outgoing Director must abstain from voting in respect of a resolution proposed at a Board meeting in respect of the appointment of his successor or his re-appointment.

CORPORATE GOVERNANCE

Directors may be nominated for appointment and/or removal by the Board (following a recommendation made by the Remuneration and Nomination Committee), provided that if the Director so appointed is an INED, he/she shall hold office only until the next general meeting of the Yuexiu REIT and shall then be eligible for re-election at that meeting. Such re-election of INED shall be approved by Unitholders by way of an Ordinary Resolution.

Pursuant to the Articles of Association, a Director will need to vacate his office in certain circumstances, such as in the event that he becomes bankrupt, is convicted of an indictable offence, has been absent from Directors' meetings for six months or more without special leave of absence from the Board or fails to comply with the required standard set out in any code of conduct adopted by the Board and the Board resolves that he is thereby disqualified to continue as a Director.

RISK MANAGEMENT AND INTERNAL CONTROL

To maintain a more effective and efficient business operation and sustainable business growth, Yuexiu REIT systematically determining business risk and setting up risk management structure, procedures and related contents.

Our risk management framework is guided by three defensive lines of risk management and control. First line of defense are the front line operation departments and different functional departments. They are responsible for monitoring performance against the operational and management indicators and will submit the control report regularly to the risk management team for review. The second line of defense is the risk management team. They are responsible for developing pertinent operational and management indicators, collecting, summarizing and analyzing the result from the control report. The third line of defense is the internal audit team responsible for carrying out independent objective assurance, evaluating the reasonableness of all risk indicators and operational procedures. Moreover, they need to report to the Board regularly.

The Board meets quarterly or more frequently, if necessary, to review the risk report submitted by the internal audit team and the effectiveness and adequacy of internal control of the major operation procedures of Yuexiu REIT.

Moreover, the Board has reviewed the financial performance of Yuexiu REIT, any risks relating to the assets of Yuexiu REIT, examined liability management and will act upon any comments from the auditors of Yuexiu REIT (where appropriate).

The Manager has appointed experienced and well-qualified management team to handle the day-to-day operations of the Manager and Yuexiu REIT. In assessing business risk, the Board has considered the economic environment and the property industry risk. It reviews management reports and feasibility studies on individual development projects prior to approving any major transactions.

CONFLICT OF INTEREST

The Manager has established the following procedures to deal with conflict of interest:

- 1) The Manager does not manage any other real estate investment trust or involve in any other real estate business;
- 2) All connected party transactions are monitored and undertaken according to the procedures and/or on terms in compliance with the REIT Code.
- 3) At least half of the Board comprise INEDs.
- 4) INED's appointment should be approved by Unitholders by way of an Ordinary Resolution.

GENERAL MEETINGS

Yuexiu REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the issued and outstanding Units. Except for annual general meeting where at least 21 days' notice of the meeting will be given, at least 14 days' notice of other meetings will be given to the Unitholders and the notice will specify the time and venue of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10.0% of the Units for the time being in issue will form a quorum for the transaction of all businesses, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding not less than 25.0% of the Units in issue. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

REPORTING AND TRANSPARENCY

Yuexiu REIT will prepare its financial statements in accordance with Hong Kong Financial Reporting Standards with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual results for Yuexiu REIT will be announced no later than three months following each financial year end and the annual report and financial statements for Yuexiu REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year. In addition, Yuexiu REIT aims to provide Unitholders with relevant operational information, such as occupancy levels and utilisation rates of the properties that it holds, along with the publication of such financial results following each financial year-end and financial half-year.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Yuexiu REIT will be made on a timely basis in order to keep Unitholders apprised of the position of Yuexiu REIT.

DISTRIBUTION PAYMENTS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute not less than 90% of Total Distributable Income to Unitholders. The Manager's policy is to distribute to Unitholders 100% of Yuexiu REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Yuexiu REIT's annual Total Distributable Income in each subsequent financial year. As stated in the circular issued to Unitholders dated 30 June 2012, the Manager intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item for the financial years ended from 31 December 2012 to 31 December 2016 and no less than 90% thereafter.

The Manager also has the discretion under Trust Deed, where there are surplus funds, to distribute amounts in addition to that set out in the circular. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

CORPORATE GOVERNANCE

ISSUES OF NEW UNITS POST-LISTING

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights; (ii) as consideration for the acquisition of additional real estate; and (iii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained, provided that the number of Units issued under (i) and (ii) shall not exceed an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year.

The Manager and Yuexiu REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval where (i) the connected person receives a pro rata entitlement in its capacity as a Unitholder; (ii) Units are issued to the Manager to satisfy part or all of the Manager's remuneration or (iii) when Units or convertible instruments are issued to a connected person within 14 days in a place and top up exercise, subject to certain conditions.

INTERESTS OF, AND DEALINGS IN UNITS BY, THE MANAGER AS WELL AS DIRECTORS AND SENIOR MANAGEMENT OF THE MANAGER

To monitor and supervise any dealings of Units by the Directors and their associates, the Manager has adopted a code containing rules on dealings by the Directors and associated parties ("Code Governing Dealings in Units by Directors") equivalent to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this code, Directors wishing to deal in the Units must first have regard to Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if these provisions of the SFO applied to the securities of Yuexiu REIT. In addition, there are occasions where Directors cannot deal in the Units even though the requirements of the SFO, if it applied, would not be contravened. A Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Manager shall be subject to the same disclosure requirements as the Directors, *mutatis mutandis*.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Yuexiu REIT's securities for a similar period.

Interests held by Directors and their associates will be published in the annual and interim reports of Yuexiu REIT. To facilitate this, the Manager has adopted a code containing rules on disclosure of interests by Directors. The Manager shall be subject to the same dealing requirements as the Directors, *mutatis mutandis*.

The above codes may also be extended to senior executives, officers and other employees of the Manager or Yuexiu REIT as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed by the Trust Deed to apply to, among other things, the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in Yuexiu REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the public without charge during such hours as the register of Unitholders is available for inspection. In addition, the Manager maintains a website containing all important information concerning Yuexiu REIT. The Manager shall cause copies of all disclosure notices received to be promptly posted to its website.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things, removing the Trustee and approving the termination of Yuexiu REIT.

CONFIRMATION OF COMPLIANCE WITH CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS

Specific enquiry has been made of all Directors and Manager and all of them confirmed they had complied with the required standard set out in the Code Governing Dealings in Units by Directors.

PUBLIC FLOAT

Based on the information that is publicly available as at the date of this report, the Manager reports there was more than 25% of the Units held in public hands as required under the Listing Rules and the REIT Code.

COMPLIANCE WITH COMPLIANCE MANUAL

Except from Article A.2.1 of the Corporate Governance Code, it is required that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. At present, Mr. Lin Deliang is both the Chairman and Chief Executive Officer of the Manager. This structure was considered of more efficiency in business planning and decision-making for Yuexiu REIT. The Board also did not believe that the current structure of a single Chairman and Chief Executive Officer will compromise the balance of power and authority between the board and the Manager's management.

The Manager has complied with the provisions of its Compliance Manual.

TRUST DEED AMENDMENTS

As stated in the announcement dated 3 April 2020, the Manager and the Trustee entered into a supplemental deed ("Fourth Supplemental Deed") on the same day to effect certain amendments to the Trust Deed to facilitate the deferral of part of the Manager's fees to be settled in the form of Units for the 2019 Final Period. For further background and the full text of these amendments, please refer to the abovementioned announcement and the Appendix thereto.

The Trustee has certified in the Fourth Supplemental Deed that in its opinion such amendments to the Trust Deed do not materially prejudice the interests of Unitholders, do not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the Unitholders and do not increase the costs and charges payable from Yuexiu REIT. Accordingly, no specific approval from Unitholders is required for such amendments to the Trust Deed.

AUDITORS

The financial statements of Yuexiu REIT have been audited by PricewaterhouseCoopers. They have been re-appointed for performing the audit for the financial year ending 31 December 2020.

CONNECTED PARTY TRANSACTIONS

The connected party transaction rules of the REIT Code govern transactions between the Yuexiu REIT Group and its connected persons (as defined in Rule 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

THE MANAGER AND SIGNIFICANT HOLDER GROUP

Set out below is the information in respect of the connected party transactions involving Yuexiu REIT and its connected persons:

LEASING TRANSACTIONS

Certain portions of City Development Plaza, GZIFC, Fortune Plaza, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory have been leased to connected parties (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager ("Manager Group"). Details are as follows:

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
City Development Plaza									
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ⁽¹⁾	1/F	an associate of the Manager	97.00	1 May 2016	1,309	13.5	0	3	14,887
Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye Property")	27, 28/F	an associate of the Manager	3,688.68	1 Jan 2018	493,582	134	0	4	6,096,529
廣州悅停網絡科技有限公司	16F	an associate of the Manager	126.45	30 Mar 2017	16,258	129	0	2	46,973
廣州鵬岸貿易有限公司	21FGHI	an associate of the Manager	691.63	20 May 2017	92,215	133	0	3.03	1,103,530
Guangzhou City Construction and Development Co. Ltd. ("GCCD")	18ABJ	an associate of the Manager	691.62	1 Sep 2017	92,214	133	0	3	1,104,337
廣州東耀房地產開發有限公司	17CD	an associate of the Manager	334.64	29 Oct 2017	44,618	133	0	3	532,878
Guangzhou Yuexiu Asset Management Company Limited (GZAM)	18CDE	an associate of the Manager	461.09	25 May 2018	61,478	133	0	3.02	731,573
廣州東耀房地產開發有限公司	18F	an associate of the Manager	126.45	28 May 2019	18,065	143	0	1.26	126,159
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ⁽²⁾	Carpark	an associate of the Manager	2,104.25	19 Nov 2019	304,167	145	0	3	429,608
Sub-total:									10,186,474

- (1) On 1 May 2019, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd entered into a lease with Full Estates Investment Limited ("Full Estate") in respect of 1/F of City Development Plaza, renewing the existing term for 8 months commencing from 1 May 2019, and the unit price of rent remained unchanged.
- (2) On 19 November 2019, Full Estate acquired 179 parking spaces in City Development Plaza and Yicheng entered into a lease with Full Estate in respect of the said parking spaces.

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease commencement/renewal date		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
			GFA (sq.m.)						
GZIFC									
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ⁽¹⁾	401-B	an associate of the Manager	948.00	31 May 2016	192,309	203	0	3	2,320,472
Guangzhou Yuexiu Financial Technology Co., Ltd.	401-C	an associate of the Manager	474.14	1 May 2018	79,023	167	0	1	311,762
Guangzhou Securities Co., Ltd.	501	an associate of the Manager	2,868.01	20 Jun 2018	505,315	176	0	3.03	5,825,885
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE")	0601-A	an associate of the Manager	1,224.74	1 Jan 2019	271,892	222	0	3	3,223,508
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	0601-B	an associate of the Manager	227.86	1 Jan 2019	50,587	222	0	3	599,750
Guangzhou Securities Co., Ltd.	0601-C	an associate of the Manager	248.05	1 Jan 2019	55,067	222	0	Monthly rent	660,804
Guangzhou Yuexiu Asset Management Co., Ltd. ("GZAM") ⁽²⁾	0601-D	an associate of the Manager	138.73	1 Sep 2016	28,576	206	0	3	345,469
GZAM	0601-E	an associate of the Manager	46.82	1 Jan 2018	10,077	215	0	3	122,826
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	0601-F	an associate of the Manager	126.99	1 Jan 2018	27,333	215	0	3	333,161
Guangzhou City Construction Development Co., Ltd. ("GCCD")	0601-G, H	an associate of the Manager	877.03	1 Jan 2019	194,701	222	0	3	2,308,340
Guangzhou Securities Co., Ltd.	706-707	an associate of the Manager	474.16	15 Apr 2018	79,026	167	0	3.04	963,217
Guangzhou Securities Co., Ltd.	1001-1006	an associate of the Manager	1,486.33	1 Jan 2019	337,399	227	0	Monthly rent	4,048,788
Guangzhou Futures Co., Ltd.	1007-1012	an associate of the Manager	1,486.52	1 Jan 2019	337,441	227	0	3	3,820,842
廣州東耀房地產開發有限公司	1401	an associate of the Manager	3,071.42	1 Jan 2019	746,355	243	0	3	9,375,441
廣州市祥港房地產開發有限公司	1501	an associate of the Manager	3,141.03	1 Jan 2019	747,565	238	0	3	9,390,640
GCCD	1601	an associate of the Manager	3,156.79	1 Jan 2019	751,316	238	0	3	9,437,761
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	1701-A	an associate of the Manager	1,585.09	1 Jan 2018	395,518	250	0	3	4,689,199
Guangzhou Yue Tong Expressway Operations and Management Co., Ltd.	1701-B	an associate of the Manager	261.29	1 Jan 2018	65,198	250	0	3	772,979
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2018	66,588	250	0	3	789,455
廣州穗橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2018	50,152	250	0	3	594,596
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	1701-E	an associate of the Manager	855.96	1 Jan 2018	197,278	230	0	3	2,338,898

CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
Guangzhou Securities Co., Ltd.	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2019	1,593,458	249	0	月租金	19,121,496
廣州越秀資本投資管理有限公司	3301	an associate of the Manager	274.77	15 Sep 2019	70,655	257	0	2.95	234,517
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM") ⁽²⁾	3309, 3310, 3311, 3312	an associate of the Manager	1,095.81	30 Aug 2018	292,216	267	0	3	528,599
廣州越秀資本投資管理有限公司	3309, 3310, 3311, 3312	an associate of the Manager	1,095.81	1 Mar 2019	292,216	267	0	2.50	2,741,546
廣州越秀鯉鰱私募證券投資基金管理有限公司 ⁽³⁾	3406-A	an associate of the Manager	207.00	1 Jan 2019	51,257	248	0	0.25	649,370
越秀諮詢(深圳)有限公司 ⁽⁴⁾	3901	an associate of the Manager	281.92	1 Jun 2018	75,179	267	0	3	1,338,640
GZAM	4001, 02, 03, 05, 06	an associate of the Manager	2,882.42	1 May 2018	713,741	248	0	3	8,462,003
YXE	4606	an associate of the Manager	558.37	1 Jan 2018	138,263	248	0	4.83	1,701,901
YXE	5604	an associate of the Manager	533.50	25 Mar 2019	142,267	267	0	3.02	1,262,867
YXE	5801-A	an associate of the Manager	512.64	1 Jun 2016	138,872	271	0	3	673,140
YXE	5801-A, 05-A, 06-E, 07-A	an associate of the Manager	734.15	1 Jun 2019	204,863	279	0	3	1,428,820
廣州東耀房地產開發有限公司 ⁽⁵⁾	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	3,900,030
GZAM ⁽⁶⁾	5804-B	an associate of the Manager	242.29	1 Jun 2016	65,635	271	0	3	789,695
YXE	5805-A	an associate of the Manager	136.02	1 Jul 2018	37,308	274	0	0.92	184,981
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	5804-C	an associate of the Manager	262.73	1 Jun 2019	73,314	279	0	3	856,317
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	5805-B, 06-A	an associate of the Manager	507.40	1 Oct 2018	137,452	271	0	0.67	666,257
Guangzhou Securities Co., Ltd.	5806-B	an associate of the Manager	213.70	1 Jun 2016	57,890	271	0	3	280,605
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	5805-B, 06-A, 06-B	an associate of the Manager	721.10	1 Jun 2019	201,221	279	0	3	1,403,421
Guangzhou Yuexiu Financial Leasing Co., Ltd. ⁽⁷⁾	5806-C	an associate of the Manager	133.50	1 Jun 2016	36,165	271	0	3	435,119
Guangzhou Paper Group Ltd. ⁽⁸⁾	5806-D	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	278,639

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
YXE	5806-E, 07-A	an associate of the Manager	85.49	1 Jun 2017	23,159	271	0	2.42	112,256
廣州鈦白粉廠 ⁽⁹⁾	5807-B	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	23,046
Guangzhou Yuexiu Enterprises Development Ltd. ⁽¹⁰⁾	5807-B	an associate of the Manager	85.49	1 Feb 2019	23,449	274	0	0.33	255,593
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-A, E	an associate of the Manager	696.58	1 Jan 2019	233,354	335	0	3	2,870,878
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-B, C	an associate of the Manager	1,742.17	1 Jan 2019	583,627	335	0	3	7,180,174
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-D	an associate of the Manager	560.73	1 Oct 2018	185,842	331	0	3	1,446,302
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-F	an associate of the Manager	300.00	1 Sep 2016	100,000	333	0	0.67	773,797
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ⁽¹¹⁾	6301-D, 6301-F	an associate of the Manager	860.73	1 Sep 2019	288,345	335	0	2.33	1,157,669
YXE	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2019	2,278,157	350	0	3	27,928,548
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	142.17	1 Jan 2019	26,159	184	0	1	313,907
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	0440-B	an associate of the Manager	189.75	1 Jan 2019	34,914	184	0	1	418,969
GZYXIFM	0440-C	an associate of the Manager	104.18	1 Jan 2019	19,169	184	0	1	230,142
廣州越秀商業地產投資管理有限公司	0440-D	an associate of the Manager	253.83	1 Jan 2019	46,705	184	0	1	560,461
GCCD	0440-E	an associate of the Manager	696.08	1 Jan 2019	128,079	184	0	1	1,536,949
廣州市城建開發集團名特網絡發展有限公司	0440-F	an associate of the Manager	51.80	1 Jan 2019	9,531	184	0	1	114,373
Guangzhou Securities Co., Ltd.	0440-G	an associate of the Manager	546.81	1 Jan 2019	100,613	184	0	1	1,207,354
YXE	0440-H	an associate of the Manager	378.74	1 Jan 2019	69,688	184	0	1	836,255
Guangzhou Yuexiu Financial Technology Co., Ltd.	0440-I	an associate of the Manager	136.80	1 Jan 2019	25,171	184	0	1	302,052
Guangzhou Guang Zheng Hang Seng Research Co., Ltd.	0440-J	an associate of the Manager	30.70	1 Jan 2019	5,649	184	0	1	67,788
Chong Hing Bank Guangzhou Sub-Branch	0440-K	an associate of the Manager	116.65	1 Jan 2019	21,464	184	0	1	257,570

CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during Reporting Year (RMB)
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZYXJLL")	0440-L	an associate of the Manager	21.87	1 Jan 2019	4,024	184	0	1	48,314
Chong Hing Bank Guangzhou Tianhe Branch	0440-N	an associate of the Manager	22.45	1 Jan 2019	4,131	184	0	1	49,571
Guangzhou Yuexiu Business Operation Management Co., Ltd.	0440-O	an associate of the Manager	7.10	1 Jan 2019	1,306	184	0	1	15,681
廣州友誼集團有限公司 ⁽¹⁾⁽³⁾	IFC podium, lower level one, lower refugee floor level one, first floor, second floor, third floor	an associate of the Manager	26,521.37	1 Jul 2017	1,979,989	75	0	8.5	7,564,617
廣州友誼集團有限公司 ⁽¹⁾⁽³⁾	Back of house in lower level three	an associate of the Manager	743.00	1 Aug 2014	17,690	24	0	11.67	50,789
廣州友誼集團有限公司 ⁽¹⁾⁽³⁾	IFC podium B127a, B127b	an associate of the Manager	66.00	14 Dec 2018	16,342	248	0	3	47,767
廣州馮越房地產開發有限責任公司	B1V103	an associate of the Manager	48.00	8 Oct 2019	185,712	3,869	0	0.08	185,712
廣州市品秀房地產開發有限公司	B1V104	an associate of the Manager	18.00	6 Oct 2019	62,061	3,448	0	0.22	188,570
GZYXJLL	Carpark	an associate of the Manager	71,082.79	1 Jan 2019	1,350,004	19	0	1	16,200,048
Sub-Total:									181,156,908

- (1) On 31 May 2019, Guangzhou Guang Zheng Hang Seng Research Co., Ltd negotiated with GYCCIFC and confirmed to rent from month to month from 31 May 2019 and the unit price of rent adjusted to RMB 212/m²/month.
- (2) On 1 March 2019, GZYXIFM entered into a lease with GYCCIFC, to renew the lease of Units 3309, 3310, 3311 and 3312 of GZIFC, the tenant of which has been changed into 廣州越秀資本投資管理有限公司 since 1 March 2019, and the unit price of rent remained unchanged.
- (3) On 1 April 2019, 廣州越秀鯤鵬私募證券投資基金管理有限公司 entered into a lease with GYCCIFC, to renew the lease of Unit 3406-A of GZIFC for a term of one year commencing from 1 April 2019, and the unit price of rent adjusted to RMB 267/m²/month.
- (4) On 31 December 2019, 越秀諮詢(深圳)有限公司 entered into an agreement with GYCCIFC, to terminate the leasing contract of Unit 3901.
- (5) On 1 June 2019, 廣東東耀房地產開發有限公司 entered into a lease with GYCCIFC, to renew the lease of Units 5801-B, 02, 03 and 04-A for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m²/month.
- (6) On 1 June 2019, GZAM entered into a lease with GYCCIFC, to renew the lease of Unit 5804-B of GZIFC for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m²/month.
- (7) On 1 June 2019, Guangzhou Yuexiu Financial Leasing Co., Ltd entered into a lease with GYCCIFC, to renew the lease of Unit 5806-C of GZIFC for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m²/month.
- (8) On 1 June 2019, Guangzhou Paper Group Ltd. entered into a lease with GYCCIFC, to renew the lease of Unit 5806-D for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m²/month.
- (9) On 1 February 2019, 廣州鈦白粉廠 entered into a lease with GYCCIFC, to renew the lease of Unit 5807-B, the tenant of which has been changed into Guangzhou Yuexiu Enterprises Development Ltd since 1 February 2019, and the unit price of rent adjusted to RMB 274/m²/month.
- (10) On 1 June 2019, Guangzhou Yuexiu Enterprises Development Ltd entered in to a lease with GYCCIFC, to renew the lease of Unit 5807-B for a term of 3 years commencing from 1 June 2019, and unit price of rent adjusted to RMB 279/m²/month.
- (11) On 1 September 2019, Guangzhou Yuexiu Financial Holdings Group Co., Ltd entered into a lease with GYCCIFC, to renew the lease of 6301-D, 6301-F for a term of 2.33 years commencing from 1 September 2019, and unit price of rent adjusted to RMB 267/m²/month.
- (12) On 1 September 2019, Guangzhou Yuexiu Asset Management Co., Ltd. entered into a lease with GYCCIFC, to renew the lease of 601-D for a term of 3 years commencing from 1 September 2019, and unit price of rent adjusted to RMB 222/m²/month.
- (13) As Guangzhou Yuexiu Financial Holdings Group Co., Ltd. has sold its 100% shares of 廣州友誼集團有限公司 to an independent third party, 廣州友誼集團有限公司 is not the connected party of Yuexiu REIT since 28 March 2019.

CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
Fortune Plaza									
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ⁽¹⁾	Carpark	an associate of the Manager	1,408.29	19 Nov 2019	195,834	139	0	3	276,598
Sub-total:									276,598

- (1) On 19 November 2019, Moon King Limited ("Moon King") acquired 110 parking spaces in Fortune Plaza and Yicheng entered into a lease with Moon King in respect of the said parking space.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
Yue Xiu Tower									
Chong Hing Bank Limited Shanghai Branch ⁽²⁾	1807	an associate of the Manager	142.05	1 May 2018	43,207	304	0	2	517,775
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Shanghai Branch ("Yicheng Shanghai")	Carpark	an associate of the Manager	13,502.58	1 Jan 2018	142,857	11	0	3	1,712,722
Shanghai Yuexiu Finance Leasing Co., Ltd.	2101, 05-07	an associate of the Manager	1,006.41	1 May 2017	306,116	304	0	5	3,767,541
Guangzhou Securities Co., Ltd. ⁽¹⁾	2702A, 03B	an associate of the Manager	250.12	1 Dec 2016	76,078	304	0	2.33	445,473
Yicheng Shanghai	310B, 301A, 301B	an associate of the Manager	495.17	15 Dec 2018	136,307	275	0	5.05	1,633,620
Chong Hing Bank Limited	2801-05	an associate of the Manager	1,444.18	27 Jun 2019	398,275	276	0	2.6	2,050,199
Chong Hing Bank Limited Shanghai Branch ⁽³⁾	2801-05	an associate of the Manager	1,444.18	1 Dec 2019	398,275	276	0	2.25	411,739
Sub-total:									10,539,069

- (1) On 1 April 2019, Guangzhou Securities Co., Ltd entered into a lease with Shanghai Hong Jia Real Estate Development Co., Ltd to renew the lease of Unit 2702A, 03B of Yue Xiu Tower for a term of 3 months commencing from 1 April 2019, and the unit price of rent remained unchanged.
- (2) On 31 December 2019, Chong Hing Bank Limited Shanghai Branch entered into an agreement with Shanghai Hong Jia Real Estate Development Co., Ltd to terminate the leasing contract of Unit 1807.
- (3) On 15 November 2019, Chong Hing Bank Limited Shanghai Branch was permitted to be established by China Banking and Insurance Regulatory Commission Shanghai Office. It started to perform the obligation of the lessee since 1 December 2019.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019 Reporting Year (RMB)
Wuhan Properties									
Guangzhou Yicheng Business Operation Management Co., Limited Whuhan Branch ("Yicheng Whuhan")	6201A	an associate of the Manager	875.91	1 Jan 2018	120,959	138	0	5	1,464,388
武漢康景實業投資有限公司	6201B, 6301	an associate of the Manager	2,707.10	1 Sep 2017	373,838	138	0	5	4,537,520
Yicheng Whuhan	Carpark	an associate of the Manager	47,182.94	21 Dec 2017	625,000	13	0	3.03	7,428,006
Yicheng Whuhan	Carpark	an associate of the Manager	15,602.82	21 Dec 2017	290,000	19	0	3.03	3,537,682
廣州城建開發設計院有限公司	6101C	an associate of the Manager	250	27 Dec 2017	33,333	133	0	3	386,204
Xingye Property	6101A	an associate of the Manager	300	27 Dec 2017	40,000	133	0	3	463,445
廣州越秀地產工程管理有限公司	6101B	an associate of the Manager	350	27 Dec 2017	46,667	133	0	3	540,685
武漢康景實業投資有限公司	6101D	an associate of the Manager	851.82	1 Jan 2018	113,576	133	0	3	1,308,718
武漢康景實業投資有限公司	6001A	an associate of the Manager	485.7	1 Jan 2018	64,760	133	0	3	746,218
武漢康景實業投資有限公司	6001B	an associate of the Manager	401.08	1 Mar 2018	53,477	133	0	2.83	658,986
武漢康景實業投資有限公司	3701	an associate of the Manager	700	1 Jan 2018	78,616	112	0	3	952,381
武漢康景實業投資有限公司	Site	an associate of the Manager	280	1 Jul 2018	636,415	2,273	0	0.5	14,000,000
武漢康景實業投資有限公司	Advertising Space	an associate of the Manager	N/A	1 Jul 2018	921,761	N/A	0	0.5	9,275,189
武漢越秀商業管理有限公司	6701	an associate of the Manager	917.55	1 Oct 2018	129,375	141	0	1.25	1,549,951
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	20 Advertising Space	1 Oct 2018	142,860	N/A	0	3	1,708,063
廣州越秀地產工程管理有限公司 ⁽¹⁾	5801, 5802	an associate of the Manager	2,638.6	1 Aug 2018	351,804	133	0	0.92	4,207,955
武漢越秀商業管理有限公司	3401-3408	an associate of the Manager	2,434.81	16 Jul 2018	231,890	95	0	5.04	2,955,423
武漢越秀商業管理有限公司	3409	an associate of the Manager	80.46	16 Jul 2018	3,066	38	0	5.04	36,766
Xingye Property	5901	an associate of the Manager	1,318.26	1 Jun 2019	175,764	133	0	1	1,233,229
廣州越秀星寓公寓管理有限公司	5902	an associate of the Manager	1,231.99	1 Jun 2019	164,261	133	0	1	1,152,521
武漢越秀商業管理有限公司	6401	an associate of the Manager	1,634.33	16 Jun 2019	217,905	133	0	1.04	1,422,675
武漢康景實業投資有限公司	3702	an associate of the Manager	700	1 Jun 2019	79,364	113	0	1	555,555
武漢康景實業投資有限公司	The west side of Square	an associate of the Manager	300	1 Jun 2019	119,047	396	0	1	833,333

CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly	Monthly	Monthly	Rental income	
					rent (RMB)	rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Reporting Year
武漢康景實業投資有限公司	A101	an associate of the Manager	400	1 Jun 2019	60,952	152	0	1	426,667
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	20 Advertising Space	1 Jun 2019	142,860	N/A	0	1	944,354
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	40 Advertising Space	1 Jun 2019	285,720	N/A	0	1	1,888,708
武漢越秀商業管理有限公司	6001C	an associate of the Manager	884.39	29 Sep 2019	117,916	133	0	1.26	337,342
								Sub-total:	64,551,964

- (1) On 1 July 2019, 廣州越秀地產工程管理有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited to renew the lease of Unit 5801, 5802, of Wuhan Properties for a term of 6 months commencing from 1 July 2019, and the unit price of rent remained unchanged.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during Reporting Year (RMB)
Hangzhou Victory									
Hangzhou Yuexiu Real Estate Development Co., Ltd.	202-2, 301-1, 302-2, 1703, 1801, 1802, 1803	an associate of the Manager	2,311.55	20 Sep 2018	310,231	134	0	3.03	3,796,988
Guangzhou City Construction & Development Xingye Property Agent Ltd Hangzhou Branch ("Xingye Hangzhou")	601-1	an associate of the Manager	188.25	20 Dec 2018	22,590	120	0	2.00	248,511
杭州盛寅房地產開發有限公司 ⁽¹⁾	801	an associate of the Manager	336.65	1 Sep 2018	40,398	120	0	3.08	359,925
杭州越輝房地產開發有限公司	1701	an associate of the Manager	336.65	20 Sep 2018	51,171	152	0	3.03	626,291
杭州豐騰房地產開發有限公司	1702	an associate of the Manager	579.93	20 Sep 2018	88,149	152	0	3.03	1,078,880
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Hangzhou Branch ("Yicheng Hangzhou")	Carpark	an associate of the Manager	17,663.58	28 Dec 2018	187,500	11	0	2.01	2,250,000
Guangzhou Securities Co., Ltd Hangzhou Branch ⁽²⁾	1201-1	an associate of the Manager	299.00	1 Jan 2019	43,355	145	0	1.71	482,605
Yicheng Hangzhou ⁽³⁾	1201-2	an associate of the Manager	37.65	1 Jan 2019	5,459	145	0	1.71	65,556
廣州越秀融資租賃有限公司杭州富陽分公司	1202	an associate of the Manager	579.93	1 Jan 2019	80,030	138	0	2.00	960,374
Hangzhou Yuexiu Real Estate Development Co., Ltd.	302-1	an associate of the Manager	430.31	15 Mar 2019	47,334	110	0	2.55	441,220
杭州盛寅房地產開發有限公司	1201	an associate of the Manager	336.65	1 Oct 2019	40,509	120	0	1.71	125,853
								Sub-total:	10,436,203
								Total:	277,147,216

- (1) On 1 October 2019, 杭州盛寅房地產開發有限公司 entered into a lease with 杭州越輝房地產開發有限公司 to renew the lease of Unit 801 of Hangzhou Victory, the unit of which has been changed into 1201 since 1 October 2019, and the unit price of rent remained unchanged.
- (2) On 30 September 2019, Guangzhou Securities Co., Ltd Hangzhou Branch entered into an agreement with 杭州越輝房地產開發有限公司 to early terminate the leasing contract of Unit 1201-1.
- (3) On 30 September 2019, Yicheng Hangzhou entered into an agreement with 杭州越輝房地產開發有限公司 to early terminate the leasing contract of Unit 1201-2.

CONNECTED PARTY TRANSACTIONS

APARTMENT SERVICE

Certain connected party (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager provided apartment service to Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd Four Season Branch. Details are as follows:

Service provider	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental expenses during 2019 Reporting Year (RMB)
廣州越秀星寓公寓管理有限公司	Guangzhou Tianhe District 邦華名悅 property	an associate of the Manager	7,411.05	1 Dec 2019	859,961	116	0	3	859,961

PROPERTY MANAGEMENT AGREEMENTS

The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of Yuexiu REIT:

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/payable for 2019 Reporting Year (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM")	an associate of the Manager	White Horse Building	1 Jan 2017 ⁽³⁾	Property Management Agreement	N/A
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ("Yicheng")	an associate of the Manager	Fortune Plaza	1 Jan 2017 ⁽⁴⁾	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 Jul 2016 ⁽¹⁾	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
GZYXJLL	an associate of the Manager	GZIFC	1 Sep 2009 ⁽²⁾	Property Management Agreement	N/A
Yicheng Shanghai	an associate of the Manager	Yue Xiu Tower	29 Dec 2017	Property Management Agreement	N/A
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Property Management Agreement	N/A
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	31 Aug 2017	Property Management Agreement	N/A

- (1) Yicheng entered into a lease with the owners' committee of City Development Plaza, renewing the existing term for 3 years commencing from 19 July 2019, and other terms remain unchanged.
- (2) GZYXJLL entered into a lease with the owners' committee of GZIFC, renewing the existing term for 3 years commencing from 1 September 2019, and other terms remain unchanged.
- (3) Baima BM entered into a lease with Partat Investment Limited and Guangzhou White Horse Clothings Market Ltd., renewing the existing term for 3 years commencing from 1 January 2020, and other terms remain unchanged.
- (4) Yicheng entered into a lease with the owners' committee of Fortune Plaza, renewing the existing term for 3 years commencing from 1 January 2020, and other terms remain unchanged.

TENANCY SERVICES AGREEMENTS

The following table sets forth information for the year in relation to the tenancy services provided by the connected parties to the properties of Yuexiu REIT:

Service provider	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2019 Reporting Year (RMB)
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2017	Tenancy Services Agreement	11,182,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2017	Tenancy Services Agreement	2,925,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2017	Tenancy Services Agreement	2,638,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2017	Tenancy Services Agreement	3,062,000
Yicheng	an associate of the Manager	Fortune Plaza 1701	31 Dec 2017	Tenancy Services Agreement	68,000
GZAM	an associate of the Manager	GZIFC	31 Dec 2017	Tenancy Services Agreement	15,580,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	31 Dec 2017	Tenancy Services Agreement	3,975,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	6,746,000
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	28 Dec 2018	Tenancy Services Agreement	1,280,000

TRADE MARK LICENCE AGREEMENTS

The following table sets forth information for the period in relation to the trade mark licences granted by the connected parties to Yuexiu REIT:

Grantor	Relationship with Yuexiu REIT	Property	Nature of Transaction	Amount paid/ payable for 2019 Reporting Year	Licence maturity date
Baima BM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	27 November 2026, 6 December 2026, 13 January 2027, 13 December 2026, 20 January 2027
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ⁽¹⁾	an associate of the Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

(1) The Trademarks were assigned from Yue Xiu Enterprise (Holdings) Limited to Guangzhou Yuexiu Holdings Limited.

CONNECTED PARTY TRANSACTIONS

CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

The following table sets forth information for the period in relation to the prepaid construction payable by Yuexiu REIT to the connected parties and the interest charged on the balance of prepaid construction payable:

Engineering Settlement Agent	Relationship with Yuexiu REIT	Date of the Agreement	Balance of Prepaid Construction Payable for 2019 Reporting Year (RMB)	Nature of Transaction	Amount received/receivable for 2019 Reporting Year (RMB)
GCCD	An associate of the Manager	4 May 2012	217,930,000	Interest on the balance of construction payable	18,852,000

ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2019 Reporting Year	Amount of interest paid/payable within the 2019 Reporting Year (RMB)
Chong Hing Bank	Loan ⁽¹⁾	An associate of the Manager	Nov 2016	185,146,000	—	10,858,000

(1) Chong Hing Bank Limited was one of the lending banks.

Name	Nature of transaction	Relationship with Yuexiu REIT	Amount of interest received/receivable within the 2019 Reporting Year (RMB)
Chong Hing Bank	Bank deposit interest	An associate of the Manager	1,184,000

FINANCING OF THE DEFERRED COMPLETION PAYMENT

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2019 Reporting Year	Amount of interest paid/payable within the 2019 Reporting Year (RMB)
Guangzhou Construction&Development Holdings (China) Limited		An associate of the Manager	21 Dec 2017	20,000	—	—

NAMING RIGHTS AGREEMENT

Name	Relationship with Yuexiu REIT	Nature of Property	Transaction	Amount paid/payable for 2019 Reporting Year (RMB)	Naming Rights Period (RMB)
Guangzhou City Construction and Development Co. Ltd.	An associate of the Manager	Wuhan Properties	naming rights	8,000,000	1 June 2019 to 31 December 2020

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of Yuexiu REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with Yuexiu REIT as a result of their connection with the Manager has been granted by the SFC on 4 December 2017, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors (“INEDs”) and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 15 November 2017.

HSBC GROUP*

(*Note: “HSBC Group” means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and its subsidiaries and, unless expressly stated, shall not include the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee except those subsidiaries formed in its capacity as the trustee of Yuexiu REIT)).

CORPORATE FINANCE TRANSACTIONS AND ORDINARY BANKING SERVICES

The following table sets forth information for the period in relation to the corporate finance transactions and ordinary banking services made between the HSBC Group and Yuexiu REIT within the period:

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees	Amount of
				paid/payable within the 2019 Reporting Year	interest paid/payable within the 2019 Reporting Year
HSBC Group	Loan ⁽¹⁾	May 2017, Nov 2019	HK\$1,041,695,000	—	RMB24,682,000

(1) HSBC Group was one of the lending banks.

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees	Amount of
				paid/payable within the 2019 Reporting Year	interest paid/payable within the 2019 Reporting Year
HSBC Group	Bond ⁽²⁾	—	—	RMB1,000	—

(2) HSBC Group was one of the underwriter.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, Ever Joint Investment International Limited (“Ever Joint”), Long Grace Holdings Limited (“Long Grace”), Profit Link Investment International Limited (“Profit Link”), San Bright Holdings Limited (“San Bright”) and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm’s length and on commercial terms for deposits during the 2019 reporting year.

CONNECTED PARTY TRANSACTIONS

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure requirement and Unitholders' approval under Chapter 8 of the REIT Code in respect of the transactions with connected persons of the Trustee has been granted by the SFC on 8 December 2005 subject to specific caps on fees payable by Yuexiu REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

The INEDs and the Audit Committee of the Manager confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the Manager Group and the HSBC Group and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Yuexiu REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from Yuexiu REIT than terms available from or to (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.

CONFIRMATION BY THE MANAGER AND TRUSTEE ON CORPORATE FINANCE TRANSACTION WITH THE HSBC GROUP

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2019 reporting year.

MANAGER'S FEES

During the 2019 reporting year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB147,511,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

TRUSTEE'S FEES

During the 2019 reporting year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB10,481,000.

PRINCIPAL VALUER'S FEES

During the 2019 reporting year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB948,000.

INTERESTS HELD BY THE MANAGER AND ITS 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 Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive Officer 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:

Name of Director	Nature of Interest	As at 1 January 2019		As at 31 December 2019		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Cheng Jiuzhou	Personal	480	0.000015%	480	0.000015%	—
Mr. Li Feng	Personal	1,825	0.000059%	1,825	0.000057%	(0.000002)
Mr. Liang Danqing	—	Nil	—	Nil	—	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—
Mr. Chen Xiaou	—	Nil	—	Nil	—	—

CONNECTED PARTY TRANSACTIONS**HOLDINGS OF SIGNIFICANT HOLDERS**

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:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2019		As at 31 December 2019		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yue Xiu Holdings Limited ("GZYX") ⁽¹⁾	Deemed	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	1,692,062,224 ⁽³⁾	52.78%	(0.87%)
	Total	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	1,692,062,224 ⁽³⁾	52.78%	(0.87%)
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,666,628,780 ⁽³⁾	53.65% ⁽⁴⁾	1,692,034,904 ⁽³⁾	52.78%	(0.87%)
	Total	1,666,656,100 ⁽³⁾	53.65% ⁽⁴⁾	1,692,089,544 ⁽³⁾	52.78%	(0.87%)
YXP ⁽²⁾	Beneficial	—	—	—	—	—
	Deemed	1,657,394,515 ⁽³⁾	53.35% ⁽⁴⁾	1,682,800,639 ⁽³⁾	52.49%	(0.86%)
	Total	1,657,394,515 ⁽³⁾	53.35% ⁽⁴⁾	1,682,800,639 ⁽³⁾	52.49%	(0.86%)
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,632,125,730 ⁽³⁾	52.54% ⁽⁴⁾	1,632,125,730 ⁽³⁾	50.91%	(1.63%)
	Deemed	—	—	—	—	—
	Total	1,632,125,730 ⁽³⁾	52.54% ⁽⁴⁾	1,632,125,730 ⁽³⁾	50.91%	(1.63%)

(1) Further information in relation to interests of corporations controlled by GZYX.

(2) The deemed interest in 1,670,562,310 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of YXP.

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
Yue Xiu	GZYX	100.00	N	1,692,034,904 ⁽³⁾	192,307,692
Bosworth International Limited	Yue Xiu	100.00	Y	5,698,282	—
YXP	Yue Xiu	39.78	N	1,682,800,639 ⁽³⁾	192,307,692
Dragon Yield	YXP	100.00	Y	1,632,125,730 ⁽³⁾	—
Novena Pacific Limited	Yue Xiu	100.00	Y	1,414,207	—
Morrison Pacific Limited	Yue Xiu	100.00	Y	395,122	—
Greenwood Pacific Limited	Yue Xiu	100.00	Y	339,342	—
Goldstock International Limited	Yue Xiu	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
Yue Xiu International Investment Limited ("YXII")	YXP	100.00	Y	50,674,909	—
Intellect Aim Management Ltd.	Yuexiu Property (HK) Company Limited	100.00	Y	—	192,307,692
Yuexiu Property (HK) Company Limited	Dragon Yield	100.00	N	—	192,307,692
Dragon Yield	YXP	100.00	N	—	192,307,692

(3) The number of units includes 461,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to YXP (or YXP's 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 38.389%, while the approximate interest in Yuexiu REIT held by YXP and Dragon Yield will be approximately 38.2% and 36.518% respectively.

CONNECTED PARTY TRANSACTIONS**HOLDINGS OF SENIOR EXECUTIVES OF THE MANAGER**

Interests in the Units held by senior executives of the Manager, being connected persons of Yuexiu REIT, are set out below:

Name of Senior Executive	Nature of interest	As at 1 January 2019		As at 31 December 2019		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Liao Ningjun	Personal	1,250	0.000040%	1,250	0.000039%	(0.000001%)
Ms. Ou Haijing	Personal	1,000	0.000032%	1,000	0.000031%	(0.000001%)
Mr. Liu Bihong	Personal	225	0.000007%	225	0.000007%	—

HOLDINGS OF OTHER CONNECTED PERSON

Name	Nature of interest	As at 1 January 2019		As at 31 December 2019		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed ⁽¹⁾	950	0.00003%	950	0.00003%	—

(1) Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 31 December 2019.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Savills, holding any Units as at 31 December 2019.

INVESTOR RELATIONS

The Manager highly values investor relations management and strives to continuously enhance the quality and standard of smooth communication, in order to strengthen and maintain communication between the Yuexiu REIT and investors to elevate the investing public's in-depth understanding of the Yuexiu REIT, and establish the Yuexiu REIT's good market image.

COMMUNICATION ACTIVITIES WITH UNITHOLDERS AND INVESTORS

In 2019, with the steady growth of the performance of GZIFC and upon the successful acquisitions of Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and Hangzhou Victory, attention of capital markets on the Yuexiu REIT was raised significantly. Meanwhile we also continuously strengthened our efforts in investor relations by fully utilizing various investor communication channels, such as investors' meetings and press conferences for interim and annual results, annual general meeting of unitholders, roadshows and promotional activities, investment seminars held by investment banks, conference calls, on-site visits to investment projects by investors and media and continuous update of website contents, to enhance the investing public's understanding of the Yuexiu REIT. During the year, the Manager and the investor relations team participated in a total of 17 meetings in the large-scale investment seminars held by investment banks, 59 roadshows for investors, 3 one-on-one meetings and 9 on-site visits to our projects.

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2019

Month	Place	Activities
February	Hong Kong	Held the investor meeting and press conference for the 2018 annual results announcement
	Hong Kong	Participated in the 2018 annual results road show conference organized by Citibank
March	Thailand	Participated in the 2018 annual results road show conference organized by DBS
April	Shanghai	Participated in the 2018 annual results road show conference organized by DBS
June	Hong Kong	Participated in the Asia Pacific Investor Conference organized by Citibank
August	Hong Kong	Held the investor meeting and press conference for the 2019 interim results announcement
	Hong Kong	Participated in the 2019 interim results road show conference organized by Daiwa Capital
	Singapore	Participated in the 2019 interim results road show conference organized by DBS
	Beijing	Participated in the 2019 interim results road show conference organized by DBS
September	Hong Kong	Participated in the REIT Day Seminar organized by Daiwa Capital

INVESTOR RELATIONS

ANALYSIS COVERAGE

With continuous and steady growth of the Yuexiu REIT's business, the capital market was increasingly interested in the performance of the Yuexiu REIT in 2019. A number of securities institutions published a number of research reports on the Yuexiu REIT during the year. 7 securities institutions (including DBS, Citibank, Daiwa Capital, Credit Suisse, Bank of America Merrill Lynch, UBS and Industrial Securities) issued a number of research reports on Yuexiu REIT during the year, and most of the research reports recommended the rating of "Buy in", indicating that the analysts were optimistic about the future development prospects of the Yuexiu REIT.

AWARDS

Yuexiu REIT is the first Hong Kong listed real estate investment trust with properties located in the PRC. In 2019, by leveraging on good corporate governance, bright development prospects and professional efforts in investor relations, the Yuexiu REIT and the Manager were presented with the award under "Listed Enterprises of the Year 2019" by Bloomberg Businessweek and "Listed Company Awards of Excellence 2019" by Hong Kong Economic Journal both in November 2019.

PROSPECT

The Manager will continue to increase enhancement efforts in investor relations, reinforce communication and liaison with investors for more transparency so as to achieve effective mutual interactive communication between the Manager and the investors, and continue to create value for unitholders.

PROPERTY VALUATION REPORT

Yuexiu REIT Asset Management Limited

as the "Manager" of "Yuexiu Real Estate Investment Trust"

17B, Yue Xiu Building,
No. 160 Lockhart Road,
Wanchai, Hong Kong

AND

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

5 March 2020

Our Ref: HK/2018/GZI/16534(g)/CC/AL/fc

Dear Sirs,

- RE: (1) GUANGZHOU INTERNATIONAL FINANCE CENTRE, NO. 5 ZHU JIANG WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (2) VARIOUS UNITS IN WHITE HORSE BUILDING, NOS. 14, 16 AND 18 ZHAN NAN ROAD, YUEXIU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (3) VARIOUS UNITS AND 110 CAR PARKING SPACES AT BASEMENT LEVELS 1 AND 2 IN FORTUNE PLAZA, NOS. 114, 116 AND 118 TI YU EAST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (4) VARIOUS UNITS AND 179 CAR PARKING SPACES AT BASEMENT LEVELS 1 AND 2 IN CITY DEVELOPMENT PLAZA, NOS. 185, 187 AND 189 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (5) VARIOUS UNITS IN VICTORY PLAZA, NO. 101 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (6) TOWER 2 AND 315 CAR PARKING SPACES (INCLUDING 80 MECHANICAL CAR PARKING SPACES AND 23 PUBLIC CAR PARKING SPACES) AT BASEMENT LEVELS 1 AND 2, HANGZHOU VICTORY BUSINESS CENTER, NO. 9 JIANGXIU STREET, QIANJIANG NEW TOWN, JIANGGAN DISTRICT, HANGZHOU, ZHEJIANG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (7) YUEXIU TOWER, NO. 388 FUSHAN ROAD, LOT NO. QIU 2/9 JIEFANG 302, WEIFANG XINCUN STREET, PUDONG NEW DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA**
- (8) WUHAN YUEXIU FORTUNE CENTRE, STARRY VICTORIA SHOPPING CENTRE AND VARIOUS CAR PARKING SPACES, NO. 1 ZHONGSHAN AVENUE, QIAOKOU DISTRICT, WUHAN, HUBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**



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PROPERTY VALUATION REPORT

INSTRUCTIONS

We refer to the instructions from the Manager and the Trustee of “Yuexiu Real Estate Investment Trust” (“Yuexiu REIT”) for us to value the captioned properties (individually referred to as the “Property” and collectively referred to as the “Properties”) located in the People’s Republic of China (the “PRC”), we confirm that we have inspected the Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2019 (“the Valuation Date”) for accounting purpose.

BASIS OF VALUATION

Our valuation of each property is our opinion of its market value on a 100% interest basis which we would define 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.”

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”).

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau. Mr. Charles C.K. Chan is the Managing Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Fellow of the HKIS with over 35 years’ experience in valuation of properties in Hong Kong and 30 years’ experience in valuation of properties in the PRC; Mr. Anthony C.K. Lau is a Director of SVPSL and a corporate member of the HKIS with over 26 years’ experience in valuation of properties in the PRC. Both of them have sufficient knowledge of the relevant markets, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau had been involved in valuations of the Properties in the past 12 months.

We confirm that we are independent of the scheme, the Manager, the Trustee and each of the significant holders of the scheme in accordance with the REIT Code issued by the Securities and Futures Commission in Hong Kong (the “SFC”). We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Charles C.K. Chan or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the Properties.

VALUATION APPROACHES

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and/or offerings of comparable properties. In the course of our valuation, we have principally adopted both Income Capitalization Approach and Discounted Cash Flow Analysis (“DCF Analysis”) and counter-checked by the Direct Comparison Approach.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is an approach of valuation whereby the existing rental incomes of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the land use rights under which the property is held. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value of the vacant portion provides the market value of each property.

DCF ANALYSIS

DCF Analysis is an approach of valuation where a discount rate is applied to a series of cash flows over an investment horizon including a terminal value to discount them to a present value. We have either adopted a 5-year or 10-year projection time frame in our DCF Analysis depending on the type of property. In preparing the DCF Analysis, the income and expenses over the coming 5 or 10 years from the Valuation Date are itemized and projected annually taking into account either the historical operating accounts or the contractual tenancies, and the expected growth of income and expenses. The net cash flows from the 6th or 11th year onward are capitalized at appropriate terminal capitalization rates for the Properties until the expiry of the respective land use terms. The terminal values are then discounted at our adopted rates that reflect the rates of return that adequately compensate the investors for the risks taken.

DIRECT COMPARISON APPROACH

As a supporting approach to our valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach and DCF Analysis whereby comparable sales transactions and/or listings of comparable properties as available in the market are collected and analyzed. Appropriate adjustments are applied to the comparable properties to adjust for the discrepancies between the Properties and the comparables.

APPROACH TO VALUE

In arriving at the market values of the Properties, excluding the hotel and serviced apartment portions of Guangzhou International Finance Centre, we have applied equal weighting to the values derived from Income Capitalization Approach and DCF Analysis; whilst the market values of the hotel and serviced apartment portions of Guangzhou International Finance Centre are assessed by DCF Analysis.

TITLE INVESTIGATIONS

We have been provided with extracts of the documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

PROPERTY VALUATION REPORT

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, tenancy details, operating accounts, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager which is material to our valuation. We are also advised by the Manager that no material facts have been omitted from the information supplied.

VALUATION ASSUMPTIONS

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the Properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the owners of the Properties have good legal titles to the Properties and have free and uninterrupted rights to use, occupy, lease or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the Properties. On-site inspections for the Properties located in Guangzhou were carried out by Mr. Anthony Lau (Director), Mr. Nick Cheung (Senior Manager) and Mr. James Chu (Valuer) on both 19 and 20 December 2019. Mr. Anthony Lau and Mr. Sam Ngai (Assistant Manager) inspected the Properties located in Wuhan and Shanghai from 15 to 18 December 2019 respectively. Ms. Alice Yin (Manager) inspected the Property located in Hangzhou on 26 December 2019. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

MARKET COMMENTARY

GUANGZHOU

OVERVIEW

For the first nine months of 2019, Guangzhou's GDP increased by 6.9% year-on-year (YOY) to RMB1,786.9 billion, the highest GDP growth among first tier cities of China. Total value-added of tertiary industries grew by 7.9% YOY, contributing 71.4% of the city's GDP over the same period. Fixed asset investment increased by 21.1% YOY for the first three quarters of 2019, and the city's CPI was 3.1% up for the first eleven months of 2019. The robust economic growth was attributable to a rapid growth in investment, particularly investment in infrastructure, industries and real estate, a stable consumer market and a slight increase in imports and exports.

OFFICE

New supply of Grade A office in 2019 was at a ten-year low as only three new office projects with a combined gross floor area (GFA) of approximately 250,000 sq.m. were put into the market. The three new office projects included Guangzhou Media Centre (廣州報業文化中心) located in Pazhou submarket, GIFT Greenland Centre (金融城綠地中心) located in the International Financial Town, and Tiande Centre (天德廣場) located in Zhujiang New Town submarket. Total Grade A office stock in Guangzhou increased to approximately 5.2 million sq.m. by the end of 2019. The overall vacancy rate recorded a slight increase to 4.8% in 2019, representing an increase of 0.1 percentage point (ppt) as compared to that of 2018.

Overall performance of office leasing market was sluggish in 2019, as sentiment was overshadowed by economic uncertainties and the prolonged Sino-US trade conflicts. The majority of corporations tended to hang up or shelve expansion or relocation plans temporarily. Net absorption in 2019 dropped 46% YOY to approximately 234,000 sq.m., with office take-up derived mainly from professional services, finance and the banking sector, whereas demand from wholesale and retail trade, media and healthcare remained stable for the year. Zhujiang New Town submarket was the most active in office leasing during Q4 2019, with net absorption amounted to over 37,000 sq.m.

The average rent of Grade A office in Guangzhou in 2019 dropped 2.4% YOY to RMB177.5 per sq.m. per month, as landlords were willing to grant further incentives to incoming tenants, and office demand was softened in the wake of economic slowdown and concerns over Sino-US trade conflicts gloomed. The average rent for Zhujiang New Town submarket dropped to approximately RMB208.2 per sq.m. per month, down 1.5% as compared to that of Q3 2019 and with a vacancy rate of approximately 5.7% in Q4 2019.

Looking forward, pipeline supply of Grade A office is forecasted to reach approximately 994,000 sq.m. in 2020. Total number of pipeline projects are forecasted to come up to a maximum of 17 in 2020, where eight of which are located in Pazhou and account for approximately 48.2% of new supply in area terms. The outlook for Guangzhou Grade A office property market however is expected to remain stable in 2020, as demand for quality office space is forecasted to be relatively stable, with support driven in part by the recent improvements in the Sino-US trade relations, and gradual pick-up, most notably from the finance and insurance sector during Q4 2019 in Zhujiang New Town, Tianhe Bei and Yuexiu submarkets, will continue with improved market sentiment. Overall vacancy rate for office market however is expected to be on the rise in short term as the market is continued to be loomed by economic slowdown, whereas rental growth will be softened if companies will remain cautious in their expansion or relocation plans.

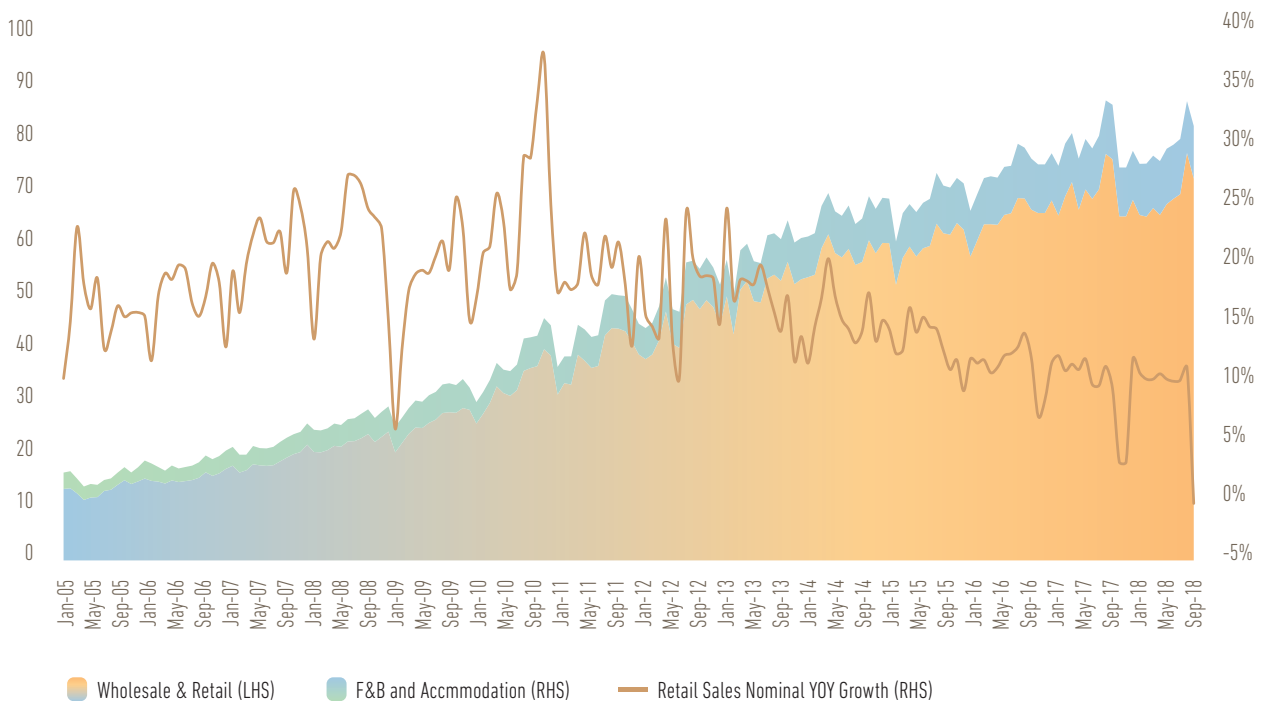
PROPERTY VALUATION REPORT

RETAIL

Between 2005 and 2018, retail sales in Guangzhou increased at a CAGR of 12.9% to 925.6 billion, making Guangzhou's retail market one of the fastest-growing in mainland China. Strong growth in the retail market has been primarily supported by rising disposable income and a propensity of the local populace to consume.

Retail sales recorded an YTD, YOY real growth of 8.0% for the first eleven months of 2019, totaling RMB911.5 billion. In terms of retail sales growth rate, Guangzhou was in first place amongst the first-tier cities in China ahead of both Shanghai and Shenzhen (the YTD, YOY retail sales growth of Shanghai, Shenzhen and Beijing up to November 2019 was 6.6%, 6.3% and 5.8% respectively).

Total Retail Sales in Guangzhou, Jan 2005 - Dec 2018



Source: Municipal Statistics Bureau of Guangzhou. No monthly data of wholesale & Retail and F&B and Accommodation sales are available since January 2019.

Prime retail property stock of Guangzhou accumulated to approximately 5.5 million sq.m. up to the end of 2019, as a total of 5 prime retail projects with aggregate GFA of approximately 380,300 sq.m. were put into market. Tianhe Road and Yuexiu district are the two major prime retail precincts in 2019, however, the proportion of retail stock in non-prime areas of Guangzhou increased by 2.3% YOY in 2019 and accounted for 70.2% of total prime retail property stock in Guangzhou.

Overall demand for Guangzhou prime retail properties were strong in 2019, as “consumption upgrade” trend remained undeterred by Sino-US trade tensions and expenditure on food and shopping by local consumers continued its rising trend. Demand from food and beverage sector was particularly strong in Q1 2019, whereas other sectors such as fast fashion, apparel and cosmetics, electronic products and others all continued expansion plans and expand their retail networks across Guangzhou. It was notable as well that home and lifestyle brands were actively taking up sizable spaces in non-prime retail precincts, where Siyue Bookstore (四閱書店) and KKV (KKV生活館) joined in as anchor tenants in Together Mall (保利廣場), and Xinhua Bookstore (新華書店) followed suit in Lisheng Grandbuy Mall (荔勝廣百廣場) in Q4 2019.

Overall vacancy rates of prime retail properties dropped 0.5 percentage point YOY to 8.4% in 2019, whereas vacancy rate in both prime and non-prime areas dropped 0.7 and 0.5 percentage points, respectively, to 7.6% and 8.7% in 2019.

Overall prime retail first-floor rents increased by 4.3% YOY to RMB740.6 per sq.m. per month in 2019. Prime area first-floor rent increased 5.2% YOY to RMB1,459.1 per sq.m. per month. Non-prime area first-floor rents increased 3.7% YOY to RMB 345.5 per sq.m. per month in 2019.

Looking ahead, it is expected that a total of twelve new shopping malls with an aggregate GFA of approximately 1,445,000 sq.m. will be scheduled for completion in 2020. Considering the surge of new supply and the fact that the majority of these pipeline projects are located in the same retail catchments, competition among projects is expected to intensify, and overall vacancy rate for retail properties is forecasted to increase. The retail ambience in non-prime areas such as Panyu, Zengcheng and Huadu is expected to become more sophisticated as infrastructure continues to upgrade. It is expected that the aforementioned areas should see more development and expansion opportunities for retailers, especially those focusing on F&B, home and lifestyle, and children-related sectors. The outlook for the retail property investment market in Guangzhou should remain positive in mid- to longer term.

PIPELINE PROPERTIES FORECASTED IN Q1 2020

Project		Submarket	Retail area (sq.m.)
Zengcheng Hopson One	增城合生匯	Zengcheng	138,000
Yehoo Fong	悦和方	Baiyun	100,000
Xiongfeng Mall	雄峰城	Panyu	95,000
Free Man Garden	花都自由里	Huadu	56,000

Source: Savills

PROPERTY VALUATION REPORT

HOTEL

In 2018, overnight tourist arrivals to Guangzhou reached 62.8 million, representing a 4.1% growth YOY. Overseas tourist arrivals remained even at 9.0 million during 2018, whereas domestic tourist arrivals increased 4.8% YOY to 56.3 million. Domestic travellers continued to occupy as Guangzhou's largest source market, contributing 86.2% to overnight visitor arrivals in 2018.

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Overnight Tourist Arrivals (million)	45.9	48.1	50.4	53.3	56.6	59.4	62.8	65.3	5.2%
Domestic Visitors Arrivals (million)	38.2	40.2	42.7	45.5	48.5	50.8	53.8	56.3	5.7%
Domestic Tourism Receipts (RMB billion)	131.5	158.7	188.2	218.5	252.1	280.0	318.8	357.9	15.4%
International Visitor Arrivals ('000s)	7.8	7.9	7.7	7.8	8.0	8.6	9.0	9.0	2.1%
Tourism Foreign Exchange Revenue (RMB billion)	31.5	32.4	32.0	33.6	35.2	41.6	42.6	42.9	4.5%

Source: Guangzhou Statistics Bureau. Tourist arrivals and tourism receipts for 2019 are not available in the public domain.

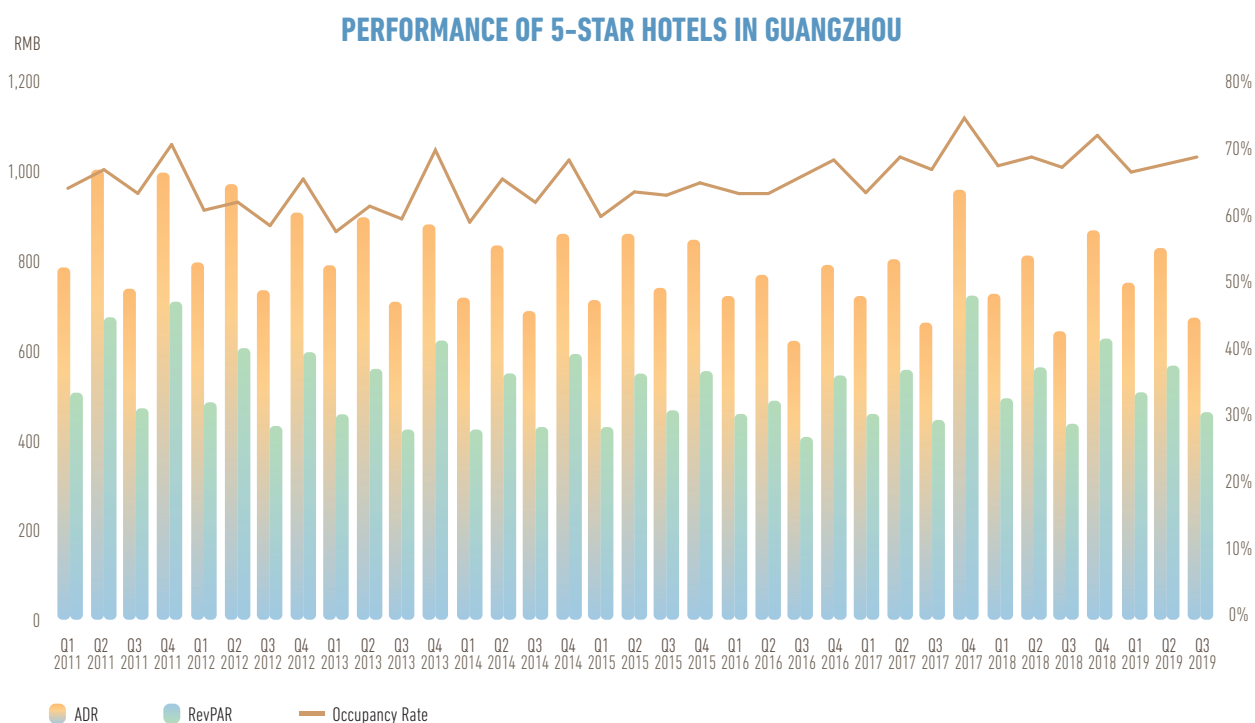
Total number of star-rated hotels in Guangzhou dropped from 249 in 2011 to 170 in 2018. During the same period, total number of 5-star hotels increased from 20 to 22, whereas total number of 4-star hotels dropped to 35. Total number of guestrooms increased 4.8% YoY to 92,568 in 2017, the majority of which were midscale hotels located in non-prime or emerging city districts.

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Number of Star-rated Hotels	249	226	227	216	204	188	180	170	-5.3%
No. of 5-Star Hotels	20	21	23	23	21	22	22	22	1.4%
No. of 4-Star Hotels	38	36	38	41	39	37	34	35	-1.2%
No. of Guestrooms	66,232	65,267	72,311	80,930	77,893	88,335	92,568	N/A	5.7%*
No. of Beds	110,081	106,810	114,072	122,939	136,128	134,558	137,593	N/A	3.8%*

Source: Guangzhou Statistics Bureau. *refers to CAGR between 2011 and 2017. N/A refers to data not available. Hotel data for 2019 are not available in the public domain.

New supply of 5-star hotel in Guangzhou in 2019 included the Jumeirah Guangzhou (廣州卓美亞酒店) (126 guestrooms, Zhujiang New Town, Q1 2019) and Rosewood Guangzhou (廣州瑰麗酒店) (251 guestrooms, Zhujiang New Town, September 2019). Other notable upscale hotels in the supply pipeline include Sheraton Guangzhou Panyu (274 spacious guest rooms and suites 270 rooms, scheduled opening in April 2020) and Hampton by Hilton Guangzhou Panyu Avenue (廣州番禺大道希爾頓歡朋酒店) (187 guestrooms, scheduled opening in 2020 or thereafter) in Panyu district, and the Kempinski Residences Guangzhou (廣州凱賓斯基酒店) (261 guestrooms, scheduled opening in Q2 2020) located in Yuexiu District.

Guangzhou has been one of the major business and conference hubs in southern China for the past few decades. The Canton Fair and Spring fair and other conferences support Guangzhou's hotel market and have been one of the major impetus to impact the performance of 5-star hotels in Guangzhou. Both ADR and RevPAR of 5-star hotels indicated continuous improvement in the first three quarters of 2019 as compared against those of 2018 with occupancy rate remained stable during the corresponding period. All in all this suggests the upscale hotels in Guangzhou has weathered the storm well after witnessing a huge supply boom in the last few years. It is expected that the occupancy level and room rate growth will continue in 2020, as increasing corporate demand and leisure demand will help boost the market.



Source: Ministry of Culture and Tourism

PROPERTY VALUATION REPORT

SERVICED APARTMENT

During 2019, a total of two serviced apartment projects were launched onto the market. The Jumeirah Living Guangzhou - Residences (廣州卓美亞禮庭公寓), located in Tianhe district with 168 luxurious residences was launched in Q1 2019, and the Rosewood Guangzhou was launched in September 2019. Located in Tianhe district, the Rosewood Guangzhou offers 355 luxury residences and suites and immediately stood out as a new benchmark for the serviced apartment market in Guangzhou. Taking into account of this new supply and revamp of serviced residences, total serviced apartment stock in Guangzhou reached 3,095 in Q4 2019.

The corporate use of serviced apartment for business travel, assignment/project working and relocation was stable in 2019, however, as trade dispute between US and China lingered for over a year, corporate demand from the US sector contracted, particularly in the use for assignment working and relocation. Demand driver for serviced apartment was mainly driven by the European corporations, as Euro-China trade relationships and business cooperation strengthened and leading to a growing demand of serviced apartments for corporate use. The corporate demand was most apparent in the automobile, chemical engineering and petrochemical industry sectors. Average vacancy rate for serviced apartment however has witnessed a significant increase in 2019, with vacancy rate reached its peak at 20.7% in Q3 2019, and edged down to 19.4% in Q4 2019. Rents for the serviced apartment market in Guangzhou in Q4 2019 recorded a moderate drop of 1.9% to RMB212.2 per sq.m. per month as compared against Q3 2019, as increasing serviced apartment operators were willing to offer competitive terms and service packages to allure corporations.

Major new supply of serviced apartments in the pipeline include the Ascott Guangzhou Residences in the proposed Guangzhou International Commercial Center (廣州環貿中心) scheduled to open in mid-2021. As most of the pipeline projects will be concentrated in Tianhe district, competition will be increasingly keen amongst operators within the district. Given however the position of Guangzhou as the key city cluster in the Greater Bay Area and its competitive advantages in industry sectors such as automobiles, electronics and petrochemical industry, it is expected that corporate demand for serviced apartments will continue to remain robust, and serviced apartment rents in Guangzhou are expected to remain stable.

SHANGHAI OVERVIEW

Shanghai is one of the financial centres and one of the four autonomous municipalities in the country. The China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區) ("SFZ") was approved by the State Council in 2013 as the first pilot free trade zone in China. Initially covered 28.78 sq. km. in area, the SFZ was expanded to 120 sq. km. in 2015, and in 2018 plans were gathered to expand the SFZ to approximately 600 sq. km., with expanded area including Lingang and Hongqiao to increase its appeal to foreign investors especially in industries such as new energy vehicles, medicine and healthcare. While these plans are yet to conclude and announce until mid-2019, the expansion of the SFZ will reinforce China's national goal to convert the city into a global financial centre by 2020, and the expansion will be matched by large-scale liberalization, as witnessed by the city's continued deepening measures for opening-up and reform in 2018 by introducing 100 measures to further open up sectors such as finance and advanced manufacturing, and the proposal of setting up a financial court in Shanghai as part of the efforts to improve the judiciary system for the financial sector and help ward off financial risks, in addition to the city's reforms in protecting intellectual property rights, promoting the import system and improving the business environment.

Originally a government-designated national level development zone in Shanghai, the Lujiazui financial area was added to SFZ since March 2016, and has significantly increased the attractiveness of offices in Lujiazui. The deepened opening-up and reform of the financial services sector in 2019 and beyond, for instance the expansion of the scale of asset-backed securitization in Shanghai and widening of channels for overseas yuan liquidity to flow back to China as recently announced by the People's Bank of China, will certainly help boost and reinforce the position of the district as the financial hub of Shanghai and China.

Little Lujiazui is the city's financial hub and most expensive and largest office submarket. Almost fully built out, with tenants typically expanding to the neighbouring Zhuyuan.

Zhuyuan is a key back office location for financial firms with premises in Lujiazui and characterized by significant influx of new supply in recent years. It has become the second largest submarket in Shanghai's decentralized office property market.

ECONOMIC DEVELOPMENT

Shanghai recorded a sustainable economic growth during 2019, with GDP increased at 6.0% YOY to RMB3,815.5 billion, keeping pace with the country's 6.1% GDP growth during the corresponding period. Consumer Price Index increased by 2.5% over 2018. Shanghai's steady economic growth, moderate inflationary environment, combined with the numerous business opportunities the city offers, has made Shanghai a desirable place for both domestic and foreign businesses to set up or expand their businesses in. The city's attractiveness, evidenced by the utilised foreign direct investment totaling United States Dollars 19.0 billion in 2019 (up 10.1% YOY), have been driving up the demand for office spaces in the city. Service sector has been increasingly important for Shanghai, with its constituency in GDP increasing from 59.0% in 2012 to 72.7% in 2019. Shanghai's continuously rising tertiary sector, with a compound annual growth rate of 12.2% over the past six years, has also increased the demand for office spaces. The financial industry in Shanghai has been growing at an accelerating rate over the past five years. Amid deepened reforms which will help maintain healthy growth of the financial market, the accelerating growth is expected to continue, driving up the demand for office spaces in the Lujiazui and Zhuyuan area.

SUPPLY AND DEMAND OF OFFICES IN LUJIAZUI AND ZHUYUAN

In 2019, a total of 8 new Grade A office projects in core office areas with an aggregate GFA of approximately 688,200 sq.m. was put into market. These projects included Ruiming Tower and Foxconn Building in Lujiazui, ITC Phase 2 (G2) in Xujiahui, SOHO Gubei in Changning's Hongqiao area, Kaisa Financial Centre in Pudong, Raffles City The Bund in North Bund, Hongkou, Jing'an Baohua Centre on West Nanjing Road and One East in South Huangpu. Total Grade A office stock of Shanghai increased 5% YOY to 13.3 million sq.m. in 2019, however, no new supply was located in the Zhuyuan CBD submarket.

Net take-up in 2019 was weak and recorded with a significant drop of 46% YOY to approximately 340,000 sq.m., with the last quarter as the weakest for the year. The slowdown in office supply, especially in decentralized locations as several projects were postponed to 2020, meant that the citywide vacancy rate dropped just 0.8 ppt to 17.5% in 2019. Despite the fall in vacancy rates, the overall market remains oversupplied and future supply is sizeable over the next 2-3 years; as a result, landlords have reduced their rents by 0.4% on an index basis in Q4/2019, ending the year at RMB7.9 per sq.m. per day. This represented a rental decrease of 0.9% in 2019.

Office vacancy rate at Zhuyuan increased from 8.9% during Q1 2019 to 11.2% in Q4 2019. The office average rent in Zhuyuan remained weak in 2019, and dropped from RMB282.9 per sq.m. per month in Q1 2019 to RMB271.5 per sq.m. per month in Q4 2019, representing a drop of approximately 4.0% during this period.

PROPERTY VALUATION REPORT

OUTLOOK

In the next three years up to 2023, it is expected that a total of 5.7 million sq.m. of new grade A office supply will be launched onto the market, approximately 29% of this new supply will be located in the core area. In the short term, ample supply amid weak leasing activity is expected to push vacancy rates up in 2020, whereas effective office rents will likely continue their downward trend while face rents are expected to remain flat, as landlords tend to offer longer fit-out periods rather than reducing face rents directly.

Although general leasing sentiment is weak, certain sectors such as finance, gaming and specific tech sectors (e.g. AI, 5G, IoT) will continue to fuel demand for office space. In addition, the latest extension of the city's free trade zones to Lingang New Area has brought more preferential policies, including business tax cuts and duty exemptions to attract investments and talent resettlement. Key targeted industries include integrated circuits, AI, biomedicine, civil aviation and smart manufacturing.

As the first Chinese city to introduce guidelines for the Foreign Investment Law, Shanghai will remain a major investment hub in the country.

WUHAN

OVERVIEW

Wuhan is the provincial capital of Hubei province located in the center of China. It is the economic, finance, education, and technology hub of central China and the most affluent provincial capital city among all the six provinces in the region of central China. In accordance with the 'Wuhan 2049 Long-term Development Strategic Plan', implemented since 2014, Wuhan targets the goal in becoming one of Asia's world cities, and committing to the development of core functions as the centre for innovation, trade, finance and advanced manufacturing. As Wuhan is one of the most important transportation hubs in China, dozens of railways, expressways and flight routes pass through the city, connecting China's central and western inland and its eastern coastal regions. As a result, manufacturing and domestic trade have flourished in Wuhan, allowing the city to become a strategic location for many companies that wish to expand their business from the cities in the east of China such as Beijing and Shanghai to the central and western part of the country. Many businesses even regard Wuhan as the 'golden key' to fully penetrate the Chinese market.

ECONOMIC PERFORMANCE

As the key city in the Yangtze River Economic Belt and the most populous city in Central China, Wuhan's economic growth remained robust and the city has emerged as one of the fastest growing urban cities in China. For the first nine months of 2019, Wuhan's GDP increased 7.8% YOY to RMB1,152.8 billion, outpaced that of national growth by 1.6% and ranked third among sub-provincial municipalities (副省級城市) in China and ninth among all Chinese cities in terms of GDP. Total value-added of tertiary industries grew by 9.0%YOY to RMB630.1 billion, while fixed asset investment increased by 10.3% YOY.

Besides, Wuhan's infrastructure developed rapidly in recent years. The number of Metro Lines in the city increased from one in 2011 to nine in 2019. In particular, the economic activities in Qiaokou District are underpinned by the Metro Line 1, which connects the major business districts in Hankou area. In addition, with the commenced opening of the Yangsigang Yangtze River Bridge (武漢楊泗港長江大橋) in October 2019, Qiaokou District will be further benefitted from the convenient transportation network and the accelerated growth of business activities in the district.

OFFICE

The Wuhan office property market was active between 2016 and 2018, with policy support and sustainable economic growth being the major driving force for the thriving office market. Both supply and absorption were strong, as supply of Grade A offices averaged over 340,000 sq.m. during this period, and total stock of Grade A office properties reached 1.78 million sq.m. by the end of 2018. Market absorption was high with take-up at historical level among domestic enterprises, and demand was main driven by finance, professional services, and real estate sectors. Net absorption reached its peak at 296,000 sq.m. in 2018.

New office supply shrank to 117,000 sq.m. during 2019, down 70% as compared to that of 2018 and due largely to the economic uncertainty over the prolonged US China trade talks, and the delay on delivery of a number of pipeline supply to 2020. Total Grade A office stock accumulated to approximately 1.9 million sq.m. by the end of 2019, with supply in 2020 forecasted to reach over 300,000 sq.m. including the Wuhan Shangri-la Centre (香格里拉中心) and WHICC (Tower A) (武漢環貿中心A座) in Jianshe Avenue submarket, the Heartland 66 (恒隆廣場) and K11 ATELIER in Hangkong Road submarket.

Office demand continued to stem mainly from traditional finance, information technology and real estate sectors in 2019, which altogether the three sectors accounted for approximately 59.1% of aggregate demand. Net absorption however dropped more than 78% YOY to approximately 63,000 sq.m. in 2019. Prime submarkets with excellent business environments and mature facilities mainly attracted traditional finance tenants. New leasing transactions in Jianshe Avenue ranked first, accounting for 20.8% of the annual market take-up. The upgrading needs and 'first-offices' demand from information technology tenants drove up leasing activity in Optics Valley. A total of 15.5% of new leasing demand came from Optics Valley in 2019.

Overall rent for Grade A offices in the core business district averaged RMB114.7 per sq.m. per month in Q4 2019, representing a drop of 0.3% on a quarterly basis and 2.7% as compared to Q4 2018. Amongst various submarkets, the Hankou RCD office submarket recorded a moderate drop of 1.4% QOQ to RMB133.8 per sq.m. per month in Q4 2019, while the Jianshe Avenue office submarket recorded a slight drop of 2.0% QOQ to RMB112.9 per sq.m. per month during the corresponding period.

For Hankou area, average rental of mature Grade A office remained stable at around RMB116 per sq.m. per month in Q4 2019. It is expected that with anticipated new supply within this submarket in the short term, rentals for Grade A offices in Hankou will undergo tremendous pressure to trickle down, however, as the underlying support from the robust economic growth and growing business activities under the "Wuhan 2049 Long-term Development Strategic Plan" blueprint remain unchanged, this will underpin the demand for office space and continued office absorption. The convenient transportation network in Qiaokou District will render the place into a trade and financial centre under the proposed urban scheme, and help boost rents of Grade A office in the district up stably in the long run.

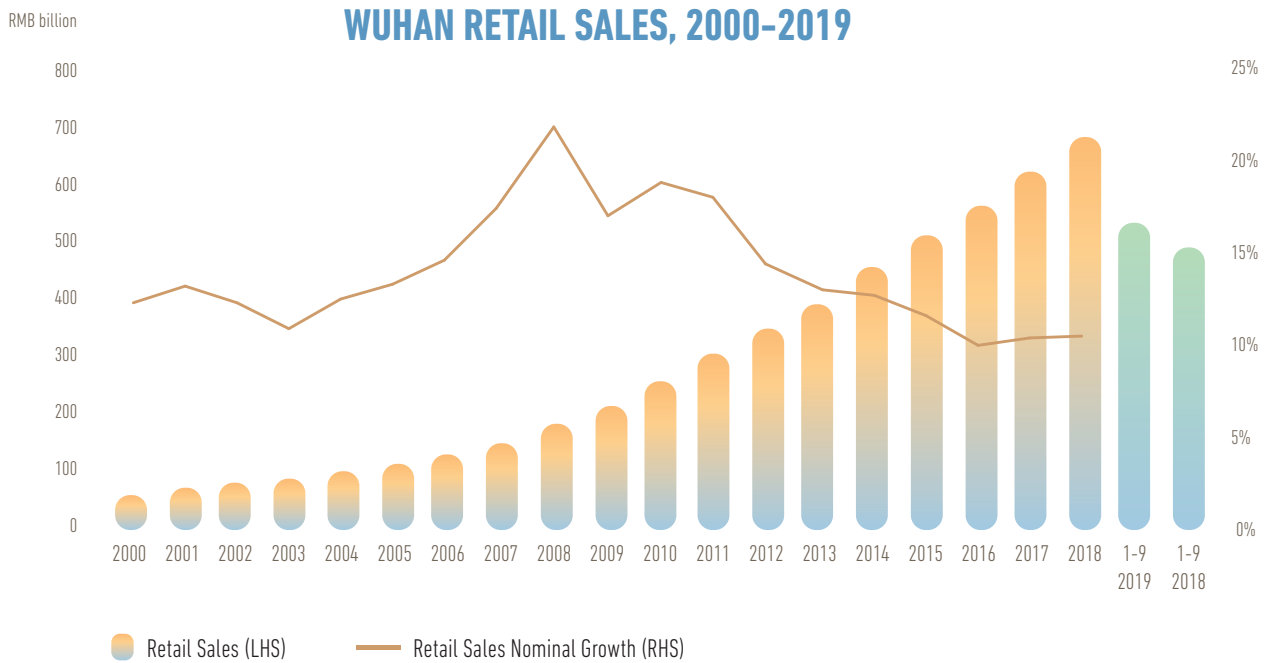
Looking forward, as economic uncertainties loom large in the wake of US-China trade disputes and weaken relocation and first office demand, rental for Grade A office in Wuhan is forecasted to be weakened further and expected to trickle down with landlords willing to offer competitive terms. The new supply will keep the overall vacancy rate at over 30%, and inevitably stimulate intense competition between new and existing projects. Landlords will face difficulties holding on to tenants and improving operational abilities, especially in Hankou.

PROPERTY VALUATION REPORT

RETAIL

Wuhan’s rapid economic development has resulted in a significant increase in its resident’s disposable income, which in turn has contributed to its incredible retail growth. During 2017, the average annual disposable income of urban households has increased by 9.1% to RMB43,405. In the more affluent group of the city, the average annual disposable income of upper income group has reached RMB54,624 in 2017. In 2018 annual disposable income of urban households of Wuhan increased 9.1% YOY to RMB47,359.

The retail industry is booming in Wuhan as a result of the growing affluence and willingness to spend of general households. Retail sales of Wuhan grew from RMB257 billion in 2010 to RMB684.4 billion in 2018, growing at a CAGR of 13.0% and accounting for 37.3% of Hubei province’s overall retail sales, making Wuhan as the largest city in Central China in terms of retail sales volume. Total retail sales increased 9.0% YOY to RMB530.2 billion for the first three quarters of 2019, whereas CPI for Wuhan was 3.1% up for the first eleven months of 2019.



Source: Wuhan Statistics Bureau

During 2019, a total of three shopping malls with an aggregate GFA of approximately 260,000 sq.m. were put into the market. New supply in 2019 included the Desman International Centre (帝斯曼購物中心) in Zhongnan Zhongbei Road, Horizon (North) (壹方北館) in Hankou Riverside and the Wuhan Greenland Being Funny (綠地繽紛城) in Wuchang Riverside submarket. These together with the refurbished Zhongxin Department Store in Jiangnan Road in Q4 2019, total retail property market stock increased to approximately 6.2 million sq.m.

Overall vacancy rate of prime retail properties in Wuhan increased by 0.1 ppt to 6.5% in 2019, with average rental continued to remain stable, and the average first-floor rent remained almost levelled at RMB621.9 per sq.m. per month.

The retail property market in Qiaokou District is expected to remain stable, with rental growth to be supported by expansion of retailer network in personal healthcare and beauty products, entertainment and children-related services in the uptown area of the district.

In prime retail markets of Wuhan, leasing activities were active in 2019 as vacancy rate dropped by 0.5 ppt on a quarterly basis to 6.0% in Q4 2019, whereas in new and emerging retail submarkets vacancy rate increased by 0.8 ppt per quarter to 5.8% in Q4 2019.

Looking ahead, pipeline retail properties available in Wuhan in 2020 will include, among others, Heartland 66 (恒隆廣場) and K11, both in Wuguang submarket, Langold Centre (南國中心) and Huafa City HUB (華發中城薈). The combined new supply will amount to approximately 893,000 sq.m., among which 52.9% of prime new retail space will be in Wuguang submarket. Competition will be intense in this submarket, and the new retail supply will inevitably insert tremendous pressure for rents to trickle down and vacancy rates to go up.

SELECTED PIPELINE PRIME RETAIL PROPERTIES FORECASTED IN 2020

Project		Submarket	Retail area (sq.m.)
K11		Wuguang	57,000
Heartland 66	恒隆廣場	Wuguang	145,000
Langold Centre	南國中心	Jiangnan Road	97,000
Paradise Walk	龍湖江宸天街	Wuhan CBD	130,000
Huafa City HUB	華發中城薈	Wuguang	100,000

HANGZHOU

OVERVIEW

Located in the southern wing of the Yangtze River Delta, western tip of the Hangzhou Bay, Hangzhou is the economic, cultural, science and educational centre of Zhejiang Province. In 2019, Hangzhou is marked by steady economic growth with GDP increased at a real growth rate of 6.8% to RMB1,537.3 billion, marking the city as the 10th highest amongst all cities of China in terms of total economic output. Total value-added of the tertiary sector increased 8.0% YOY to RMB1,017.2 billion, accounting for 66.2% of total GDP. The Hangzhou Metropolitan Area (杭州都市經濟圈), a regional planning initiative that integrates the city's development with other north Zhejiang cities including Huzhou, Shaoxing and Jiaying, had a combined resident population of 22.1 million and a GDP of RMB2,937.4 billion, representing an increase of 10.8% over 2018 and accounting for 47.1% of the provincial GDP in 2019. The overall competitiveness of the Hangzhou Metropolitan Area was ranked 4th amongst 18 metropolitan areas in China, after Shanghai, Guangzhou and Beijing.

PROPERTY VALUATION REPORT

The economy of Hangzhou in recent years has been built on the "1+6" industrial structure to move the city forward to a digitized economy. The "1+6" industrial structure, which comprises digitized economy sector and other major services and manufacturing sectors, accounted for 79.8% of total economic output of Hangzhou by Q3 2019. For the first nine months of 2019, the total added value of the city's digital economy reached RMB270.6 billion, representing an increase of 15.9% over the last corresponding period and accounting for 25.7% of GDP. The total added value of cloud computing and big data up to Q3 2019 accounted for an aggregate RMB100.9 billion, representing an increase of 6.3% over that of 2018. The Hangzhou government has attached the importance of new technology development, and in July 2017 issued the "Digital Hangzhou" development plan, which regards the digital economy as the "No. 1 project" and regards artificial intelligence as the key field to promote the development of the digital economy and enhance the competitiveness of the city.

Built on the fast growing high-technology industry and e-commerce, Hangzhou is quickly becoming home to fortune and wealth accumulation. GDP per capita in 2019 is expected to reach RMB152,000, and remains the highest in Zhejiang province. Urban disposable income per capita increased 8.0% YOY to RMB66,068 by the end of 2019.

OFFICE

Supply of Grade A office properties reached a five-year low as only two new Grade A offices with a combined GFA of approximately 95,260 sq.m. were put into the market of Hangzhou in 2019. New office supply in 2019 included the Joy City Tower 1 (大悦城1號樓) located in North City, and the World Packaging International Centre West Tower (世包國際中心西塔) located in Qianjiang New City. Total Grade A office stock increased to approximately 2.23 million sq.m. by the end of 2019.

Net annual take-up amounted to 157,700 sq.m. in 2019, with traditional financial companies such as banks, insurance and security firms remained relatively active to either lease or purchase sizable office spaces, whereas tech and start-up companies were less aggressive given the more challenging fundraising conditions.

Vacancy rate of Hangzhou's Grade A office market dropped by 3.8 ppt to 19.1% by the end of 2019. In Future Sci-tech City submarket, vacancy rate dropped to 10.0% whereas in Qianjiang New City submarket vacancy rate dropped by 2.3 ppt to 19.6% YOY in 2019.

Rental for Grade A offices in Hangzhou recorded a moderate drop of 0.8% YOY to RMB5.2 per sq.m. per day in 2H 2019. In other submarkets, average office rent for Wulin submarket stayed at RMB6.2 per sq.m. per day and remained the highest amongst all submarkets of Hangzhou, with rentals in Qianjiang New City catching up and narrowing the gap. In the wake of economic slowdown and uncertainties over sanctions or other restrictions to be imposed in the US-China trade talks, landlords were willing to grant concessions or offer rental discounts and longer rent-free periods.

OUTLOOK

A total of seven Grade A office projects are scheduled to be completed and put into the market in 2020. The pipeline properties are forecasted to provide a combined GFA of 543,450 sq.m. to the market. This new supply includes two mega projects with size over 100,000 sq.m., i.e. the China Life Building (中國人壽大廈) and Tower C and D of Huanglong Vanke Centre (黃龍萬科中心C/D棟). Another two prime office projects, i.e. The One (武林壹號) and GDA Plaza (國大城市廣場) will be located in Wulin submarket. Looking forward, the Grade A office market of Hangzhou will continue to be a challenging market mounted with uncertainties and slowing paces. In the short term, influenced by future oversupply and weakening leasing demand, vacancy rate is expected to rise to cause rental level to tickle down. However, Hangzhou's proficiency and talent pool in the tech sector should put it in a competitive advantage position to draw continuing investments, and it is also expected that office space upgrades or new entry set-ups from the manufacturing sector, trading companies and foreign financial institutions will increase. The city government will also provide its relentless support in drawing up new policies such as the newly issued 'Yangtze River Delta Integration Plan' (《長江三角洲區域一體化發展規劃綱要》) and the 'Regulations on Optimizing the Business Environment' (《優化營商環境條例》), which will provide further opportunities for Hangzhou to enhance its economic competitiveness. It is expected that the city will continue to attract both top-notch firms and talents and will thereby help drive demand for prime offices in the longer term.

RETAIL

A total of seven new prime retail properties with a combined GFA of approximately 335,000 sq.m. were launched onto the market in Hangzhou, as total stock of Hangzhou's prime retail property market increased to reach 4.88 million sq.m. during Q4 2019. The new supply in 2019 included the EFC Live (歐美金融城一期) located in Future Sci-tech City, the Pingan Financial Centre Living Mall (平安金融中心悦坊) located in Qianjiang New City, Jinsha Incity Plaza (金沙印象城) located in Xiasha, the three Paradise Walk projects developed by Longfor, namely the Xixi Paradise Walk (龍湖西溪天街) and Bauhinia Paradise Walk (龍湖紫荊天街) located in West City, and the Binjiang Paradise Walk (龍湖濱江天街B館萬芳), and the Mo-Mall (地鐵萬科杭行薈Mo-Mall).

Overall vacancy rate for prime retail properties in Hangzhou dropped 1.5 ppt to 6.8% in 2H/2019. In West City submarket, vacancy rate dropped 2.5 ppt YoY to 4.5% with the successful launch of the fully occupied Longfor Paradise Walk projects in 2H 2019.

Performance of prime retail properties in Hangzhou remained strong in 2019. Average first-floor rents for prime retail properties increased 3.5% YoY to RMB18.8 per sq.m. per day in 2H 2019. In North City, average first-floor rents increased 10.5% YoY to RMB12.2 per sq.m. per day, as new supply was limited in 2019 and base rent was relatively low.

OUTLOOK

New supply of prime retail properties in 2020 is forecasted to reach 100,000 sq.m., of which the most notable ones will include Vanrone Centre – Live Square (萬融城·原物山丘) and Phase 3 of Huanglong Vanke (黃龍萬科中心三期). In 2019, several commercial mixed-use development sites were acquired by leading Hong Kong developers, such as Sun Hung Kai, setting the stage for a continuous advancement of the commercial environment in Hangzhou.

KEY RETAIL SUPPLY IN 2020-22 PIPELINE

Name of Property	Retail GFA		Expected Completion
	(sq.m.)	Precinct	
Huanglong Vanke Phase 3 (黃龍萬科中心三期商業)	30,000	Huanglong	2020
Olympic In City (奧體印象城)	240,000	Qianjiang Century City	2021
The MixC One (杭州東站萬象匯)	50,000	North City	2022

LIMITING CONDITIONS

Neither the whole or any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed for the stated purpose and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its contents.

PROPERTY VALUATION REPORT**REMARKS**

We thereby confirm that:

1. We have no present or prospective interest in Yuexiu REIT Properties and are not a related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
2. We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties;
3. Our opinion has been given on fair and unbiased basis; and
4. We are acting as an independent valuer as defined in "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors, which incorporates the IVS.

CURRENCY

Unless otherwise specified, all money amounts are denominated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation report.

Yours faithfully,

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

MANAGING DIRECTOR

Anthony C K Lau

MRICS MHKIS RPS(GP)

DIRECTOR

Note: Mr. Charles C.K. Chan is a professional surveyor who has over 35 years' experience in valuation of properties in Hong Kong and 30 years' experience in valuation of properties in the PRC.

Mr. Anthony C.K. Lau is a professional surveyor who has over 26 years' experience in valuation of properties in the PRC.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB18,940,000,000
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuxiu District, Guangzhou, Guangdong Province, the PRC	RMB5,165,000,000
3.	Various Units and 110 Car Parking Spaces at Basement Levels 1 and 2 in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB1,266,000,000
4.	Various Units and 179 Car Parking Spaces at Basement Levels 1 and 2 in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB1,049,000,000
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB961,000,000

PROPERTY VALUATION REPORT

No.	Property	Market Value in existing state as at the Valuation Date
6.	Tower 2 and 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Jiangan District, Hangzhou, Zhejiang Province, the PRC	RMB609,000,000
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	RMB3,210,000,000
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province the PRC	RMB3,761,000,000
TOTAL		RMB34,961,000,000

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in 2010 and 2011 in stages, the Property, named "Guangzhou International Finance Centre" ("GZ-IFC") comprises a comprehensive mix-user development ("main building") with a 103-storey above the ground, a 4-storey underground and a 28-storey annex building erected over a site of about 27,508.00 sq.m. consisting of a shopping mall, office, serviced apartment, a luxury hotel and 1,679 below ground car parking spaces having a total gross floor area of about 457,356.68 sq.m.</p> <p>Retail</p> <p>The retail portion of the Property comprises the 6-storey shopping mall podium from Basement 1 to Level 5 of GZ-IFC with a total gross floor area of about 46,989.16 sq.m. including a staff canteen of about 2,698.93 sq.m. on Level 4.</p> <p>Office</p> <p>The office portion of the Property is provided on Levels 4 to Level 65 of GZ-IFC as well as Levels 27 and 28 of annex building having a total gross floor area of about 183,539.65 sq.m.</p> <p>Serviced Apartment</p> <p>The serviced apartment portion of the Property is currently operated as a serviced apartment under the tradename of "Ascott IFC Guangzhou" at Levels 6 to 28 of the annex building of GZ-IFC with 314 apartment units having a total gross floor area of about 51,102.26 sq.m. including a clubhouse on Level 6 of about 2,866.96 sq.m.</p> <p>Hotel</p> <p>The hotel portion of the Property is currently operated as a luxury hotel under the tradename of "Four Seasons Hotel Guangzhou" providing 344 hotel guestrooms at Levels 68 to 100 of GZ-IFC with ancillary facilities such as food and beverage, conference rooms, fitness centre, SPA, swimming pool and so on provided therein having a gross floor area of about 89,198.83 sq.m.</p>	<p>As at the Valuation Date, retail, office and carpark portions of the Property having the occupancy rates of 98.01%, 96.82% and 100.00% respectively were let to various tenants at an aggregate monthly rent of approximately RMB48,000,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2025; whilst the serviced apartment and hotel portions of the Property were operated by 3rd parties under respective management agreement(s) and consultancy agreement(s).</p>	<p>RMB18,940,000,000 (RENMINBI EIGHTEEN BILLION NINE HUNDRED AND FORTY MILLION)</p>

PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date
		Carpark & Ancillary Areas		
		The Property also includes a total of 1,679 below ground car parking spaces as well as ancillary areas for refuge floor, machine and facilities' room having a gross floor area of about 71,082.79 sq.m. and 15,443.99 sq.m. respectively.		
		The Property is held under granted land use rights for a term of 40 years from 23 June 2008 for commercial, tourism and entertainment uses; and a term of 50 years from 23 June 2008 for office use.		

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd).
- Pursuant to a set copy of various Certificates of Real Estate Ownership, part of the Property, including Unit 620, Unit 720, Unit 730, Unit 820, Unit 830, Unit 920, Unit 930, Unit 1020, Unit 1030, Unit 1120, Unit 1130, Unit 1220, Unit 1230, Unit 1320, Unit 1330, Unit 1420, Unit 1430, Unit 1520, Unit 1530, Unit 1620, Unit 1630, Unit 1720, Unit 1730, Unit 1820, Unit 1830, Unit 1920, Unit 1930, Unit 2020, Unit 2030, Unit 2120, Unit 2130, Unit 2220, Unit 2230, Unit 2320, Unit 2330, Unit 2420, Unit 2430, Unit 2520, Unit 2530, Unit 2620, Unit 2630, Unit 2720, Unit 2730, Unit 2820, Unit 2830, Unit 4501, Unit 4502, Unit 4503, Unit 4504, Unit 4505, Unit 4506, Unit 4601, Unit 4602, Unit 4603, Unit 4604, Unit 4605, Unit 4606, Unit 4701, Unit 4702, Unit 4703, Unit 4704, Unit 4705, Unit 4706, Unit 5001, Unit 5002, Unit 5003, Unit 5004, Unit 5005, Unit 5006, Unit 5101, Unit 5102, Unit 5103, Unit 5104, Unit 5105, Unit 5106, Unit 5201, Unit 5202, Unit 5203, Unit 5204, Unit 5205, Unit 5206, Unit 5301, Unit 5302, Unit 5303, Unit 5304, Unit 5305, Unit 5306, Unit 5307, Unit 5401, Unit 5402, Unit 5403, Unit 5404, Unit 5405, Unit 5406, Unit 5407, Unit 5501, Unit 5502, Unit 5503, Unit 5504, Unit 5505, Unit 5506, Unit 5507, Unit 5601, Unit 5602, Unit 5603, Unit 5604, Unit 5605, Unit 5606, Unit 5607, Unit 5701, Unit 5702, Unit 5703, Unit 5704, Unit 5705, Unit 5706, Unit 5707, Unit 5801, Unit 5802, Unit 5803, Unit 5804, Unit 5805, Unit 5806, Unit 5807, Unit 6101, Unit 6201, Unit 6301, Unit 6401, Unit 6501, Unit 6801, Unit 6901, Units 7001 to 7201, Units 7401 to 8001 and Units 8201 to 10001 with an aggregate gross floor area of about 183,963.34 sq.m. are subject to mortgages.
- The serviced apartment portion of the Property is subject to and carries the benefits to an operation contract for an initial term of 10 years renewable for a further term of 10 years from the date of opening at a basic management fee of 2.0% on total revenue and an incentive management fee varied from 3.0% to 6.0% on adjusted Gross Operating Profits in each financial year.
- The hotel portion of Property is subject to and carries the benefits to a hotel operating agreement and a hotel consultancy agreement for an initial term of 15 years renewable for a further term of 10 years from the date of opening at a consultancy fee of 1.75% on total revenue, a basic management fee of 0.25% on total revenue and an incentive management fee varied from 2.0% to 8.0% on adjusted Gross Operating Profits in each financial year.

5. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	46,727.28	45,797.41	RMB83,800,000
Office	183,539.65	177,697.32	RMB466,900,000
Carpark	71,082.79	71,082.79	RMB16,200,000
Total	301,349.72	294,577.52	RMB566,900,000

6. Annual net property income exclusive of value-added tax as at the Valuation Date and gross floor area breakdown of the serviced apartment and hotel portions of the Property are tabulated as follows:

Use	Gross Floor Area (sq.m.)	No. of Unit/Guestroom	Annual Net Property Income (Approximately)
Serviced Apartment	51,102.26	314	RMB71,500,000
Hotel	89,198.83	344	RMB159,100,000
Total	140,301.09	658	RMB230,600,000

7. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)		Proportion by Floor Area
	0	1	
1	2	3.32%	
2	3	1.51%	
3	4	7.56%	
4	5	15.22%	
5	6	4.63%	
6	7	4.50%	
7	8	0.00%	
8	9	1.86%	
9	10	0.00%	
10	Or more	53.42%	
Total		100.00%	

PROPERTY VALUATION REPORT

8. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the retail portion of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	6.20%
In 2021	14.80%
In 2022	10.40%
In 2023	4.70%
In 2024 and afterward	63.90%
Total	100.00%

9. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the office portion of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)		Proportion by Floor Area
0	1		4.86%
1	2		5.43%
2	3		40.59%
3	4		14.30%
4	5		21.02%
5	6		11.50%
6	Or more		2.30%
Total			100.00%

10. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the office portion of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	23.80%
In 2021	39.00%
In 2022	21.80%
In 2023	3.30%
In 2024 and afterward	12.10%
Total	100.00%

11. 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.

12. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

13. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.50% per annum
Serviced Apartment	Discounted Cash Flow Analysis	Average Daily Rate	RMB1,090 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	85.00% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.00% per annum
Hotel	Discounted Cash Flow Analysis	Average Daily Rate	RMB2,150 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	65% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.25% per annum
Carpark	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum

14. Breakdown market values of the Property as at the Valuation Date are listed as follows:

Portion	Income Capitalization Approach	Discounted Cash Flow Analysis	Market Value
Retail	RMB2,807,000,000	RMB2,745,000,000	RMB2,776,000,000
Office	RMB10,585,000,000	RMB10,630,000,000	RMB10,608,000,000
Serviced Apartment	Not Applicable	RMB2,350,000,000	RMB2,350,000,000
Hotel	Not Applicable	RMB2,629,000,000	RMB2,629,000,000
Carpark	RMB590,000,000	RMB564,000,000	RMB577,000,000
Total			RMB18,940,000,000

PROPERTY VALUATION REPORT

15. The estimated net yield of the Property is 4.21% which is derived from the estimated rental received for the retail, office and carpark portion as well as annual net property income from the serviced apartment and hotel portions in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.
16. We have been requested to provide the notional apportionment of land and building elements of the serviced apartment portion of the Property based on the market value of the serviced apartment portion of the Property as at the Valuation Date. Our opinion of the building element of the serviced apartment portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the serviced apartment portion of the Property is arrived at by deducting the building element of the serviced apartment portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the serviced apartment portion of the Property based on the market value as at the Valuation Date are RMB1,600,000,000 (RENMINBI ONE BILLION AND SIX HUNDRED MILLION) and RMB750,000,000 (RENMINBI SEVEN HUNDRED AND FIFTY MILLION) respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.
17. We have been requested to provide the notional apportionment of land and building elements of the hotel portion of the Property based on the market value of the hotel portion of the Property as at the Valuation Date. Our opinion of the building element of the hotel portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the hotel portion of the Property is arrived at by deducting the building element of the hotel portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the hotel portion of the Property based on the market value as at the Valuation Date are RMB1,109,000,000 (RENMINBI ONE BILLION ONE HUNDRED AND NINE MILLION) and RMB1,520,000,000 (RENMINBI ONE BILLION FIVE HUNDRED AND TWENTY MILLION) respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																						
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The Property comprises large majority portion in White Horse Building which is a 10-storey (including a lower ground floor mainly for management office and storage uses and a basement carpark) commercial wholesale centre completed in or about 1990 with two extensions furnished in between 1995 to 1997 and 1998 to 2000 respectively.</p> <p>The Property has a total gross floor area of approximately 50,199.35 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Lower Ground (Storage)</td> <td>1,121.68</td> </tr> <tr> <td>Level 1 (Commercial)</td> <td>7,667.04</td> </tr> <tr> <td>Level 2 (Commercial)</td> <td>7,199.80</td> </tr> <tr> <td>Level 3 (Commercial)</td> <td>7,684.91</td> </tr> <tr> <td>Level 4 (Commercial)</td> <td>7,695.56</td> </tr> <tr> <td>Level 5 (Commercial)</td> <td>7,466.39</td> </tr> <tr> <td>Level 6 (Commercial)</td> <td>7,443.90</td> </tr> <tr> <td>Level 7 (Commercial)</td> <td>2,003.54</td> </tr> <tr> <td>Level 8 (Commercial)</td> <td>1,916.53</td> </tr> <tr> <td>Total</td> <td>50,199.35</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Lower Ground (Storage)	1,121.68	Level 1 (Commercial)	7,667.04	Level 2 (Commercial)	7,199.80	Level 3 (Commercial)	7,684.91	Level 4 (Commercial)	7,695.56	Level 5 (Commercial)	7,466.39	Level 6 (Commercial)	7,443.90	Level 7 (Commercial)	2,003.54	Level 8 (Commercial)	1,916.53	Total	50,199.35	As at the Valuation Date, the Property having an occupancy rate of 100% was let to various tenants at an aggregate monthly rent of approximately RMB31,700,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2023.	RMB5,165,000,000 (RENMINBI FIVE BILLION ONE HUNDRED AND SIXTY FIVE MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)																									
Lower Ground (Storage)	1,121.68																									
Level 1 (Commercial)	7,667.04																									
Level 2 (Commercial)	7,199.80																									
Level 3 (Commercial)	7,684.91																									
Level 4 (Commercial)	7,695.56																									
Level 5 (Commercial)	7,466.39																									
Level 6 (Commercial)	7,443.90																									
Level 7 (Commercial)	2,003.54																									
Level 8 (Commercial)	1,916.53																									
Total	50,199.35																									
		<p>The Property is held under granted land use rights for a term of 40 years from 7 June 2005 for commercial use on Level 1 to Level 3 with aggregate gross floor area of about 22,551.75 sq.m. and portion of Level 4 with aggregate gross floor area of about 7,164.20 sq.m.; and a term of 50 years from 23rd June 2008 for office and storage use on Lower Ground Floor with aggregate gross floor area of about 1,121.68 sq.m., portion of Level 4 with aggregate gross floor area of about 531.36 sq.m., and Level 5 to Level 8 with aggregate gross floor area of about 18,830.36 sq.m.</p>																								

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 柏達投資有限公司 (Partat Investment Limited).

PROPERTY VALUATION REPORT

2. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	50,128.90	50,128.90	RMB380,400,000
Total	50,128.90	50,128.90	RMB380,400,000

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)		Proportion by Floor Area
	1	2	
0	1	2	38.18%
1	2	3	0.15%
2	3	4	5.40%
3	4	5	31.05%
4	5		25.22%
Total			100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	38.10%
In 2021	4.00%
In 2022	32.60%
In 2023	25.30%
In 2024 and afterward	0.00%
Total	100.00%

5. 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 of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.00% per annum
	Income Capitalization Approach	Reversionary Yield	7.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.75% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB5,190,000,000
Discounted Cash Flow Analysis	RMB5,140,000,000
<hr/>	
Market Value (Equal Weighting of the Above)	RMB5,165,000,000

9. The estimated net yield of the Property is 7.36% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date										
3.	Various Units and 110 car parking spaces at Basement Levels 1 and 2 in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2003, the Property comprises large majority portion in Fortune Plaza which consists of a 30-storey office tower ("East Tower") and a 20-storey office tower ("West Tower") erected over a 6-storey retail commercial podium and a 2-storey basement carpark.</p> <p>The Property has a total gross floor area of approximately 42,763.49 sq.m. including 110 car parking spaces of approximately 1,408.29 sq.m. at Basement Levels 1 and 2 and with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>3,853.07</td> </tr> <tr> <td>Office</td> <td>37,502.13</td> </tr> <tr> <td>Carpark</td> <td>1,408.29</td> </tr> <tr> <td>Total</td> <td>42,763.49</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Commercial	3,853.07	Office	37,502.13	Carpark	1,408.29	Total	42,763.49	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 99.20% was let to various tenants at an aggregate monthly rent of approximately RMB6,100,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 30 November 2025; whilst the remaining portion of the Property was vacant.</p> <p>The car parking spaces were subject to a master lease agreement expiring on 18 November 2022 at a monthly rent of approximately RMB203,000.</p>	RMB1,266,000,000 (RENMINBI ONE BILLION TWO HUNDRED AND SIXTY SIX MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)													
Commercial	3,853.07													
Office	37,502.13													
Carpark	1,408.29													
Total	42,763.49													
<p>The Property is held under granted land use rights for a term of 40 years from 26 November 2002 for commercial use; and a term of 50 years for office use.</p>														

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the retail and office portions of the Property having an aggregate gross floor area of about 40,356.19 sq.m. is vested in 金峰有限公司 (Moon King Limited).
- Pursuant to a set copy of Certificate of Real Estate Ownership, the ownership of part of the Property (i.e. Unit 1701 of East Tower) having a gross floor area of about 999.01 sq.m. is vested in 廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd).

3. Pursuant to a set copy of various Realty Title Certificates, the ownership of the carpark portion of the Property having an aggregate gross floor area of about 1,408.29 sq.m. is vested in 廣州市城市建設開發有限公司 (Guangzhou City Development Construction Development Company Limited).

4. Yuexiu REIT holds the following units in Fortune Plaza as of the Valuation Date.

Tower	Use	Level/Unit
Basement	Carpark	Basement Levels 1 and 2
Podium	Commercial	Unit 109, Level 2, Level 3, Level 4 and Level 5
East Tower	Office	Unit 801, Unit 802, Unit 803, Unit 805, Unit 806, Unit 808, Unit 903, Unit 905, Unit 906, Unit 908, Unit 1101, Unit 1102, Unit 1108, Unit 1201, Unit 1202, Unit 1203, Unit 1205, Unit 1206, Unit 1208, Unit 1301, Unit 1302, Unit 1303, Unit 1305, Unit 1306, Unit 1308, Unit 1401, Unit 1402, Unit 1403, Unit 1405, Unit 1406, Unit 1408, Unit 1701, Unit 1901, Unit 1902, Unit 1903, Unit 1905, Unit 1906, Unit 1908, Units 2501 & 2601, Unit 2705, Unit 2801, Unit 3401 and Units 3501 & 3601
East Tower	Commercial	Level 37
West Tower	Office	Level 8, Level 9, Level 10, Unit 1101, Unit 1102, Unit 1103, Unit 1105, Unit 1106, Unit 1108, Unit 1201, Unit 1202, Unit 1203, Unit 1205, Unit 1206, Unit 1208, Unit 1301, Unit 1302, Unit 1303, Unit 1305, Unit 1306, Unit 1308, Unit 1401, Unit 1402, Unit 1403, Level 15, Level 16, Level 17, Level 18, Unit 1902, Unit 1903, Unit 1905, Unit 1906, Units 2401 & 2501 and Level 26
West Tower	Commercial	Level 27

5. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	3,853.07	3,853.07	RMB16,300,000
Office	37,502.14	37,171.78	RMB59,000,000
Carpark	1,408.29	1,408.29	RMB2,400,000
Total	42,763.50	42,433.14	RMB77,700,000

6. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	5.01%
1	2	10.52%
2	3	19.45%
3	4	6.80%
4	5	34.08%
5	Or more	24.14%
Total		100.00%

PROPERTY VALUATION REPORT

7. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the retail and office portions of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	22.00%
In 2021	10.10%
In 2022	48.20%
In 2023	5.40%
In 2024 and afterward	14.30%
Total	100.00%

8. 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 of the Property.
9. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
10. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.25% per annum
	Income Capitalization Approach	Reversionary Yield	6.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Carpark	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.00% per annum

11. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB1,267,000,000
Discounted Cash Flow Analysis	RMB1,264,000,000
Market Value (Equal Weighting of the Above)	RMB1,266,000,000

12. The estimated net yield of the Property is 6.14% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.
13. We are of the opinion that the market value of the Property under the ownership of Guangzhou Yue Xiu City Construction Finance Centre Co., Ltd (i.e. Unit 1701 of East Tower) as at the Valuation Date is RMB29,500,000 (RENMINBI TWENTY NINE MILLION AND FIVE HUNDRED THOUSAND).

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date										
4.	Various Units and 179 Car Parking Spaces at Basement Levels 1 and 2 in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 1997, the Property comprises large majority portion in City Development Plaza which consists of a 28-storey office commercial building erected over a 2-storey basement carpark.</p> <p>The Property has a total gross floor area of approximately 44,501.61 sq.m. including 179 car parking spaces of approximately 2,104.25 sq.m. at Basement Levels 1 and 2 with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>11,757.54</td> </tr> <tr> <td>Office</td> <td>30,639.82</td> </tr> <tr> <td>Carpark</td> <td>2,104.25</td> </tr> <tr> <td>Total</td> <td>44,501.61</td> </tr> </tbody> </table> <p>The Property is held under granted land use rights for a term of 40 years from 27 January 1997 for commercial use; and a term of 50 years from 27 January 1997 for office use.</p>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Commercial	11,757.54	Office	30,639.82	Carpark	2,104.25	Total	44,501.61	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 96.34% was let to various tenants at an aggregate monthly rent of approximately RMB5,500,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2024; whilst the remaining portion of the Property was vacant.</p> <p>The car parking spaces were subject to a master lease agreement expiring on 18 November 2022 at a monthly rent of approximately RMB316,000.</p>	RMB1,049,000,000 (RENMINBI ONE BILLION AND FORTY NINE MILLION)
Level (Use)	Approximate Gross Floor Area (sq.m.)													
Commercial	11,757.54													
Office	30,639.82													
Carpark	2,104.25													
Total	44,501.61													

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the retail and office portions of the Property is vested in 福達地產投資有限公司 (Full Estate Investment Limited).
- Pursuant to a set copy of various Realty Title Certificates, the ownership of the carpark portion of the Property having an aggregate gross floor area of about 2,104.25 sq.m. is vested in 廣州市城市建設開發有限公司 (Guangzhou City Development Construction Development Company Limited).

PROPERTY VALUATION REPORT

3. Yuexiu REIT holds the following units in City Development Plaza as of the Valuation Date.

Use	Level/Unit
Carpark	Basement Levels 1 and 2
Commercial	Unit 101, Unit 102, Unit 103, Unit 201, Unit 202
Commercial (Not a Retail Unit Nor for Permanent Lease)	Portion of Level 1 (Atrium)
Commercial	Level 3
Office	Unit 6A, Unit 6C, Unit 6D, Unit 6E, Unit 6F, Unit 6G, Unit 6I, Unit 6J, Unit 7A, Unit 7H, Unit 7I, Unit 7J, Unit 8C, Unit 8D, Unit 8E, Unit 8F, Unit 8G, Unit 8H, Unit 9D, Unit 9E, Unit 9F, Unit 9G, Unit 9H, Unit 10A, Unit 10C, Unit 10D, Unit 10E, Unit 10F, Unit 10G, Unit 10H, Unit 10I, Unit 11A, Unit 11B, Unit 11C, Unit 11D, Unit 11E, Unit 11F, Unit 11G, Unit 11H, Unit 11I, Unit 11J, Level 16, Unit 17A, Unit 17B, Unit 17C, Unit 17D, Unit 17E, Unit 17F, Unit 17G, Unit 17I, Unit 17J, Unit 18A, Unit 18B, Unit 18C, Unit 18D, Unit 18E, Unit 18F, Unit 18G, Unit 18H, Unit 18I, Unit 18J, Unit 19A, Unit 19B, Unit 19C, Unit 19D, Unit 19E, Unit 19F, Unit 19G, Unit 19H, Unit 19I, Unit 19J, Unit 20A, Unit 20B, Unit 20C, Unit 20D, Unit 20E, Unit 20F, Unit 20G, Unit 20H, Unit 20J, Unit 21A, Unit 21B, Unit 21C, Unit 21D, Unit 21E, Unit 21F, Unit 21G, Unit 21H, Unit 21I, Unit 22A, Unit 22B, Unit 22C, Unit 22D, Unit 22E, Unit 22F, Unit 22G, Unit 22H, Unit 22I, Unit 22J, Unit 23A, Unit 23B, Unit 23C, Unit 23D, Unit 23E, Unit 23F, Unit 23G, Unit 23H, Unit 23I, Unit 23J, Unit 24A, Unit 24B, Unit 24C, Unit 24D, Unit 24E, Unit 24F, Unit 24G, Unit 24H, Unit 24I, Unit 24J, Unit 25A, Unit 25B, Unit 25C, Unit 25D, Unit 25E, Unit 25F, Unit 25G, Unit 25H, Unit 25I, Unit 25J, Unit 26A, Unit 26B, Unit 26C, Unit 26D, Unit 26E, Unit 26F, Unit 26G, Unit 26H, Unit 26I, Unit 26J, Unit 27A, Unit 27B, Unit 27C, Unit 27D, Unit 27E, Unit 27F, Unit 27G, Unit 27H, Unit 27I, Unit 27J, Unit 28A, Unit 28B, Unit 28C, Unit 28D, Unit 28E, Unit 28F, Unit 28G, Unit 28H, Unit 28I and Unit 28J

4. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	11,757.54	10,539.68	RMB18,800,000
Office	30,639.82	30,305.18	RMB46,600,000
Carpark	2,104.25	2,104.25	RMB3,800,000
Total	44,501.61	42,949.11	RMB69,200,000

5. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property 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	0.00%
2	3	0.00%
3	4	13.77%
4	5	36.25%
5	Or more	49.98%
Total		100.00%

6. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the retail and office portions of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	22.10%
In 2021	50.60%
In 2022	22.30%
In 2023	3.00%
In 2024 and afterward	2.00%
Total	100.00%

7. 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 of the Property.
8. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

PROPERTY VALUATION REPORT

9. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.25% per annum
	Income Capitalization Approach	Reversionary Yield	7.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Carpark	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.00% per annum

10. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB1,028,100,000
Discounted Cash Flow Analysis	RMB1,070,200,000

Market Value (Equal Weighting of the Above)	RMB1,049,000,000
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11. The estimated net yield of the Property is 6.60% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																						
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	Completed in or about 2003, the Property comprises the commercial retail podium named "Victory Plaza" from portion of Basement 1 to Level 6. The Property has a total gross floor area of approximately 27,698.14 sq.m. with breakdown as follows:	As at the Valuation Date, the Property having an occupancy rate of 98.18% was let to various tenants at an aggregate monthly rent of approximately RMB7,300,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 31 December 2027; whilst the remaining portion of the Property was vacant.	RMB961,000,000 (RENMINBI NINE HUNDRED AND SIXTY ONE MILLION)																						
		<table border="1"> <thead> <tr> <th>Level/Unit</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement 1 (Part of)</td> <td>1,809.21</td> </tr> <tr> <td>Level 1 (101)</td> <td>473.71</td> </tr> <tr> <td>Level 1 (102)</td> <td>1,553.52</td> </tr> <tr> <td>Level 1 (Others)</td> <td>1,006.22</td> </tr> <tr> <td>Level 2</td> <td>3,968.92</td> </tr> <tr> <td>Level 3</td> <td>4,756.74</td> </tr> <tr> <td>Level 4</td> <td>4,756.74</td> </tr> <tr> <td>Level 5</td> <td>4,769.85</td> </tr> <tr> <td>Level 6</td> <td>4,603.23</td> </tr> <tr> <td>Total</td> <td>27,698.14</td> </tr> </tbody> </table>	Level/Unit	Approximate Gross Floor Area (sq.m.)	Basement 1 (Part of)	1,809.21	Level 1 (101)	473.71	Level 1 (102)	1,553.52	Level 1 (Others)	1,006.22	Level 2	3,968.92	Level 3	4,756.74	Level 4	4,756.74	Level 5	4,769.85	Level 6	4,603.23	Total	27,698.14		
Level/Unit	Approximate Gross Floor Area (sq.m.)																									
Basement 1 (Part of)	1,809.21																									
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Level 4	4,756.74																									
Level 5	4,769.85																									
Level 6	4,603.23																									
Total	27,698.14																									
The Property is held under granted land use rights for a term of 40 years from 8 March 2004 for commercial use..																										

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the ownership of the Property is vested in 京澳有限公司 (Keen Ocean Limited).
- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Commercial	27,262.27	26,765.79	RMB75,900,000
Total	27,262.27	26,765.79	RMB75,900,000

PROPERTY VALUATION REPORT

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	1.21%
1	2	9.25%
2	3	8.19%
3	4	17.60%
4	5	21.42%
5	Or more	42.33%
Total		100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	20.50%
In 2021	14.20%
In 2022	0.80%
In 2023	41.70%
In 2024 and afterward	22.80%
Total	100.00%

5. 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 of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB975,000,000
Discounted Cash Flow Analysis	RMB946,000,000
Market Value (Equal Weighting of the Above)	RMB961,000,000

9. The estimated net yield of the Property is 7.90% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date										
6.	Tower 2 and 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2, Hangzhou Victory Business Center, No. 9 Jiangxiu Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, the PRC	<p>Completed in 2017, the Property comprises the Tower 2 of Hangzhou Victory Business Center which consists of an 18-storey office building (including retail units on both Levels 1 and 2) over-mounting a 2-storey Basement car park.</p> <p>The Property has a total gross floor area of approximately 40,148.41 sq.m. including 315 car parking spaces (including 80 mechanical car parking spaces and 23 public car parking spaces) at Basement Levels 1 and 2 with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>2,353.21</td> </tr> <tr> <td>Office</td> <td>20,131.62</td> </tr> <tr> <td>Carpark</td> <td>17,663.58</td> </tr> <tr> <td>Total:</td> <td>40,148.41</td> </tr> </tbody> </table>	Level (Use)	Approximate Gross Floor Area (sq.m.)	Retail	2,353.21	Office	20,131.62	Carpark	17,663.58	Total:	40,148.41	<p>As at the Valuation Date, the retail and office portions of the Property having an occupancy rate of 92.15% was let to various tenants at an aggregate monthly rent of approximately RMB2,400,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 30 June 2024; whilst the remaining portion of the Property was vacant.</p> <p>The car parking spaces were subject to a master lease agreement expiring on 31 December 2020 at a monthly rent of RMB187,500.</p>	RMB609,000,000 (RENMINBI SIX HUNDRED AND NINE MILLION) (See Note 11)
Level (Use)	Approximate Gross Floor Area (sq.m.)													
Retail	2,353.21													
Office	20,131.62													
Carpark	17,663.58													
Total:	40,148.41													
		<p>As advised, a mechanical car parking system is installed in 48 car parking spaces at Basement Level 1 of the Property. The said mechanical car parking system can provide a total of 80 mechanical car parking spaces.</p> <p>The land use rights of the Property have been granted for a term due to expire on 3 July 2054 for commercial services use.</p>												

Note:

- Pursuant to the State-owned Land Use Rights Certificate No. Hang Jiang Guo Yong (2014) Di 100062 dated 2 August 2014, the land use rights of a parcel of land with a site area of approximately 12,132.00 sq.m. have been granted to 杭州越輝房地產開發有限公司 (Hangzhou Yuehui Real Estate Development Co., Ltd. ("Project Company")) for a term due to expire on 3 July 2054 for commercial services use.

PROPERTY VALUATION REPORT

2. Pursuant to the following Realty Title Certificates, the land use rights and the ownership of the Property with a total gross floor area of approximately 22,484.83 sq.m. are vested in the Project Company for a term due to expire on 3 July 2054 for commercial services use. Details of the certificates are as follows:

Certificate No.	Address	Gross Floor Area (sq.m.)	Usage	
1	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159197	Shop 1 on Level 1 of Tower 2	142.58	Retail
2	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159196	Shop 2 on Level 1 of Tower 2	149.92	Retail
3	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159198	Shop 3 on Level 1 of Tower 2	111.99	Retail
4	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159200	Shop 4 on Level 1 of Tower 2	108.68	Retail
5	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159199	Shop 5 on Level 1 of Tower 2	108.69	Retail
6	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159201	Shop 6 on Level 1 of Tower 2	93.57	Retail
7	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0263273	Unit 201 of Tower 2	18.97	Store
8	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159132	Shop 202 of Tower 2	660.16	Restaurant
9	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159131	Shop 203 of Tower 2	958.65	Restaurant
10	Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159179	Levels 3 to 18 of Tower 2	20,131.62	Office
Total			22,484.83	

3. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	2,353.21	2,334.24	RMB2,700,000
Office	20,131.62	18,385.44	RMB25,300,000
Carpark	17,663.58	17,663.58	RMB2,250,000
Others	—	—	RMB110,000
Total	40,148.41	38,383.26	RMB30,360,000

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property 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	27.54%
2	3	20.72%
3	4	16.42%
4	5	5.08%
5	Or more	30.24%
Total		100.00%

5. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the retail and office portions of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	34.80%
In 2021	27.00%
In 2022	1.90%
In 2023	5.20%
In 2024 and afterward	31.10%
Total	100.00%

6. 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 of the Property.
7. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum
Office	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum
Carpark	Income Capitalization Approach	Term Yield	4.5% per annum
	Income Capitalization Approach	Reversionary Yield	5.0% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.0% per annum

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB612,000,000
Discounted Cash Flow Analysis	RMB605,000,000
Market Value (Equal Weighting of the Above)	RMB609,000,000

10. The estimated net yield of the Property is 4.99% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value of as at the Valuation Date.
11. Pursuant to the Realty Title Certificate No. Zhe (2018) Hang Zhou Shi Bu Dong Chan Quan Di 0159179, the Project Company is required to hold Levels 3 to 18 of Tower 2 of the Property and is not permitted for sale. As the shareholders of the Project Company can transfer Levels 3 to 18 through the sale of all equity interest in the Project Company, we are thus instructed by the Manager to value the Property on the hypothetical assumption that it is freely transferrable in the market.

PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																
7.	Yue Xiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	<p>Completed in 2010, the Property, namely "Yuexiu Tower", is a 25-storey (including refuge floor on 14th floor) commercial building with a 2-level basement carpark. Portion of Basement 1 as well as 1st and 2nd floors of the Property is devoted to retail use; whilst the upper floors (except 14th Floor) are designed for office use.</p> <p>The Property has a site area of approximately 10,641.00 sq.m. and a total gross floor area of approximately 62,139.35 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>6,256.70</td> </tr> <tr> <td>Office</td> <td>39,769.63</td> </tr> <tr> <td>Carpark</td> <td>13,502.58</td> </tr> <tr> <td>Bicycle Carpark</td> <td>1,296.18</td> </tr> <tr> <td>Management Office</td> <td>276.53</td> </tr> <tr> <td>Refuge Floor</td> <td>1,037.73</td> </tr> <tr> <td>Total</td> <td>62,139.35</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq.m.)	Retail	6,256.70	Office	39,769.63	Carpark	13,502.58	Bicycle Carpark	1,296.18	Management Office	276.53	Refuge Floor	1,037.73	Total	62,139.35	<p>As at the Valuation Date, the retail and office portions of the Property having an occupancy rate of 92.19% was let to various tenants at an aggregate monthly rent of approximately RMB10,300,000 (exclusive of value-added tax, management fees and utility charges) with the last expiry date on 30 September 2024; whilst the remaining portion of the Property was vacant.</p> <p>The car parking spaces were subject to a master lease agreement expiring on 31 December 2020 at a monthly rent of approximately RMB143,000.</p>	RMB3,210,000,000 (RENMINBI THREE BILLION TWO HUNDRED AND TEN MILLION)
Use	Approximate Gross Floor Area (sq.m.)																			
Retail	6,256.70																			
Office	39,769.63																			
Carpark	13,502.58																			
Bicycle Carpark	1,296.18																			
Management Office	276.53																			
Refuge Floor	1,037.73																			
Total	62,139.35																			
<p><i>*Note:</i> The gross floor areas of the Property for retail, office and carpark uses are quoted from Shanghai Certificate of Real Estate Ownership of the Property; whilst the remainder is quoted from Registers of Real Estate of Shanghai Municipality of the Property.</p> <p>The Property provides 273 private car parking spaces on basement and 27 above-ground private car parking spaces.</p> <p>The Property is held under granted land use rights from 7 January 2005 to 6 January 2055 for commercial and office uses.</p>																				

Note:

- Pursuant to a copy of Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Pu Zi (2011) No. 060397) registered on 29 September 2011, the ownership of the Property is vested in 上海宏嘉房地產開發有限公司 (Shanghai Hong Jia Real Estate Development Co., Ltd).

2. Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	6,256.70	6,256.70	RMB15,600,000
Office	39,769.63	36,175.15	RMB109,800,000
Carpark	13,502.58	13,502.58	RMB1,700,000
Total	59,528.91	55,934.43	RMB127,100,000

3. Based on the tenancy information provided by the Manager, our analysis of the tenancy duration profile for the retail and office portions of the Property is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	3.28%
1	2	7.02%
2	3	37.56%
3	4	17.12%
4	5	15.87%
5	Or more	19.15%
Total		100.00%

4. Based on the tenancy information provided by the Manager, our analysis of the tenancy expiry profile for the office and retail portions of the Property is set out below:

Year of Expiry	Proportion by Floor Area
In 2020	18.70%
In 2021	25.60%
In 2022	29.30%
In 2023	14.90%
In 2024 and afterward	Or more 11.50%
Total	100.00%

5. 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 of the Property.
6. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee is payable by tenants.

PROPERTY VALUATION REPORT

7. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Carpark	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,229,000,000
Discounted Cash Flow Analysis	RMB3,191,000,000

Market Value (Equal Weighting of the Above)	RMB3,210,000,000
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9. The estimated net yield of the Property is 3.96% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date														
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC	<p>The Property is a commercial development comprising a 68-storey office tower, namely Wuhan Yuexiu Fortune Centre; a 5-storey shopping arcade (inclusive of a storey of Basement) known as Starry Victoria Shopping Centre; 1,134 car parks for office and retail portions ("Commercial Carpark") together with 375 car parks for residential portion ("Residential Carpark"). The Property was completed in between 2015 to 2016.</p> <p>The Property has a total gross floor area of about 248,194.22 sq.m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>43,546.60</td> </tr> <tr> <td>Office</td> <td>129,446.74</td> </tr> <tr> <td>Commercial Carpark</td> <td>47,182.94</td> </tr> <tr> <td>Residential Carpark</td> <td>15,602.82</td> </tr> <tr> <td>Ancillary facilities</td> <td>12,415.12</td> </tr> <tr> <td>Total</td> <td>248,194.22</td> </tr> </tbody> </table> <p>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.</p>	Use	Approximate Gross Floor Area (sq.m.)	Retail	43,546.60	Office	129,446.74	Commercial Carpark	47,182.94	Residential Carpark	15,602.82	Ancillary facilities	12,415.12	Total	248,194.22	<p>As at the Valuation Date, portion of the retail of the Property having an occupancy rate of 99.51% was subject to various tenancies with the latest one due to expire on 9 September 2035 at a total monthly rent of approximately RMB2,300,000 (exclusive of value-added tax, management fees and utility charges); whilst the remaining portion of the retail portion was vacant.</p> <p>Portion of the office tower of the Property having an occupancy rate of 75.00% was subject to various tenancies with the latest one due to expire on 29 February 2024 at a total monthly rental of approximately RMB8,500,000 (exclusive of value added tax, management fees and utility charges); whilst the remaining portion of the office tower was vacant.</p> <p>The commercial and residential car parking spaces were subject to two master lease agreements expiring on 30 September 2021 at a total monthly rent of approximately RMB920,000.</p>	RMB3,761,000,000 (RENMINBI THREE BILLION SEVEN HUNDRED AND SIXTY ONE MILLION)
Use	Approximate Gross Floor Area (sq.m.)																	
Retail	43,546.60																	
Office	129,446.74																	
Commercial Carpark	47,182.94																	
Residential Carpark	15,602.82																	
Ancillary facilities	12,415.12																	
Total	248,194.22																	

Note:

- Pursuant to a State-owned Land Use Rights Certificate No.: Wu Guo Yong (2011) Di No. 380 dated 15 August 2011, the land use rights of the Property is vested in 武漢越秀地產開發有限公司 (Wuhan Yuexiu Property Development Limited) ("Wuhan Yuexiu").
- Pursuant to 455 Real Estate Title Certificates dated between 21 November 2017 and 8 December 2017, the ownership of the aboveground portion of the Property with an aggregate gross floor area of 169,524.88 sq.m. is vested in Wuhan Yuexiu.

PROPERTY VALUATION REPORT

3. 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:

Use	Lettable Area (sq.m.)	Leased Lettable Area (sq.m.)	Annual Rental Income (Approximately)
Retail	43,546.60	43,334.02	RMB26,900,000
Office	129,446.74	97,087.28	RMB82,100,000
Carpark	62,785.76	62,785.76	RMB11,000,000
Total	235,779.14	203,207.10	RMB120,000,000

4. Based on the tenancy information provided by Wuhan Yuexiu, 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 (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	2.24%
1	2	1.96%
2	3	11.30%
3	4	5.98%
4	5	17.75%
5	Or more	60.77%
Total		100.00%

5. Based on the tenancy information provided by Wuhan Yuexiu, 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
In 2020	13.20%
In 2021	14.20%
In 2022	14.80%
In 2023	23.70%
In 2024 and afterward	34.10%
Total	100.00%

6. Based on the tenancy information provided by Wuhan Yuexiu, 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	7.96%
1	2	8.08%
2	3	26.47%
3	4	21.98%
4	5	18.60%
6	Or more	16.91%
Total		100.00%

7. Based on the tenancy information provided by Wuhan Yuexiu, 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
In 2019	26.90%
In 2020	25.50%
In 2021	24.60%
In 2022	17.70%
In 2023 and afterward	5.30%
Total	100.00%

8. In the course of our valuation of the Property, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	5.00% per annum
	Income Capitalization Approach	Reversionary Yield	5.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Office	Income Capitalization Approach	Term Yield	4.50% per annum
	Income Capitalization Approach	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.50% per annum
Commercial Carpark Spaces	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Residential Carpark	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum

PROPERTY VALUATION REPORT

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,856,000,000
Discounted Cash Flow Analysis	RMB3,665,000,000

Market Value (Equal Weighting of the Above) RMB3,761,000,000

10. As requested by the Company, we are of the opinion that, for reference only, the breakdown market value of the Property as at the Valuation Date was as follows:

Retail and Office Portions	: RMB3,473,000,000
Commercial Carpark	: RMB201,000,000
Residential Carpark	: RMB87,000,000

11. The estimated net yield of the Property is 3.19% which is derived from the estimated rental received in Year-2019 excluding the valued-added tax divided by the market value as at the Valuation Date.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Unitholders of 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))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

What we have audited

The consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries together (the "Group") set out on pages 174 to 244, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to Unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.



羅兵咸永道

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is valuation of investment properties and the building portions of hotel and serviced apartments included in property, plant and equipment.

Key Audit Matter

Valuation of Investment properties and the building portions of hotel and serviced apartments included in Property, plant and equipment

Refer to notes 2(e)(i), 2(f), 4(a), 13 and 15 to the consolidated financial statements.

The Group's investment properties amounting to RMB29,982 million and the building portions of hotel and serviced apartments included in property, plant and equipment (together the "Subject Properties") amounting to RMB2,270 million were carried at fair value at 31 December 2019. Changes in the fair values of the investment properties and hotel and serviced apartments during the year ended 31 December 2019 were recorded in profit or loss and other comprehensive loss of RMB752,700,000 and RMB729,000 respectively.

The valuations were carried out by an independent professional valuer (the "Valuer") engaged by Yuexiu REIT Asset Management Limited, the Manager of Yuexiu REIT (the "Manager").

In determining the valuation of the Group's investment properties, the Valuer adopted the income capitalisation method and discounted cash flow analysis primarily to arrive at the fair value, with reference to recent comparable transactions and offerings under the direct comparison method, if available and applicable. Key valuation assumptions included estimated open market rents, capitalisation rates, stabilised occupancy rates as well as discount rates.

In determining the valuation of the building portions of the Group's hotel and serviced apartments, the Valuer adopted the depreciated replacement cost approach with key assumptions of estimated building costs and depreciation of the building.

We focused on this area because the valuations of the Subject Properties involved significant judgements and estimates, and the carrying amounts of the Subject Properties and the changes in fair value were material to the Group's consolidated financial statements.

How our audit addressed the Key Audit Matter

Experience of the Valuer and relevance of their work

We read the Valuer's report prepared in accordance with HKIS Valuation Standards (2017 Edition) and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)", and assessed the Valuer's qualifications and experience in the markets where the Subject Properties are located. We also assessed the Valuer's independence and objectivity by reading their terms of engagement with the Group and considering their fee arrangements and any other services provided to the Group.

Data provided by the Manager to the Valuer

We performed testing on a sample basis on the input data used by the Valuer in the valuations of the Subject Properties. These data included key terms of lease agreements, operating expenditure details, rental income schedules, gross floor area information and the year of completion which we agreed to the appropriate supporting documentation.

Methodologies and key assumptions used by the Valuer

We involved our in-house valuation experts in discussing and assessing the valuation methodologies and key assumptions with the Valuer and the Manager.

We considered the appropriateness and consistency of the use of the valuation methodologies based on our industry knowledge.

We assessed the reasonableness of the key assumptions applied in the valuations of the Subject Properties by comparing them to published industry reports, comparable market transactions, and those used in the prior period, and with reference to the age, nature and location of each property.

Overall, the valuation methodologies were consistently applied and the key assumptions used in the valuations were supportable in light of available evidence and the current market environment.



羅兵咸永道

OTHER INFORMATION

The Manager of Yuexiu REIT is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

Those charged with governance are responsible for overseeing the Group's financial reporting process.



羅兵咸永道

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to the Unitholders, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 5 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	2,058,112	2,031,876
Operating expenses, net	6	(952,948)	(921,657)
Fair value gain on investment properties	15	752,700	905,159
Changes in fair value of			
– support arrangement asset		32,318	22,736
– derivative financial instruments	20	72,331	56,638
Gain on disposal of subsidiaries	21	—	302,779
Write back of construction payable	27	163,608	—
Finance income	9	33,748	35,517
Finance expenses, net	10	(777,633)	(1,008,160)
Profit before income tax and transactions with unitholders		1,382,236	1,424,888
Income tax expense	11	(441,828)	(458,369)
Profit after income tax before transactions with unitholders		940,408	966,519
Transactions with unitholders	29	(876,300)	(876,720)
Income after income tax and transactions with unitholders		64,108	89,799
Other comprehensive loss for the year:			
<u>Items that will not be reclassified to profit or loss</u>			
Change in fair value of property, plant and equipment			
– Gross		(729)	(49,183)
– Tax		204	13,776
Other comprehensive loss for the year, net of tax		(525)	(35,407)
Total comprehensive income for the year		63,583	54,392

	Attributable to				
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 29) RMB'000	Unitholders after transactions with unitholders RMB'000	Non- controlling interests RMB'000	Total RMB'000
Profit/(loss) for the year ended 31 December 2018	911,758	(876,720)	35,038	54,761	89,799
Other comprehensive loss:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(35,038)	—	(35,038)	(369)	(35,407)
Total comprehensive income for the year ended 31 December 2018	876,720	(876,720)	—	54,392	54,392
Profit/(loss) for the year ended 31 December 2019	876,819	(876,300)	519	63,589	64,108
Other comprehensive loss:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(519)	—	(519)	(6)	(525)
Total comprehensive loss for the year ended 31 December 2019	876,300	(876,300)	—	63,583	63,583

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement on page 178.
- (ii) Earnings per unit is based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 12.

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	13	2,270,852	2,340,934
Right-of-use assets	14	1,359,784	—
Land use rights	14	—	1,379,969
Investment properties	15	29,982,000	29,115,000
Deferred assets	17	205,430	219,847
Goodwill	18	859,868	859,868
Derivative financial instruments	20	6,166	—
		34,684,100	33,915,618
Current assets			
Inventories		4,071	4,337
Trade receivables	22	15,887	26,785
Amounts due from related parties	32	228,082	238,915
Prepayments, deposits and other receivables	23	85,112	147,852
Derivative financial instruments	20	37,209	—
Tax recoverable		4,072	8,526
Support arrangement asset	19	25,163	11,645
Short-term bank deposits	24	22,750	22,633
Cash and cash equivalents	24	1,319,010	1,458,755
		1,741,356	1,919,448
Total assets		36,425,456	35,835,066
Current liabilities			
Trade payables	26	14,205	17,689
Rental deposits, current portion	27	186,707	172,221
Receipts in advance	27	80,827	85,625
Accruals and other payables	27	735,140	998,607
Amounts due to related parties	32	98,262	103,227
Derivative financial instruments	20	—	113,745
Borrowings	28	3,217,958	2,276,543
Lease liabilities	14	9,164	—
Tax payable		117,750	144,845
		4,460,013	3,912,502

	Note	2019 RMB'000	2018 RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	27	198,816	184,377
Borrowings	28	11,034,441	11,599,185
Deferred tax liabilities	25	4,906,156	4,536,795
Derivative financial instruments	20	1,249	6,273
Lease liabilities	14	20,026	—
		16,160,688	16,326,630
Total liabilities, other than net assets attributable to unitholders			
Net assets attributable to unitholders	29	14,599,360	14,454,122
Total liabilities		35,220,061	34,693,254
Net assets			
Equity			
Revaluation reserve		419,655	420,174
Retained earnings		(419,655)	(420,174)
		—	—
Non-controlling interests		1,205,395	1,141,812
Total equity		1,205,395	1,141,812
Units in issue ('000)	29	3,205,856	3,106,450
Net assets attributable to unitholders per unit (RMB)		RMB4.55	RMB4.65

On behalf the Board of Directors of the Manager

Director

Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		876,819	911,758
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(723,188)	(868,555)
– Fair value gain on derivative financial instruments		(72,331)	(56,638)
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		160,296	175,807
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(383,647)	(355,727)
– Gain on disposal of a subsidiary, after income tax		—	(245,300)
– Fair value gain on support arrangement asset		(32,318)	(7,475)
– Write back of construction payables, net of tax		(116,596)	—
Total distributable loss		(290,965)	(446,130)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		383,647	355,727
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		128,458	128,215
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		102,281	107,068
– Manager’s fee paid and payable in units in lieu of cash		118,009	117,810
– Foreign exchange loss in financing activities		243,580	527,548
– Expenses incurred in connection with the acquisition of a subsidiary		—	8,799
– Expenses incurred in connection with the acquisition of investment properties		2,859	—
– Support arrangement asset received/receivable		17,471	—
– Discretionary distribution related to the disposal of subsidiaries		55,900	50,500

	Note	2019 RMB'000	2018 RMB'000
Distributable income after additional items		761,240	849,537
Distributable amount at 1 January		425,902	431,127
Distributions paid during the year (iii)	29	(850,194)	(854,762)
Final distribution declared		336,948	425,902
Distribution per unit, declared (iv)		RMB0.1051	RMB0.1371

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A final distribution for the period from 1 July 2018 to 31 December 2018 of RMB0.1365 (equivalent to HK\$0.1589) per unit and interim distribution for the period from 1 January 2019 to 30 June 2019 of RMB0.1355 (equivalent to HK\$0.1540) per unit, totaling RMB850,194,000 (2018: RMB854,762,000), were paid to unitholders on 27 May 2019 and 17 October 2019 respectively.
- (iv) A final distribution for the period from 1 July 2019 to 31 December 2019 of RMB0.1051 (equivalent to HK\$0.1172) per unit, totaling RMB336,948,000 (equivalent to HK\$375,726,000) was declared by the Board of the Manager on 5 March 2020.

CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Net assets attributable to unitholders RMB'000	Equity			Total RMB'000
		Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units	110,780	—	—	—	110,780
Profit/(loss) for the year ended 31 December 2018 attributable to:					
– Unitholders	876,720	—	—	—	876,720
– Equity holders	—	35,038	—	54,761	89,799
Distributions paid to unitholders	(854,762)	—	—	—	(854,762)
Change in fair value of property, plant and equipment, net of tax	—	—	(35,038)	(369)	(35,407)
At 31 December 2018	14,454,122	(420,174)	420,174	1,141,812	15,595,934
At 1 January 2019	14,454,122	(420,174)	420,174	1,141,812	15,595,934
Issuance of units	119,132	—	—	—	119,132
Profit/(loss) for the year ended 31 December 2019 attributable to:					
– Unitholders	876,300	—	—	—	876,300
– Equity holders	—	519	—	63,589	64,108
Distributions paid to unitholders	(850,194)	—	—	—	(850,194)
Change in fair value of property, plant and equipment, net of tax	—	—	(519)	(6)	(525)
At 31 December 2019	14,599,360	(419,655)	419,655	1,205,395	15,804,755

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	1,369,896	1,288,633
Interest paid		(505,248)	(438,117)
China income tax paid		(94,905)	(86,235)
Support arrangement assets received		18,800	11,091
Net cash generated from operating activities		788,543	775,372
Cash flows from investing activities			
Additions of investment properties		(114,300)	(14,841)
Additions of property, plant and equipment		(11,212)	(19,325)
Disposal of property, plant and equipment		55	—
Interest received		33,748	35,517
(Increase)/decrease in short-term bank deposits with original maturity of more than three months		(117)	4,069
Settlement of deferred payment		—	(822,737)
Acquisition of a subsidiary, net of cash acquired	31	—	(530,575)
Disposal of a subsidiary	21	—	995,472
Net cash used in investing activities		(91,826)	(352,420)
Cash flows from financing activities			
Distributions paid		(850,194)	(854,762)
Proceeds from borrowings, net of transaction costs		4,454,458	5,276,630
Repayment of borrowings		(4,351,359)	(4,683,244)
Settlement of derivative financial instruments		(88,508)	(6,725)
Principal elements of lease payments		(859)	—
Net cash used in financing activities		(836,462)	(268,101)
Net (decrease)/increase in cash and cash equivalents		(139,745)	154,851
Cash and cash equivalents at beginning of the year		1,458,755	1,303,904
Cash and cash equivalents at end of the year	24	1,319,010	1,458,755

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (together, the "Group") are mainly engaged in the leasing of commercial properties in Mainland China ("China").

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between the Manager and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the "Trustee") on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third supplemental deed dated 25 July 2012) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time.

The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT is listed on The Stock Exchange of Hong Kong Limited. These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The consolidated financial statements of Yuexiu REIT have been prepared in accordance with all applicable HKFRS, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the investment properties and hotel and serviced apartment and derivative financial instruments which are carried at fair value.

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

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB2,718,657,000 (31 December 2018: RMB1,993,054,000) mainly as the bank borrowings of RMB3,217,958,000 (31 December 2018: RMB2,276,543,000) fall due within twelve months from the balance sheet date. The Manager has been discussing with the Group's principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group's past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(A) BASIS OF PREPARATION (continued)

(i) *New and amended standards effective for the year ended 31 December 2019*

Annual Improvements to HKFRS Amendments to Hong Kong Accounting Standards ("HKAS") 19	Annual Improvements 2015-2017 Cycle Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28 Amendments to HKFRS 9 HKFRS 16 HK(IFRIC)-Int 23	Long-term Interests in Associates and Joint Ventures Prepayment Features with Negative Compensation Leases Uncertainty over Income Tax Treatments

The adoption of these new and amended standards did not result in any significant impact on the results and financial position of the Group except for HKFRS 16 as set out below.

HKFRS 16 "Leases"— Impact of adoption

The new accounting policies have been applied from 1 January 2019 as set out in note 2(m). The Group has adopted the modified retrospective approach to which the reclassifications resulting from the adoption of HKFRS 16 are recognised on the date of initial application, i.e. as at 1 January 2019. The comparative figures as at 31st December 2018 and for the year ended 31st December 2018 have not been restated.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As at 1 January 2019		
	As previously stated RMB'million	Effects of adoption RMB'million	As restated RMB'million
Right-of-use assets	—	1,380	1,380
Land use rights	1,380	(1,380)	—

There was no impact on retained earnings on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(A) BASIS OF PREPARATION (continued)**

(ii) *New and amended standards have been issued but are not yet effective for the year ended 31 December 2019 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
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 new and amended standards would not result in any significant impact on the results and financial position of the Group. The Group plans to adopt these new and amended standards when they become effective.

(B) CONSOLIDATION*(i) Subsidiaries*

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2019.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) CONSOLIDATION (continued)

(ii) Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(C) 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 executive directors of the Manager that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(D) FOREIGN CURRENCY TRANSLATION***(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is Yuexiu REIT's functional currency and the 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 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 borrowings are presented in the consolidated statement of comprehensive income within "finance income" or "finance expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "operating expenses, net".

(E) PROPERTY, PLANT AND EQUIPMENT

- (i) Hotel and serviced apartments comprise mainly buildings, leasehold improvements and fixtures and furniture of hotel and serviced apartment, and is stated at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity by independent professional qualified valuers. Changes arising on the revaluation are dealt with in other comprehensive income and are accumulated in the revaluation reserve, except that, when a deficit arises on revaluation, it will be charged to the profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to revaluation.

When a surplus arises on revaluation, it will be credited to the profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

When a revalued asset is sold, the amount included in the revaluation reserve is transferred to net assets attributable to unitholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) PROPERTY, PLANT AND EQUIPMENT (continued)

- (ii) All other property, 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.

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 Group and the cost of the item can be measured reliably.

Depreciation of property, 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:

Hotel and serviced apartment are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.

Leasehold improvements, furniture, fixtures and office supplies	3-5 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" in the consolidated statement of comprehensive income.

(F) INVESTMENT PROPERTIES

Investment property, principally comprising leasehold land, office buildings and shopping mall, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the 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 properties 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 at cost, investment properties are 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 Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(G) GOODWILL**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets of the acquired subsidiaries.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(H) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(J) 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.

(K) INVENTORIES

Inventories comprise primarily food, beverages and operating supplies and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) OTHER FINANCIAL ASSETS

(i) Classification

The group classifies its financial assets in either those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in the profit or loss. The group reclassifies debt investments when and only when its business model for managing those assets changes.

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

A financial asset is initially measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments are subsequently measured depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of the profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating expense, net in the period in which it arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(L) OTHER FINANCIAL ASSETS (continued)***(i) Classification (continue)*

Equity investments are subsequently measured at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other operating expenses, net in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(ii) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 the identified impairment loss was immaterial.

(M) LEASES

As explained in Note 2(a)(i) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(a)(i).

Until 31 December 2018, the upfront prepayments made for the land use rights are expensed in the profit or loss on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the profit or loss.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(M) LEASES (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(M) LEASES (continued)**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases of less than twelve months and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statement of comprehensive income.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(N) RENTAL DEPOSITS

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the 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.

(O) CASH AND CASH EQUIVALENTS

In the consolidated statement 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.

(P) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) PROVISIONS

Provisions are recognised when: the 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-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.

(R) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the 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.

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

(S) BORROWING COSTS

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.

(T) CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. 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 tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(T) CURRENT AND DEFERRED INCOME TAX (continued)***(i) Current income tax*

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

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred 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 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 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 investments in subsidiaries 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 tax assets against current 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(U) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for rental income in the ordinary course of the Group's activities. The 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 Group's activities as described below.

(i) *Rental income*

Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the 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.

(ii) *Hotel and serviced apartment income*

Hotel and serviced apartment income are recognised when services are rendered.

(iii) *Interest income*

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

(V) DISTRIBUTIONS TO UNITHOLDERS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. These units are therefore classified as financial liabilities in accordance with HKAS 32 and, accordingly, the distributions paid to unitholders represent finance costs and are therefore presented as an expense in the profit or loss. Consequently, Yuexiu REIT has recognised distributions as finance costs in the profit or loss.

(W) EMPLOYEE BENEFIT

i) *Pension obligations*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The 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 Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(W) EMPLOYEE BENEFIT (continued)***ii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the 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.

3 FINANCIAL RISK MANAGEMENT**(A) FINANCIAL RISK FACTORS**

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

The Manager of Yuexiu REIT identifies and evaluates financial risks. The Manager provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, non-derivative financial instruments, and investing of excess liquidity.

*(i) Market risk***(a) Foreign exchange risk**

The Group operates in China with most of the transactions denominated in RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits and bank borrowings denominated primarily in Hong Kong dollar ("HK\$") and United States dollar ("USD").

At 31 December 2019 and 2018, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB617,571,000 (2018: RMB570,034,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits, borrowings and amount due to the Manager.

3 FINANCIAL RISK MANAGEMENT (continued)

(A) FINANCIAL RISK FACTORS (continued)

(i) Market risk (continued)

(b) Cash flow interest rate risk

The Group's interest rate risk mainly arises from borrowings obtained at variable rates which expose the Group to cash flow interest rate risk.

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for the long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments. During the year, the Group has entered into two floating-to-fixed interest rate swap contracts. At 31 December 2019 and 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB83,367,000 (2018: RMB130,696,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables, amounts due from related parties, other receivables and deposits with banks and financial institutions, as well as credit exposures to tenants.

The table below shows the bank deposits balance of the five major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

	2019 RMB'000	2018 RMB'000
Counterparty		
China Construction Bank	528,180	378,467
Bank of China	461,235	593,825
DBS Bank Ltd. Hong Kong Branch	213,148	219,070
Chong Hing Bank	51,589	125,407
Industrial Bank Co., Ltd.	514	13,733
Other banks	86,598	150,439
Short-term bank deposits and cash and cash equivalent	1,341,264	1,480,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3 FINANCIAL RISK MANAGEMENT (continued)**(A) FINANCIAL RISK FACTORS (continued)***(ii) Credit risk (continued)*

The Group has no policy to limit the amount of credit exposure to any financial institution.

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

(iii) 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 Group has short-term bank deposits and cash and cash equivalents of RMB 1,341,760,000 as at 31 December 2019 (2018: RMB1,481,388,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

3 FINANCIAL RISK MANAGEMENT (continued)

(A) FINANCIAL RISK FACTORS (continued)

(iii) Liquidity risk (continued)

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

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2019					
Rental deposits	186,707	73,795	130,601	17,717	408,820
Trade payables	14,205	—	—	—	14,205
Accruals and other payables	735,140	—	—	—	735,140
Amounts due to related parties	98,262	—	—	—	98,262
Bank borrowings					
- Principal to be repaid	3,217,958	637,373	6,134,781	479,080	10,469,192
- Interest payables	369,571	285,825	376,537	37,477	1,069,410
Other borrowings					
- Principal to be repaid	—	2,781,674	1,001,533	—	3,783,207
- Interest payables	168,666	102,393	90,297	—	361,356
Derivative financial instruments	—	1,249	—	—	1,249
Lease liabilities	10,356	10,768	10,231	—	31,355
As at 31 December 2018					
Rental deposits	172,221	76,026	123,291	12,241	383,779
Trade payables	17,689	—	—	—	17,689
Accruals and other payables	998,607	—	—	—	998,607
Amounts due to related parties	103,227	—	—	—	103,227
Bank borrowings					
- Principal to be repaid	2,276,543	4,112,138	3,577,847	1,179,080	11,145,608
- Interest payables	422,730	763,389	645,710	245,622	2,077,451
Other borrowings					
- Principal to be repaid	—	—	2,730,120	—	2,730,120
- Interest payables	129,681	129,681	43,227	—	302,589
Derivative financial instruments	113,745	6,273	—	—	120,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3 FINANCIAL RISK MANAGEMENT (continued)**(B) CAPITAL RISK MANAGEMENT**

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

Consistent with others in the industry, the Manager monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total asset value as shown in the consolidated balance sheet.

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Total borrowings (Note 28)	14,252,399	13,875,728
Total asset value	36,425,456	35,835,066
Gearing ratio	39%	39%

The gearing ratio stays stable at 39% in 2019 (2018: 39%).

(C) FAIR VALUE ESTIMATION

The carrying amounts of the Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The fair value of non-current financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

See Note 13 for disclosures of property, plant and equipment, Note 15 for investment properties, and Note 20 for derivative 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 Manager 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 and liabilities within the next financial year are discussed below.

4 CRITICAL ACCOUNTING ESTIMATES (continue)

(A) ESTIMATE OF FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the directors of the Manager determine the amount within a range of reasonable fair value estimates. In making its judgement, the directors of the Manager consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of properties is not available, the fair values of properties are determined using discounted cash flow valuation techniques. The directors of the Manager use assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the directors of the Manager and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. These valuations are reviewed annually by external valuers.

The fair value of property, plant and equipment and investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Notes 13 and 15 respectively.

(B) ESTIMATE OF IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The assessment of recoverable amounts calculations requires the use of estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Manager. Management determines the operating segments based on the 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 hotel and service apartments, office rental and wholesale and shopping mall.

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 consolidated financial statements.

Total assets excluded corporate assets which are not directly attributable to segments.

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2019				
Revenue from external customers	552,499	941,682	563,931	2,058,112
Segment results	87,654	1,335,306	694,684	2,117,644
Depreciation and amortisation	129,713	83	—	129,796
Fair value gain on investment properties	—	533,042	219,658	752,700
Year ended 31 December 2018				
Revenue from external customers	542,519	945,942	543,415	2,031,876
Segment results	81,648	1,366,272	796,258	2,244,178
Depreciation and amortisation	129,425	147	—	129,572
Fair value gain on investment properties	—	564,852	340,307	905,159
As at 31 December 2019				
Total reportable segments' assets	4,230,914	20,758,404	10,541,698	35,531,016
As at 31 December 2018				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793

5 REVENUE AND SEGMENT INFORMATION (continued)

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Segment results	2,117,644	2,244,178
Fair value gain on derivatives financial instruments	72,331	56,638
Unallocated operating costs (Note)	(259,780)	(228,800)
Operating profit	1,930,195	2,072,016
Write back of construction payable	163,608	—
Gain on disposal of a subsidiary	—	302,779
Finance income	33,748	35,517
Finance expenses, net	(777,633)	(1,008,160)
Change in fair value of support arrangement asset	32,318	22,736
Profit before income tax and transactions with unitholders	1,382,236	1,424,888

Note: Unallocated operating costs include mainly asset management fee, legal and professional expenses and other operating expenses.

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total reportable segments' assets	35,531,016	34,893,793
Corporate assets	894,440	941,273
Total assets	36,425,456	35,835,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5 REVENUE AND SEGMENT INFORMATION (continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
China	2,058,112	2,031,876	35,531,016	34,893,793
Unallocated assets			894,440	941,273
			36,425,456	35,835,066

The Group's revenue by nature is as follows:

	2019	2018
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	329,840	314,698
Food and beverages	200,877	208,727
Property rentals	1,505,613	1,489,357
Others	21,782	19,094
	2,058,112	2,031,876

The following is an analysis of the Group's revenue by timing of satisfaction of performance obligations:

	2019	2018
	RMB'000	RMB'000
Revenue recognised at a point in time	218,702	224,840
Revenue recognised over time	329,840	314,698
Other sources	1,509,570	1,492,338
	2,058,112	2,031,876

6 EXPENSES BY NATURE, NET

	2019 RMB'000	2018 RMB'000
Property management fees (i)	47,456	47,002
Employee benefit expenses (Note 7)	124,382	122,187
Real estate tax	179,741	179,487
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	12,356	12,244
Withholding tax (ii)	59,174	58,277
Depreciation of property, plant and equipment (Note 13)	80,510	80,287
Amortisation of land use rights (Note 14)	—	49,285
Depreciation of right-of-use-assets (Note 14)	50,116	—
Cost of inventories sold or consumed in operation	73,313	60,240
Other direct expenses on hotel and serviced apartment	119,583	131,020
Manager's fee (Note 8)	147,511	147,263
Trustee's fee	10,481	10,710
Valuation fees	948	1,439
Legal and professional fee	14,944	25,259
Auditor's remuneration	3,842	3,154
Bank charges	662	531
Foreign exchange loss/(gain) arising from operating activities	18,988	(21,282)
Others	8,941	14,554
Total operating expenses, net	952,948	921,657

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd., Guangzhou Baima Business Operation Management Co. Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 32).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

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7 EMPLOYEE BENEFIT EXPENSES

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	84,367	79,856
Pension costs	2,566	4,735
Medical benefits costs	2,965	3,245
Social security costs	5,141	5,551
Staff welfare	29,343	28,800
	124,382	122,187

PENSION SCHEME ARRANGEMENTS

Certain subsidiaries of Yuexiu REIT in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of Deposited property comorising of Real Estate, as defined in the Trust Deed.

	2019 RMB'000	2018 RMB'000
Manager's fee:		
In the form of units	118,009	117,810
In the form of cash	29,502	29,453
	147,511	147,263

Pursuant to the announcement of Yuexiu REIT dated 15 January 2019, a portion of the manager's fee for the year ended 31 December 2019 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2019 are expected to be issued on 3 April 2020. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 3 April 2020 and (ii) the average closing price of the units in the 10 trading days immediately preceding 3 April 2020.

9 FINANCE INCOME

	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	15,362	7,502
Interest income from a related company	18,386	28,015
	33,748	35,517

10 FINANCE EXPENSES, NET

	2019 RMB'000	2018 RMB'000
Interest expense for bank borrowings	353,585	326,066
Interest expense for other borrowings	151,663	112,051
Interest expenses to a related party	—	18,474
Interest and finance charges paid/payable for lease liabilities	118	—
Gains on settlement of derivative financial instruments	(1,305)	—
Amortisation of transaction costs for borrowings	29,992	24,020
Foreign exchange loss on financing activities	243,580	527,549
	777,633	1,008,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 INCOME TAX EXPENSE

For the subsidiaries incorporated and operate in China, they are subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 6 (ii).

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

	2019 RMB'000	2018 RMB'000
Current income tax		
- China corporate income tax	63,839	95,297
- Under-provision in prior years	1,108	1,562
- PRC withholding tax	7,316	15,108
Deferred income tax (Note 25)	369,565	346,402
	441,828	458,369

The tax on the Group's profit before income tax and transactions with unitholders differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax and transactions with unitholders	1,382,236	1,424,888
Tax calculated at domestic tax rate of 25%	345,559	356,222
Income not subject to tax	(255,190)	(284,680)
Expenses not deductible for tax purposes	298,765	348,450
Under-provision in prior years	1,108	1,562
Withholding tax on unremitted earnings of subsidiaries	57,260	54,104
Recognition of previously unrecognised tax losses	(3,489)	(14,680)
Utilisation of previously unrecognised tax losses	(2,185)	(2,609)
	441,828	458,369

12 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

(A) BASIC

Basic earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit after income tax before transactions with unitholders attributable to unitholders by the weighted average number of units in issue during the year.

	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	876,819	911,758
Weighted average number of units in issue ('000)	3,121,515	3,029,200
Basic earnings per unit (RMB)	0.28	0.30

(B) DILUTED

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2019.

	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	876,819	911,758
Weighted average number of units in issue ('000)	3,121,515	3,029,200
Adjustments for deferred units ('000)	461,401	535,401
Adjustments for manager's fee in form of units ('000)	12,768	13,984
Weighted average number of units for diluted earnings per unit ('000)	3,595,684	3,578,585
Diluted earnings per unit (RMB)	0.24	0.25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018				
Cost	2,324,914	13,083	9,649	2,347,646
Accumulated depreciation	(513,881)	(12,640)	(9,011)	(535,532)
Fair value gain on revaluation	638,967	—	—	638,967
Net book amount	2,450,000	443	638	2,451,081
Year ended 31 December 2018				
Opening net book amount	2,450,000	443	638	2,451,081
Additions	19,325	—	—	19,325
Disposal	(2)	—	—	(2)
Depreciation (Note 6)	(80,140)	(76)	(71)	(80,287)
Fair value loss on revaluation	(49,183)	—	—	(49,183)
Closing net book amount	2,340,000	367	567	2,340,934
At 31 December 2018				
Cost	2,344,185	13,083	9,649	2,366,917
Accumulated depreciation	(593,969)	(12,716)	(9,082)	(615,767)
Fair value gain on revaluation	589,784	—	—	589,784
Net book amount	2,340,000	367	567	2,340,934

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	2,340,000	367	567	2,340,934
Additions	11,212	—	—	11,212
Disposal	(55)	—	—	(55)
Depreciation (Note 6)	(80,428)	—	(82)	(80,510)
Fair value loss on revaluation	(729)	—	—	(729)
Closing net book amount	2,270,000	367	485	2,270,852
At 31 December 2019				
Cost	2,354,304	13,083	9,649	2,377,036
Accumulated depreciation	(673,359)	(12,716)	(9,164)	(695,239)
Fair value gain on revaluation	589,055	—	—	589,055
Net book amount	2,270,000	367	485	2,270,852

If hotel and serviced apartments had not been revalued, it would have been included in these consolidated financial statements at historical cost less accumulated depreciation of RMB1,680,945,000 (2018: RMB1,750,216,000).

As at 31 December 2019, property, plant and equipment with an aggregate carrying amount of RMB2,017 million (2018: RMB2,023 million) were pledged as collateral for the Group's bank borrowings (Note 28).

The following table analyses the property, plant and equipment carried at fair value:

	2019 RMB'000	2018 RMB'000
Opening balance	2,340,000	2,450,000
Additions	11,212	19,325
Disposal	(55)	(2)
Depreciation	(80,428)	(80,140)
Unrealised losses recognised in reserve	(729)	(49,183)
Closing balance	2,270,000	2,340,000
Unrealised losses for the year included in other comprehensive income at the end of the year	(729)	(49,183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13 PROPERTY, PLANT AND EQUIPMENT (continued)**VALUATION PROCESSES OF THE GROUP**

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Savills Valuation and Professional Services Limited being independent qualified valuer not related to the Group at 31 December 2019 and 2018 respectively.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

VALUATION TECHNIQUES*Fair value measurements using significant unobservable inputs*

Fair value of the building portion of hotel and serviced apartments of Guangzhou International Financial Center ("Guangzhou IFC") is derived using depreciated replacement cost method.

The depreciated replacement cost method involves estimation of the market redevelopment costs of the building portion of hotel and serviced apartments of Guangzhou IFC which includes building costs, finance costs and professional fee. Depreciation is also considered to reflect the physical deterioration, functional and economic obsolescence to derive the fair value.

The overall fair value (including land and building elements) of hotel and serviced apartments in China is generally derived using the discounted cash flow analysis. Due to lack of land transaction in market, fair value of land, for disclosure purpose only as set out in Note 14, is therefore calculated as the difference between the fair value under discounted cash flow analysis and the value under depreciated replacement cost method.

In the course of discounted cash flow analysis, both income and expenses over the coming ten years from the date of valuation are itemised and projected annually taking into account the rental revenue, associated revenues and the expected growth of income and expenses. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which both portions are held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Building costs are estimated by reference to market construction costs of other similar buildings. The higher the building costs, the higher the fair value.

Discount rates are estimated by Savills Valuation and Professional Services Limited based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions in the depreciated replacement cost method are summarised as follows:

As at 31 December 2018

	Depreciated replacement cost method		
	Building cost (RMB/m ²)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	18,500	4.75	6
Serviced apartments	15,300	4.75	6

As at 31 December 2019

	Depreciated replacement cost method		
	Building cost (RMB/m ²)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	18,500	4.75	6
Serviced apartments	15,300	4.75	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 LEASES

	RMB'000
Land use rights	
At 1 January 2018	1,429,254
Amortisation (Note 6)	(49,285)
At 31 December 2018	1,379,969
Change in accounting policies (Note 2(a)(ii))	(1,379,969)
At 1 January 2019	—

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2019	—	—	—
Change in accounting policies (Note 2(a)(i))	1,379,969	—	1,379,969
Addition	—	29,931	29,931
Depreciation (Note 6)	(49,285)	(831)	(50,116)
At 31 December 2019	1,330,684	29,100	1,359,784

Lease liabilities as at 31 December 2019	RMB'000
Current portion	9,164
Non-current portion	20,026
	29,190

As at 31 December 2019, the fair value of land-use-rights assets is approximately RMB2,709 million (2018: land-use-rights of RMB2,515 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2019, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,240 million (2018: RMB1,498 million) as collateral for the Group's bank borrowings (Note 28).

As at 31 December 2019, all of the lease liabilities are due to a subsidiary of Yuexiu Property Company Limited ("YXP").

14 LEASES (continued)

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Depreciation charge of right-of-use assets		
Land-use rights	49,285	—
Staff quarter	831	—
	50,116	—
Interest and finance charges paid/payable for lease liabilities (note 10)	118	—

Total cash outflows for leases in 2019 was RMB859,000. The Group leases a staff quarter for a fixed period of 36 months.

15 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	29,115,000	28,706,000
Additions during the year	114,300	14,841
Acquisition of a subsidiary (Note 31)	—	601,000
Disposal of a subsidiary (Note 21)	—	(1,112,000)
Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties'	752,700	905,159
At 31 December	29,982,000	29,115,000
Fair value gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	752,700	905,159

The investment properties were located in China held on land use rights of 40 years to 50 years, expiring in 2045 through 2055.

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB229,349,000 (2018: RMB228,673,000). Included in the direct operating expenses, RMB8,260,000 (2018: RMB9,381,000) was related to investment properties that were vacant.

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15 INVESTMENT PROPERTIES (continued)

Yuexiu REIT acquired the carpark spaces in Fortune Plaza and City Delevopment Plaza from Guangzhou City Construction and Development Co., Ltd. for consideration of RMB98,000,000 on 19 November 2019 (2018: Hangzhou Victory Business Centre Tower 2 and the related carparks ("Hangzhou Property")). In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2019, investment properties with an aggregate carrying value of approximately RMB3,708 million (2018: RMB3,551 million) were pledged as collateral for the Group's bank borrowings (Note 28).

VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services, being independent qualified valuers not related to the Group at 31 December 2019 and 2018 respectively.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

VALUATION TECHNIQUES*Fair value measurements using significant unobservable inputs*

Fair values of completed commercial properties in China are derived using both the income capitalisation method and discounted cash flow analysis.

The income capitalisation method is used to capitalise the unexpired rental income of contractual tenancies. It has also taken into account the reversionary market rent after the expiry of tenancies in capitalisation. The prevailing market rents adopted in the valuation have made reference to recent lettings and other similar comparable properties in the vicinity.

For the discounted cash flow analysis, both income and expenses over the coming ten years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which each of the properties is held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

15 INVESTMENT PROPERTIES (continued)

SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation and discount rates are estimated by Savills Valuation and Professional Services Limited for 2019 and 2018 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions in the income capitalisation method are summarised as follows:

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 322	4.00% to 7.25%
Wholesale and shopping mall	41 to 1,400	4.00% to 7.75%

As at 31 December 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	100 to 336	4.00% to 7.25%
Wholesale and shopping mall	42 to 1,480	4.00% to 7.75%

The adopted valuation assumptions in discounted cash flow analysis are summarised as follows:

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 322	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	41 to 1,400	6.75% to 8.75%	98.00% to 99.50%

As at 31 December 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	100 to 336	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	42 to 1,480	6.75% to 8.75%	98.00% to 99.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 SUBSIDIARIES

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited ("HoldCo 2005")	Hong Kong, limited liability company	Investment holding	1 ordinary share	100%
Yuexiu REIT 2012 Company Limited ("REIT 2012")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited ("REIT MTN")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited ("REIT 2013")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Tower Top Development Ltd. ("Tower Top")	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary shares of USD1	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%

16 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd.	China, Limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing in China	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management in China	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%

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16 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK\$257,614,000	100%
Fully Cheer Management Ltd.	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holding Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Wuhan Yuexiu Property Development Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB2,200,000,000	67%
Yuexiu REIT 2017 Company Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Wealthy Reach Holdings Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Prime Glory Group Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Guangzhou Xiujiang Industries Development Co., Limited	China, limited liability company	Investment holding in China	Registered Capital of RMB550,000,000	100%
Hangzhou Yuehui Real Estate Development Co., Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB470,000,000	100%
Yuexiu REIT 2018 Company Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT Secure Shell Limited ("Secure Shell")	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

Note:

Shares of HoldCo 2005, REIT 2012, REIT 2013, REIT MTN, REIT 2017, REIT 2018 and Secure Shell are held directly by Yuexiu REIT. Shares of all the other subsidiaries are held indirectly by Yuexiu REIT.

17 DEFERRED ASSETS

Rental income is recognised on an accrued 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 temporary difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets. Deferred assets which are expected to be realised twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

18 GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January		
Cost	859,868	845,325
Accumulated impairment	—	—
Net book amount	859,868	845,325
Year ended 31 December		
Opening net book amount	859,868	845,325
Acquisition of a subsidiary (Note 31)	—	15,833
Disposal of a subsidiary (Note 21)	—	(1,290)
Net book amount	859,868	859,868
At 31 December		
Cost	859,868	859,868
Accumulated impairment	—	—
Net book amount	859,868	859,868

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19 SUPPORT ARRANGEMENT ASSET

On 21 December 2017, through a wholly-owned subsidiary, the Group acquired Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"), from Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP. The Fully Cheer Group holds 67% interest in Wuhan Properties. Pursuant to the acquisition, YXP agreed to provide a support arrangement to Yuexiu REIT for the period from 1 January 2018 until 31 December 2020. The support arrangement is the shortfall of actual adjusted net income and baseline adjusted net income, and shall be payable semi-annually. Support arrangement asset is denominated in RMB and the fair value of the balance approximated its carrying amount.

Support arrangement asset is initially recognised at fair value. In determining the fair value of the support arrangement asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 January 2018 until 31 December 2020. Support arrangement asset is subsequently carried at amortised cost using the effective interest method. The adjustment is recognized as a fair value change in the consolidated statement of comprehensive income.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Non-current assets		
Interest rate swap contracts	6,166	—
Current assets		
Capped foreign exchange forward contracts	37,209	—
Non-current liabilities		
Capped foreign exchange forward contracts	1,249	6,273
Current liabilities		
Capped foreign exchange forward contracts	—	113,745

The derivative financial instruments are classified as non-current assets or liabilities if the settlement date is beyond 12 months after the balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2019 were HK\$3,294,648,000 (2018: HK\$2,900,000,000) and USD50,000,000 (2018: Nil).

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were HK\$400,000,000 (2018: Nil) and HK\$1,000,000,000 (2018: Nil).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair values of capped forward exchange contracts and interest rate swap contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable forward exchange rates at each reporting date. If significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy.

21 DISPOSAL OF A SUBSIDIARY

	2018 RMB'000
Gain on disposal of:	
Metrogold Development Ltd ("Metrogold")	302,779

On 21 December 2018, the Group disposed of the entire interest held in Metrogold, subsidiary of the Group, to an independent third party for a cash consideration of RMB1,100 million.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2018 RMB'000
Assets and liabilities disposed of:	
Investment properties	1,112,000
Deferred assets	3,019
Goodwill	1,290
Tax recoverable	2,320
Prepayments, deposits and other receivables	1,433
Cash and cash equivalents	37,372
Rental deposits	(15,225)
Receipt in advance	(2,651)
Accruals and other payables	(44)
Amounts due to related parties	(100,000)
Tax payable	(4,225)
Deferred tax liabilities	(251,952)
Net assets disposed of	783,337
Cash consideration received	1,032,844
Less: Cash disposed	(37,372)
Net cash consideration received	995,472
Consideration receivable	67,155
Less: Net assets disposed of, excluding cash	(745,965)
Less: Transaction cost	(13,883)
Gain on disposal of Metrogold	302,779

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22 TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	15,887	26,785

The fair values of trade receivables approximate their carrying amounts.

The credit terms of the Group are generally within three months. The ageing analysis of trade receivables by invoice date is as follows:

	2019 RMB'000	2018 RMB'000
0 - 30 days	14,001	22,405
31 - 90 days	1,278	3,182
91 - 180 days	264	905
181-365 days	344	293
	15,887	26,785

As at 31 December 2019, trade receivables of approximately RMB15,279,000 (2018: RMB25,587,000) were fully performing.

As at 31 December 2019, the Group has insignificant trade receivables which are past due but not impaired.

Majority of the Group's trade receivables are denominated in RMB.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax on rental deposits and deposits for utilities. During the year ended 31 December 2019, the Group received the residual cash consideration of RMB75 million in relation to the disposal of a subsidiary on 28 December 2018. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

All prepayments, deposits and other receivables are denominated in RMB.

24 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	1,280,590	1,345,300
Short-term bank deposits with original maturity of less than three months	38,420	113,455
Cash and cash equivalents	1,319,010	1,458,755
Short-term bank deposits with original maturity of more than three months	22,750	22,633
Total	1,341,760	1,481,388
Maximum exposure to credit risk	1,341,264	1,480,941

As at 31 December 2019, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,186,060,000 (2018: RMB1,167,013,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

The credit quality of short-term bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates as disclosed in Note 3(a)(ii). The existing counterparties do not have defaults in the past.

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
HK\$	140,804	231,073
RMB	1,186,555	1,167,653
USD	14,401	82,662
	1,341,760	1,481,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 DEFERRED TAX LIABILITIES

	2019 RMB'000	2018 RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	4,906,156	4,536,795

The movements in the deferred tax liabilities are as follows:

	2019 RMB'000	2018 RMB'000
Beginning of the year	4,536,795	4,428,310
Deferred taxation charged to profit or loss (Note 11)	369,565	346,402
Deferred taxation credited to reserve	(204)	(13,776)
Acquisition of a subsidiary (Note 31)	—	27,811
Disposal of a subsidiary (Note 21)	—	(251,952)
End of the year	4,906,156	4,536,795

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Tax losses RMB'000
At 1 January 2018	154,429
Charged to profit or loss	(37,433)
Acquisition of a subsidiary (Note 31)	284
At 31 December 2018	117,280
At 1 January 2019	117,280
Charged to profit or loss	(35,979)
At 31 December 2019	81,301

25 DEFERRED TAX LIABILITIES (continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2018				
At 1 January 2018	3,552,274	485,644	544,821	4,582,739
Charged to profit or loss	225,571	38,087	45,311	308,969
Credited to reserve	(12,296)	(1,480)	—	(13,776)
Acquisition of a subsidiary (Note 31)	7,623	20,063	409	28,095
Disposal of a subsidiary (Note 21)	(206,754)	(9,637)	(35,561)	(251,952)
At 31 December 2018	3,566,418	532,677	554,980	4,654,075
Year ended 31 December 2019				
At 1 January 2019	3,566,418	532,677	554,980	4,654,075
Charged to profit or loss	201,327	30,335	101,924	333,586
Credited to reserve	(182)	(22)	—	(204)
At 31 December 2019	3,767,563	562,990	656,904	4,987,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26 TRADE PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	14,205	17,689

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	2019 RMB'000	2018 RMB'000
0 - 30 days	9,311	10,157
31 - 90 days	3,923	5,896
91 - 180 days	971	1,636
	14,205	17,689

Majority of the Group's trade payables are denominated in RMB.

27 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Rental deposits		
Current portion	186,707	172,221
Non-current portion	198,816	184,377
	385,523	356,598
Receipts in advance		
Current portion	80,827	85,625
Accrued urban real estate tax	13,445	15,455
Accrued withholding tax payable	8,436	9,493
Accrued value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	11,927	11,412
Construction fee payable (note)	571,795	820,409
Accruals for operating expenses	129,537	141,838
Accruals and other payables	735,140	998,607
	1,201,490	1,440,830

Note:

During the year ended 31 December 2019, the Group has written back the construction fee payable totalling of RMB163,608,000 in relation to construction contracts of GZ IFC, of which final accounts have been agreed.

The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate their fair values.

Majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 BORROWINGS

	2019 RMB'000	2018 RMB'000
Current portion of long term borrowings		
Bank borrowings, Secured	268,440	268,440
Bank borrowings, Unsecured	2,949,518	2,008,103
	3,217,958	2,276,543
Long-term borrowings		
Bank borrowings		
- Secured (Note a)	1,821,280	2,521,280
- Unsecured	8,647,912	8,624,328
Other borrowings, unsecured (Note b)	3,783,207	2,730,120
Total long-term borrowings outstanding	14,252,399	13,875,728
Less: current portion of long-term borrowings	(3,217,958)	(2,276,543)
Non-current portion of long-term borrowings	11,034,441	11,599,185
Analysed into:		
Unsecured	12,431,119	11,354,448
Secured	1,821,280	2,521,280
	14,252,399	13,875,728

Note a:

Syndicated and entrustment loans totalling RMB1,821 million (2018: RMB2,521 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB6,965 million (2018: RMB7,750 million).

The Group's borrowings are repayable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	3,217,958	2,276,543
Between one year and five years	10,555,361	10,420,105
Over five years	479,080	1,179,080

28 BORROWINGS (continued)

The effective interest rates (per annum) of the borrowings at the balance sheet date were as follows:

	2019	2018
RMB	4.31%	4.31%
HK\$	3.95%	3.65%
USD	4.99%	4.99%

The carrying amounts of the borrowings are denominated in RMB, HK\$ and USD and approximate their fair values.

	2019 RMB'000	2018 RMB'000
RMB	1,821,280	2,521,280
HK\$	9,649,445	8,624,328
USD	2,781,674	2,730,120
	14,252,399	13,875,728

The Group has an undrawn bank borrowing facility of HKD2,100 million as at 31 December 2019 (2018: nil).

Note b:

On 28 May 2019 and 14 June 2019, Yuexiu REIT MTN Company Limited, issued and sold HK\$770 million and HK\$350 million principal amount of 3.6% additional notes both due in May 2024 to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018.

On 27 April 2018, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$400 million principal amount of 4.75% notes due 2021 (the "USD Bond") to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2019 RMB'000	2018 RMB'000
At 1 January	14,454,122	14,321,384
Issuance of units	119,132	110,780
Transfer from the consolidated statement of comprehensive income	876,300	876,720
Distributions paid during the year	(850,194)	(854,762)
At 31 December	14,599,360	14,454,122

The movements in the number of existing units are as below:

Units in issue ('000)	2019	2018
At 1 January	3,106,450	3,014,285
Units issued during the year (Note a)	25,406	25,165
Issuance of deferred units during the year (Note b)	74,000	67,000
At 31 December	3,205,856	3,106,450

Note a:

During 2019, 25,406,124 units were issued for payment of manager's fee (2018: 25,164,531 units).

Note b:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. During 2019, 74,000,000 units were issued and the outstanding deferred units at 31 December 2019 was 461,401,000 (31 December 2018: 535,401,000 units).

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax and transactions with unitholders to cash generated from operations:

	2019 RMB'000	2018 RMB'000
Profit before income tax and transactions with unitholders	1,382,236	1,424,888
Adjustments for:		
- Depreciation expenses of property, plant and equipment	80,510	80,287
- Amortisation of land use right	—	49,285
- Depreciation of right-of-assets	50,116	—
- Amortisation of transaction costs for bank borrowings	29,992	24,020
- Foreign exchange loss on financing activities	243,580	527,549
- Fair value gains on investment properties	(752,700)	(905,159)
- Fair value gain on derivative financial instruments	(73,636)	(56,638)
- Fair value gain on support arrangement asset	(32,318)	(22,736)
- Gain on disposal of a subsidiary	—	(302,779)
- Loss on disposal of property, plant and equipment	—	2
- Write back of construction payables	(163,608)	—
- Interest income	(33,748)	(35,517)
- Interest and finance charges paid/payable for lease liabilities	118	—
- Interest expenses	505,248	456,471
Changes in working capital:		
- Deferred assets	14,417	2,455
- Inventories	266	(1,210)
- Trade receivables	10,898	(6,748)
- Amounts due from related parties	10,833	27,442
- Prepayments, deposits and other receivables	62,740	(26,882)
- Trade payables	(3,484)	78
- Rental deposits	28,925	13,640
- Receipts in advance	(4,798)	3,847
- Accruals and other payables	19,274	(83,771)
- Amounts due to related parties	(4,965)	120,109
Cash generated from operations	1,369,896	1,288,633

(b) Major non-cash transaction:

During the year ended 31 December 2019, 25,406,124 units (2018: 25,164,531 units) amounting to RMB119,132,000 (2018: RMB110,780,000) were issued for payment of manager's fee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 BUSINESS COMBINATION

On 23 December 2018, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Wealthy Reach Holding Limited and its subsidiaries, Prime Glory Group Holdings Limited, GuangzhouXiujiang Industries Development Co Ltd and Hangzhou Yuehui Real Estate Development Co Ltd (hereafter collectively referred to as "Wealthy Reach Group"). The Wealthy Reach Group holds 100% interest in Hangzhou Property. The transaction was completed on 28 December 2018.

The financial impact to the Group from acquisition date to 31 December 2018 was insignificant.

Had Wealthy Reach Group been consolidated from 29 December 2018 to 31 December 2018, the consolidated statement of comprehensive income would show pro-forma revenue of RMB2,050 million and profit before income tax of RMB977 million from its leasing operations.

The following table summarises the consideration paid for Wealthy Reach Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2018 RMB'000
Purchase consideration	
At 28 December 2018	
Consideration	563,421
Fair value of net assets acquired – shown as below	<u>(547,588)</u>
Goodwill	<u><u>15,833</u></u>
<hr/>	
	Fair value RMB'000
Investment property	601,000
Deferred assets	978
Trade and other receivables and prepayments	9,538
Tax recoverable	4,072
Cash and cash equivalents	26,136
Accruals and other payables	(28,494)
Rental deposits	(5,930)
Receipts in advance	(4,888)
Amount due to a fellow subsidiary	(97)
Tax payable	(26,916)
Deferred income tax liabilities	<u>(27,811)</u>
Net asset acquired	<u><u>547,588</u></u>

31 BUSINESS COMBINATION (continued)

Cash outflow to acquire business, net of cash acquired:	2018 RMB'000
Purchase consideration settled in cash	556,711
Cash and cash equivalents acquired	(26,136)
	<hr/>
Cash outflow on acquisition	530,575
Consideration payable	6,710
	<hr/>
Total consideration less cash acquired	<u>537,285</u>

Acquisition-related costs of RMB8,799,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisition, the Group expanded its footprint beyond Guangzhou, Shanghai and Wuhan and diversified its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

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32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2019, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 38% (2018: 36%) of Yuexiu REIT's units. The remaining 62% (2018: 64%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2019:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") ¹	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") ¹	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") ¹	A subsidiary of YXP
Guangzhou Yuexiu Yicheng Business & Operation Management Co., Ltd ("Yicheng") ¹	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") ¹	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM") ¹	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹	A subsidiary of YXP
Guangzhou City Construction & Development Holdings (China) Limited ("GCD (China)") ¹	A subsidiary of YXP
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") ¹	A subsidiary of GZYX
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of YXP
Guangzhou Yue Xiu Enterprises (Holdings) Ltd ("YXE") ¹	A subsidiary of GZYX
Guangzhou Yue Xiu Holdings Limited ("GZYX") ¹	Immediate holding company of Yue Xiu
Guangzhou City Construction and Development Group Co. Ltd. ¹	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. ¹	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd ("GZ JLL") ¹	A subsidiary of YXP
Guangzhou Guang Zheng Hang Seng Research Co., Ltd ("Guang Zheng") ¹	A subsidiary of GZYFHG
Guangzhou Suiqiao Development Company Limited ("Suiqiao") ¹	A subsidiary of Yue Xiu
Guangzhou Securities Company Limited ¹	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co.Ltd ¹	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co.,Ltd ¹	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Holdings Group Co., Ltd ¹	A subsidiary of GZYFHG
Guangzhou Yue Xiu Enterprises Development Ltd ¹	A subsidiary of YXE

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") ¹	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") ¹	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited("Chong Hing") ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch ("Chong Hing Tianhe") ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") ¹	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") ¹	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd ¹	A subsidiary of YXE
Guangzhou Titanium Dioxide Factory ¹	A subsidiary of YXE
Guangzhou Futures Co., Ltd ¹	A subsidiary of GZYFHG
廣州市祥港房地產開發有限公司 ¹	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 ¹	A subsidiary of YXP
廣州東耀房地產開發有限公司 ¹	A subsidiary of YXP
廣州市城建開發集團名特網絡發展有限公司 ¹	A subsidiary of YXP
廣州悅停網絡科技有限公司 ¹	A subsidiary of YXP
廣州鵬燁貿易有限公司 ¹	A subsidiary of YXP
廣州友誼集團有限公司 ^{1,2}	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. ¹	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. ¹	A subsidiary of GZYFHG
武漢康景實業投資有限公司 ¹	A subsidiary of YXP
廣州城建開發設計院有限公司 ¹	A subsidiary of YXP
廣州越秀地產工程管理有限公司 ¹	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 ¹	A subsidiary of YXP
Yue Xiu Consultant (Shenzhen) Co., Ltd. ¹	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 ¹	A subsidiary of YXP
杭州越榮房地產開發有限公司 ¹	A subsidiary of YXP
杭州盛寅房地產開發有限公司 ¹	A subsidiary of YXP
杭州豐勝房地產開發有限公司 ¹	A subsidiary of YXP
武漢越秀商業管理有限公司 ¹	A subsidiary of YXP
廣州市品秀房地產開發有限公司 ¹	A subsidiary of YXP
Guangzhou Yuexiu Business Operation Management Co.,Ltd. ¹	A subsidiary of YXP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
廣州越秀星寓公寓管理有限公司 ¹	A subsidiary of YXP
廣州雋越房地產開發有限責任公司 ¹	A subsidiary of YXP
廣州越秀資本投資管理有限公司 ¹	A subsidiary of GZYFHG
Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd. ¹	A subsidiary of GZYFHG
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited ("the Valuer")	The current principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

¹ These connected companies are also considered as related companies of the Group, transactions and balances carried out with these related companies are disclosed in notes (a) and (b) below.

² The company ceased to be connected company of the Group since 28 March 2019.

The following transactions and balances were carried out with connected companies and related companies:

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES

	2019 RMB'000	2018 RMB'000
Asset management fee paid/payable to the Manager (note ii)	(147,511)	(147,263)
Management fee paid/payable to Yicheng	(16,719)	(16,359)
Management fee paid/payable to Baima BM	(11,182)	(11,022)
Management fee paid/payable to GZAM	(19,555)	(19,621)
Rental income received/receivable from Xingye	8,042	6,567
Rental income received/receivable from Yicheng	18,813	14,387
Rental income received/receivable from GCCD	14,387	11,018
Rental income received/receivable from White Horse JV	—	1,203
Rental income received/receivable from Guangzhou Securities Company Limited	33,036	31,706
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	759	5,184
Rental income received/receivable from GZ JLL	16,248	15,323
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	1,395	423
Rental income received/receivable from GZAM	10,452	9,812
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd	—	9,060
Rental income received/receivable from GZYFHG	16,517	3,039
Rental income received/receivable from Yue Tong	773	773
Rental income received/receivable from Yue Peng	789	789

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2019 RMB'000	2018 RMB'000
Rental income received/receivable from Yuexiu (China)		
Transport Infrastructure Investment Company Limited	8,531	8,718
Rental income received/receivable from YXE	37,352	34,028
Rental income received/receivable from Chong Hing	2,050	—
Rental income received/receivable from Chong Hing Tianhe	50	2,070
Rental income received/receivable from Chong Hing Guangzhou	258	417
Rental income received/receivable from Chong Hing Shanghai	930	518
Rental income received/receivable from Guangzhou		
Paper Group Ltd.	279	271
Rental income received/receivable from Guangzhou		
Titanium Dioxide Factory	23	271
Rental income received/receivable from		
廣州市祥港房地產開發有限公司	9,391	—
Rental income received/receivable from		
廣州市宏錦房地產開發有限公司	—	17,619
Rental income received/receivable from Guangzhou		
Futures Company Limited	3,821	2,843
Rental income received/receivable from		
廣州東耀房地產開發有限公司	13,935	4,331
Rental income received/receivable from		
廣州市城建開發集團名特網絡發展有限公司	114	100
Rental income received/receivable from		
廣州悅停網絡科技有限公司	47	191
Rental income received/receivable from		
廣州鵬燁貿易有限公司	1,104	1,104
Rental income received/receivable from		
廣州友誼集團有限公司	7,663	32,328
Rental income received/receivable from Guangzhou		
Yuexiu Financial Technology CO.,Ltd.	614	1,147
Rental income received/receivable from		
Shanghai Yuexiu Finance Leasing Co., Ltd.	3,768	3,768
Rental income received/receivable from		
武漢越秀商業管理有限公司	10,843	1,954
Rental income received/receivable from		
武漢康景實業投資有限公司	33,295	20,096
Rental income received/receivable from		
廣州城建開發設計院有限公司	386	390
Rental income received/receivable from		
廣州越秀地產工程管理有限公司	4,749	2,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2019 RMB'000	2018 RMB'000
Rental income received/receivable from Guangzhou Grandcity Development Ltd	—	2,113
Rental income received/receivable from Guang Zheng	2,388	2,226
Rental income received/receivable from Suiqiao	595	595
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	560	527
Rental income received/receivable from Yue Xiu Consultants (Shenzhen) Co., Ltd.	1,339	523
Rental income received/receivable from 杭州越秀房地產開發有限公司	4,238	31
Rental income received/receivable from 杭州越榮房地產開發有限公司	626	5
Rental income received/receivable from 杭州盛寅房地產開發有限公司	486	4
Rental income received/receivable from 杭州豐勝房地產開發有限公司	1,079	9
Rental income received/receivable from 廣州市品秀房地產開發有限公司	189	—
Rental income received/receivable from Guangzhou Yue Xiu Enterprises Development Ltd	256	—
Rental income received/receivable from Guangzhou Yuexiu Business Operation Management Co.,Ltd	16	—
Rental income received/receivable from 廣州越秀星寓公寓管理有限公司	1,153	—
Rental income received/receivable from 廣州越秀資本投資管理有限公司	2,976	—
Rental income received/receivable from 廣州雋越房地產開發有限責任公司	186	—
Rental income received/receivable from Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd.	649	—
Naming right income received/receivables from GCCD	8,000	—
Interest income received/receivable from GCCD	18,852	21,698
Trustee fee paid/payable to Trustee	(10,481)	(10,710)
Valuation fee paid/payable to the Valuer	(948)	(1,439)

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2019 RMB'000	2018 RMB'000
Principal element of lease payments paid to 廣州越秀星寓公寓管理有限公司	(859)	—
Interest expense paid/payable to GCD (China)	—	(18,474)
Interest expense paid/payable to the HSBC Group	(24,683)	(22,158)
Interest income received/receivable from the HSBC Group	12	3
Interest expense paid/payable to the Chong Hing Bank	(10,858)	(14,662)
Interest income received/receivable from Chong Hing Bank	1,184	399

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction of 0.5% of the gross sale price of the disposal of any part of Deposited property comprising of Real Estate, as defined in the Trust Deed (Note 8).

(B) BALANCES WITH RELATED COMPANIES

	2019 RMB'000	2018 RMB'000
Amount due from GCCD (i)	228,082	238,915
Amount due to Yicheng	(5,004)	(6,456)
Amount due to Baima BM	(950)	(696)
Amount due to the Manager	(79,198)	(77,670)
Amount due to GZAM	(1,749)	(1,676)
Amount due to GCD (China)	(1,361)	(6,729)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(185,146)	(290,400)
Rental income receivables from related companies	13	5,711
Rental deposits from related companies (ii)	(65,632)	(51,897)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(B) BALANCES WITH RELATED COMPANIES (continued)**

An amount due from GCCD of approximately RMB218 million (2018: RMB 227 million) is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable. The remaining amount is unsecured, interest free and repayable on demand.

All other balances with related companies are unsecured, interest-free, repayable on demand and a reasonable approximation to their fair values.

All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB228 million (2018: RMB238 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million. To the extent that there are residual funds after settlement of all outstanding construction costs, GCCD will be required to refund the surplus cash to Tower Top after the settlement of such costs.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

(C) KEY MANAGEMENT COMPENSATION

There was no key management compensation for the year ended 31 December 2019 (2018: nil).

33 CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	23,238	21,832

34 FUTURE MINIMUM RENTAL RECEIVABLE

The future minimum rental receivable under non-cancellable operating leases are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	1,102,973	1,202,567
Between one year and five years	1,540,848	1,918,346
Over five years	102,305	133,985
	2,746,126	3,254,898

35 NET DEBT RECONCILIATION

	Cash and cash equivalents RMB'000	Other assets		Liabilities from financing activities		Total RMB'000
		Short term deposits RMB'000	Derivative financial instrument RMB'000	Borrowings - repayable within one year RMB'000	Borrowings - repayable after one year RMB'000	
Net debt as at 1 January 2018	1,303,904	26,702	(183,381)	(4,408,474)	(8,322,299)	(11,583,548)
Cash flows	154,851	(4,069)	6,725	—	—	157,507
Proceeds from new borrowings	—	—	—	—	(5,276,630)	(5,276,630)
Repayment of borrowings	—	—	—	500,000	4,183,244	4,683,244
Other non-cash movements	—	—	56,638	1,631,931	(2,183,500)	(494,931)
Net debt as at 31 December 2018	1,458,755	22,633	(120,018)	(2,276,543)	(11,599,185)	(12,514,358)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

35 NET DEBT RECONCILIATION (continued)

	Other assets			Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Short term deposits RMB'000	Lease liabilities RMB'000	Derivative financial instrument, Net RMB'000	Borrowings - repayable within one year RMB'000	Borrowings - repayable after one year RMB'000	
Net debt as at 1 January 2019	1,458,755	22,633	—	(120,018)	(2,276,543)	(11,599,185)	(12,514,358)
Cash flows	(139,745)	117	859	88,508	—	—	(50,261)
Acquisition - Lease	—	—	(29,931)	—	—	—	(29,931)
Proceeds from new borrowings	—	—	—	—	(623,830)	(3,830,629)	(4,454,459)
Repayment of borrowings	—	—	—	—	2,952,570	1,398,789	4,351,359
Other non-cash movements	—	—	(118)	73,636	(3,270,155)	2,996,584	(200,053)
Net debt as at 31 December 2019	1,319,010	22,750	(29,190)	42,126	(3,217,958)	(11,034,441)	(12,897,703)

36 SUBSEQUENT EVENT

The entire property portfolio of Yuexiu REIT is situated in the PRC, with one property located in Wuhan, which has been affected by the coronavirus outbreak in early 2020. To abide by its corporate social responsibility and to alleviate the operating pressure of tenants whose businesses are adversely affected by the outbreak, the Group will offer certain temporary rental concessions to tenants on a case-by-case basis. Based on the present circumstances, it is estimated that the rental concessions will result in a reduction in the Group's revenue on a cash basis of approximately RMB 90 million.

PERFORMANCE TABLE

AS AT 31 DECEMBER 2019

	2019	2018	2017	2016	2015
Net assets attributable to unitholders (RMB)	14,599,360,000	14,454,122,000	14,321,384,000	13,534,400,000	13,400,472,000
Net asset attributable to unitholders per unit (including net assets attributable to deferred unitholder) (RMB)	4.55	4.65	4.75	4.63	4.74
(Equivalent to HK\$)	5.08	5.41	5.68	5.18	5.66
The highest premium of the traded price to net asset value (HK\$)	0.55 ⁽ⁱ⁾	0.19 ⁽ⁱ⁾	N/A	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	0.13 ⁽ⁱ⁾	0.72 ⁽ⁱ⁾	1.60	1.36	1.79
Net yield per unit	5.9%	6.20% ⁽ⁱⁱ⁾	9.57%	6.83%	7.68%
Number of units in issue (units)	3,205,856,551	3,106,450,427	3,014,285,896	2,921,780,484	2,828,887,374

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.63 (2018: HK\$5.6) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2019. The highest discount is calculated based on the lowest traded price of HK\$4.95 (2018: HK\$4.69) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2019.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2019 over the closing price of HK\$5.28 (2018: HK\$5.02) as at 31 December 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of Yuexiu REIT for the last five financial years is set out below

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Results					
Profit after tax before transactions with Unitholders	940,408	966,519	1,437,095	712,144	740,683
	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets and Liabilities					
Total assets	36,425,456	35,835,066	35,335,724	30,621,275	29,335,052
Total Liabilities, other than net assets attributable to Unitholders	20,620,701	20,239,132	19,926,920	16,986,891	15,841,936
Net assets attributable to Unitholders	14,599,360	14,454,122	14,321,384	13,534,400	13,400,472

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

EXECUTIVE DIRECTORS

Mr. Lin Deliang (*Chairman*)

Mr. Cheng Jiuzhou

NON-EXECUTIVE DIRECTOR

Mr. Li Feng

Mr. Liang Danqing

INDEPENDENT NON-EXECUTIVE DIRECTORS & AUDIT COMMITTEE MEMBERS

Mr. Chan Chi On, Derek

Mr. Chan Chi Fai, Brian

Mr. Cheung Yuk Tong

Mr. Chen Xiaoou

RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Lin Deliang

Mr. Cheng Jiuzhou

Ms. Ou Haijing

Mr. Kwan Chi Fai

COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr. Kwan Chi Fai

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

HONG KONG LEGAL ADVISER

Baker & McKenzie

CORPORATE AND INVESTOR RELATIONS INFORMATION**PRINCIPAL BANKERS OF YUEXIU REIT**

Bank of China (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>
<http://www.hkex.com.hk>

REGISTERED OFFICE OF THE MANAGER

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

UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
54/F, Hopewell Centre
183 Queen's Road East, Hong Kong

LISTING EXCHANGE

UNITS:
The Stock Exchange of Hong Kong Limited-00405

BOND:
The Stock Exchange of Hong Kong Limited
US\$400,000,000 4.75 per cent. Notes due 2021
(Stock code: 04477)

INVESTOR RELATIONS

For further information about
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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

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Manager



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