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(Stock code: 00405)

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**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015 (“Reporting Year”) together with comparative figures for the corresponding period in 2014 as follows:

## FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results (Note a) for the year ended 31 December 2015 together with comparative figures for the corresponding period in 2014:

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

	<b>Financial Year ended 31 December 2015</b>	<b>Financial Year ended 31 December 2014</b>	<b>Increase/ (decrease)</b>
Gross income (Note a)	<b>1,709,645,000</b>	1,571,168,000	8.8%
Net property income	<b>1,088,369,000</b>	987,512,000	10.2%
Profit after tax	<b>740,683,000</b>	927,967,000	(20.2)%
Earnings per unit - Basic	<b>0.26</b>	0.33	(21.2)%
Portfolio valuation (Note b)	<b>27,574,000,000</b>	23,569,000,000	17.0%
Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit	<b>4.74</b>	4.69	1.1%
Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit - Equivalent to HK\$	<b>5.66</b>	5.95	(4.9)%
Units issued (units)	<b>2,828,887,374</b>	2,799,795,685	1.0%
Total borrowings as a percentage of gross assets (Note c)	<b>37.4%</b>	32.0%	5.4 percentage points
Gross liabilities as a percentage of gross assets (Note d)	<b>54.0%</b>	47.8%	6.2 percentage points
<b>Distribution</b>			
Total distribution (including additional items)	<b>704,321,000</b>	662,714,000	6.3%
Distribution per Unit (HK\$)	<b>0.3061</b>	0.2977	2.8%

*Note a: Revenue of Hongjia Tower was recorded since 1 September 2015.*

*Note b: Hongjia Tower was newly acquired in 2015. Pursuant to the circular of the transaction, the property valuation of Hongjia Tower as at 30 June 2015 was RMB2,770,000,000. As at 31 December 2015, the valuation of Hongjia Tower was 2,830,000,000.*

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

*Note d: 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 Items (as defined in the OC) for the financial year ended from 31 December 2012 to the financial year ending 31 December 2016.

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

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2015 to 31 December 2015 (“2015 Final Period”) will be approximately RMB0.1282 which is equivalent to HK\$0.1531 (2014: RMB0.1203 which was equivalent to HK\$0.1521) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Manager’s fees) prior to the record date for the 2015 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2015 Final Period.

The final distribution for the 2015 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2015 to 30 June 2015 (“2015 Interim Period”) being approximately RMB0.1208 which is equivalent to HK\$0.1530 (2014 : RMB0.1157 which was equivalent to HK\$0.1456) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.2490 (which is equivalent to HK\$0.3061) (2014: RMB0.2360 which was equivalent to HK\$0.2977).

The total distribution amount for the Reporting Year, being RMB704,321,000 (2014: RMB662,714,000), includes an amount approximately RMB504,000,000 (2014: RMB204,827,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB328,778,000) plus a further distribution of approximately RMB375,543,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT’s trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 10 consecutive years after listing in 2005.

### **Distribution Yield**

Disregarding new units to be issued prior to the relevant record date with respect to the Manager’s fees, Distribution per Unit (“DPU”) for the Reporting Year is approximately HK\$0.3061 (2014: HK\$0.2977), of which HK\$0.2150 (2014: HK\$0.0921) is attributable to capital items, represents a yield of approximately 7.4% (2014: 7.7%) per Unit based on the closing price of HK\$4.16 per Unit as at 31 December 2015 (2014: HK\$3.89).

## **CLOSURE OF REGISTER OF UNITHOLDERS**

The record date for the final distribution will be 14 April 2016. The register of Unitholders will be closed from 14 April 2016 to 15 April 2016, 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, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 13 April 2016. The final distribution will be paid on 17 May 2016 to the Unitholders whose names appear on the register of Unitholders on 14 April 2016.

## **2015 BUSINESS REVIEW AND FUTURE PROSPECTS**

### **BUSINESS REVIEW**

#### **External acquisition realized a breakthrough, asset performance was persistently strong**

In 2015, Yuexiu REIT completed the acquisition of the Grade A office units in Hongjia Tower ("Hongjia Tower") located in Zhuyuan commercial district, Pudong, Shanghai. Shanghai Zhuyuan business and trading district, is only two kilometers from the centre of small Lujiazui, which is one of the CBDs with the best performance and the highest growth potential in Shanghai in recent years. Hongjia Tower, situated in core location with appropriate area and floors is well operated with high growth potential, has been well-received by market research organizations with positive comments after completion of the acquisition. The transaction was the first step to expand business in areas beyond Guangzhou since the listing of Yuexiu REIT in 2005, and reflected Yuexiu REIT's strong capability of growth in other Tier 1 cities in China. Yuexiu REIT has established a new base in Tier 1 Cities, in addition to its strong market presence in Guangzhou, to share the growth potential in major financial and business hubs of China, enriching income sources of Yuexiu REIT and further diversifying the existing portfolio of properties.

In 2015, the macro-economy of China entered into a period of change in the pace of economic growth and a period of structural optimization and adjustment. Yuexiu REIT continued to implement active strategies on leasing and asset management, its properties achieved excellent performance persistently, many operating indicators reached record high. The occupancy rate and unit rental of the newly acquired Hongjia Tower increased steadily, the competitiveness of properties was further strengthened, establishing a solid foundation for future income growth and long-term development of Yuexiu REIT.

With the dedicated efforts of the Manager's team, a number of social awards were won by Yuexiu REIT, the Manager and the property projects in 2015, including the 2015 Hong Kong Outstanding Enterprises Award, the 2015 Corporate Governance Awards Gold Award and the Gold Award of 2013/2014 Vision Awards Annual Report Competition (2013/14年度Vision Awards年報比賽金獎) were won by Yuexiu REIT, the entry of Yuexiu REIT into the Hang Seng Composite Index and the Hong Kong Hang Seng Corporate Sustainability Index Series; the Best Merger and Acquisition Award presented by the PRC Real Estate Finance Annual Conference 2015 (中國不動產金融年會2015最佳併購獎) and Financial Innovations Special Award (金融創新專項獎) were won by the Manager; and the 2015 Best City Landmark Operation Grand Award (2015年最佳城市地標運營大獎) was won by Guangzhou International Finance Center, while the White Horse Building Units won the titles of Top 10 Innovative Markets (十大創新市場) and the 2014-2015 Leading Entity in the Excellence Demonstration Market of China (2014-2015年度先進單位中國優秀示範市場). The Manager will regard these as incentives to improve management and upgrade corporate governance continuously with a view to bring incremental gains for Yuexiu REIT's Unitholders.

## PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2015, Yuexiu REIT's portfolio of properties ("Properties") consisted of seven 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"), Guangzhou International Finance Center ("GZIFC") are located in Guangzhou and Hongjia Tower is located in Shanghai. The aggregate area of ownership of the Properties was approximately 743,106.2sq.m. and the total rentable area was 487,324.3 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 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; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Hongjia Tower; and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

### Particulars of the Properties are as follows:

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable Area (sq.m.)	Property Occupancy Rate <sup>(1)</sup>	No. of Contracts <sup>(1)</sup>	Unit Rent <sup>(1)</sup> (RMB/sq.m./month)
White Horse Building	Wholesale	Guangzhou Yuexiu District	1990	50,199.3	50,128.9	100.0%	1,107	636.7
Fortune Plaza	Grade A office	Guangzhou Tianhe District	2003	41,355.2	41,355.2	99.6%	85	149.1
City Development Plaza	Grade A office	Guangzhou Tianhe District	1997	42,397.4	42,397.4	97.7%	71	127.1
Victory Plaza	Retail shopping mall	Guangzhou Tianhe District	2003	27,698.1	27,262.3	100.0%	29	242.8
Neo Metropolis	Commercial complex	Guangzhou Yuexiu District	2007	61,960.0	49,887.3 <sup>(2)</sup>	99.7% <sup>(2)</sup>	116	108.1
GZIFC	Commercial complex	Guangzhou Tianhe District	2010	457,356.8	230,266.9	95.2%	232	211.3
including:	Grade A office			267,804.4	183,539.6 <sup>(3)</sup>	97.3%	214	235.3
	Retail shopping mall			46,989.2	46,727.3	86.8%	18	105.4
	Hotel			91,460.9 <sup>(4)</sup>	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Hongjia Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3 <sup>(5)</sup>	98.9%	111	242.8
Total				<u>743,106.2</u>	<u>487,324.3</u>	97.3%	1,751	237.5

### Note:

- (1) As at 31 December 2015;
- (2) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area;
- (3) Excluding 76,512.3 sq.m. of parking space and other ancillary facilities areas;
- (4) Including 2,262.0 sq.m. of hotel ancillary facilities and fire shelter floor;
- (5) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and crisis shelter floor).

**Segments of the Properties are as follows:**

<b>Rental Property</b>	<b>Area of Ownership (sq.m.)</b>	<b>Rentable Area (sq.m.)</b>	<b>Occupancy Rate<sup>(1)</sup></b>	<b>Percentage increase/(decrease) compared to 31 December 2014</b>	<b>Unit Rent<sup>(1)</sup> (RMB/ sq.m./ month)</b>	<b>Operating income<sup>(2)</sup> (RMB'000)</b>
Office	475,656.4	363,205.8 <sup>(3)</sup>	98.1%	4.8%	196.0	708,752
Retail	74,687.3	73,989.6	91.7%	(7.9)%	160.6	102,808
Wholesale	50,199.3	50,128.9	100.0%	0.0%	636.7	406,861

*Note:*

(1) As at 31 December 2015;

(2) For the year ended 31 December 2015;

(3) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis, 76,512.3 sq.m. of parking space and other common facilities areas of GZIFC and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of special purpose area (management office, owners' committee office, bicycle parking area and crisis shelter floor) of Hongjia Tower.

<b>Operational Property</b>	<b>Type</b>	<b>Commencement of Operation</b>	<b>Area of Ownership (sq.m.)</b>	<b>No. of Units (units)</b>	<b>Average Occupancy Rate<sup>(1)</sup></b>	<b>Average Room Rate<sup>(1)</sup> (RMB)</b>
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	71.8%	1,928.2
Ascott Serviced Apartments	High-end serviced apartments	September 2012	51,102.3	314	93.1%	953.2

*Note:*

(1) From 1 January 2015 to 31 December 2015;

(2) Both hotel and serviced apartments are entrusted operations.

## Property Valuation

On 31 December 2015, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Vigers Appraisal and Consulting Limited (“Vigers”), an independent professional valuer, and the revalued market valuation was approximately RMB27,574 million, representing an increase of RMB4,005 million or 17.0% over the valuation as at 31 December 2014. As at 31 December 2015, the valuation of 2015 new acquisition, Hongjia Tower was RMB: 2,830 million.

The following table summarizes the valuation of each of the Properties as at 31 December 2015 and 31 December 2014:

Name of Property	Valuation as at 31 December 2015 <i>RMB million</i>	Valuation as at 31 December 2014 <i>RMB million</i>	Increase %
White Horse Building	4,715	4,300	9.7%
Fortune Plaza	903	853	5.9%
City Development Plaza	758	710	6.8%
Victory Plaza	866	815	6.3%
Neo Metropolis	863	825	4.6%
GZIFC	16,639	16,066	3.6%
Hongjia Tower	<u>2,830</u>	<u>—<sup>(1)</sup></u>	N/A
Total	<u><u>27,574</u></u>	<u><u>23,569</u></u>	17.0%

Note:

- (1) Hongjia Tower was newly acquired in 2015. Pursuant to the circular of the transaction, the property valuation of Hongjia Tower as at 30 June 2015 was RMB2,770,000,000.

## Lease Expiry of the Properties

In respect of the rental area in the next five years and beyond, ratios of lease expiry of Yuexiu REIT Properties each year will be 23.6%, 22.5%, 27.3%, 10.1% and 16.5% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 22.9%, 23.4%, 30.3%, 12.5% and 10.9% respectively.

## Lease Expiry of the Properties

### Yuexiu REIT Properties

Year	By Rental Area	By Rental Income
FY2016	23.6%	22.9%
FY2017	22.5%	23.4%
FY2018	27.3%	30.3%
FY2019	10.1%	12.5%
FY2020 and beyond	<u>16.5%</u>	<u>10.9%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

**White Horse Building**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	32.5%	29.8%
FY2017	34.5%	27.2%
FY2018	16.1%	22.6%
FY2019	16.9%	20.4%
FY2020 and beyond	<u>0.0%</u>	<u>0.0%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

**Fortune Plaza**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	15.7%	17.0%
FY2017	43.9%	45.8%
FY2018	17.9%	16.9%
FY2019	10.0%	8.3%
FY2020 and beyond	<u>12.5%</u>	<u>12.0%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

**City Development Plaza**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	46.8%	35.6%
FY2017	33.8%	45.4%
FY2018	12.2%	12.1%
FY2019	0.3%	0.3%
FY2020 and beyond	<u>6.9%</u>	<u>6.6%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

**Neo Metropolis**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	48.2%	51.6%
FY2017	18.2%	16.7%
FY2018	25.1%	24.2%
FY2019	7.6%	6.7%
FY2020 and beyond	<u>0.9%</u>	<u>0.8%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>



**Victory Plaza**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	2.7%	7.8%
FY2017	10.1%	9.0%
FY2018	3.8%	8.1%
FY2019	16.3%	15.2%
FY2020 and beyond	<u>67.1%</u>	<u>59.9%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

**GZIFC**

<b>Year</b>	<b>Overall (including office and retail)</b>		<b>Office</b>		<b>Retail</b>	
	<b>Rental Area</b>	<b>Rental Income</b>	<b>Rental Area</b>	<b>Rental Income</b>	<b>Rental Area</b>	<b>Rental Income</b>
FY2016	15.0%	16.1%	16.9%	16.6%	6.6%	11.6%
FY2017	12.1%	13.0%	14.6%	13.7%	1.6%	5.5%
FY2018	37.2%	43.4%	42.7%	45.8%	12.7%	20.0%
FY2019	12.2%	12.0%	14.6%	12.7%	1.5%	4.5%
FY2020 and beyond	<u>23.5%</u>	<u>15.5%</u>	<u>11.2%</u>	<u>11.2%</u>	<u>77.6%</u>	<u>58.4%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Hongjia Tower**

<b>Year</b>	<b>By Rental Area</b>	<b>By Rental Income</b>
FY2016	26.2%	23.2%
FY2017	42.0%	45.1%
FY2018	30.8%	30.8%
FY2019	1.0%	0.9%
FY2020 and beyond	<u>0.0%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

### Revenue continued to increase

In 2015, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,709.6 million, representing an increase of 8.8% as compared to the corresponding period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC and Hongjia Tower accounted for approximately 23.8%, 4.2%, 3.5%, 3.7%, 3.8%, 58.5% and 2.5% 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 2015 <i>RMB million</i>	Revenue in 2014 <i>RMB million</i>	Increase in Revenue compared to 2014 <i>RMB million</i>	Increase %
White Horse Building	<b>406.9</b>	366.1	40.8	11.1%
Fortune Plaza	<b>71.5</b>	69.6	1.9	2.7%
City Development Plaza	<b>60.2</b>	59.4	0.8	1.3%
Victory Plaza	<b>63.9</b>	53.5	10.4	19.4%
Neo Metropolis	<b>64.5</b>	<u>61.9</u>	<u>2.6</u>	4.2%
Sub-total of the original properties	<b><u>667.0</u></b>	<u>610.5</u>	<u>56.5</u>	9.3%
GZIFC	<b>999.6</b>	960.6	39.0	4.1%
Hongjia Tower	<b>43.0<sup>(1)</sup></b>	<u>—</u>	<u>43.0</u>	N/A
Total	<b><u>1,709.6</u></b>	<u>1,571.1</u>	<u>138.5</u>	8.8%

*Note:*

(1) Revenue from Hongjia Tower was recorded since 1 September 2015.

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:

<b>Name of Property</b>	<b>Net Property Income in 2015</b> <i>RMB million</i>	Net Property Income in 2014 <i>RMB million</i>	Increase compared to 2014 <i>RMB million</i>	Increase %
White Horse Building	<b>320.5</b>	288.8	31.7	11.0%
Fortune Plaza	<b>55.5</b>	54.2	1.3	2.4%
City Development Plaza	<b>46.7</b>	46.1	0.6	1.3%
Victory Plaza	<b>49.8</b>	41.5	8.3	20.0%
Neo Metropolis	<b>50.3</b>	48.0	2.3	4.8%
Sub-total of the original properties	<b>522.8</b>	478.6	44.2	9.2%
GZIFC	<b>529.2</b>	508.9	20.3	4.0%
Hongjia Tower	<b>36.3<sup>(1)</sup></b>	—	36.3	N/A
Total	<b>1,088.3</b>	987.5	100.8	10.2%

*Note:*

(1) Net property income from Hongjia Tower was recorded since 1 September 2015.

#### **White Horse Building — continued progress in transformation and upgrading, further enhancement in market competitiveness**

In 2015, White Horse Building continued to make progress in transformation and upgrading in the areas of hardware reform, image enhancement, tenant mix adjustment, brand incubation and marketing innovation and its market competitiveness was further enhanced. The upgrading and modification of the grand lobby and passages 13 and 14 of the first floor of the building had completed alongside with simultaneous tenant mix optimization. Both the image and ambience of operation were remarkably improved and competitiveness was enhanced significantly. The Manager continuously increased effort on operation adjustments and implemented a brand entry review system aiming to improve the overall tenant quality and optimize the tenant mix of White Horse Building. On marketing, the Manager strived to increase incubation efforts on the branding of White Horse Building and organized to participate in the 23rd China International Fashion and Accessories Expo, 107 White Horse brands were arranged for exhibition tours in Shandong and received an enormous amount of on-site transactions. Meanwhile, the Manager continued to implement the marketing strategy of “going out and bringing in” and successfully organized the 9th White Horse Fashion Procurement Festival and innovatively launched the “entry into a dream factory” model in which channels are connected to each other by fully utilizing new media power such as websites and Weixin to expand sales channels and marketing horizons to enlarge the branding influence of the White Horse Building and consolidate its benchmark leading position in the industry.

### **Victory Plaza — commercial adjustment progressed incessantly and realized a thorough transformation of the quick fashion experience center**

In 2015, Victory Plaza continued to benefit from the Manager's positioning adjustment strategy of the "Quick Fashion Experience Center", and occupancy rate reached 100% for the first time as at the end of the reporting period. Both operating revenue and average daily customer flow increased significantly when compared with 2013 before the positioning was adjusted. Henceforth the Manager became more focused on adjusting the mix of tenant brands more thoroughly by driving further in-house commercial adjustments, training institutions and traditional food and beverage area were reduced proactively and specialty food and beverage outlet "Nice Meeting You" and boutique restaurant "Hakka Yu" were introduced to further optimize the tenant mix, and enhanced operation advisory and risk control through establishing a communication and supervision mechanism with the major tenants to improve its operation management standard and efficiency. By adhering closely to the positioning of "young.fashionable", launching large-scale thematic marketing campaigns in different seasons and complemented with small-scale festive marketing activities on weekdays, customer flow at shopping malls increased significantly and the VT101 new center for youths image made impressive influence on customers, realizing a thorough transformation of the Quick Fashion Experience Center to maintain the brand value and long-term competitiveness of this project.

### **Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — continued enhancement in lease management, rental value of the properties rose steadily**

In 2015, the three office projects of Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis Plaza recorded high occupancy rates of 99.6%, 97.7% and 99.7% respectively, both rentals for new leases and renewals experienced growth. Such impressive performance was benefited from the Manager's implementation of the active leasing management strategy and the effective management on expiring leases. Opportunities were timely captured to secure lease renewals from high quality tenants and proactive effort was made to attract quality tenants for optimizing the tenant mix. Fortune Plaza had successfully achieved lease renewals from global and domestic renowned enterprises, such as Chevron, Wall Street, Guoyuan Securities and CTrip, lease renewal rate reached 80.30%. City Development Plaza achieve successful expansion of rental area by quality tenants such as E Fund and Taikang Life, and attracted qualify tenants such as Shanghai Branch of Ping An Bank, Ocean State Jobbers, MANE Fragrances and Flavours, and Tongcheng international travel. Yue Xiu Neo Metropolis completed rental area expansion from its internal premium tenants such as Ping An Life Insurance of China and Star Cruises, and successfully brought in quality tenants such as matchmaker "我主良缘" and Beijing Yunniao.

### **Guangzhou International Finance Center — Operating performance of offices achieved record high, adjustment to podium shopping mall maintained steady progress**

In 2015, enterprises were affected by the macroeconomic conditions and held cautious view about business prospects, the overall leasing activities had slowed down. Meanwhile, the new supply of Grade A offices in Guangzhou increased by several times, more flexible rental strategies were adopted particularly for pre-lease projects and mature projects to provide more choices for office tenants, as a result the offices in GZIFC were facing more intense competition. Despite challenges in the market, the Manager still achieved outstanding leasing performance by leveraging on the excellent business solicitation team, active leasing strategies, effective customer relationship management and excellent management service, unit rent increased by 3.74% year-on-year, gaining a premium of approximately 40% over projects in the same area. Benefiting from the multi-channel expansion, reserve of customer resources and discovering demands from internal customers by the Manager, GZIFC offices recorded an occupancy rate of 97.3% at the end of the reporting period, with over 40,000 sq.m. of area under newly signed leases. The operation team leveraged on the well-established business environment of GZIFC and adoption of flexible business solicitation strategies, successfully attracted many quality tenants including Consulate General of the Republic of Columbia, Cushman & Wakefield, Kingvision Group and Alliang-Assistance. The Manager also strived to maintain customer relationship and enhance brand awareness of the project. Through the launching of a series of M space activities, interactive activities on the Weixin platform and social gatherings among tenants, loyalty of customers was effectively enhanced, and the influence of the project's image as a high-end business platform and landmark was augmented.

The podium shopping mall of GZIFC took advantage of the favourable opportunity arising from the gradual maturity of the retail business district in the entire Zhujiang New Town, and the Manager actively adjusted the industry mix of the entire mall and the brand portfolio of products to enhance the commercial value and ancillary service capabilities of the podium shopping mall of GZIFC. In 2015, the Manager and Friendship Store agreed on an optimization adjustment plan successfully through negotiation. The department store area of the Friendship Store was reduced, while more food and beverage and lifestyle retail consumption sectors were added. In the second half of the year, the mall commenced full scale renovation and business solicitation started as scheduled, the progress of lease signing and rental level were making headway steadily as scheduled, and it is expected to reopen part of the adjusted areas for business in the second quarter of 2016.

The overall performance of international branded high-end hotels in Guangzhou was driven by the gradual development of the domestic tourism market and the gradual recovery of the in-bound tourism market. The Manager adhered to the implementation of the “five-in-one” cooperative and mutually beneficial owner supervision system which effectively monitored the operation of the Four Seasons Hotel and Ascott Serviced Apartments, and in particular achieved a breakthrough in cost control for the hotel. During the reporting period, Four Seasons Hotel and the Ascott Serviced Apartments continued to command a benchmark position in the industry in Guangzhou region, the average room rate, Revenue Per Available Room (“RevPAR”) and customer satisfaction level ranked No.1 among all competitors. The average room rate of Four Seasons Hotel increased by 7.7% and RevPAR increased by 11.5% year-on-year. The average unit rental for Ascott Serviced Apartments increased by 1.6% and RevPAR increased by 14.9% year-on-year, the growth in operating results are consistent with expectation. Considering that four luxurious hotels and three serviced apartments are streaming into the market within the next two years, a strongly competitive landscape will arise. The Manager will leverage on information technology to increase sales efforts and reduce operating costs to ensure that our hotels and serviced apartments will maintain their competitive positions.

#### **Hongjia Tower — strengthened lease renewal management and optimized tenant mix actively**

Yuexiu REIT completed the acquisition of Hongjia Tower project on 31 August 2015. After the acquisition, the Manager dedicated its efforts on customer demand analysis, consolidated internal customer resources effectively, optimized tenant mix, and actively expanded various leasing channels with a view to continuously attracting famous enterprises to become tenants. Quality tenants such as Suning Holdings Group Co., Ltd. and AVIC Securities Co., Ltd. were introduced successfully. The unit rent of the project as at the end of 2015 increased by approximately 7% when compared with the unit rent in June prior to the acquisition.

#### **Actively pursuing asset enhancement projects to realize property value preservation and appreciation**

In 2015, the Manager continued to invest in a number of capital intensive renovation and enhancement projects, including improvement on office unit segregation at the GZIFC, upgrading of equipment room safety and environmental modification of the interchange floors at the GZIFC, the signage system upgrading and modification in the office area of GZIFC, business adjustment and renovation to level four and basement one of the podium block at GZIFC; image enhancement of passages 13 and 14 of White Horse Building, #1-#3 air-con main systems and cooling tower replacement work at White Horse Building, #2 cargo lift replacement work at White Horse Building; replacement work of water pipelines for fresh water supply at City Development Plaza and modification works to some of the signs on the external wall of the podium, underground plaza, indoor common area of Victory Plaza, these had ensured the safe operation of various projects and effectively improved the business environment of the projects.

In 2016, the Manager still plans to invest in a number of capital intensive modification projects at GZIFC, Neo Metropolis, City Development Plaza and Victory Plaza to continuously enhance operation efficiency and business environment of these projects.

### **Capture opportunities to realize breakthroughs**

In 2015, the Manager was facing a complicated market environment and carried out plans in a cautious and stable manner by taking proactive action. The transaction of acquiring the Hongjia Tower was completed on 31 August. In the course of this transaction, the Manager fully performed asset management upto professional standard in the interest of all Unitholders and complying with market rules, and realized a breakthrough in external acquisition by Yuexiu REIT. The Manager will seek suitable investment opportunities both domestically and externally to enhance the long-term interest of Unitholders.

### **Solidly executed rating maintenance to sustain investment-class rating**

The Manager has secured a good credit rating for Yuexiu REIT through increasing the income of property portfolio, implementing prudent fiscal policy and controlling financial cost. In 2015, Moody's and Standard & Poor's have retained Baa2 and BBB investment-class rating respectively for Yuexiu REIT in their updated rating reports.

### **Continuously reduced the finance cost and strengthened the exchange risk management**

In 2015, the average interest rate of borrowings of Yuexiu REIT decreased from 4.46% at the beginning of the year to 3.42% which further reduced the borrowing cost. In 2015, with adjustment to the Renminbi exchange rate policy made by the relevant authorities of the PRC, the exchange rate of Renminbi has depreciated by a relatively large extent and the expectation of further depreciation in the exchange rate of Renminbi still persists in the market. The Manager has formulated a proactive risk management plan by targeting the relatively high proportion of foreign currency debt of Yuexiu REIT after conducting research studies on exchange rate risk and its effects. In 2016, measures such as onshore and offshore loans denominated in Renminbi and issuance of bonds denominated in Renminbi are intended to be fully explored and more specific understanding on financial products such as currency swaps will be acquired. Subject to overall finance costs being under control, the currency mix of debts will be optimized to reduce the risk of foreign exchange fluctuations.

In addition, the US Federal Reserve has also raised interest rate in December 2015, the Manager will closely monitor the effects of an increase in US dollar interest rates and respond actively according to the actual conditions of Yuexiu REIT.

## FINANCIAL REVIEW

### FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2014. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	Increase/ (Decrease)
<b>Gross income</b>	<b><u>1,709,645</u></b>	<u>1,571,168</u>	<u>8.8%</u>
Hotel and serviced apartments direct expenses	(309,265)	(298,166)	3.7%
Leasing agents fees	(37,473)	(33,122)	13.1%
Property related taxes (Note 1)	(265,362)	(244,299)	8.6%
Other property expenses (Note 2)	<u>(9,176)</u>	<u>(8,069)</u>	<u>13.7%</u>
Total property operating expenses	<u>(621,276)</u>	<u>(583,656)</u>	<u>6.4%</u>
<b>Net property income</b>	<b><u>1,088,369</u></b>	<u>987,512</u>	<u>10.2%</u>
Withholding tax	(62,725)	(56,132)	11.7%
Depreciation and amortisation	(151,800)	(148,144)	2.5%
Manager's fees	(113,283)	(105,713)	7.2%
Trustee fees	(8,064)	(7,609)	6.0%
Other trust expenses (Note 3)	<u>(23,536)</u>	<u>(21,181)</u>	<u>11.1%</u>
Total non-property expenses	<u>(359,408)</u>	<u>(338,779)</u>	<u>6.1%</u>
<b>Net profit before finance expenses, finance income and income tax</b>	<b>728,961</b>	648,733	12.4%
Finance income	44,963	165,497	(72.8)%
Finance expenses	<u>(763,232)</u>	<u>(381,203)</u>	<u>100.2%</u>
Net profit before income tax	<b>10,692</b>	433,027	(97.5)%
Income tax expense	<u>(260,033)</u>	<u>(177,276)</u>	<u>46.7%</u>
<b>Net (loss)/profit after income tax before fair value gain on investment properties</b>	<b>(249,341)</b>	255,751	(197.5)%
Fair value gain on investment properties	<b>1,074,920</b>	672,216	59.9%
Other expenses in relation to the acquisition of subsidiaries	<u>(84,896)</u>	<u>—</u>	<u>N/A</u>
Net profit after income tax before transactions with Unitholders	<b><u>740,683</u></b>	<u>927,967</u>	<u>(20.2)%</u>

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

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

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

Gross income and net property income during the Reporting Year were approximately RMB1,709,645,000 (2014: RMB1,571,168,000) and RMB1,088,369,000 (2014: RMB987,512,000) respectively, which represented an increase of 8.8% and 10.2% respectively while comparing with 2014.

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

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Office	<b>708,752</b>	639,548
Wholesales	<b>406,861</b>	366,146
Retail	<b>102,808</b>	121,044
Hotel and serviced apartments	<b><u>491,224</u></b>	<u>444,430</u>
Total	<b><u>1,709,645</u></b>	<u>1,571,168</u>

Net property income amounted to approximately RMB1,088,369,000 (2014: RMB987,512,000), representing approximately 63.7% of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property operating expenses. Net property income analysis is listed in the following table.

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Office	<b>554,820</b>	501,302
Wholesales	<b>320,519</b>	288,776
Retail	<b>81,122</b>	96,410
Hotel and serviced apartments	<b><u>131,908</u></b>	<u>101,024</u>
Total	<b><u>1,088,369</u></b>	<u>987,512</u>

Hotel and serviced apartments direct expenses were approximately RMB309,265,000, an increase of 3.7% as compared with 2014. It was mainly because of an increase of 10.5% in operation revenue.

Leasing agent fees increased by approximately 13.1% as compared with 2014. It was mainly because of the newly acquired Hongjia Tower, and an increase in rental income of office and wholesales.

Property related tax increased by approximately 8.6% as compared with 2014. It was mainly because of an increase of rental income.

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

Overall, the Manager's fees increased by approximately 7.2% as a result of the increase in total assets and net property income. The Trustee fees increased by approximately 6.0% as a result of the increase in total assets.

As Renminbi depreciated against Hong Kong dollar and US dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB375,543,000. Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB354,536,000 (2014: RMB370,156,000).



Profit after tax before transactions with Unitholders amounted to approximately RMB740,683,000 (2014: RMB927,967,000), which represented a 20.2% decrease, mainly due to an exchange loss and other expenses in relation to the acquisition of a subsidiary incurred for the Reporting Year.

### **Top-up Payment**

Top-up Payment for the Reporting Year is approximately RMB66,823,000. After deducting the amount of RMB38,093,000 paid by Yuexiu Property on 19 August 2015, the balance amounting to RMB28,730,000 should be paid by Yuexiu Property within 7 business days after the announcement of Yuexiu REIT's annual result for the Reporting Year. Please refer to the Offering Circular dated 30 June 2012 for details.

### **Net Asset Value**

The net assets (including net assets attributable to deferred Unitholders) attributable to the existing Unitholders per unit as at 31 December 2015 was approximately RMB4.74 (2014: RMB4.69), which represented an increase of approximately 1.1%.

### **New Units Issued and Unit Activity**

In respect of the full settlement of the Manager's fees during the Reporting Year, Yuexiu REIT newly issued 15,481,099 and 13,610,590 units at HK\$4.33 and HK\$4.413 on 9 March 2015 and 12 August 2015 respectively. As at 31 December 2015, a total of 2,828,887,374 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$4.57 and a low of HK\$3.87 during the Reporting Year. The average trading volume amounted to approximately 4,610,190 Units per day during the Reporting Year (2014: 3,728,906 Units).

The closing price of the Units as at 31 December 2015 was HK\$4.16, represented a discount of approximately 26.5% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2015.

## **CAPITAL STRUCTURE**

Due to the acquisition of GZIFC, the secured loan of approximately RMB4,500,000,000 was transferred under the name of Yuexiu REIT. RMB930,000,000 was repaid through its own funds and internal arrangement in 2015. Part of the loan amounting to RMB2,140,000,000 had already been repaid as of 31 December 2015.

Referring to the US\$1,000,000,000 guaranteed medium-term note plan, on 14 May 2013, Yuexiu REIT issued a total principal of US\$350,000,000 guaranteed note at 3.1% which would mature in 2018. The fund was used for repayment of the bank loan of HK\$2,502,000,000 and for general corporate working capital requirement.

On 13 December 2013, Yuexiu REIT, through its Special Purpose Vehicles ("SPV"), entered into a facility agreement with certain lending banks in connection with a three-year fixed-term floating rate unsecured term loan of HK\$2,850,000,000 which bears interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.78% per annum. HK\$2,650,000,000 and HK\$200,000,000 were drawn from the facility on 19 December 2013 and 30 April 2014, respectively, they were utilized for repayment of the remaining balance of HK\$2,600,000,000 of the HK\$2,980,000,000 bank loan and for general working capital requirement.

On 30 July 2014, Yuexiu REIT, through its SPVs company, entered into a facility agreement with certain lending banks in connection with a two-year plus an optional one year fixed-term floating rate term loan of HK\$600,000,000 which bears interest at HIBOR plus 1.83% per annum. The loan was drawn down on 25 September 2014 for general corporate working capital requirement.

On 17 April 2015, Yuexiu REIT, through its SPVs company, entered into a facility agreement with certain lending banks in connection with a two-year plus an optional one year fixed-term floating rate term loan of HK\$900,000,000 which bears interest at HIBOR plus 1.83% per annum. Part of the loan amounting to HK\$400,000,000 and HK\$350,000,000 were drawn down on 6 May and 6 August 2015 respectively for general corporate working capital requirement.

On 24 August 2015, Yuexiu REIT, through its SPVs company, entered into a facility agreement with certain lending banks in connection with the following two tranches: 1) A tranche of up to the US\$177 million, which will bear interest as follows: (i) first 6 months (London Interbank Offered Rate (“LIBOR”) + 1.7% per annum); (ii) 7th to 12th month (LIBOR + 1.75% per annum); and (iii) thereafter (LIBOR + 2.123% per annum) (the “Offshore 1 + 2 Tranche”). Such tranche will mature and become repayable 1 year from the date of the facility agreement, and is extendable for another 2 years at the sole discretion of the Borrower. 2) A tranche of up to the US\$217 million, which will bear interest as follows: (i) first 12 months (LIBOR + 1.88% per annum); and (ii) thereafter (LIBOR + 2.055% per annum) (the “Offshore Term Tranche”). Such tranche will mature and become repayable 3 years from the date of the facility agreement. The loans were drawn down on 31 August 2015 for the acquisition cost and transaction cost of Shanghai Hongjia Tower.

On 24 August 2015, Yuexiu REIT, through its SPVs company, entered into a facility agreement with certain lending banks in connection with a three-year floating rate loan of RMB300,000,000 which bears interest at 110% of the People’s Bank of China (“PBOC”) benchmark lending rate per annum. The loan was drawn down on 31 August 2015 and was used for repayment of the existing onshore facility at completion of the acquisition of Hongjia Tower.

As at 31 December 2015, total borrowings of Yuexiu REIT amounted to approximately RMB10,977,945,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 37.4% of total assets of Yuexiu REIT. The gearing ratio was below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 31 December 2015, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB15,841,936,000, representing approximately 54.0% of total assets of Yuexiu REIT.

As one of the possible mitigations to RMB depreciation risk, Yuexiu REIT have a commitment of RMB banking facility available upto US\$88.5 million on a 3 year term loan to replace certain USD loan, the facility is offered by certain bank until 30 June 2016 (loan pricing is subject to market prevailing rate and signing of loan agreement)

## **CASH POSITION**

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2015 amounted to approximately RMB739,865,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

## **ACCOUNTING TREATMENTS**

### **Units recorded as Financial Liabilities; Distributions to Unitholders as Finance Costs**

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

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

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

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

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

## **SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES**

During the Reporting Year, Yuexiu REIT acquired Hongjia Tower at adjusted final acquisition price of US\$382,254,574. The total GFA of Hongjia Tower is approximately 62,139.35 sq.m.. For details please refer to the circular dated 6 August 2015 and the announcements dated 31 August 2015 and 27 January 2016 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 ("GZAM") (collectively, "Leasing Agents") to provide designated leasing, marketing, tenancy management and property management services to the Properties.

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, White Horse PM and GZAM in the amounts of RMB10,406,000, RMB12,206,000 and RMB14,861,000 respectively.

## **REPURCHASE, SALE OR REDEMPTION OF UNITS**

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

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

## **EMPLOYEES**

As at 31 December 2015, Yuexiu REIT employed 737 and 139 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

## **REVIEW OF FINANCIAL RESULTS**

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

## **CORPORATE GOVERNANCE**

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

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

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

## **ISSUANCE OF ANNUAL REPORT**

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2016.

## **ANNUAL GENERAL MEETING**

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 18 May 2016. 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 2015**

	<i>Note</i>	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
Revenue	5	<b>1,709,645</b>	1,571,168
Operating expenses	6	<b>(1,065,580)</b>	(922,435)
Fair value gain on investment properties	15	<b>1,074,920</b>	672,216
Finance income	9	<b>44,963</b>	165,497
Finance expenses	10	<u><b>(763,232)</b></u>	<u>(381,203)</u>
Profit before income tax and transactions with unitholders		<b>1,000,716</b>	1,105,243
Income tax expense	11	<u><b>(260,033)</b></u>	<u>(177,276)</u>
Profit after income tax before transactions with unitholders		<b>740,683</b>	927,967
Transactions with unitholders	27	<u><b>(838,171)</b></u>	<u>(1,014,632)</u>
Loss after income tax and transactions with unitholders		<u><b>(97,488)</b></u>	<u>(86,665)</u>
Other comprehensive income for the year :			
<u>Items that will not be reclassified to profit or loss</u>			
Change in fair value of property, plant and equipment			
- Gross		<b>143,670</b>	125,089
- Tax		<u><b>(40,238)</b></u>	<u>(35,024)</u>
Other comprehensive income for the year, net of tax		<u><b>103,432</b></u>	<u>90,065</u>
Total comprehensive income for the year		<u><b>5,944</b></u>	<u>3,400</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 27) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	
Profit/(loss) for the year ended 31 December 2014	925,506	(1,014,632)	(89,126)	2,461	(86,665)
Other comprehensive income:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	<u>89,126</u>	<u>—</u>	<u>89,126</u>	<u>939</u>	<u>90,065</u>
Total comprehensive income for the year ended 31 December 2014	<u>1,014,632</u>	<u>(1,014,632)</u>	<u>—</u>	<u>3,400</u>	<u>3,400</u>
Profit/(loss) for the year ended 31 December 2015	<b>735,817</b>	<b>(838,171)</b>	<b>(102,354)</b>	<b>4,866</b>	<b>(97,488)</b>
Other comprehensive income:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	<u>102,354</u>	<u>—</u>	<u>102,354</u>	<u>1,078</u>	<u>103,432</u>
Total comprehensive income for the year ended 31 December 2015	<u>838,171</u>	<u>(838,171)</u>	<u>—</u>	<u>5,944</u>	<u>5,944</u>

*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.
- (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, are presented in Note 12.

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2015**

	Note	2015 RMB'000	2014 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	2,412,453	2,369,494
Land use rights	14	1,527,824	1,577,109
Investment properties	15	23,194,000	19,299,000
Deferred assets	17	187,412	175,670
Goodwill	18	824,459	160,324
Top-up payment asset, non-current portion	19	32,237	118,448
		<u>28,178,385</u>	<u>23,700,045</u>
<b>Current assets</b>			
Inventories		4,241	4,438
Trade receivables	20	13,168	11,564
Amounts due from related parties	30	292,172	531,855
Tax recoverable		—	1,160
Prepayments, deposits and other receivables	21	42,907	31,368
Top-up payment asset, current portion	19	64,314	82,721
Short-term bank deposits	22	57,269	13,153
Cash and cash equivalents	22	682,596	986,300
		<u>1,156,667</u>	<u>1,662,559</u>
<b>Total assets</b>		<u>29,335,052</u>	<u>25,362,604</u>
<b>Current liabilities</b>			
Trade payables	24	13,094	14,518
Rental deposits, current portion	25	127,160	131,172
Receipts in advance	25	77,016	59,674
Accruals and other payables	25	769,245	1,003,370
Amounts due to related parties	30	74,926	69,371
Borrowings	26	2,841,730	300,000
Tax payable		2,849	—
		<u>3,906,020</u>	<u>1,578,105</u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2015**

	Note	2015 RMB'000	2014 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	25	175,842	113,281
Receipt in advance	25	12,669	25,638
Borrowings	26	8,136,215	7,809,396
Deferred tax liabilities	23	3,611,190	2,607,530
		<u>11,935,916</u>	<u>10,555,845</u>
<b>Total liabilities, other than net assets attributable to unitholders</b>			
		15,841,936	12,133,950
Net assets attributable to unitholders	27	<u>13,400,472</u>	<u>13,141,954</u>
<b>Total liabilities</b>		<u>29,242,408</u>	<u>25,275,904</u>
<b>Net assets</b>			
		<u>92,644</u>	<u>86,700</u>
<b>Equity</b>			
Revaluation reserve		303,883	201,529
Retained earnings		(303,883)	(201,529)
		—	—
Non-controlling interests		<u>92,644</u>	<u>86,700</u>
<b>Total equity</b>		<u>92,644</u>	<u>86,700</u>
<b>Units in issue ('000)</b>	27	<u>2,828,887</u>	<u>2,799,796</u>
<b>Net assets (including net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)</b>			
		<u>RMB 4.74</u>	<u>RMB 4.69</u>
<b>Net assets (excluding net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)</b>			
		<u>RMB 3.98</u>	<u>RMB 3.93</u>



**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Note</i>	<b>2015</b>	2014
		<b>RMB'000</b>	RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		<b>735,817</b>	925,506
Adjustments for the total distributable income (i)			
- Fair value gains on investment properties		<b>(1,074,920)</b>	(672,216)
- Deferred taxation in respect of fair value gain on investment property charged to profit or loss		<b>154,795</b>	78,559
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		<b>(281,147)</b>	(256,532)
<b>Total distributable (loss)/income</b>		<b>(465,455)</b>	75,317
<b>Additional items (ii)</b>			
- Cash received and/or receivable according to the Deed of Top-up Payments		<b>66,823</b>	104,399
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		<b>281,147</b>	256,532
- Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		<b>151,800</b>	148,144
- Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		<b>79,308</b>	72,235
- Manager’s fee paid and payable in units in lieu of cash		<b>101,955</b>	100,428
- Interest income and fair value loss/(gain) from top-up payment asset		<b>28,304</b>	(105,388)
- Foreign exchange loss in financing activities		<b>375,543</b>	11,047
- Expenses incurred in connection with the acquisition of subsidiaries		<b>84,896</b>	—
<b>Distributable income after additional items</b>		<b>704,321</b>	662,714
Distributable amount at 1 January		<b>338,835</b>	320,053
Distributions paid during the year (iii)	27	<b>(680,407)</b>	(643,932)
<b>Final distribution declared</b>		<b><u>362,749</u></b>	<u>338,835</u>
<b>Distribution per unit, declared (iv)</b>		<b><u>RMB0.1282</u></b>	<u>RMB0.1210</u>

**DISTRIBUTION STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

*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 2014 to 31 December 2014 of RMB0.1203 (equivalent to HK\$0.1521) per unit and interim distribution for the period from 1 January 2015 to 30 June 2015 of RMB0.1208 (equivalent to HK\$0.1530) per unit, totaling RMB680,407,000 (2014: RMB643,932,000), were paid to unitholders on 13 May 2015 and 28 October 2015 respectively.
- (iv) A final distribution for the period from 1 July 2015 to 31 December 2015 of RMB0.1282 (equivalent to HK\$0.1531) per unit, totaling RMB362,749,000 (equivalent to HK\$433,102,657) was declared by the Board of the Manager on 23 February 2016.

**CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND  
CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Equity				Total RMB'000
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2014	12,669,468	(112,403)	112,403	83,300	12,752,768
Issuance of units	101,786	—	—	—	101,786
Profit/(loss) for the year ended 31 December 2014 attributable to:					
- Unitholders	1,014,632	—	—	—	1,014,632
- Equity holders	—	(89,126)	—	2,461	(86,665)
Distributions paid to unitholders	(643,932)				(643,932)
Change in fair value of property, plant and equipment, net of tax	—	—	89,126	939	90,065
At 31 December 2014	<u>13,141,954</u>	<u>(201,529)</u>	<u>201,529</u>	<u>86,700</u>	<u>13,228,654</u>
At 1 January 2015	<b>13,141,954</b>	<b>(201,529)</b>	<b>201,529</b>	<b>86,700</b>	<b>13,228,654</b>
Issuance of units	<b>100,754</b>	—	—	—	<b>100,754</b>
Profit/(loss) for the year ended 31 December 2015 attributable to:					
- Unitholders	<b>838,171</b>	—	—	—	<b>838,171</b>
- Equity holders	—	<b>(102,354)</b>	—	<b>4,866</b>	<b>(97,488)</b>
Distributions paid to unitholders	<b>(680,407)</b>	—	—	—	<b>(680,407)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>102,354</b>	<b>1,078</b>	<b>103,432</b>
At 31 December 2015	<u><b>13,400,472</b></u>	<u><b>(303,883)</b></u>	<u><b>303,883</b></u>	<u><b>92,644</b></u>	<u><b>13,493,116</b></u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	<b>899,470</b>	962,836
Interest paid		<b>(332,567)</b>	(352,733)
Corporate income tax paid		<b>(12,812)</b>	(10,903)
Top-up payment received		<u><b>76,314</b></u>	<u>128,022</u>
Net cash generated from operating activities		<u><b>630,405</b></u>	<u>727,222</u>
<b>Cash flows from investing activities</b>			
Additions of investment properties		<b>(50,080)</b>	(21,784)
Additions of property, plant and equipment		<b>(1,804)</b>	(980)
Interest received		<b>44,963</b>	60,109
Increase in short-term bank deposits with original maturity of more than three months		<b>(44,116)</b>	(13,153)
Acquisition of subsidiaries, net of cash acquired	29	<u><b>(2,373,702)</b></u>	<u>—</u>
Net cash (used in)/generated from investing activities		<u><b>(2,424,739)</b></u>	<u>24,192</u>
<b>Cash flows from financing activities</b>			
Distributions paid		<b>(680,407)</b>	(643,932)
Proceeds from borrowings, net of transaction costs		<b>3,401,037</b>	629,032
Repayment of bank borrowings		<u><b>(1,230,000)</b></u>	<u>(390,000)</u>
Net cash generated from/(used in) financing activities		<u><b>1,490,630</b></u>	<u>(404,900)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(303,704)</b>	346,514
Cash and cash equivalents at beginning of the year		<u><b>986,300</b></u>	<u>639,786</u>
<b>Cash and cash equivalents at end of the year</b>	22	<u><b>682,596</b></u>	<u>986,300</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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. These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

### 2 Summary of significant accounting policies

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

#### (a) Basis of preparation

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

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

As at 31 December 2015, the Group’s current liabilities exceeded its current assets by RMB2,749,353,000 (2014: net current asset of RMB84,454,000) mainly as the bank borrowings of RMB2,841,730,000 fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group’s principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group’s past experience, its assets base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial reserves available including internally generated funds and existing or new facilities, the Manager considers the Group has adequate resources to meet its liabilities and commitments as when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### (i) New and amended standards effective for the year ended 31 December 2015

HKAS 19 (Amendment)	Employee benefits
Annual improvements 2010-2012 cycle	Improvements to HKFRSs
Annual improvements 2011-2013 cycle	Improvements to HKFRSs

The adoption of these new and amended standards did not result in a significant impact on the results and financial position of the Group.

##### (ii) New and amended standards have been issued but are not yet effective for the year ended 31 December 2015 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2015.

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

##### (ii) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with 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.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (b) Consolidation (Continued)

##### (ii) Business Combinations (Continued)

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

#### (c) Segment reporting

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

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

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

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

#### (e) Property, plant and equipment

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (e) Property, plant and equipment (Continued)

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

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

- (ii) All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

Leasehold improvements, furniture, fixtures and office supplies	3-5 years
Motor vehicles	5 years

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

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

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

#### (f) Investment properties

Investment property, principally comprising leasehold land, office buildings and shopping mall, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (f) Investment properties (Continued)

These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the profit or loss.

#### (g) Goodwill

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

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

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

#### (h) Impairment of non-financial assets

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

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

#### (j) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (k) Loan and other receivables

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

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

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

#### (l) Land use rights

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

#### (m) Rental deposits

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

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

#### (n) 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.

#### (o) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (o) Trade payables (Continued)

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

#### (p) 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.

#### (q) 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.

#### (r) Borrowing costs

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

#### (s) Current and deferred income tax

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (s) Current and deferred income tax (Continued)

##### (i) Current income tax

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

##### (ii) Deferred income tax

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

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

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

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

##### (iii) Offsetting

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (t) 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.

#### (u) Distributions to unitholders

In accordance with the Trust Deed, Yuexiu REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. These units are therefore classified as financial liabilities in accordance with HKAS 32 and, accordingly, the distributions paid to unitholders represent finance costs and are therefore presented as an expense in the profit or loss. Consequently, Yuexiu REIT has recognised distributions as finance costs in the profit or loss.

#### (v) Employee benefits

##### (i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### (v) Employee benefits (Continued)

##### (ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### 3 Financial risk management

#### (a) Financial risk factors

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

The Manager of Yuexiu REIT identifies and evaluates financial risks. The Manager provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, non-derivative financial instruments, and investing of excess liquidity.

##### (i) Market risk

###### (a) Foreign exchange risk

The Group operates in China with most of the transactions denominated in RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits, and bank borrowings, denominated primarily in Hong Kong dollar ("HK\$") and United States dollar ("USD"). As RMB depreciated significantly against HK\$ and USD during 2015, the Group is considering strategies to hedge this exposure in 2016.

At 31 December 2015 and 2014, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2015 would have been approximately RMB409,124,000 (2014: RMB232,535,000) 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, and borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (i) Market risk (Continued)

###### (b) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings obtained at variable rates which expose the Group to cash flow interest rate risk 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 into any swaps for its floating-rate borrowing for the year ended 31 December 2015 and 2014. At 31 December 2015 and 2014, 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 RMB109,029,000 (2014: RMB80,306,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables, amounts due from related parties, other receivables, top-up payment asset and deposits with banks and financial institutions, as well as credit exposures to tenants.

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.

	2015 RMB'000	2014 RMB'000
<b>Counterparty</b>		
The Hongkong and Shanghai Banking Corporation Ltd.	5,413	16,710
Bank of China	488,394	786,822
DBS Bank Ltd. Hong Kong Branch	230,913	187,160
Other banks	<u>14,705</u>	<u>8,357</u>
Short-term bank deposits and cash and cash equivalent	<u>739,425</u>	<u>999,049</u>

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (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 RMB739,865,000 as at 31 December 2015 (2014: RMB999,453,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

	Within one year	Between one and two years	Between two and five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015					
Rental deposits	127,160	85,745	84,213	19,098	316,216
Trade payables	13,094	—	—	—	13,094
Accruals and other payables	754,419	—	—	—	754,419
Amounts due to related parties	74,926	—	—	—	74,926
Bank borrowings, secured					
- Principal to be repaid	2,841,730	975,741	4,556,032	345,000	8,718,503
- Interest payables	566,152	480,690	435,549	100,965	1,583,356
Other borrowings, unsecured					
- Principal to be repaid	—	—	2,259,442	—	2,259,442
- Interest payables	70,043	70,043	29,184	—	169,270
As at 31 December 2014					
Rental deposits	131,172	25,212	77,066	11,003	244,453
Trade payables	14,518	—	—	—	14,518
Accruals and other payables	1,003,370	—	—	—	1,003,370
Amounts due to related parties	69,371	—	—	—	69,371
Bank borrowings, secured					
- Principal to be repaid	300,000	2,601,733	1,663,755	1,420,000	5,985,488
- Interest payables	406,035	382,379	426,720	191,135	1,406,269
Other borrowings, unsecured					
- Principal to be repaid	—	—	2,123,908	—	2,123,908
- Interest payables	65,841	65,841	27,434	—	159,116

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### (b) Capital risk management

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

Consistent with others in the industry, the Manager monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total asset value as shown in the consolidated balance sheet.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain a gearing ratio not exceeding 45%. The gearing ratio at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Total borrowings (Note 26)	<u>10,977,945</u>	<u>8,109,396</u>
Total asset value	<u>29,335,052</u>	<u>25,362,604</u>
Gearing ratio	<u>37%</u>	<u>32%</u>

The gearing ratio increased to 37% in 2015 (2014: 32%) due to increase in borrowings resulting from the acquisition of subsidiaries 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, trade and other receivables, amounts due from related parties and top-up payment asset and current financial liabilities including borrowings, rental deposits, 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.

See Note 13 for disclosures of property, plant and equipment, Note 15 for investment properties that are measured at fair value and Note 19 for top-up payment asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 property, plant and equipment and investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the directors of the Manager determine the amount within a range of reasonable fair value estimates. In making its judgement, the directors of the Manager consider information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of properties is not available, the fair values of properties are determined using discounted cash flow valuation techniques. The directors of the Manager use assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the directors of the Manager and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. These valuations are reviewed annually by external valuers.

The fair value of property, plant and equipment and investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Notes 13 and 15 respectively.

#### (b) Estimate of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	<b>Hotel and serviced apartments</b>	<b>Office rental</b>	<b>Wholesale and shopping mall</b>	<b>Group</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015				
Revenue from external customers	<u>491,224</u>	<u>708,752</u>	<u>509,669</u>	<u>1,709,645</u>
Segment results	<u>(18,067)</u>	<u>1,175,179</u>	<u>791,653</u>	<u>1,948,765</u>
Depreciation and amortisation	<u>149,955</u>	<u>1,845</u>	<u>—</u>	<u>151,800</u>
Fair value gain on investment properties	<u>—</u>	<u>633,296</u>	<u>441,624</u>	<u>1,074,920</u>
Year ended 31 December 2014				
Revenue from external customers	<u>444,430</u>	<u>639,548</u>	<u>487,190</u>	<u>1,571,168</u>
Segment results	<u>(45,113)</u>	<u>850,434</u>	<u>650,132</u>	<u>1,455,453</u>
Depreciation and amortisation	146,137	2,007	—	148,144
Fair value gain on investment properties	<u>—</u>	<u>376,300</u>	<u>295,916</u>	<u>672,216</u>
As at 31 December 2015				
Total reportable segments' assets	<u>4,620,454</u>	<u>14,380,713</u>	<u>9,497,134</u>	<u>28,498,301</u>
As at 31 December 2014				
Total reportable segments' assets	<u>4,667,646</u>	<u>11,728,693</u>	<u>8,781,354</u>	<u>25,177,693</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	<b>Year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Segment results	<b>1,948,765</b>	1,455,453
Unallocated operating costs (Note)	<u><b>(229,780)</b></u>	<u>(134,504)</u>
Operating profit	<b>1,718,985</b>	1,320,949
Finance income	<b>44,963</b>	165,497
Finance expenses	<u><b>(763,232)</b></u>	<u>(381,203)</u>
Profit before income tax and transactions with unitholders	<u><b>1,000,716</b></u>	<u>1,105,243</u>

*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:

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total reportable segments' assets	<b>28,498,301</b>	25,177,693
Tax recoverable	—	1,160
Corporate assets	<u><b>836,751</b></u>	<u>183,751</u>
Total assets	<u><b>29,335,052</b></u>	<u>25,362,604</u>

	<b>Revenue</b>		<b>Total assets</b>	
	<b>Year ended 31 December</b>		<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
China	<u><b>1,709,645</b></u>	<u>1,571,168</u>	<b>28,498,301</b>	25,177,693
Unallocated assets			<u><b>836,751</b></u>	<u>184,911</u>
			<u><b>29,335,052</b></u>	<u>25,362,604</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Revenue and segment information (Continued)

The Group's revenue by nature is as follows:

	2015 RMB'000	2014 RMB'000
Hotel and serviced apartments operations		
Room rentals	275,643	244,496
Food and beverages	200,346	183,317
Property rentals	1,218,431	1,108,421
Others (Note)	<u>15,225</u>	<u>34,934</u>
	<u><b>1,709,645</b></u>	<u><b>1,571,168</b></u>

*Note:* For the year ended 31 December 2014, other income mainly includes naming right of RMB20,000,000.

### 6 Expenses by nature

	2015 RMB'000	2014 RMB'000
Property management fees (i)	37,473	33,122
Employee benefit expenses (Note 7)	116,795	117,709
Real estate tax	159,327	149,336
Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	102,706	92,409
Withholding tax (ii)	62,725	56,132
Depreciation of property, plant and equipment (Note 13)	102,515	98,859
Amortisation of land use rights (Note 14)	49,285	49,285
Cost of inventories sold or consumed in operation	69,878	47,273
Other direct expenses on hotel and serviced apartment	122,569	133,184
Manager's fee (Note 8)	139,555	105,713
Trustee's fee	8,476	7,609
Valuation fees	1,118	791
Legal and professional fee	64,366	8,796
Auditor's remuneration	3,090	3,192
Bank charges	762	701
Foreign exchange loss arising from operating activities	6,667	2,477
Others	<u>18,273</u>	<u>15,847</u>
Total operating expenses	<u><b>1,065,580</b></u>	<u><b>922,435</b></u>

*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%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 Employee benefit expenses

	2015 RMB'000	2014 RMB'000
Wages, salaries and bonus	79,500	83,374
Pension costs	4,472	4,541
Medical benefits costs	3,504	3,454
Social security costs	6,202	5,679
Staff welfare	<u>23,117</u>	<u>20,661</u>
	<u><b>116,795</b></u>	<u><b>117,709</b></u>

### 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 carrying value of the deposited property; a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate, as defined in the Trust Deed. A transaction fee of RMB26,272,000 in business combination in related to acquisition to Shanghai has been included to manager's fee for the year ended 31 December 2015.

	2015 RMB'000	2014 RMB'000
Manager's fee: (Note)		
In the form of units	101,955	100,428
In the form of cash	<u>37,600</u>	<u>5,285</u>
	<u><b>139,555</b></u>	<u><b>105,713</b></u>

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 paid in the form of units.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Finance income

	2015 RMB'000	2014 RMB'000
Interest income from bank deposits	9,787	7,860
Interest income from a related company	30,327	52,249
Interest income from top-up payment asset (note 19)	4,849	7,121
Fair value gain on top-up payment asset (note 19)	<u>—</u>	<u>98,267</u>
	<b><u>44,963</u></b>	<b><u>165,497</u></b>

### 10 Finance expenses

	2015 RMB'000	2014 RMB'000
Interest expense for bank borrowings	265,207	286,076
Interest expense for other borrowings	67,360	66,657
Amortisation of transaction costs for borrowings	21,969	17,423
Fair value loss on top-up payment asset (note 19)	33,153	—
Foreign exchange loss on financing activities	<u>375,543</u>	<u>11,047</u>
	<b><u>763,232</u></b>	<b><u>381,203</u></b>

### 11 Income tax expense

For the subsidiaries incorporated and operate in China, they are subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 6 (ii).

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

	2015 RMB'000	2014 RMB'000
<i>Current income tax</i>		
- China corporate income tax	15,617	10,770
- Under-provision in prior years	246	333
Deferred income tax (Note 23)	<u>244,170</u>	<u>166,173</u>
	<b><u>260,033</u></b>	<b><u>177,276</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Income tax expense (Continued)

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:

	2015 RMB'000	2014 RMB'000
Profit before income tax and transactions with unitholders	<u>1,000,716</u>	<u>1,105,243</u>
Tax calculated at domestic tax rate of 25%	250,179	276,311
Income not subject to tax	(195,007)	(219,539)
Expenses not deductible for tax purposes	183,922	103,724
Under-provision in prior years	246	333
Withholding tax on unremitted earnings of subsidiaries	<u>20,693</u>	<u>16,447</u>
	<u>260,033</u>	<u>177,276</u>

### 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.

	2015	2014
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>735,817</u>	<u>925,506</u>
Weighted average number of units in issue ('000)	<u>2,817,730</u>	<u>2,785,752</u>
Basic earnings per unit (RMB)	<u>0.26</u>	<u>0.33</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders (Continued)

(b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2015.

	2015	2014
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>735,817</u>	<u>925,506</u>
Weighted average number of units in issue ('000)	2,817,730	2,785,752
Adjustments for deferred units ('000)	733,280	733,280
Adjustments for manager's fee in form of units ('000)	<u>15,604</u>	<u>16,364</u>
Weighted average number of units for diluted earnings per unit ('000)	<u>3,566,614</u>	<u>3,535,396</u>
Diluted earnings per unit (RMB)	<u>0.21</u>	<u>0.26</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment

	<b>Hotel and serviced apartments</b>	<b>Office supplies</b>	<b>Motor vehicles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014				
Cost	2,292,367	12,692	9,503	2,314,562
Accumulated depreciation	(115,162)	(12,412)	(2,499)	(130,073)
Fair value gain on revaluation	<u>157,795</u>	<u>—</u>	<u>—</u>	<u>157,795</u>
Net book amount	<u><u>2,335,000</u></u>	<u><u>280</u></u>	<u><u>7,004</u></u>	<u><u>2,342,284</u></u>
Year ended 31 December 2014				
Opening net book amount	2,335,000	280	7,004	2,342,284
Additions	980	—	—	980
Depreciation (Note 6)	(96,852)	(132)	(1,875)	(98,859)
Fair value gain on revaluation	<u>125,089</u>	<u>—</u>	<u>—</u>	<u>125,089</u>
Closing net book amount	<u><u>2,364,217</u></u>	<u><u>148</u></u>	<u><u>5,129</u></u>	<u><u>2,369,494</u></u>
At 31 December 2014				
Cost	2,293,347	12,692	9,503	2,315,542
Accumulated depreciation	(212,014)	(12,544)	(4,374)	(228,932)
Fair value gain on revaluation	<u>282,884</u>	<u>—</u>	<u>—</u>	<u>282,884</u>
Net book amount	<u><u>2,364,217</u></u>	<u><u>148</u></u>	<u><u>5,129</u></u>	<u><u>2,369,494</u></u>
Year ended 31 December 2015				
Opening net book amount	<b>2,364,217</b>	<b>148</b>	<b>5,129</b>	<b>2,369,494</b>
Additions	<b>1,804</b>	<b>—</b>	<b>—</b>	<b>1,804</b>
Depreciation (Note 6)	<b>(100,691)</b>	<b>(60)</b>	<b>(1,764)</b>	<b>(102,515)</b>
Disposal	<b>—</b>	<b>(15)</b>	<b>—</b>	<b>(15)</b>
Acquisition of subsidiaries (Note 29)	<b>—</b>	<b>15</b>	<b>—</b>	<b>15</b>
Fair value gain on revaluation	<u><b>143,670</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>143,670</b></u>
Closing net book amount	<u><u><b>2,409,000</b></u></u>	<u><u><b>88</b></u></u>	<u><u><b>3,365</b></u></u>	<u><u><b>2,412,453</b></u></u>
At 31 December 2015				
Cost	<b>2,295,151</b>	<b>12,692</b>	<b>9,503</b>	<b>2,317,346</b>
Accumulated depreciation	<b>(312,705)</b>	<b>(12,604)</b>	<b>(6,138)</b>	<b>(331,447)</b>
Fair value gain on revaluation	<u><b>426,554</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>426,554</b></u>
Net book amount	<u><u><b>2,409,000</b></u></u>	<u><u><b>88</b></u></u>	<u><u><b>3,365</b></u></u>	<u><u><b>2,412,453</b></u></u>

If hotel and serviced apartments had not been revalued, it would have been included in these consolidated financial statements at historical cost less accumulated depreciation of RMB1,991,229,000 (2014: RMB2,083,962,000).

As at 31 December 2015, property, plant and equipment with an aggregate carrying amount of RMB2,136 million (2014: RMB2,095 million) were pledged as collateral for the Group's bank borrowings (Note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Property, plant and equipment (Continued)

The following table analyses the property, plant and equipment carried at fair value:

	31 December	
	2015	2014
	RMB'000	RMB'000
Opening balance	2,364,217	2,335,000
Additions	1,804	980
Depreciation	(100,691)	(96,852)
Unrealised gains recognised in reserve	143,670	125,089
Closing balance	<u>2,409,000</u>	<u>2,364,217</u>
Changes in unrealised gains or losses for the year included in other comprehensive income at the end of the year	<u>143,670</u>	<u>125,089</u>

#### Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and service apartments were revalued by Vigers Appraisal and Consulting Limited, being independent qualified valuer not related to the Group at 31 December 2015 and 2014 respectively.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

#### Valuation techniques

##### Fair value measurements using significant unobservable inputs

Fair value of hotel and serviced apartments in China is generally derived using the discounted cash flow analysis. Breakdown of the fair values of both hotel and serviced apartments portions of Guangzhou International Finance Center ("Guangzhou IFC") into land element and building element is required. Fair values of the land and building elements are assessed using the discounted cash flow analysis and depreciated replacement cost method.

In the course of discounted cash flow analysis, both income and expenses over the coming 10 years from the date of valuation are itemised and projected annually taking into account the rental revenue, associated revenues and the expected growth of income and expenses. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Property, plant and equipment (Continued)

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which both portions are held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

#### Significant input used to determine fair value

Capitalisation and discount rates are estimated by Vigers Appraisal and Consulting Limited for 2015 and 2014 based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The adopted valuation assumptions under the discounted cash flow analysis are summarised as follows:

#### As at 31 December 2014

	Unit Rate/day (RMB)	Discount Rate (%)	Stabilised Occupancy Rate (%)
Hotel	2,000	8.0	75.0
Serviced apartments	950	7.5	90.0

#### As at 31 December 2015

	Unit Rate/day (RMB)	Discount Rate (%)	Stabilised Occupancy Rate (%)
Hotel	2,010	8.0	73.0
Serviced apartments	964	7.5	95.0

### 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:

	2015 RMB'000	2014 RMB'000
At 1 January	1,577,109	1,626,394
Amortisation (Note 6)	<u>(49,285)</u>	<u>(49,285)</u>
At 31 December	<u>1,527,824</u>	<u>1,577,109</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Land use rights (Continued)

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

	<b>31 December 2015</b>	31 December 2014
	<b>RMB'000</b>	RMB'000
In China:		
Land use rights of between 10 and 50 years	<u><b>1,527,824</b></u>	<u>1,577,109</u>

As at 31 December 2015, the fair value of land use rights is approximately RMB1,971 million (2014: RMB1,906 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2015, land use rights were pledged with an aggregate net book amount of approximately RMB1,443 million (2014: RMB1,491 million) as collateral for the Group's bank borrowings (Note 26).

### 15 Investment properties

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
At 1 January	<b>19,299,000</b>	18,605,000
Additions during the year	<b>50,080</b>	21,784
Acquisition of subsidiaries (Note 29)	<b>2,770,000</b>	—
Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties'	<u><b>1,074,920</b></u>	<u>672,216</u>
At 31 December	<u><b>23,194,000</b></u>	<u>19,299,000</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	<u><b>1,074,920</b></u>	<u>672,216</u>

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

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB201,949,000(2014: RMB185,072,000). Included in the direct operating expenses, RMB4,811,000 (2014: RMB5,115,000) was relating to investment properties that were vacant.

Yuexiu REIT acquired Hongjia Tower on 31 August 2015. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholder have passed a special resolution consenting to the proposed disposal.

As at 31 December 2015, investment properties with an aggregate net book value of approximately RMB 3,177 million (2014: RMB3,050 million) were pledged as collateral for the Group's bank borrowings (Note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Investment properties (Continued)

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Vigers Appraisal and Consulting Limited, being independent qualified valuer not related to the Group at 31 December 2015 and 2014.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report
- Assesses property valuations movements when compared to the prior year valuation report
- Holds discussions with the independent valuer.

#### Valuation techniques

##### Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties in China are derived using both the income capitalisation method and discounted cash flow analysis.

The income capitalisation method is used to capitalise the unexpired rental income of contractual tenancies. It has also taken into account the reversionary market rent after the expiry of tenancies in capitalisation. The prevailing market rents adopted in the valuation have made reference to recent lettings and other similar comparable properties in the vicinity.

For the discounted cash flow analysis, both income and expenses over the coming ten years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the ten-year period is discounted at an appropriate rate of return.

The net cash flow from eleventh year onwards to the expiry date of the land use rights from the government under which each of the properties is held is capitalised at a market yield expected for the particular type of property investment in the market.

There were no changes to the valuation techniques during the year.

##### Significant inputs used to determine fair value

Capitalisation and discount rates are estimated by Vigers Appraisal and Consulting Limited for 2015 and 2014 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Investment properties (Continued)

The adopted monthly market unit rents and capitalisation rates used in the income capitalisation method are summarised as follows:

#### As at 31 December 2014

	<b>Monthly Market Unit Rent</b> (RMB per sq.m.)	<b>Capitalisation Rate</b> (per annum)
Office	94 to 260	5.00% to 8.00%
Retail	58 to 1,250	5.25% to 8.50%

#### As at 31 December 2015

	<b>Monthly Market Unit Rent</b> (RMB per sq.m.)	<b>Capitalisation Rate</b> (per annum)
Office	<b>104 to 360</b>	<b>4.75% to 8.00%</b>
Retail	<b>49 to 1,207</b>	<b>4.75% to 8.50%</b>

The adopted valuation assumptions in discounted cash flow analysis are summarised as follows:

#### As at 31 December 2014

	<b>Monthly Market Unit Rent</b> (RMB per sq.m.)	<b>Discount Rate</b>	<b>Stabilised Occupancy Rate</b>
Office	94 to 260	7.25% to 9.50%	90.00% to 99.00%
Retail	58 to 1,250	7.50% to 9.80%	95.00% to 99.50%

#### As at 31 December 2015

	<b>Monthly Market Unit Rent</b> (RMB per sq.m.)	<b>Discount Rate</b>	<b>Stabilised Occupancy Rate</b>
Office	<b>104 to 360</b>	<b>7.25% to 9.25%</b>	<b>97.30% to 100.00%</b>
Retail	<b>49 to 1,207</b>	<b>7.50% to 9.50%</b>	<b>86.81% to 100.00%</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Subsidiaries

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited (“HoldCo 2005”)	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share	100%
Yuexiu REIT 2012 Company Limited (“HoldCo 2012”)	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited (“REIT MTN”)	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited (“REIT 2013”)	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Metrogold Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary share of USD1	100%
Guangzhou Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of RMB92 million	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)
Tower Top Development Ltd. (“Tower Top”)	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary share of USD1	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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)
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd. <sup>1</sup>	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%
Bestget Enterprises Limited <sup>1</sup>	Hong Kong, limited liability company	Investment holding	257,614,000 ordinary share of HK\$257,614,000	100%

<sup>1</sup> These subsidiaries are acquired during the year ended 31 December 2015

*Note:* Shares of HoldCo 2005, HoldCo 2012, REIT MTN, REIT 2013 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 Goodwill

	<b>RMB'000</b>
At 31 December 2014	
Cost	160,324
Accumulated impairment	<u>—</u>
<b>Net book amount</b>	<b><u>160,324</u></b>
<b>Year ended 31 December 2015</b>	
Opening net book amount	160,324
Acquisition of subsidiaries (Note 29)	<u>664,135</u>
<b>Closing net book amount</b>	<b><u>824,459</u></b>
<b>At 31 December 2015</b>	
Cost	824,459
Accumulated impairment	<u>—</u>
<b>Net book amount</b>	<b><u>824,459</u></b>

#### 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:

	<b>2015</b>	2014
Growth rate per annum	<b>3.80% -9%</b>	3.40%
Discount rate per annum	<b>5.16%</b>	6.87%

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 Top-up payment asset

During 2012, the Group acquired Guangzhou IFC from Yuexiu Property Company Limited (“YXP”). 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 apartments 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, which is denominated in RMB. The value of the balance approximates its carrying amount.

It is initially recognised 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 1.650% (2014: 2.970%) per annum. Top-up payment asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited 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 expense”/“finance income”.

The top-up payment for the year ended 31 December 2015 was RMB66,823,000 (2014: RMB104,399,000).

### 20 Trade receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	<u>13,168</u>	<u>11,564</u>

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:

	2015 RMB'000	2014 RMB'000
0 - 30 days	11,120	10,031
31 - 90 days	1,796	967
91 - 180 days	<u>252</u>	<u>566</u>
	<u>13,168</u>	<u>11,564</u>

As at 31 December 2015, trade receivables of approximately RMB13,168,000 (2014: RMB11,564,000) were fully performing.

As at 31 December 2015, no trade receivables (2014: nil) were past due.

Majority of the Group’s trade receivables are denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	572,621	804,850
Short-term bank deposits with original maturity of less than three months	<u>109,975</u>	<u>181,450</u>
Cash and cash equivalents	682,596	986,300
Short-term bank deposits with original maturity of more than three months	<u>57,269</u>	<u>13,153</u>
Total	<u>739,865</u>	<u>999,453</u>
Maximum exposure to credit risk	<u>739,425</u>	<u>999,049</u>

As at 31 December 2015, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB572,004,000 (2014: RMB786,480,000) 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:

	2015 RMB'000	2014 RMB'000
HK\$	63,575	212,200
RMB	572,444	786,884
USD	<u>103,846</u>	<u>369</u>
	<u>739,865</u>	<u>999,453</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Deferred tax liabilities

	2015 RMB'000	2014 RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	<u>3,611,190</u>	<u>2,607,530</u>

The movements in the deferred tax liabilities account are as follows:

	2015 RMB'000	2014 RMB'000
Beginning of the year	2,607,530	2,406,333
Deferred taxation charged to profit or loss (Note 11)	244,170	166,173
Deferred taxation charged to reserve	40,238	35,024
Acquisition of subsidiaries (Note 29)	<u>719,252</u>	<u>—</u>
End of the year	<u>3,611,190</u>	<u>2,607,530</u>

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Tax losses RMB'000
At 1 January 2014	35,937
Credited to profit or loss	<u>36,071</u>
At 31 December 2014	<u>72,008</u>
At 1 January 2015	72,008
Credited to profit or loss	<u>14,477</u>
At 31 December 2015	<u>86,485</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Deferred tax liabilities (Continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2014				
At 1 January 2014	2,036,226	255,536	150,508	2,442,270
Charged to profit or loss	78,559	5,702	117,983	202,244
Charged to reserve	<u>35,024</u>	<u>—</u>	<u>—</u>	<u>35,024</u>
At 31 December 2014	<u>2,149,809</u>	<u>261,238</u>	<u>268,491</u>	<u>2,679,538</u>
Year ended 31 December 2015				
At 1 January 2015	2,149,809	261,238	268,491	2,679,538
Charged to profit or loss	154,795	12,252	91,600	258,647
Charged to reserve	40,238	—	—	40,238
Acquisition of subsidiaries (Note 29)	<u>534,698</u>	<u>166,610</u>	<u>17,944</u>	<u>719,252</u>
At 31 December 2015	<u>2,879,540</u>	<u>440,100</u>	<u>378,035</u>	<u>3,697,675</u>

There is no significant unprovided deferred taxation as at 31 December 2015 (2014: nil).

### 24 Trade payables

	2015 RMB'000	2014 RMB'000
Trade payables	<u>13,094</u>	<u>14,518</u>

The fair values of trade payables approximate their carrying amounts.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Trade payables (Continued)

The ageing analysis of the trade payables is as follows:

	2015 RMB'000	2014 RMB'000
0 - 30 days	11,061	10,991
31 - 90 days	2,026	2,680
91 - 180 days	7	844
181-365 days	<u>—</u>	<u>3</u>
	<u><b>13,094</b></u>	<u><b>14,518</b></u>

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

### 25 Rental deposits, receipts in advance, accruals and other payables

	2015 RMB'000	2014 RMB'000
Rental Deposits		
Current portion	127,160	131,172
Non-current portion	<u>175,842</u>	<u>113,281</u>
	<u><b>303,002</b></u>	<u>244,453</u>
Receipts in advance		
Current portion	77,016	59,674
Non-current portion	<u>12,669</u>	<u>25,638</u>
	<u><b>89,685</b></u>	<u>85,312</u>
Provision for withholding tax payable	9,353	6,801
Provision for business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	5,473	5,362
Construction fee payable	645,072	873,161
Accruals for operating expenses	<u>109,347</u>	<u>118,046</u>
Accruals and other payables	<u><b>769,245</b></u>	<u>1,003,370</u>
	<u><b>1,161,932</b></u>	<u><b>1,333,135</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 Rental deposits, receipts in advance, accruals and other payables (Continued)

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

Majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

### 26 Borrowings

	2015 RMB'000	2014 RMB'000
Current portion of long term borrowings, secured	<u>2,841,730</u>	<u>300,000</u>
Long-term borrowings		
Bank borrowings		
- Secured	2,360,000	3,290,000
- Unsecured	6,358,503	2,695,488
Other borrowings, unsecured (Note)	<u>2,259,442</u>	<u>2,123,908</u>
	<b>10,977,945</b>	8,109,396
Less: current portion of long-term borrowings	<u>(2,841,730)</u>	<u>(300,000)</u>
Total long-term borrowings	<u>8,136,215</u>	<u>7,809,396</u>
Analysed into:		
Unsecured	8,617,945	4,819,396
Secured	<u>2,360,000</u>	<u>3,290,000</u>
	<u>10,977,945</u>	<u>8,109,396</u>

#### Note a

Bank borrowings of the Group are guaranteed on a joint and several basis<sup>1</sup> and also secured by the following:

- certain parts of Guangzhou IFC amounting to RMB6,755 million;
- 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 Company Limited ("Yuexiu REIT 2012"), Tower Top Development Ltd. ("Tower Top"), BVI Holdcos<sup>2</sup> and HK Holdcos<sup>3</sup>, subsidiaries of the Group;
- all right, title and interest in all present and future loans of Yuexiu REIT 2012, Tower Top, BVI Holdcos<sup>2</sup> and HK Holdcos<sup>3</sup>;

<sup>1</sup> A syndicated loan amounting to RMB2,360 million (2014: RMB3,290 million) is jointly and severally guaranteed by related parties, namely Guangzhou City Construction and Development Co., Ltd., Guangzhou Charcon Real Estate Co., Ltd. and Guangzhou City Construction and Development Group Co., Ltd. with an effective period expiring on the date two years after full repayment of the syndicated loan. A syndicated loan amounting to RMB2,377 million (2014: RMB2,227 million) is jointly and severally guaranteed by Tower Top, BVI Holdcos<sup>2</sup> and HK Holdcos<sup>3</sup>.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 Borrowings (Continued)

<sup>2</sup> “BVI Holdcos” include Bliss Town Holdings Ltd., Hoover Star International Ltd., Miller Win Group Ltd. and Shinning Opal Management Ltd.

<sup>3</sup> “HK Holdcos” include Ever Joint Investment International Limited, Long Grace Holdings Limited, Profit Link Investment International Limited and San Bright Holdings Limited.

The Group’s borrowings are payable as follow:

	2015 RMB’000	2014 RMB’000
Within one year	2,841,730	300,000
Between one year and five years	7,791,215	6,389,396
Over five years	<u>345,000</u>	<u>1,420,000</u>

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

	2015	2014
RMB	6.34%	6.50%
HK\$	2.56%	2.00%
USD	2.97%	3.15%

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

	2015 RMB’000	2014 RMB’000
RMB	2,660,000	3,290,000
HK\$	3,500,025	2,695,488
USD	<u>4,817,920</u>	<u>2,123,908</u>
	<u>10,977,945</u>	<u>8,109,396</u>

The Group has undrawn borrowing facilities of RMB126 million as at 31 December 2015 (2014: nil).

#### Note b

On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due 2018 (the “USD Bond”) to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. All of the USD Bond remained outstanding at 31 December 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Net assets attributable to unitholders

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
At 1 January	<b>13,141,954</b>	12,669,468
Issuance of units	<b>100,754</b>	101,786
Transfer from the consolidated statement of comprehensive income	<b>838,171</b>	1,014,632
Distributions paid during the year	<b><u>(680,407)</u></b>	<u>(643,932)</u>
At 31 December	<b><u>13,400,472</u></b>	<u>13,141,954</u>
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Net assets attributable to existing unitholders	<b>11,270,891</b>	11,012,373
Net assets attributable to deferred unitholder (Note)	<b><u>2,129,581</u></b>	<u>2,129,581</u>
	<b><u>13,400,472</u></b>	<u>13,141,954</u>

#### 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 outstanding deferred units at 31 December 2015 was 733,280,000 units (31 December 2014: 733,280,000 units).

The movement of units is as below:

	<b>2015</b>	2014
	<b>'000</b>	'000
At 1 January	<b>2,799,796</b>	2,766,698
Units issued during the year (Note 28b)	<b><u>29,091</u></b>	<u>33,098</u>
At 31 December	<b><u>2,828,887</u></b>	<u>2,799,796</u>

#### Note:

During 2015, 29,091,000 units were issued for payment of manager's fee (2014: 33,098,000 units)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 Notes to the consolidated statement of cash flows

- (a) Reconciliation of profit before income tax and transactions with unitholders to cash generated from operations:

	2015	2014
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	1,000,716	1,105,243
Adjustments for:		
- Depreciation expenses	102,515	98,859
- Amortisation of land use right	49,285	49,285
- Amortisation of transaction costs for bank borrowings	21,969	17,423
- Foreign exchange losses on financing activities	375,543	11,047
- Fair value gains on investment properties	(1,074,920)	(672,216)
- Fair value loss/(gains) on top-up payment asset	33,153	(98,267)
- Interest income	(44,963)	(60,109)
- Interest income from top-up payment asset	(4,849)	(7,121)
- Interest expenses	332,567	352,733
Changes in working capital:		
- Deferred assets	(7,633)	(33,183)
- Inventories	197	(831)
- Trade receivables	(1,604)	(593)
- Amounts due from related parties	239,683	234,668
- Prepayments, deposits and other receivables	(1,935)	(4,367)
- Trade payables	(1,424)	1,583
- Rental deposits	18,361	26,948
- Receipts in advance	(4,889)	36,631
- Accruals and other payables	(137,857)	(96,127)
- Amounts due to related parties	<u>5,555</u>	<u>1,230</u>
Cash generated from operations	<u>899,470</u>	<u>962,836</u>

- (b) Major non-cash transaction:

During the year ended 31 December 2015, 29,091,000 units, amounting to RMB100,754,000 (2014: RMB101,786,000), were issued for payment of manager's fee (2014: 33,098,000 units).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Business combinations

On 31 July 2015, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Century Holding Company Ltd, an independent third party, to acquire Bestget Enterprises Limited and its subsidiary, Shanghai Hong Jia Real Estate Development Co., Ltd. (hereafter collectively referred to as “Bestget Group”). The Bestget Group hold 100% interest in Shanghai Hongjia Tower. The transaction was completed on 31 August 2015.

The revenue included in the statement of comprehensive income since 31 August 2015 contributed by Bestget Group was RMB42,977,000. Bestget Group also contributed profit of RMB59,330,000 over the same period.

Had Bestget Group been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of RMB1,794,283,000 and loss after income tax before transaction with unitholders of RMB742,537,000.

The following table summarises the consideration paid for Bestget Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	<b>2015</b>
	<b>RMB'000</b>
Purchase consideration	
At 31 August 2015	
— Cash	<u>2,430,963</u>
<b>Total consideration</b>	<u>2,430,963</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	57,261
Property, plant and equipment (Note 13)	15
Investment properties (Note 15)	2,770,000
Deferred asset (Note 17)	4,109
Prepayment and other receivables	9,604
Bank borrowings	(300,000)
Receipts in advance	(9,262)
Rental deposits	(40,188)
Accrual and other payables	(4,486)
Tax payables	(973)
Deferred tax liabilities (Note 23)	<u>(719,252)</u>
<b>Total identifiable net assets</b>	<u>1,766,828</u>
Goodwill (Note 18)	<u>664,135</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Business combinations (Continued)

The goodwill from the acquisition is calculated based on the total consideration less total identifiable net asset. As a result of the acquisition, the Group expands a footprint beyond Guangzhou and diversifies its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

	2015 RMB'000
<b>Cash outflow to acquire business, net of cash acquired:</b>	
Purchase consideration	(2,430,963)
Cash and cash equivalents in the subsidiary acquired	<u>57,261</u>
Cash outflow on acquisition	<u>(2,373,702)</u>

Acquisition-related costs of RMB84,896,000 have been charged to operating expenses in the consolidated income statement for the year ended 31 December 2015.

### 30 Connected party transactions and significant related party transactions and balances

As at 31 December 2015, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 37% (2014: 36%) of Yuexiu REIT's units. The remaining 63% (2014: 64%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2015:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZAM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yicheng Property Management Limited ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Connected party transactions and significant related party transactions and balances (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) <sup>1</sup>	A major shareholder of YXP
Guangzhou Yue Xiu Holdings Limited (“GZYX”) <sup>1</sup>	Immediate holding company of Yue Xiu
廣州越秀企業集團有限公司 <sup>1</sup>	A subsidiary of GZYX
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of GZYX
Golden Eagle Asset Management Co. Ltd. (“Golden Eagle”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. (“GZ JLL”) <sup>1</sup>	A subsidiary of YXP
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. (“Guang Zheng”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Suiqiao Development Co., Ltd (“Suiqiao”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Securities Company Limited <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYX
廣州越秀金融家俱樂部有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Financial Holdings Group Co., Ltd <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Tong Expressway Operations and Management Company Limited <sup>1</sup>	A subsidiary of GZYX
廣州越秀小額貸款有限公司 <sup>1</sup>	A subsidiary of GZYX
Beijing Jones Lang LaSalle Property Management Services Company Limited Guangzhou Branch (“Beijing JLL”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Peng Information Ltd. <sup>1</sup>	A subsidiary of GZYX
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of GZYX
Chong Hing Bank Limited Shantou Branch (“Chong Hing Shantou”) <sup>1</sup>	A subsidiary of GZYX
Chong Hing Bank Ltd. Guangzhou Sub-branch (“Chong Hing Guangzhou”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of GZYX
廣州建材企業集團有限公司 <sup>1</sup>	A subsidiary of GZYX



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Connected party transactions and significant related party transactions and balances (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of GZYX
HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)	The Trustee of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the “Incumbent Valuer”)	The current principal valuer of Yuexiu REIT
Savills Valuation and Professional Service Limited (the “Former Valuer”)	The former principal valuer of Yuexie REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the “HSBC Group”)	Associates of the Trustee

<sup>1</sup> These connected companies are also considered as related companies of the Group, transactions and balances carried out with these related companies are disclosed in notes (a) and (b) below.

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

#### (a) Transactions with connected/related companies

	2015 RMB'000	2014 RMB'000
Manager's fee paid/payable to the Manager (ii)	(139,555)	(105,713)
Management fee paid/payable to Yicheng	(10,406)	(9,775)
Management fee paid/payable to White Horse PM	(12,206)	(10,984)
Management fee paid/payable to GZAM	(14,861)	(12,363)
Rental income received/receivable from Xingye	5,509	5,747
Rental income received/receivable from Yicheng	2,552	2,552
Rental income received/receivable from GCCD	31,138	33,971
Rental income received/receivable from White Horse JV	1,200	1,200
Rental income received/receivable from Golden Eagle	4,550	4,550
Rental income received/receivable from GZYX	—	33,872
Rental income received/receivable from 廣州越秀企業集團有限公司	32,142	—
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	19,207	20,366
Rental income received/receivable from Guang Zheng	3,474	2,910
Rental income received/receivable from Suiqiao	622	565
Rental income received/receivable from Guangzhou Securities Company Limited	27,717	19,948
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	3,077	2,815
Rental income received/receivable from GZ JLL	14,480	14,157
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	6,322	5,371
Rental income received/receivable from GZAM	9,976	5,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Connected party transactions and significant related party transactions and balances (Continued)

(a) Transactions with connected/related companies (Continued)

	2015 RMB'000	2014 RMB'000
Rental income received/receivable from 廣州越秀金融家俱樂部有限公司	—	2,760
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd	8,097	4,921
Rental income received/receivable from Guangzhou Yue Tong Expressway Operations and Management Company Limited	808	734
Rental income received/receivable from Guangzhou Yue Peng Information Ltd.	825	750
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	6,969	5,151
Rental income received/receivable from廣州越秀小額貸款有限公司	664	664
Rental income received/receivable from Beijing JLL	1,248	1,248
Rental income received/receivable from Chong Hing Shantou	—	1,315
Rental income received/receivable from Chong Hing Guangzhou	3,807	—
Rental income received/receivable from Guangzhou Paper Group Ltd.	288	—
Rental income received/receivable from廣州建材企業集團有限公司	288	—
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	288	—
Naming right income received/receivable from YXP	—	20,000
Interest income received/receivable from GCCD	30,327	52,249
Trustee's fee paid/payable to the Trustee	(8,476)	(7,609)
Valuation fee paid/payable to the Incumbent Valuer	(1,118)	(395)
Valuation fee paid/payable to the Former Valuer	—	(396)
Transactions with the HSBC Group		
- Interest expense paid/payable to the the HSBC Group	<u>(7,025)</u>	<u>(6,879)</u>

Note:

- (i) All transactions with connected related companies 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, a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate, as defined in the Trust Deed (Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Connected party transactions and significant related party transactions and balances (Continued)

(b) Balances with related companies

	2015 RMB'000	2014 RMB'000
Amount due from GCCD (i)	292,172	531,855
Amount due to Yicheng	(1,927)	(941)
Amount due to White Horse PM	(1,037)	(1,344)
Amount due to the Manager	(60,426)	(55,983)
Amount due to GZAM	(1,536)	(1,103)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Rental deposits from related companies (ii)	<u>(33,201)</u>	<u>(29,252)</u>

Except for an amount due from GCCD of approximately RMB278 million (2014: RMB508 million) is unsecured and interest bearing of 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies 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:*

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB292 million (2014: RMB532 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2015 (2014: nil).

31 Capital commitments

	2015 RMB'000	2014 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	<u>45,937</u>	<u>15,137</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 Future minimum rental receivable

At 31 December 2015, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2015 RMB'000	2014 RMB'000
Within one year	1,053,541	1,001,602
Between one year and five years	1,736,437	1,816,774
Over five years	<u>241,282</u>	<u>502,293</u>
	<u>3,031,260</u>	<u>3,320,669</u>

### 33 Comparative figures

Certain comparative figures have been restated to conform with current year's presentation.

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

Hong Kong, 23 February 2016

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

*Executive Directors:* Messrs. Liu Yongjie and Lin Deliang

*Non-executive Director:* Mr. Li Feng

*Independent Non-executive Directors:* Messrs. Chan Chi On, Derek, Chan Chi Fai, Brian and Cheung Yuk Tong