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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

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

(Stock code: 405)

Managed by

越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors ("Board") of Yuexiu REIT Asset Management Limited ("Manager") is pleased to announce the audited consolidated results of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries for the year ended 31 December 2012 ("Reporting Year") together with comparative figures for the corresponding period in 2011 are as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2012 together with comparative figures for the corresponding period in 2011:

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

	Financial Year ended 31 December 2012	**Financial Year ended 31 December 2011**	**Percentage increase/ (decrease)**
Gross income (Note a)	**712,201,000**	522,286,000	36.4%
Net property income	**507,307,000**	410,289,000	23.6%
Profit after tax	**687,802,000**	1,337,275,000	(48.6)%
Earnings per unit ("Unit") - Basic	**0.48**	1.255	(61.8)%
Portfolio valuation	**22,326,000,000**	6,471,000,000	245.0%
Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit	**4.57**	4.78	(4.4)%
Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit - Equivalent to HK$	**5.63**	5.90	(4.6)%
Units issued	**2,743,209,741 units**	1,065,972,687 units	157.3%
Total borrowings as a percentage of gross assets (Note b)	**33.6%**	27%	7 percentage points
Gross liabilities as a percentage of gross assets (Note c)	**49%**	31%	18 percentage points

Distribution			
Total distribution (including additional items)	**403,443,000**	231,421,000	74.3%
Distribution per Unit (HK$)	**0.2649**	0.2647	0.1%

Note a: *Revenue of GZIFC was recorded since 9 October 2012.*

Note b: *Calculation of Total borrowings based on bank loan, excluding capitalization of debt-related expenses.*

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

DISTRIBUTION

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. According to the offering circular ("OC") issued to Unitholders dated 30 June 2012, the Manager has intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item for the financial year ended from 31 December 2012 to 31 December 2016.

The final distribution to the Unitholders for the period from 1 July 2012 to 31 December 2012 ("2012 Final Period") will be approximately RMB0.1037 which is equivalent to HK$0.1282 (2011: approximately RMB0.1062 which is equivalent to HK$0.1308) per Unit. Such final distribution per Unit, however, is subject to adjustment upon the issuance of new units between 1 January 2013 and the record date. Further announcement will be made to inform Unitholders of the final Distribution per Unit for the six months ended 31 December 2012.

The final distribution, including the Additional Items mentioned in the offering circular dated 30 June 2012, together with the interim distribution of Yuexiu REIT for the six-month period 1 January 2012 and 30 June 2012 ("2012 Interim Period") is approximately RMB0.1114 which is equivalent to HK$0.1367 (2011 : approximately RMB0.1109 which is equivalent to HK$0.1339) per Unit, represented distribution to each Unitholder for the Reporting Year (excluding Special Distribution) is approximately RMB0.2151 (which is equivalent to HK$0.2649) (2011: RMB0.2171 which is equivalent to HK$0.2647). Moreover, Yuexiu REIT distributed a Special Distribution to Unitholders on 6 November 2012, Yue Xiu Property Company Limited ("YXP") and its related parties had agreed to waive their rights to receive their pro-rata portion of the Special Distribtuion. The Special Distribution per Unit was HK$0.0780.

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the rental income of its Properties. It has been distributing no less than 100% of Distribution for 7 consecutive years after listing in 2005.

The Manager confirms that the distribution amount (not including Special Distribution of the Reporting Year) is composed of profit/loss after tax before transactions with the Unitholders and additional items. The additional items of RMB403,443,000, includes certain profit elements in the capital nature of Yuexiu REIT. The amount of capital nature items is RMB358,160,000.

The 2012 distribution per Unit is approximately RMB0.2151 which is higher than either the profit forecast result, amounted to RMB0.2017, mentioned in the offering circular dated 30 June 2012 or the profit forecast result, amounted to RMB0.2063, mentioned in the announcement dated 27 September 2012.

The Manager has calculated the Total Distributable Income based on Yuexiu REIT's consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the consolidated statement of comprehensive income for the relevant year or period. At the same time, the additional distribution is adjusted which is suggested in the distribution policy of offering circular dated 30 June 2012.

Distribution payable to the Unitholders will be paid in Hong Kong dollar. The exchange rate adopted by the Manager is the average closing exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distributions.

Distribution Yield

Distribution per Unit ("DPU") (not including special distribution) for the Reporting Year is approximately HK$0.2649 (2011: HK$0.2647) which represents a yield of approximately 7.2% (2011: 7.72%) per Unit based on the closing price of HK$3.68 per Unit as at 31 December 2012 (2011: HK$3.43).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 16 April 2013. The register of Unitholders will be closed from 17 April 2013 to 19 April 2013, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, on 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 16 April 2013. The 2012 final distribution will be paid on 14 May 2013, to the Unitholders whose names appear on the register of Unitholders on 16 April 2013.

2012 BUSINESS REVIEW AND FUTURE PROSPECTS

BUSINESS REVIEW

Achieved Breakthrough in Acquisition, Stable Growth in Operating Results

The acquisition of Guangzhou International Finance Centre "GZIFC" has been completed in 2012. The Transaction has a significant impact to the Yuexiu REIT since its listing in 2005, which allows Yuexiu REIT stepping into another milestone. Post-Acquisition of GZIFC, the assets size of Yuexiu REIT has rapidly enlarged, it increased from RMB7.4 billion to RMB24.9 billion as at 31 December, 2012, increased by 235%, become one of the top rankers among Asian REITs. The Transaction strengthened the REIT's asset types and portfolios, adding new business elements including Hotel and Serviced Apartment, reducing heavy reliance on wholesale portfolios and making the sources of revenues more diversified. After the Transaction, the number of REIT's unit increased from 1,070 million to 2,740 million. The REIT's market value expanded from approximately HK$3.7 billion at year end of 2011 to approximately HK$10.1 billion at year end of 2012, increased by 173%. The REIT's units trading became more buoyant and active, its daily trading volume increased from almost 1,360,000 units in 2011 to almost 5,190,000 units, the REIT has successfully attracted more long-term and large-scale institutional investors, such as People's Insurance Company of China (PICC) etc.

Last year, China's macro-economy experienced a slow to stable trend. Yuexiu REIT continued to implement proactive leasing and asset management strategies in leaps and bounds and continuously achieved good performance. Especially after the acquisition of GZIFC, the occupancy rate of office has increased steadily. Hotel and Serviced Apartment are operated in a steadily growing track, which further enhanced the competitiveness of the Property. It provides a solid base for the growth of future rental income and long-term development of Yuexiu REIT.

Properties Portfolio and Valuation

As at 31 December 2012, Yuexiu REIT's properties portfolio ("Properties") consisted of six 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"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis") and GZIFC. The aggregate area of ownership was approximately 680,971.1 sq.m., total rentable area was 441,297.9 sq.m. achieved an increase of 205% and 109% respectively in the aggregate area of ownership of approximately 223,614.3 sq.m and total rentable area of approximately 211,031.1 sq.m. before the acquisition. (excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis; 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 other ancillary facilities area of GZIFC, the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

Particulars of the properties:

Rental Properties	Type	Location	Year of Completion	Area of Ownership *(sq.m.)*	Total Rentable Area *(sq.m.)*	Property Occupancy Rate [1]	Unit Rent[1] *(RMB/sq.m.)*
White Horse Building	Wholesale	Yuexiu District	1990	50,199.3	50,128.9	100.00%	531
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.18%	132
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	97.09%	112
Victory Plaza	Retail shopping mall	Tianhe District	2003	27,698.1	27,262.3	95.87%	173
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3[2]	98.85%[2]	95
GZIFC	Commercial complex	Tianhe District	2010	457,356.8	230,266.8	75.63%	193
In which:	Grade A office			267,804.4	183,539.5[3]	70.18%	215
	Retails			46,989.2	46,727.3	97.03%	131
	Hotel			91,460.9	N/A	N/A	N/A
	Apartment			51,102.3	N/A	N/A	N/A
Total				680,971.1	441,297.9	86.54%	211

Note:

(1) As at 31 December 2012;

(2) Excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area;

(3) Excluding 76,512.3 square metre of parking space.

Segment of the properties:

Rental Property	Area of Ownership *(sq.m.)*	Lettable Area *(sq.m.)*	Occupancy Rate [1]	Unit Rent [1] *(RMB/sq.m.)*	Operating Income[1]
Office	413,521.3	317,179.4 [2]	82.07% [2]	163	247,966
Retails	74,687.3	73,989.5	96.60%	146	78,902
Wholesale	50,199.3	50,128.9	100.0%	531	316,356

Note:

(1) As at 31 December 2012 or for the year ended 31 December 2012;

(2) Excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, and 76,512.3 sq.m. of parking space in GZIFC.

Operational Property	Type	Commencement of operation	GFA	Number of Units	Average Occupancy Rate [(1)]
			(sq.m.)	*(units)*	
Four Seasons Hotel Guangzhou	Five-star hotel	August 2012	91,460.9	344	36.0%
Ascott Serviced Apartments	High-end serviced apartments	September 2012	51,102.3	314	6.9%

Note:

(1) From commencement of operation to 31 December 2012;

(2) Both the hotel and service apartments are entrusted operation.

Property Valuation

According to a revaluation performed by an independent professional valuer, Savills Valuation and Professional Services Limited ("Savills") on the portfolio of properties of Yuexiu REIT, the revalued market valuation as at 31 December 2012 was approximately RMB22.326 billion, representing an increase of RMB15.855 billion or 245.0% over the valuation as at 31 December 2011. The net asset value per Unit was RMB4.57, representing a decrease of 4.4% over the net asset value per Unit as at 31 December 2011.

The following table summarizes the valuation of each of the properties as 31 December 2012 and 31 December 2011:

Name of Property	Valuation as at 31 December 2012	Valuation as at 31 December 2011	Increase/(Decrease)
	RMB million	*RMB million*	
White Horse Building	3,855.0	3,651.0	5.6%
Fortune Plaza	780.0	749.5	4.1%
City Development Plaza	648.0	612.0	5.9%
Victory Plaza	782.0	747.0	4.7%
Neo Metropolis	749.0	711.5	5.3%
GZIFC	15,512.0	—[(1)]	N/A%
Total	22,326.0	6,471.0	245.0%

Note:

(1) According to offering circular, the valuation of GZIFC was RMB15,370,000,000 as at 31 March 2012.

Occupancy rate remained at high level

As at 31 December 2012, the overall occupancy rate of the properties was approximately 86.54% (the occupancy rate of the original five properties was 98.45%), representing a slight decrease of 0.8% as compared to 99.25% for the same period last year, which illustrated that the occupancy rate was staying at a high level. The overall occupancy rate of the newly acquired property GZIFC was 75.63%, in which the occupancy rates of offices and shopping mall were 70.18% and 97.03%, respectively.

The following table sets out a comparison of occupancy rates in respect of the properties between this reporting period and the same period of the previous year:

Name of Property	Occupancy rate as at 31 December 2012	Occupancy rate as at 31 December 2011	Percentage increase compared to 31 December 2011
White Horse Building	100.00%	100.00%	0.00%
Fortune Plaza	99.18%	99.05%	0.13%
City Development Plaza	97.09%	98.61%	-1.52%
Victory Plaza	95.87%	99.96%	-4.09%
Neo Metropolis	98.85%	98.81%	0.04%
Subtotal of the original properties	98.45%	99.25%	-0.80%
GZIFC offices	70.18%	N/A	N/A
GZIFC Retail	97.03%	N/A	N/A
Total	86.54%	N/A	N/A

Lease Expiry of the Properties

In respect of the rentable area in the next five years, ratios of lease expiry of Yuexiu REIT Properties each year will be 13.9%, 28.5%, 23.2%, 10.7% and 23.7% respectively. In respect of basic monthly rentals , ratio of lease expiry each year will be 15.8%, 28.3%, 30.5%, 8.3% and 17.1% respectively.

Lease Expiry of the Properties

Yuexiu REIT Properties

Year	By Rental Area	By Rental Income
FY2013	13.9%	15.8%
FY2014	28.5%	28.3%
FY2015	23.2%	30.5%
FY2016	10.7%	8.3%
FY2017 and beyond	23.7%	17.1%
Total	100.0%	100.0%

White Horse Building

Year	By Rental Area	By Rental Income
FY2013	17.0%	23.3%
FY2014	49.9%	36.5%
FY2015	33.1%	40.2%
Total	100.0%	100.0%

Fortune Plaza

Year	By Rental Area	By Rental Income
FY2013	11.5%	10.8%
FY2014	23.4%	23.5%
FY2015	29.8%	30.0%
FY2016	0.5%	2.0%
FY2017 and beyond	34.8%	33.7%
Total	100.0%	100.0%

Lease Expiry of the Properties (continued)

City Development Plaza

Year	By Rental Area	By Rental Income
FY2013	19.2%	17.8%
FY2014	9.9%	16.0%
FY2015	25.5%	22.4%
FY2016	19.1%	9.1%
FY2017 and beyond	26.3%	34.7%
Total	100.0%	100.0%

Victory Plaza

Year	By Rental Area	By Rental Income
FY2013	6.2%	11.8%
FY2014	63.3%	52.8%
FY2015	1.4%	1.5%
FY2016	2.8%	9.9%
FY2017 and beyond	26.3%	24.0%
Total	100.0%	100.0%

Neo Metropolis

Year	By Rental Area	By Rental Income
FY2013	40.8%	36.7%
FY2014	18.5%	17.8%
FY2015	20.1%	19.6%
FY2016	19.7%	25.1%
FY2017 and beyond	0.9%	0.8%
Total	100.0%	100.0%

Lease Expiry of the Properties (continued)

GZIFC

Year	Overall (including office and retail) Rental Area	Overall (including office and retail) Rental Income	Office Rental Area	Office Rental Income	Retail Rental Area	Retail Rental Income
FY2013	5.90%	6.7%	5.9%	6.8%	5.9%	6.8%
FY2014	25.50%	27.4%	34.4%	33.2%	0.00%	0.00%
FY2015	22.30%	27.2%	29.7%	32.8%	1.5%	0.7%
FY2016	12.80%	12.7%	17.3%	15.4%	0.00%	0.00%
FY2017 and beyond	33.50%	26.0%	12.7%	11.1%	92.6%	92.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue Continued to Increase

In 2012, the properties of Yuexiu REIT recorded total revenue of approximately RMB0.712 billion, representing an increase of 36.4% compared to that of the same period of the previous year. Of which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis and GZIFC accounted for approximately 44.4%, 8.9%, 7.4%, 8.0%, 7.3% and 24.0%, 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 2012 *RMB million*	Revenue in 2011 *RMB million*	Increase/ (Decrease) in revenue compared to 2011 *RMB million*	Increase/ (Decrease) %
White Horse Building	316.4	306.5	9.9	3.2%
Fortune Plaza	63.6	60.3	3.3	5.5%
City Development Plaza	52.4	49.6	2.8	5.6%
Victory Plaza	57.0	52.6	4.4	8.4%
Neo Metropolis	51.9	53.3	(1.4)	(2.6)%
Subtotal of the original properties	541.3	522.3	19.0	3.6%
GZIFC	170.9[1]	—	170.9	N/A
Total	712.2	522.3	189.9	36.4%

Note:

(1) The revenue of GZIFC was recorded since 9 October 2012.

The following table sets out a comparison of net property income ("NPI") in respect of the properties between the reporting period and the same period of previous year:

Name of Property	Net Property Income in 2012 *RMB (million)*	Net Property Income in 2011 *RMB (million)*	Increase/(Decrease) in NPI compared to 2011 *RMB (million)*	Increase/(Decrease) *%*
White Horse Buildings	249.4	242.3	7.1	2.9%
Fortune Plaza	49.2	46.8	2.4	5.1%
City Development Plaza	40.4	38.5	1.9	4.9%
Victory Plaza	44.6	41.1	3.5	8.5%
Neo Metropolis	40.1	41.6	(1.5)	(3.6)%
Subtotal of the original properties	423.7	410.3	13.4	3.3%
GZIFC	83.6[(1)]	—	83.6	N/A
Total	507.3	410.3	97.0	23.6%

Note

(1) The NPI of GZIFC was recorded since 9 October 2012.

White Horse Building - Built up a superior trading platform by expanding trading channels, improving management control and commercial environment

White Horse Building continued to create and maintain the impact of the influential White Horse brand projects by holding "Clothing Procurement Fair" and "Nationwide Circuit Show". Major efforts were dedicated to organize various industry events such as "2012 Guangzhou International Fashion Festival" and "Xinjiang Fashion Festival", receiving high repute in the industry and commendations from tenants and effectively strengthened its dominant position in the industry. The Manager vigorously promoted meticulous management by introducing "Brand Entry Review" and "Customer Classification" management systems to further optimize allocation of customer resources and effectually release the value potential of White Horse Building. The Manager carried out the assets enhancement program steadily and improved the business environment gradually with a view to create favorable conditions for future growth.

Fortune Plaza and City Development Plaza - Defused the risk of concentrated expiring leases and optimized tenants mix

In response to two cases involving removal of tenants upon expiry of leases occupying large areas, the Manager made advanced planning and adopted effective merchant solicitation strategies, as a result, famous enterprises such as AEON, Publicis Advertising Co., Ltd., and General Mills located their regional headquarters in these properties, which contributed to the stability of revenue. Meanwhile, the Manager further increased the rent level and significantly enhanced the lease value of the properties through strengthening bargaining power with merchants and improving the premises' delivery standards.

Victory Plaza - Seeking a share in the growing value of the business area by strengthening joint promotions and identifying the optimization direction

In 2012, Victory Plaza focused on integrated marketing. It cooperated with Guangzhou Book Center (廣州購書中心) to organize a series of specialized marketing activities such as the "Good Voice (好聲音)" and "Animated Cartoon Festival", and opened an entrance on the north side of Guangzhou Book Center and attracted well-known retail chain brands, as a result, customer flow and sales amount were effectively increased. The merchants of quality brands in various industries were actively expanding in this business area, which brought great opportunities for the Manger to reserve premium-brand merchants in advance based on the appropriateness of matching projects, brand interactions, feasibility of operation and stability of revenue, so that shopping mall will be well-positioned for gradual adjustment and commercial value enhancement in future.

Neo Metropolis - Continued to strengthen lease management and steadily increased the leasing value of property

Neo Metropolis persisted in maintaining its operation position by focusing on retail and information service enterprises. It developed differentiated merchant solicitation strategies and carried out all tenancy matters in an orderly manner. The Manager continued to strengthen lease value management over maturing leases, took full advantage of the opportunities from expiring individual leases to attract quality clients conforming to its positioning, improved mix of tenants continuously, the rents of both new leases and renewal contracts increased notably.

Guangzhou International Finance Center - Striving to create an urban business benchmark

Guangzhou International Finance Center has fully leveraged on its enormouos influence as a city landmark, it implemented an integrated operation of "merchant solicitation planning, tenancy management and customer management" in the leasing of offices by collaborating with major agencies, expanding channel resources, seizing market opportunities, securing and tracking major tenants in the leasing market. The comprehensive competitiveness of this project has been enhanced by relying on optimized hardware, well-established supporting facilities, improved services and image enhancement. Both of its occupancy rate and average rental income achieved stable growth through directional referrals, flexible combination in leasing strategies and definitely enhancing the rate of successful merchant solicitations. Up to the end of 2012, office average rent was RMB215 per sq.m. per month. It is the highest rent of Grade A office in Guangzhou.

Guangzhou Four Seasons Hotel and Ascott Serviced Apartments are entrusted to the world-renowned luxury hotel operator, Four Seasons Hotels Group and the world's largest high-end serviced apartments operators, Accor Ascott Limited for operation. They quickly went into normal operation after their opening. The Manager, in view of focussing on new high-end hotel/apartment sectors, has formed professional teams and established an intensive and regular cooperation mechanism with the management of Guangzhou Four Seasons Hotel and Ascott Serviced Apartments. Up to the end of 2012, Guangzhou Four Seasons Hotel mainly targeted on first-class business customers with an average room rate per day of RMB1,861.0. Ascott Serviced Apartments mainly targeted on chief executives from consulates and multinational enterprises as core tenants with an average rental at RMB190.8 per sq.m. per month. In general, the hotel and serviced apartments operations during the first year have been better than expected.

Pursuing active progress in asset enhancement projects, maintaining and enhancing property values

In 2012, various asset enhancement works have been funded and completed by owners, including the renovation work of installing an additional air conditioner and upgrading two passenger elevators at White Horse Building; the capacity expansion work for the dual circuits at the podium of Yue Xiu Neo Metropolis Plaza; the decoration and renovation work at the common area of City Development Plaza; the refurbishment work at the common area of Fortune Plaza; the refitting work for exterior-wall lighting at Fortune Plaza; and the access road connection work between Victory Plaza and Book Centre, which have effectively improved the security level, business environment and competiveness of the properties.

In 2013, the Manager will focus on implementing the decoration and renovation work at the common area and the replacement of fan coil units on level 2 of White Horse Building, the renovation work of installing an additional air conditioner at Fortune Plaza as well as the renovation work of installing additional low-voltage switchgear under-voltage delay devices, upgrading fire safety for the generator room and the oil depot, addition of video surveillance system to car park at Guangzhou International Finance Center.

Seizing opportunities, creating breakthrough

In 2012, faced with the complex market environment, the Manager completed the transaction of Guangzhou International Finance Center on 8 October through careful planning and robust actions. During the transaction process, the Manager by acting in the interest of all Unitholders as its standard, complying with market rules, exercising professional asset management capabilities, a breakthrough was achieved in terms of REIT investment and acquisition. The Manager will continue seeking for appropriate investment opportunities both internally and externally. Apart from exploring market opportunities in domestic first-tier cities, the Manager will continue to study the commercial real estate projects held by Yuexiu Property to enhance the long-term benefits of the Unitholders.

FINANCIAL REVIEW

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2011. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2012 *RMB'000*	2011 *RMB'000*	% of Increase/ (Decrease)
Gross income	712,201	522,286	36.4%
Hotel and serviced apartments direct expenses	(61,129)	—	N/A
Leasing agents fee	(20,569)	(17,828)	15.4%
Property related taxes (Note 1)	(120,375)	(92,407)	30.3%
Other property expenses (Note 2)	(2,821)	(1,762)	60.1%
Total property operating expenses	(204,894)	(111,997)	82.9%
Net property income	507,307	410,289	23.6%
Withholding tax	(50,187)	(47,060)	6.6%
Depreciation and amortization	(35,151)	(803)	4,277.5%
Manager fees	(49,756)	(34,414)	44.6%
Trustee fees	(3,453)	(2,213)	56.0%
Other trust expenses (Note 3)	(5,054)	(17,396)	(70.9)%
Total non-property expenses	(143,601)	(101,886)	40.9%
Net profit before finance costs, interest income and income tax	363,706	308,403	17.9%
Interest income	53,752	90,688	(40.7)%
Finance cost	(163,827)	(54,360)	201.4%
Net profit before income tax	253,631	344,731	(26.4)%
Income tax expenses	(50,400)	(33,862)	48.8%
Net profit after income tax before fair value gain on investment properties	203,231	310,869	(34.6)%
Fair value gain on investment properties	390,518	1,026,406	(62.0)%
Other income in relation to the acquisition of a subsidiary, net	94,053	—	N/A
Net profit after income tax before transactions with Unitholders	687,802	1,337,275	(48.6)%

Note 1 Property related tax includes urban real estate tax, land use right tax, business tax, flood prevention fee, urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties.

Note 2 Other property expenses included management fee for service providers of hotel and serviced apartments valuation fee, insurance premium, depreciation and bank charges incurred at the level of the Properties.

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

Gross income and net property income during the Reporting Year were approximately RMB712.201 million (2011: RMB522.286 million) and RMB507.307 million (2011: RMB410.289 million) respectively, which represented an increase of 36.4% and 23.6% respectively while comparing with 2011.

Gross income included income from office, wholesales and retails and hotel and serviced apartments. Gross income is analyzed from the following table.

(RMB'000)	**2012**	**2011**
Office	247,966	163,131
Wholesales	316,356	306,515
Retails	78,902	52,640
Hotel and serviced apartments	68,977	—
Total	712,201	522,286

Net property income amounted to approximately RMB507.307 million (2011: RMB410.289 million), representing approximately 71.2% of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property operating expenses.

(RMB'000)	**2012**	**2011**
Office	193,901	126,908
Wholesales	249,424	242,280
Retails	62,598	41,101
Hotel and serviced apartments	1,384	—
Total	507,307	410,289

Hotel and serviced apartments direct expenses were approximately RMB61,129,000. It was mainly the operation cost incurred by hotel and serviced apartments after acquiring GZIFC.

Leasing agent fee increased by approximately 15.4% as compared with 2011. It was mainly because of a leasing agents' fee of 3% of the gross annual rental for the office portion of GZIFC was charged due to tenancy services to the tenants of office portion was provided.

Property related tax increased by approximately 30.3% as compared with 2011. It was mainly because of an increase of rental income from new acquisition project, GZIFC.

An increase of depreciation and amortization charge was due to hotel and serviced apartment of GZIFC was booked as fixed assets.

Overall, the Manager fee increased by approximately 44.6% as a result of the increase in total assets and net property income. The Trustee fee increased by approximately 56.0% as a result of the increase in total assets. Calculation of the Manager Fee and Trustee Fee by virtue of increased asset value as a result of acquisition of the GZIFC Project was based on the proportion of days after completion of transaction of the Project.

Due to the depreciation of Hong Kong dollar against Renminbi at the end of the Reporting Year, an exchange gain of RMB18,255,000 was added to the financial income.

Due to the increase of loan amount from RMB1,978,169,000 to 8,357,636,000 and an increase of the effective interest rate for the Reporting Year, the financial cost was approximately RMB163,827,000 (2011: RMB54,360,000), increased by 201.4%.

Profit after tax before transactions with Unitholders amounted to approximately RMB687,802,000 (2011: RMB1,337,275,000), which represented 48.6% decrease, mainly due to the fair value gain on properties valuation for the Reporting Year being approximately RMB390,518,000, far lower than the amount of approximately RMB1,026,406,000 recorded for the same period of last year.

The income of GZIFC Project was recorded under the name of Yuexiu REIT only after 8 October 2012 when the transaction was completed, while the forecasted figures in the circular was calculated from 1 July 2012. Therefore, the total revenue and the various costs were less than those in the circular. As the fair value gain of the investment properties is more than those in the circular and other income in relation to the acquisition of a subsidiary, net was positive, the profit after tax and before transaction with the Unitholders and of non-controlling interest increased by 267.5% as compared with those in the circular.

Below is a summary of comparison between 2012 income statement of Yuexiu REIT and the profit forecast as at 30 June 2012 in the circular:

	Actual	**Forecast**	**Change %**
	RMB ('000)	*RMB ('000)*	*+/ (-)*
Gross income	712,201	868,174	(18.0)%
Net property income	507,307	582,888	(13.0)%
Total non-property expenses	(143,601)	(288,884)	(50.3)%
Net profit before finance costs, interest income and income tax	363,706	294,004	23.7%
Finance expenses, net	(163,827)	(202,170)	(19.0)%
Income tax expenses	(50,400)	(54,616)	(7.7)%
Fair value gain on investment properties	390,518	149,960	160.4%
Other income in relation to the acquisition of a subsidiary, net	94,053	—	N/A
Net profit after income tax before transactions with Unitholders	687,802	187,178	267.5%

Net Asset Value

The net assets (including net assets attributable to deferred unitholder) attributable to the existing Unitholders per unit as at 31 December 2012 was approximately RMB4.57 (2011: RMB4.78), which represented a decrease of approximately 4.4%.

New Units Issued and Unit Activity

In respect of the acquisition of GZIFC, Yuexiu REIT newly issued 1,677,237,054 units on Oct 8 2012 and 19 November 2012 respectively, including 1,092,645,000 units were issued to independent third parties and 584,592,054 units were issued to Yue Xiu Property Company Ltd or its relating parties, representing part of the acquisition cost of GZIFC. As at 31 December 2012, a total of 2,743,209,741 Units were issued by Yuexiu REIT.

The Unit price the Yuexiu REIT reached a high of HK$4.20 and a low of HK$3.36 during the Reporting Year. The average trading volume amounted to approximately 5,185,811 Units per day during the Reporting Year. (2011: 1,356,029 Units)

The closing price of the Units as at 31 December 2012 was HK$3.68, represented a discount of approximately 34.6% as compared to the net assets (including net assets attributable to deferred unitholder) attributable to Unitholders per Unit as at 31 December 2012.

CAPITAL STRUCTURE

On 26 September 2011, Yuexiu REIT had, through its SPV's entered into another facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK$2.502 billion. The new loan was fully drawn down on 17 October 2011. The fund of the new loan facility was used primarily for refinancing the existing banking facility of HK$2.1 billion, and financing the fee and expenses incurred by Yuexiu REIT in connection with the new loan facility and/or the general working capital requirement.

On 8 October 2012, Yuexiu REIT entered into a loan agreement with certain borrowing banks through its special purpose company for a three-year floating rate term loan in the amount of HK$2,980,000,000 to pay part of the cost for the acquisition of the GZIFC and part of the bank loan, amounted to HK$380,000,000 had already been repaid on 10 December 2012. Due to the acquisition of GZIFC, the secured loan of approximately RMB4,500,000,000 was transferred under the name of Yuexiu REIT and part of the bank loan, amounted to RMB250,000,000, had already been repaid on 30 December 2012.

As at 31 December 2012, total borrowings of Yuexiu REIT amounted to approximately RMB8.358 billion (calculation of total borrowings based on bank loan, excluding capitalization of debt-related expenses), representing approximately 33.6% of total assets of Yuexiu REIT.

The abovesaid gearing ratios were below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 31 December 2012, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB12.267 billion, representing approximately 49% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposit of Yuexiu REIT as at 31 December 2012 amounted to approximately RMB899.021million. 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.

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

On 8 October 2012, Yuexiu REIT acquired GZIFC at a consideration of approximately RMB8,850,000,000. The total GFA of GZIFC is approximately 457,356.8 sq.m.. For details please refer to the circular dated 30 June of 2012 and the announcements dated 27 September 2012, 8 October 2012 and 19 November 2012 respectively.

REAL ESTATE AGENTS ENGAGED BY Yuexiu REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yicheng Property Management Ltd ("Yicheng"), Guangzhou White Horse Property Management Co., Ltd ("White Horse PM") and Guangzhou Yue Xiu Asset Management Company Limited ("GZYXAM") (collectively, "Leasing Agents") to provide designated leasing, marketing, tenancy management and property management services to the Properties.

During the Reporting Year, Yuexiu REIT paid service fees to Yicheng, White Horse PM and GZYXAM in the amounts of RMB8.956 million, RMB9.491 million and RMB2.122 million 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 2012, Yuexiu REIT employed 692 and 106 employees in China for hotel operation through its branch companies and for serviced apartment operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service of hotel and serviced apartments.

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

REVIEW OF FINANCIAL RESULTS

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

CORPORATE GOVERNANCE

The Manager has adopted an overall corporate governance framework that is designed to promote the operation of Yuexiu REIT in a transparent manner with internal audit and controls to evaluate the performance of the Manager and consequently, 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 2013.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 15 May 2013. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		RMB'000	RMB'000
Revenue	5	**712,201**	522,286
Operating expenses	6	**(348,495)**	(213,883)
Fair value gain on investment properties	15	**390,518**	1,026,406
Finance income	9	**53,752**	90,688
Finance cost	10	**(163,827)**	(54,360)
Other income in relation to the acquisition of a subsidiary, net	28	**94,053**	—
Profit before income tax and transactions with unitholders		**738,202**	1,371,137
Income tax expense	11	**(50,400)**	(33,862)
Profit after income tax before transactions with unitholders		**687,802**	1,337,275
Transactions with unitholders	27	**(692,312)**	(1,337,275)
Loss after income tax after transactions with unitholders		**(4,510)**	—
Other comprehensive income for the year :			
Change in fair value of property, plant and equipment, net of tax			
– Gross		**8,139**	—
– Tax		**(1,896)**	—
Other comprehensive income for the year, net of tax		**6,243**	—
Total comprehensive income for the year		**1,733**	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to				
	Unitholders before transactions with unitholders	**Transactions with unitholders (Note 27)**	**Unitholders after transactions with unitholders**	**Non-controlling interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year ended 31 December 2011	1,337,275	(1,337,275)	—	—	—
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year ended 31 December 2011	1,337,275	(1,337,275)	—	—	—
Profit/ (loss) for the year ended 31 December 2012	686,473	(692,312)	(5,839)	1,329	(4,510)
Other comprehensive income:					
Change in fair value of property, plant and equipment, net of tax	5,839	—	5,839	404	6,243
Total comprehensive income for the year ended 31 December 2012	692,312	(692,312)	—	1,733	1,733

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 27.

(ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, is presented in Note 12.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012	2011
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	13	**2,287,311**	10
Land use rights	14	**1,675,679**	–
Investment properties	15	**18,264,000**	6,471,000
Deferred assets	17	**116,497**	39,104
Goodwill	18	**160,324**	160,324
Top-up payment asset, non-current portion	19	**232,448**	–
		22,736,259	6,670,438
Current assets			
Inventories		**3,971**	–
Trade receivables	20	**11,291**	–
Amounts due from related parties	30	**987,679**	–
Tax recoverable		**1,935**	2,248
Prepayments, deposits and other receivables	21	**24,756**	6,831
Top-up payment asset, current portion	19	**209,200**	–
Short-term bank deposits	22	**125,000**	175,111
Cash and cash equivalents	22	**774,021**	520,650
		2,137,853	704,840
Total assets		**24,874,112**	7,375,278
Current liabilities			
Trade payables	24	**8,677**	–
Rental deposits, current portion	25	**73,289**	54,055
Receipts in advance	25	**24,839**	7,986
Accruals and other payables	25	**1,408,820**	44,944
Amounts due to related parties	30	**46,290**	22,179
Bank borrowings, secured	26	**300,000**	–
		1,861,915	129,164
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	25	**121,431**	72,576
Bank borrowings, secured	26	**8,057,636**	1,978,169
Deferred tax liabilities	23	**2,226,428**	100,105
		10,405,495	2,150,850
Total liabilities, other than net assets attributable to unitholders		**12,267,410**	2,280,014
Net assets attributable to unitholders	27	**12,524,083**	5,095,264
Total liabilities		**24,791,493**	7,375,278
Net assets		**82,619**	–

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012	2011
		RMB'000	RMB'000
Equity			
Revaluation reserve		**5,839**	–
Retained earnings		**(5,839)**	–
		–	–
Non-controlling interests		**82,619**	–
Total equity		**82,619**	–
Net current assets		**275,938**	575,676
Total assets less current liabilities		**23,012,197**	7,246,114
Units in issue ('000)	27	**2,743,210**	1,065,973
Net assets (including net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)		**RMB4.57**	RMB4.78
Net assets (excluding net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)		**RMB3.79**	RMB4.78

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012 RMB'000**	2011 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		**686,473**	1,337,275
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		**(390,518)**	(1,026,406)
– Deferred taxation in respect of fair value gain on investment property charged to the consolidated statement of comprehensive income		**28,522**	18,687
– Different depreciation and amortisation charge on investment properties, property and equipment and land use rights under China Accounting Standards ("CAS")		**(33,206)**	(10,230)
– Foreign exchange gain on financing activities		**(18,255)**	(87,905)
– Excess of the fair value of net liabilities of a subsidiary acquired over acquisition cost	28	**(290,477)**	—
Total distributable income		**(17,461)**	231,421
Additional items (ii)			
– Cash received and/or receivable according to the Deed of Top-up Payments		**129,700**	—
– Different depreciation and amortisation charge on investment properties, property and equipment and land use rights under CAS		**28,091**	—
– Depreciation and amortisation of property and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")		**35,151**	—
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property and equipment and land use rights		**3,363**	—
– Manager's fee paid and payable in units in lieu of cash		**32,036**	—
– Expenses incurred in connection with the acquisition of a subsidiary		**196,424**	—
– Interest income from top-up payment asset		**(3,861)**	—
Distributable income after additional items		**403,443**	231,421
Distributable amount at 1 January		**113,170**	104,750
Distributions paid during the year (iii)	27	**(275,075)**	(223,001)
Add: special distribution paid during the year (iii)		**43,120**	—
Final distribution declared		**284,658**	113,170
Distribution per unit, declared (iv)		**RMB0.1037**	RMB0.1062

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 2011 to 31 December 2011 of RMB0.1062 (equivalent to HK$0.1308) per unit, interim distribution for the period from 1 January 2012 to 30 June 2012 of RMB0.1114 (equivalent to HK$0.1367) per unit, and a special distribution of RMB0.0635 (equivalent to HK$0.0780) per unit, totalling RMB275,075,000 (equivalent to HK$338,075,000) (2011: RMB223,001,000, equivalent to HK$242,402,000), were paid to unitholders on 9 May 2012, 26 October 2012 and 6 November 2012 respectively.

(iv) A final distribution for the period from 1 July 2012 to 31 December 2012 of RMB0.1037 (equivalent to HK$0.1282) per unit, totaling RMB284,658,000 (equivalent to HK$351,911,000) was declared by the Board of the Manager on 13 March 2013.

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

FOR THE YEAR ENDED 31 DECEMBER 2012

		Equity			
	Net assets attributable to unitholders	**Retained earnings**	**Revaluation reserve**	**Non-unitholders interests**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	3,980,990	—	—	—	3,980,990
Profit for the year ended 31 December 2011, before transactions with unitholders	1,337,275	—	—	—	1,337,275
Distributions paid to unitholders	(223,001)	—	—	—	(223,001)
At 31 December 2011	5,095,264	—	—	—	5,095,264
At 1 January 2012	5,095,264	—	—	—	5,095,264
Issuance of units	4,882,001	—	—	—	4,882,001
Issuance of deferred units	2,129,581	—	—	—	2,129,581
Acquisition of a subsidiary	—	—	—	80,886	80,886
Profit for the year ended 31 December 2012 attributable to:					
– Unitholders	692,312	—	—	—	692,312
– Equity holders	—	(5,839)	—	1,329	(4,510)
Distributions paid to unitholders	(275,075)	—	—	—	(275,075)
Change in fair value of property, plant and equipment, net of tax	—	—	5,839	404	6,243
At 31 December 2012	12,524,083	(5,839)	5,839	82,619	12,606,702

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012**	2011
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	29	**223,767**	321,442
Interest paid		**(145,465)**	(36,984)
Corporate income tax paid		**(6,932)**	(9,290)
Net cash generated from operating activities		**71,370**	275,168
Cash flows from investing activities			
Additions of investment properties		**(12,482)**	(12,094)
Interest received		**31,636**	2,783
Decrease/ (increase) in short-term bank deposits with original maturity of more than three months		**50,111**	(175,111)
Acquisition of a subsidiary	28	**(4,680,286)**	—
Net cash used in investing activities		**(4,611,021)**	(184,422)
Cash flows from financing activities			
Distributions paid		**(275,075)**	(223,001)
Proceeds from bank borrowings, net of transaction costs		**2,437,877**	1,994,060
Repayment of bank borrowings		**(554,018)**	(1,720,110)
Issuance of units		**3,184,238**	—
Net cash generated from financing activities		**4,793,022**	50,949
Net increase in cash and cash equivalents		**253,371**	141,695
Cash and cash equivalents at beginning of the year		**520,650**	378,955
Cash and cash equivalents at end of the year	22	**774,021**	520,650

Notes to the Consolidated Financial Statements

As at 31 December 2012

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 24/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited.

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 have been prepared in accordance with 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, 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.

(i) Amendments to existing standards effective in 2012 but not relevant to the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2012.

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKFRS 1 (Amendment)	Disclosures – Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Amendments to existing standards effective in 2012 but not relevant to the Group: (Continued)

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances. The Group rebutted this presumption as the Manager considered that the investment properties that are measured using the fair value model will be recovered through use under Yuexiu REIT for the purpose of measuring deferred tax in respect of such properties. As a result, the adoption of the above amendments to existing standards does not have material impact on the Group's financial performance and position.

(ii) New standards and amendments, revisions and interpretation to existing standards have been issued but are not effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investment in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments : Presentation - Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 1 (Amendment)	First time adoption – Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments : Disclosures - Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 10 and HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements, Disclosures of Interest in Other Entities: Transitional Guidance	1 January 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements	1 January 2014
HKFRS 11	Joint arrangements	1 January 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and amendments, revisions and interpretation to existing standards have been issued but are not effective and have not been early adopted by the Group: (Continued)

		Effective for accounting periods beginning on or after
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK (IFRIC) - Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
Annual Improvement Project	Annual improvements 2009-2011 cycle	1 January 2013

The directors of the Manager anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2012.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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 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 HKAS 39 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 steering committee that makes strategic decisions.

(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 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 consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "net finance (cost) /income". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "operating expenses".

(e) Property, plant and equipment

(i) Hotel and serviced apartment comprise mainly buildings, leasehold improvements and fixtures and furniture's 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 consolidated income statement 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 consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

(i) Any accumulate 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.

(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 reliable.

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.

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. 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 consolidated statement of comprehensive income.

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 goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(h) Impairment of non-financial assets

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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) 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.

(j) Loan and other receivables

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Land use rights

The upfront prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the income statement.

(l) 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 are treated as initial premiums and recognised as rental income over the lease term, on a straight-line basis.

(m) 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.

(n) 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 and note 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)

(o) 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.

(p) 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

(q) 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 consolidated statement of comprehensive income in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income.

(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, 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 is provided on temporary differences arising on 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.

(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 taxes 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)

(s) 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.

(t) 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 consolidated statement of comprehensive income. Consequently, Yuexiu REIT has recognised distributions as finance costs in the consolidated statement of comprehensive income.

(u) Employee benefits

(i) Pension obligations

The Group participates in various defined contribution plans under which 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 expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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 currency 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, accruals and other payables, amount due to a related party and bank borrowings, denominated in primarily in Hong Kong dollar ("HK$") and United States dollar ("USD"). The Group has not specifically hedged this exposure considering the steady appreciation of RMB spot rate against HK$ and USD in recent years and it is of the view that such appreciation will continue on a stable and predictable trend.

At 31 December 2012 and 2011, if RMB had weakened/strengthened by 1 % against HK$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2012 would have been approximately RMB38,391,000 (2011: RMB16,364,000) 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, accruals and other payables, amount due to a related party and bank borrowings.

(B) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by deposits, held at variable rate. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future.

The Group did not enter any swaps for its floating-rate borrowing as at 31 December 2012 and 2011. At 31 December 2012 and 2011, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB36,589,000 (2011: RMB18,207,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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, top-up payment asset and deposits with banks and financial institutions, as well as credit exposures to tenants, including committed transactions.

The table below shows the bank deposits balance of the three major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

	2012	2011
	RMB'000	RMB'000
Counterparty		
Ping An Bank (Previously known as Shenzhen Development Bank)	**393,806**	292,273
Shanghai Pudong Development Bank	**125,000**	—
DBS Bank Ltd. Hong Kong Branch	**249,046**	—
	767,852	292,273

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 RMB899,021,000 as at 31 December 2012 (2011: RMB695,761,000). Due to the nature of the underlying businesses, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	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 2012					
Rental deposits	73,289	59,295	53,661	12,246	198,491
Trade payables	8,677	—	—	—	8,677
Accruals and other payables	1,389,984	—	—	—	1,389,984
Amounts due to related parties	46,290	—	—	—	46,290
Bank borrowings, secured					
- Principal to be repaid	300,000	2,330,048	3,159,562	2,600,000	8,389,610
- Interest payables	396,961	352,909	712,398	627,920	2,090,188
As at 31 December 2011					
Rental deposits	54,055	9,291	62,416	4,721	130,483
Trade payables	—	—	—	—	—
Accruals and other payables	44,944	—	—	—	44,944
Amounts due to related parties	22,179	—	—	—	22,179
Bank borrowings, secured					
- Principal to be repaid	—	—	2,028,371	—	2,028,371
- Interest payables	44,262	44,262	35,046	—	123,570

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 net debt divided by total asset value. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet and excluding net assets attributable to unitholders).

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
	RMB'000	RMB'000
Total borrowings (Note 26)	**8,357,636**	1,978,169
Total asset value	**24,874,112**	7,375,278
Gearing ratio	**34%**	27%

The increase in gearing ratio is mainly due to acquisition of Guangzhou IFC during the year.

(c) Fair value estimation

The carrying amounts of the Group's current financial assets including cash and cash equivalents, short-term bank deposits, other receivables and top-up payment asset and current financial liabilities including receipts in advance, accruals and other payables, and amounts due to related parties 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.

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.

(a) Estimate of fair value of 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.

(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 recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

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 apartment, 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 taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 REVENUE AND SEGMENT INFORMATION (continued)

	Hotel and serviced apartment RMB'000	**Office rental** RMB'000	**Wholesale and shopping mall** RMB'000	**Group** RMB'000
Year ended 31 December 2012				
Revenue from external customers	68,977	247,966	395,258	712,201
Segment results	(22,503)	386,751	486,994	851,242
Depreciation and amortisation	34,460	681	10	35,151
Fair value gain on investment properties	—	159,854	230,664	390,518
Year ended 31 December 2011				
Revenue from external customers	—	163,131	359,155	522,286
Segment results	—	442,014	942,673	1,384,687
Depreciation and amortisation	—	—	803	803
Fair value gain on investment properties	—	330,106	696,300	1,026,406
As at 31 December 2012				
Total reportable segments' assets	4,892,058	14,896,971	4,856,177	24,645,206
As at 31 December 2011				
Total reportable segments' assets	—	2,637,814	4,567,829	7,205,643

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	
	2012	2011
	RMB'000	RMB'000
Segment results	**851,242**	1,384,687
Unallocated operating costs (note)	**(97,018)**	(49,878)
Operating profit	**754,224**	1,334,809
Finance income	**53,752**	90,688
Finance cost	**(163,827)**	(54,360)
Other income in relation to the acquisition of a subsidiary, net	**94,053**	—
Profit before income tax and transactions with unitholders	**738,202**	1,371,137

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	
	2012	2011
	RMB'000	RMB'000
Total reportable segments' assets	**24,645,206**	7,205,643
Tax recoverable	**1,935**	2,248
Corporate assets	**226,971**	167,387
Total assets	**24,874,112**	7,375,278

	Revenue Year ended 31 December		Total assets As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
China	**712,201**	522,286	**24,645,206**	7,205,643
Unallocated assets			**228,906**	169,635
			24,874,112	7,375,278

6 EXPENSES BY NATURE

	2012	2011
	RMB'000	RMB'000
Property management fees (i)	**20,569**	17,828
Employee benefit expenses (Note 7)	**26,059**	—
Urban real estate tax	**79,825**	61,987
Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**42,747**	29,718
Withholding tax (ii)	**50,187**	47,060
Depreciation of plant and equipment	**22,830**	803
Amortisation of land use rights	**12,321**	—
Cost of inventories sold or consumed in operation	**10,746**	—
Manager's fee (Note 8)	**49,756**	34,414
Trustee's fee	**3,453**	2,213
Valuation fees	**470**	565
Legal and professional fee	**245**	3,822
Auditor's remuneration	**2,500**	1,496
Bank charges	**1,866**	901
Others	**24,921**	13,076
Total operating expenses	**348,495**	213,883

Note:

(i) The Group received leasing, marketing and tenancy management services from three leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou White Horse Property Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 30).

(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%.

7 EMPLOYEE BENEFIT EXPENSE

	2012	2011
	RMB'000	RMB'000
Wages, salaries and bonus	**14,188**	—
Pension costs	**1,297**	—
Medical benefits costs	**793**	—
Social security costs	**1,081**	—
Staff welfare	**8,700**	—
	26,059	—

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, and make monthly contributions to the retirement plans in the range of 16% to 24% of the monthly salaries of the employees. 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 value of the deposited property, as defined in the Trust Deed and a service fee of 3% per annum of net property income for each of the six months ended 30 June 2012 and 31 December 2012, as defined in the Trust Deed.

	2012	2011
	RMB'000	RMB'000
Manager's fee:		
In the form of units	**32,036**	—
In the form of cash	**17,720**	34,414
	49,756	34,414

Pursuant to the circular of Yuexiu REIT dated 30 June 2012, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 will be made in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2012 are expected to be issued on 28 March 2013. 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 the higher of (i) the closing price of the units on the trading day immediately preceding 28 March 2013 and (ii) the average closing price of the units in the 10 trading days immediately preceding 28 March 2013.

9 FINANCE INCOME

	2012	2011
	RMB'000	RMB'000
Interest income from bank deposits	**9,507**	2,783
Interest income from a related company	**22,129**	—
Interest income from top-up payment asset	**3,861**	—
Foreign exchange gain on financing activities	**18,255**	87,905
	53,752	90,688

10 FINANCE COST

	2012	2011
	RMB'000	RMB'000
Interest expense for bank borrowings	**145,465**	36,984
Amortisation of transaction costs for bank borrowings	**18,362**	17,376
	163,827	54.360

11 INCOME TAX EXPENSE

For the subsidiaries incorporated and operated 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.

	2012	2011
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	**8,954**	9,089
– Under-provision in prior years	**226**	179
Deferred income tax (Note 23)	**41,220**	24,594
	50,400	33,862

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:

	2012	2011
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	**738,202**	1,371,137
Tax calculated at domestic tax rate of 25%	**184,550**	342,784
Income not subject to tax	**(175,522)**	(319,651)
Expenses not deductible for tax purposes	**34,953**	2,787
Under-provision in prior years	**226**	179
Withholding tax on unremitted earnings of a subsidiary	**6,193**	7,763
	50,400	33,862

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.

	2012	2011
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**686,473**	1,337,275
Weighted average number of units in issue ('000)	**1,438,449**	1,065,973
Basic earnings per unit (RMB)	**0.48**	1.25

(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 deferred units. The number of units calculated for manager's fee in form units was calculated based on the closing price of Yuexiu REIT as at 31 December 2012.

	2012	2011
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**686,473**	1,337,275
Weighted average number of units in issue ('000)	**1,438,449**	1,065,973
Adjustments for deferred units ('000)	**168,294**	—
Adjustments for manager's fee in form of units ('000)	**5,365**	—
Weighted average number of units for diluted earnings per unit ('000)	**1,612,108**	1,065,973
Diluted earnings per unit (RMB)	**0.43**	1.25

13 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartment	**Office supplies**	**Motor vehicles**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011				
Cost	—	12,203	—	12,203
Accumulated depreciation	—	(11,390)	—	(11,390)
Net book amount	—	813	—	813
Year ended 31 December 2011				
Opening net book amount	—	813	—	813
Depreciation	—	(803)	—	(803)
Closing net book amount	—	10	—	10
At 31 December 2011				
Cost	—	12,203	—	12,203
Accumulated depreciation	—	(12,193)	—	(12,193)
Net book amount	—	10	—	10
Year ended 31 December 2012				
Opening net book amount	—	10	—	10
Disposals	—	(3)	—	(3)
Acquisition of a subsidiary (Note 28)	2,292,000	492	9,503	2,301,995
Depreciation	(22,139)	(66)	(625)	(22,830)
Fair value gain on revaluation	8,139	—	—	8,139
Closing net book amount	2,278,000	433	8,878	2,287,311
At 31 December 2012				
Cost	2,292,000	12,692	9,503	2,314,195
Accumulated depreciation	(22,139)	(12,259)	(625)	(35,023)
Fair value gain on revaluation	8,139	—	—	8,139
Net book amount	2,278,000	433	8,878	2,287,311

Hotel and serviced apartment was revalued on the basis of its open market value by independent professional qualified valuers, Savills Valuation and Professional Services Limited as at 31 December 2012.

If hotel and serviced apartment had not been revalued, it would have been included in these consolidated financial statements at historical cost less accumulated depreciation of RMB2,269,861,000 (2011: nil).

As at 31 December 2012, property, plant and equipment with an aggregate carrying amount of RMB2,278 million (2011: nil) were pledged as collateral for the Group's bank borrowings (Note 26).

14 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	—	—
Acquisition of a subsidiary (Note 28)	**1,688,000**	—
Amortisation	**(12,321)**	—
At 31 December	**1,675,679**	—

The Group's land use rights at their net book amounts are analysed as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
In China:		
Land use rights of between 10 and 50 years	**1,675,679**	—

As at 31 December 2012, the fair value of land use rights is approximately RMB1,784 million. The change in fair value is not reflected in the financial statements.

As at 31 December 2012, land use rights were pledged with an aggregate net book amount of RMB1,676 million (2011: nil) as collateral for the Group's bank borrowings (Note 26).

15 INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
At 1 January	**6,471,000**	5,432,500
Additions during the year	**12,482**	12,094
Acquisition of a subsidiary (Note 28)	**11,390,000**	—
Fair value gains during the year	**390,518**	1,026,406
At 31 December	**18,264,000**	6,471,000

The investment properties were located in China held on land use rights of 40 years to 50 years, expiring in 2045 through 2055.

The investment properties were revalued at 31 December 2012 by Savills Valuation and Professional Services Limited, independent professional qualified valuers. Valuations were performed using discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing lease and other contracts, and 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.

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB104,696,229 (2011: RMB81,643,000). Included in the direct operating expenses, RMB7,254,226 (2011: RMB269,558) was relating to investment properties that were vacant.

As at 31 December 2012, investment properties with an aggregate net book value of approximately RMB17,496 million (2011: RMB5,742 million) were pledged as collateral for the Group's bank borrowings (Note 26).

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)
Yuexiu (Holding) 2005 Company Limited ("HoldCo 2005")	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%
Yuexiu REIT 2012 Company Limited ("HoldCo 2012")[1]	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1 each	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Metrogold Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1 each	100%
Guangzhou Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of RMB92 million	100%
Tower Top Development Ltd.[1]	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary share of USD1 each	99.99%
Bliss Town Holdings Ltd.[1]	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1 each	99.99%
Hoover Star International Ltd.[1]	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1 each	99.99%
Miller Win Group Ltd.[1]	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1 each	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)
Shinning Opal Management Ltd.[1]	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1 each	99.99%
Ever Joint Investment International Limited[1]	Hong Kong, limited liability company	Investment holding	1 ordinary share of HKD1 each	99.99%
Long Grace Holdings Limited[1]	Hong Kong, limited liability company	Investment holding	1 ordinary share of HKD1 each	99.99%
Profit Link Investment International Limited[1]	Hong Kong, limited liability company	Investment holding	1 ordinary share of HKD1 each	99.99%
San Bright Holdings Limited[1]	Hong Kong, limited liability company	Investment holding	1 ordinary share of HKD1 each	99.99%
Guangzhou Yuecheng Industrial Ltd.[1]	China, limited liability company	Investment holding	Registered capital of HK$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.[1]	China, limited liability company	Investment holding	Registered capital of HK$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.[1]	China, limited liability company	Investment holding	Registered capital of HK$300 million	99.99%
Guangzhou Yueli Industrial Ltd.[1]	China, limited liability company	Investment holding	Registered capital of HK$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd[1]	China, limited liability company	Property management	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd[1]	China, limited liability company	Hospitality management	Registered capital of RMB5 million	98.99%

[1] These subsidiaries are either incorporated or acquired during the year ended 31 December 2012.

Note:

Shares of HoldCo 2005, HoldCo 2012 and Metrogold Development Limited 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 accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The 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

	RMB'000
At 31 December 2012	
Cost	**160,324**
Accumulated impairment	**—**
	160,324
31 December 2012	
Net book amount	**160,324**
At 31 December 2011	
Cost	160,324
Accumulated impairment	—
	160,324
31 December 2011	
Net book amount	160,324

18 GOODWILL (Continued)

Impairment test for goodwill

For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pretax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget.

Key assumptions used in the cash flow projections are as follows:

	2012	2011
Growth rate per annum	**4%**	4%
Discount rate per annum	**6.1%**	7.6%

These assumptions have been used for the analysis of the cash-generating unit ("CGU"). Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

19 TOP-UP PAYMENT ASSET

During the year, the Group acquired Guangzhou IFC from Yuexiu Property Company Limited ("YXP"). Please refer to Note 28 for details. Pursuant to the acquisition, YXP agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of hotel and serviced apartments.

Top-up payment asset is recognised as financial assets in Yuexiu REIT.

It is initially recoginsed at fair value. In determining the fair value of the top-up payment 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 July 2012 until 31 December 2016, discounted at the market interest rate of 3.575% per annum. Top-up payment asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of top-up payment asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance cost".

20 TRADE RECEIVABLES

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	**11,291**	—

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 is as follows:

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
0 - 30 days	**9,051**	—
31 - 90 days	**1,325**	—
91 - 180 days	**915**	—
	11,291	—

As at 31 December 2012, trade receivables of approximately RMB11,291,000 (2011: nil) were fully performing.

As at 31 December 2012, nil trade receivables (2011: nil) were past due.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax and deposits for utilities. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

All prepayments, deposits and other receivables are denominated in RMB.

22 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	**529,034**	308,169
Short-term bank deposits with original maturity of less than three months	**244,987**	212,481
Cash and cash equivalents	**774,021**	520,650
Short-term bank deposits with original maturity of more than three months	**125,000**	175,111
Total	**899,021**	695,761
Maximum exposure to credit risk	**898,679**	695,761

As at 31 December 2012, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB566,083,000 (2011: RMB267,376,000) 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 the 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:

	2012 RMB'000	2011 RMB'000
HK$	**300,914**	383,699
RMB	**566,425**	267,376
USD	**31,682**	44,686
	899,021	695,761

23 DEFERRED TAX LIABILITIES

	2012	2011
	RMB'000	RMB'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**2,226,428**	100,105

The movements in deferred tax liabilities during the year are as follows:

	Fair value gains	**Withholding tax in respect of unremitted operating profits of subsidiaries**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	57,681	6,406	11,424	75,511
Charged to the consolidated statement of comprehensive income (Note 11)	18,687	2,727	3,180	24,594
At 31 December 2011	76,368	9,133	14,604	100,105
At 1 January 2012	76,368	9,133	14,604	100,105
Charged to the consolidated statement of comprehensive income (Note 11)	28,522	6,327	6,371	41,220
Charged to reserve	1,896	—	—	1,896
Acquisition of a subsidiary (Note 28)	1,845,827	223,510	13,870	2,083,207
At 31 December 2012	1,952,613	238,970	34,845	2,226,428

There is no significant unprovided deferred taxation as at 31 December 2012 (2011: nil).

24 TRADE PAYABLES

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**8,677**	—

The fair values of trade and note payables approximate their carrying amounts.

The ageing analysis of the trade and note payables is as follows:

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
0 - 30 days	**7,762**	—
31 - 90 days	**829**	—
91 - 180 days	**86**	—
	8,677	—

Majority of the Group's trade payables are denominated in RMB.

25 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Rental Deposits		
Current portion	**73,289**	54,055
Non-current portion	**121,431**	72,576
	194,720	126,631
Receipts in advance	**24,839**	7,986
Provision for withholding tax payable	**7,518**	7,603
Provision for business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**11,318**	5,727
Construction fee payable	**1,287,907**	3,685
Accruals for operating expenses	**102,077**	27,929
Accruals and other payables	**1,408,820**	44,944
	1,628,379	179,561

The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate their fair values.

26 BANK BORROWINGS, SECURED

	2012 RMB'000	2011 RMB'000
Current	**300,000**	—
Non-current	**8,057,636**	1,978,169

Bank borrowings of the Group are guaranteed on a joint and several basis and also secured by the following:

– investment properties of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited amounting to RMB6,046,400,000;

– assignment of rental income and all other proceeds arising from the above investment properties and of all tenancy agreements relating to the above investment properties;

– equity interests of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited and Metrogold Development Limited, subsidiaries of the Group;

– equity interests of Yuexiu REIT 2012, Tower Top, BVI Holdcos[1], HK Holdcos[2] and PRC Holdcos[3];

– present and future assets (including but not limited to: (a) a charge over any interest-bearing accounts (the "Charged Accounts"), (b) a floating charge over all assets, (c) an assignment of dividends and all other revenue generated) of Yuexiu REIT 2012, Tower Top, BVI Holdcos and HK Holdcos, subsidiaries of the Group;

– all right, title and interest in all present and future loans of Yuexiu REIT 2012, Tower Top, BVI Holdcos and HK Holdcos;

– all the right, title and interest of HK Holdcos in its project related services contract with Tower Top (operation, management, staffing, marketing, procurement and other related services for Guangzhou International Finance Center ("Guangzhou IFC")) ;

– all the right, title and interest of the Trustee in the Subscription Deed (deed for the subscription of shares in Tower Top Development Ltd. ("Tower Top")) and the Indebtedness Agreement.

1 "BVI Holdcos" include Bliss Town Holdings Ltd., Hoover Star International Ltd., Miller Win Group Ltd., Miller Win Group Ltd.

2 "HK Holdcos" include Ever Joint Investment International Limited, Long Grace Holdings Limited, Profit Link Investment International Limited and San Bright Holdings Limited.

3 "PRC Holdcos" include 廣州越程實業有限公司, 廣州越聲實業有限公司, 廣州越匯實業有限公司 and 廣州越力實業有限公司.

26 BANK BORROWINGS, SECURED (continued)

The maturity of borrowings at the balance sheet date is as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**300,000**	—
Between two and five years	**5,457,636**	1,978,169
Over five years	**2,600,000**	—

The effective interest rates (per annum) of the bank borrowings at the balance sheet date were as follows:

	2012	2011
RMB	**7.76%**	—
HK$	**2.31% to 3.33%**	2.18%

The carrying amounts of the borrowings are denominated in RMB and HK$ and approximate their fair values.

	2012	2011
	RMB'000	RMB'000
RMB	**4,250,000**	—
HK$	**4,107,636**	1,978,169
	8,357,636	1,978,169

The Group has no undrawn borrowing facilities as at 31 December 2012 (2011: nil).

27 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2012	2011
	RMB'000	RMB'000
At 1 January	**5,095,264**	3,980,990
Issuance of units	**4,882,001**	—
Issuance of deferred units	**2,129,581**	—
Transfer from the consolidated statement of comprehensive income	**692,312**	1,337,275
Distributions paid during the year	**(275,075)**	(223,001)
At 31 December	**12,524,083**	5,095,264

	2012	2011
	RMB'000	RMB'000
Net assets attributable to existing unitholders	**10,394,502**	5,095,264
Net assets attributable to deferred unitholder *(Note)*	**2,129,581**	—
	12,524,083	5,095,264

27 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

Note:

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 each year will be limited to the maximum number of units that may be issued to YXP 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.

The movement of existing units is as below:

	2012	2011
	'000	'000
At 1 January	**1,065,973**	1,065,973
Units issued during the year (Note)	**1,677,237**	—
At 31 December	**2,743,210**	1,065,973

Note:

During the year, 1,677,237,000 unites were issued for the acquisition of a subsidiary.

28 OTHER INCOME IN RELATION TO THE ACQUISITION OF A SUBSIDIARY, NET

	RMB'000
Excess of the fair value of net liabilities of a subsidiary assumed over acquisition cost	290,477
Legal and professional expenses incurred in relation to the acquisition	(122,132)
Unit issuance costs	(74,292)
	94,053

On 8 October 2012, the Group acquired 99% of the share capital of Tower Top Development Ltd. and its subsidiaries (collectively known as "Tower Top Group") from YXP for approximately RMB8,933 million and obtained the control of Tower Top Group, which is principally engaged in the development, selling and management of properties, and holding of Guangzhou IFC. The Tower Top Group's operations are conducted in China.

Details of the net liabilities assumed and excess of the fair value of net liabilities of a subsidiary assumed over acquisition cost are as follows:

	RMB'000
Purchase consideration:	
Cash paid	(5,105,455)
Consideration units issued	(1,697,763)
Deferred units issued	(2,129,581)
Top-up payment asset (Note 19)	437,787
	(8,495,012)
In respect of indebtedness arrangement (Note)	8,850,027
Purchase consideration for acquisition	355,015
Less: Fair value of net identifiable liabilities acquired (see below)	(64,538)
Excess of the fair value of net liabilities of a subsidiary assumed over acquisition cost	290,477

28 OTHER INCOME IN RELATION TO THE ACQUISITION OF A SUBSIDIARY, NET (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	2,301,995
Land use rights	1,688,000
Investment properties	11,390,000
Deferred assets	54,182
Inventories	3,272
Tax recoverable	1,935
Prepayments, deposits and other receivables	86,239
Amount due from a related party	999,058
Cash and cash equivalents	425,169
Trade payables	(9,879)
Accruals and other payables	(1,494,888)
Amount due to a related party	(8,850,027)
Bank borrowings, secured	(4,495,501)
Deferred tax liabilities	(2,083,207)
	16,348
Non-controlling interests	(80,886)
Net identifiable liabilities assumed	(64,538)
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration	(5,105,455)
Cash and cash equivalents in the subsidiary acquired	425,169
Cash outflow on acquisition	(4,680,286)

Note:

Pursuant to the terms of indebtedness agreement, YXP has agreed to transfer and assign the entire amount owed by Tower Top to YXP at the completion date of the acquisition to Yuexiu REIT.

The revenue included in the consolidated income statement since 8 October 2012 contributed by Tower Top Group was RMB166,953,000. Tower Top Group also contributed profit of RMB17,676,000 over the same period. Had Tower Top Group been consolidated from 1 January 2012, Tower Top Group would contribute revenue of RMB474,581,000 and profit of RMB1,149,078,000.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2012	2011
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	**738,202**	1,371,137
Adjustments for:		
– Depreciation expenses	**22,830**	803
– Amortisation of land use right	**12,321**	—
– Amortisation of transaction costs for bank borrowings	**18,362**	17,376
– Foreign exchange gains on financing activities	**(18,255)**	(87,905)
– Fair value gains on investment properties	**(390,518)**	(1,026,406)
– Interest income	**(31,636)**	(2,783)
– Interest income from top-up payment asset	**(3,861)**	—
– Interest expenses	**145,465**	36,984
– Excess of the fair value of net liabilities of a subsidiary acquired over acquisition cost	**(290,477)**	—
Changes in working capital:		
– Deferred assets	**(23,211)**	3,165
– Inventories	**(696)**	—
– Trade receivables	**(11,291)**	—
– Amounts due from related companies	**11,379**	—
– Prepayments, deposits and other receivables	**68,314**	375
– Trade payables	**(1,202)**	—
– Rental deposits	**68,089**	8,439
– Receipts in advance	**16,853**	(1,021)
– Accruals and other payables	**(131,012)**	(4,145)
– Amounts due to related parties	**24,111**	5,423
Cash generated from operations	**223,767**	321,442

Significant non-cash transaction:

Consideration units issued of RMB1,697,763,000 and deferred units issued of RMB2,129,581,000 to YXP in relation to the acquisition of Tower Top Group are recognised as net assets attributable to unitholders.

30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2012, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 35% (2011: 36%) of Yuexiu REIT's units. The remaining 65% (2011: 64%) of the units are widely held.

The table set forth below summarised the names of connected/related parties and nature of relationship with Yuexiu REIT as at 31 December 2012:

Connected/related party	**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 Yicheng Property Management Ltd. ("Yicheng") [1]	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") [1]	A subsidiary of YXP
Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM") [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
Yue Xiu Enterprises (Holdings) Limited ("YXE") [1]	A major shareholder of YXP
Guangzhou Yue Xiu Holdings Limited ("Yue Xiu") [1]	Shareholder of YXE
廣州市城市建設開發集團有限公司 [1]	A subsidiary of Yue Xiu
Golden Eagle Asset Management Co. Ltd. ("Golden Eagle") [1]	A subsidiary of Yue Xiu
Guangzhou Grandcity Development Ltd. [1]	A subsidiary of YXP
Guangzhou Yue Xiu City Construction JLL Property Services Company Limited [1]	A subsidiary of YXP
廣州廣證恒生證券投資諮詢有限公司[1]	A subsidiary of Yue Xiu
Guangzhou Suiqiao Development Company Limited [1]	A subsidiary of Yue Xiu
廣州證券有限責任公司[1]	A subsidiary of Yue Xiu
廣州越秀產業投資管理有限公司[1]	A subsidiary of Yue Xiu
廣州越秀融資租賃有限公司[1]	A subsidiary of Yue Xiu

30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Connected/related party	**Relationship with Yuexiu REIT**
廣州越秀金融家俱樂部有限公司[1]	A subsidiary of YXP
廣州越秀金融投資集團有限公司[1]	A subsidiary of Yue Xiu
Guangzhou Yue Tong Expressway Operations and Management Company Limited[1]	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd.[1]	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited[1]	A subsidiary of Yue Xiu
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Valuer")	The former 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 parties are also considered as related parties of the Group, transactions and balances carried out with these related parties are disclosed in notes (a) and (b) below.

30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following transactions and balances were carried out with connected parties and related parties:

(a) Transactions with connected/related parties

	2012 RMB'000	2011 RMB'000
Manager's fee paid/payable to the Manager (ii)	**(49,756)**	(34,414)
Management fee paid/payable to Yicheng	**(8,956)**	(8,633)
Management fee paid/payable to White Horse PM	**(9,491)**	(9,195)
Management fee paid/payable to GZ AM	**(2,122)**	—
Rental income received/receivable from Xingye	**1,148**	1,317
Rental income received/receivable from YXP	**—**	652
Rental income received/receivable from YXE	**—**	28
Rental income received/receivable from Yicheng	**605**	6
Rental income received/receivable from GCCD	**16,043**	363
Rental income received/receivable from White Horse JV	**1,200**	1,181
Rental income received/receivable from Golden Eagle	**4,562**	—
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	**3,696**	—
Rental income received/receivable from 廣州廣證恒生證券投資諮詢有限公司	**649**	—
Rental income received/receivable from Guangzhou Suiqiao Development Company Limited	**130**	—
Rental income received/receivable from 廣州證券有限責任公司	**4,630**	—
Rental income received/receivable from 廣州越秀產業投資管理有限公司	**584**	—
Rental income received/receivable from Guangzhou Yue Xiu City Construction JLL Property Services Company Limited	**2,970**	—
Rental income received/receivable from 廣州越秀融資租賃有限公司	**754**	—
Rental income received/receivable from GZ AM	**547**	—
Rental income received/receivable from 廣州越秀金融家俱樂部有限公司	**1,297**	—
Rental income received/receivable from 廣州越秀金融投資集團有限公司	**966**	—
Rental income received/receivable from Guangzhou Yue Tong Expressway Operations and Management Company Limited	**261**	—
Rental income received/receivable from Guangzhou Yue Peng Information Ltd.	**173**	—
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	**1,095**	—
Naming right income received/receivable from YXP	**4,565**	—
Interest income received/receivable from GCCD	**22,129**	—
Trustee's fee paid/payable to the Trustee	**(3,453)**	(2,213)
Valuation fee paid/payable to the Incumbent Valuer	**(470)**	(249)
Valuation fee paid/payable to the Former Valuer	**—**	(316)
Transactions with the HSBC Group		
– Interest expense paid/payable to the HSBC Group	**(8,079)**	(7,690)
– Annual arrangement fees on borrowings paid to the HSBC Group	**(450)**	(457)
– Commitment fee on bank borrowings paid to the HSBC Group	**—**	(52)
– Rental income received/receivable from the HSBC Group	**6,914**	13,158
– Interest income from the HSBC Group	**79**	42

Note:

(i) All transactions with connected parties/related parties were carried out in accordance with the terms of the relevant agreement 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, as defined in the Trust Deed and a service fee of 3% per annum of Net Property Income, as defined in the Trust Deed. (Note 8)

30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related parties

	2012 **RMB'000**	2011 RMB'000
Amount due from YXP	**10,000**	—
Amount due from GCCD (note)	**977,679**	—
Amount due to Yicheng	**(818)**	(747)
Amount due to White Horse PM	**(658)**	(767)
Amount due to the Manager	**(32,945)**	(20,665)
Amount due to GZ AM	**(2,305)**	—
Amount due to 廣州市城市建設開發集團有限公司	**(10,000)**	—
Rental deposits from Xingye	**(1,113)**	(356)
Rental deposits from Yicheng	**(428)**	(1)
Rental deposits from GCCD	**(10,925)**	(155)
Rental deposits from White Horse JV	**(167)**	(167)
Rental deposits from Golden Eagle Asset Management Co., Ltd	**(1,328)**	—
Rental deposits from Guangzhou Grandcity Development Ltd.	**(2,684)**	—
Rental deposits from 廣州廣證恒生證券投資諮詢有限公司	**(464)**	—
Rental deposits from Guangzhou Suiqiao Development Company Limited	**(93)**	—
Rental deposits from 廣州證券有限責任公司	**(3,278)**	—
Rental deposits from 廣州越秀產業投資管理有限公司	**(416)**	—
Rental deposits from Guangzhou Yue Xiu City Construction JLL Property Services Company Limited	**(1,083)**	—
Rental deposits from 廣州越秀融資租賃有限公司	**(492)**	—
Rental deposits from GZ AM	**(396)**	—
Rental deposits from 廣州越秀金融家俱樂部有限公司	**(933)**	—
Rental deposits from 廣州越秀金融投資集團有限公司	**(636)**	—
Rental deposits from Guangzhou Yue Tong Expressway Operations and Management Company	**(183)**	—
Rental deposits from Guangzhou Yue Peng Information Ltd.	**(123)**	—
Rental deposits from Yuexiu (China) Transport Infrastructure Investment Company Limited	**(783)**	—
Rental deposits from YXE	**—**	(13)
Rental deposits from HSBC Group	**—**	(2,216)

Except for an amount due from GCCD of approximately RMB926,000,000 is unsecured and interest bearing of 9% per annum all other balances with related parties are unsecured, interest-free, repayable on demand and approximate 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:

Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction cost 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 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.

30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2012 (2011: nil).

31 CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital commitments in respect of investment properties, contracted but not provided for	**8,298**	5,664

32 FUTURE MINIMUM RENTAL RECEIVABLE

At 31 December 2012, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**913,385**	513,976
Between one year and five years	**1,606,098**	701,081
Over five years	**785,844**	17,913
	3,305,327	1,232,970

By order of the board of directors of
Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)
Liang Ningguang
Chairman

Hong Kong, 13 March 2013

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

Executive Directors: *Messrs. LIANG Ningguang and LIU Yongjie*

Non-executive Director: *Messrs. LI Feng*

Independent Non-executive Directors: *Messrs. CHAN Chi On, Derek, LEE Kwan Hung, Eddie and CHAN Chi Fai, Brian.*