The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute nor is intended to constitute an offer to sell or a solicitation of an offer to buy any securities.

越秀房地產投資信託基金
YUEXIU REAL ESTATE INVESTMENT TRUST

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

(Stock code: 00405)

Managed by

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 ("Reporting Year") together with comparative figures for the corresponding period in 2016 as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results (Note a) for the year ended 31 December 2017 together with comparative figures for the corresponding period in 2016:

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

	Financial Year ended 31 December 2017	**Financial Year ended 31 December 2016**	**Increase/ (decrease)**
Gross income (Note a)	**1,853,899,000**	1,837,579,000	0.9%
Net property income	**1,314,104,000**	1,268,104,000	3.6%
Profit after tax	**1,437,095,000**	712,144,000	101.8%
Earnings per unit - Basic	**0.49**	0.25	96.0%
Portfolio valuation (Note b)	**33,356,000,000**	28,658,000,000	16.4%
Net assets attributable to Unitholders per Unit	**4.75**	4.63	2.6%
Net assets attributable to Unitholders per Unit - Equivalent to HK$	**5.68**	5.18	9.7%
Units issued (units)	**3,014,285,896**	2,921,780,484	3.2%
Total borrowings as a percentage of gross assets (Note c)	**36.0%**	38.9%	(2.9) percentage points
Gross liabilities as a percentage of gross assets (Note d)	**56.4%**	55.5%	0.9 percentage points

Distribution			
Total distribution (including additional items)	**826,381,000**	824,717,000	0.2%
Distribution per Unit (HK$)	**0.3335**	0.3261	2.3%

Note a: Revenue of Wuhan Project was recorded since 22 December 2017.

Note b: Wuhan Properties including "Wuhan Yuexiu Fortune Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces were newly acquired in 2017. Referring to the Circular dated 15 November 2017 for details. As at 31 December 2017, the valuation of Wuhan Properties was RMB3,587,000,000.

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. The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the trust deed. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, 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 2017 to 31 December 2017 ("2017 Final Period") will be approximately RMB0.1430 which is equivalent to HK$0.1775 (2016: RMB0.1499 which was equivalent to HK$0.1691) 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 2017 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2017 Final Period.

The final distribution for the 2017 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2017 to 30 June 2017 ("2017 Interim Period") being approximately RMB0.1341 which is equivalent to HK$0.1560 (2016: RMB0.1346 which was equivalent to HK$0.1570) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.2771 (which is equivalent to HK$0.3335) (2016: approximately RMB0.2845 which was equivalent to HK$0.3261).

The total distribution amount for the Reporting Year, being RMB826,381,000 (2016: RMB824,717,000), includes an amount of approximately RMB171,000,000 (2016: RMB483,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB568,373,000) plus a further distribution of approximately RMB258,008,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 12 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$0.3335 (2016: HK$0.3261), of which approximately HK$0.0704 (2016: HK$0.1865) is attributable to capital items, represents a yield of approximately 6.5% (2016: 8.0%) per Unit based on the closing price of HK$5.12 per Unit as at 31 December 2017 (2016: HK$4.09).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 12 April 2018. The register of Unitholders will be closed from 12 April 2018 to 13 April 2018, 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 11 April 2018. The final distribution will be paid on 16 May 2018 to the Unitholders whose names appear on the register of Unitholders on 12 April 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Successful acquisition of a landmark building in Wuhan, steady growth in asset performance

In 2017, Yuexiu REIT completed the acquisition of Wuhan Properties, which is located in Hankou Riverside Business District in Wuhan. Hankou Riverside Business District, as an emerging business district with its advantage of the core location of Wuhan and unique riverside landscape resources, will become a large-scale business cluster similar to the Lujiazui Riverside Business District in Shanghai. Yuexiu Fortune Centre is the tallest building among the existing office buildings in Wuhan, with top quality hardware, excellent landscape, convenient traffic and good growth potential. Such transaction is the second external acquisition following the acquisition of Shanghai Yue Xiu Tower by Yuexiu REIT in 2015, and it is an important measure of Yuexiu REIT for achieving the national layout of assets. In the future, Yuexiu REIT will continue to share the potential growth in major cities of China and diversify the portfolio of properties.

In 2017, the macro-economy of China continued its development trend of stable growth, Yuexiu REIT continued to implement active leasing and asset management strategies, its properties kept on achieving excellent results in performance, many operation indicators increased against unfavorable trend, competitiveness of properties increased further, establishing a solid foundation for income growth and sustainable development in the future for Yuexiu REIT.

Under the concerted efforts of the Manager's team, the REIT and the Manager were presented with a number of community awards in 2017. Among the awards, Yuexiu REIT was the winner of Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2017" presented by Economic Digest, "2017 Business Performance Award" and "2017 China Real Estate Developers TOP100" granted by Guandian.cn; Enterprise Award under "Outstanding Listed Company Tours 2017" selected by Hong Kong Economic Journal. The Manager will continue to improve the internal management mechanism, enhance the corporate governance standard persistently, with a view to bring more benefits to investors and unitholders.

Property Portfolio and Valuation

As at 31 December 2017, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai, and Wuhan Properties including "Wuhan Yuexiu Forture Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces ("Wuhan Properties"), which is located in Wuhan. The aggregate area of ownership of the properties was approximately 991,300.4 sq.m. and the total rentable area was 660,317.6 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 Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 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[1]	Number of Lease[1]	Unit Rent (VAT exclusive)[1] *(RMB/sq.m. /month)*
White Horse Building	Wholesale mall	Yuexiu District	1990	50,199.3	50,128.9	99.9%	907	625.8
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.6%	78	151.1
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	94.8%	73	129.3
Victory Plaza	Retail shopping mall	Tianhe District	2003	27,698.1	27,262.3	100%	30	240.3
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,960.0	49,887.3[2]	99.2%[2]	185	113.4
GZIFC	Commercial complex	Tianhe District	2010	457,356.8	230,266.9	98.0%	278	207.9
Including:	Grade A office			267,804.4	183,539.6[3]	98.3%	228	227.3
	Retail shopping mall			46,989.2	46,727.3	96.7%	50	130.3
	Hotel			91,460.9[4]	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3[5]	97.5%	116	266.1
Wuhan Properties	Commercial complex	Wuhan Qiaokou District		248,194.2	172,993.3	51.0%	132	74.5
	Grade A office		2016	139,937.1	129,446.7[6]	40.5%	42	91.4
	Retail shopping mall		2015	45,471.4	43,546.6[7]	82.1%	90	49.7
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
				991,300.4	660,317.6	85.9%	1,799	212.3

Notes:

(1) As at 31 December 2017;

(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 area;

(4) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor area;

(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 refuge floor).

(6) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area.

(7) Actual gross leasable area decreased by 10.98 sq.m. than that set out in the acquisition Offer Circular according to the certificate of real estate ownership; excluding 1,924.8 sq.m. of common facilities area.

Segments of the Properties are as follows:

Rental Property	Area of Ownership *(sq.m.)*	Rentable Area *(sq.m.)*	Occupancy Rate	Percentage as compared to the same period of 2016	Unit Rent (VAT exclusive)(1) *(RMB/sq.m./month)*	Percentage as compared to the same period of 2016	Operating Income(2) *(RMB'000)*
Office	615,593.4	492,652.5(3)	83.0%	-15.0	183.0	-5.0%	824,005
Retail	120,158.7	117,536.1(4)	92.1%	-4.3	131.4	-10.7%	136,511
Wholesale	50,199.3	50,128.9	99.9%	-0.1	625.8	0.1%	366,130

Note:

(1) As at 31 December 2017;

(2) For the year ended 31 December 2017;

(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 area of GZIFC, 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge) of Yue Xiu Tower, and 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Properties;

(4) Excluding 1,924.8 sq.m. of common facility area.

Operational Property	Type	Commencement of Operation	Area of Ownership *(sq.m.)*	No. of Units *(units)*	Average Occupancy Rate(1)	RevPAR(1) *(RMB)*
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	81.4	1,548.84
Ascott Serviced Apartments GZIFC	High-end serviced apartments	September 2012	51,102.3	314	94.2	918.20

Note:

(1) From 1 January 2017 to 31 December 2017;

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

Property Valuation

On 31 December 2017, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, and the revalued market value was approximately RMB33,356 million, representing an increase of RMB4,698 million or 16.4% over the valuation as at 31 December 2016. Without considering the impact from new acquisition of Wuhan Properties, the Properties value, was increased by 3.9%.

The following table summarizes the valuation of each of the Properties as at 31 December 2017 and 31 December 2016:

Name of Property	Valuation as at 31 December 2017	Valuation as at 31 December 2016	Increase/ (Decrease)
	RMB million	*RMB million*	*%*
White Horse Building	**4,906**	4,885	0.4%
Fortune Plaza	**1,150**	980	17.3%
City Development Plaza	**935**	811	15.3%
Victory Plaza	**904**	880	2.7%
Neo Metropolis	**1,110**	912	21.7%
GZIFC	**17,734**	17,190	3.2%
Yue Xiu Tower	**3,030**	3,000	1.0%
Wuhan Properties	**3,587**	—(1)	N/A
Total	**33,356**	28,658	16.4%

Note:

(1) According to the transaction circular, as of 31 August 2017, the property valuation of Wuhan Properties was RMB 3,587,000,000.

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 22.9%, 22.5%, 18.0%, 10.4% and 26.2% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 22.6%, 32.9%, 16.2%, 6.9% and 21.4% respectively.

Lease Expiry of the Properties

Properties of Yuexiu REIT

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	22.9%	22.6%
FY 2019	22.5%	32.9%
FY 2020	18.0%	16.2%
FY 2021	10.4%	6.9%
FY 2022 and beyond	26.2%	21.4%
Total	100.0%	100.0%

White Horse Building

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	5.4%	1.9%
FY 2019	47.5%	61.8%
FY 2020	16.1%	9.4%
FY 2021	0.0%	0.0%
FY 2022 and beyond	31.0%	26.9%
Total	100.0%	100.0%

Fortune Plaza

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	27.2%	25.5%
FY 2019	23.3%	23.9%
FY 2020	13.3%	14.7%
FY 2021	2.7%	3.3%
FY 2022 and beyond	33.5%	32.6%
Total	100.0%	100.0%

City Development Plaza

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	13.0%	14.3%
FY 2019	11.5%	11.3%
FY 2020	23.7%	29,7%
FY 2021	33.5%	26.2%
FY 2022 and beyond	18.3%	18.5%
Total	100.0%	100.0%

Victory Plaza

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	3.8%	8.7%
FY 2019	16.9%	18.1%
FY 2020	22.3%	15.1%
FY 2021	13.5%	11.7%
FY 2022 and beyond	43.5%	46.4%
Total	100.0%	100.0%

Neo Metropolis

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	43.7%	41.4%
FY 2019	34.8%	34.4%
FY 2020	7.1%	6.5%
FY 2021	10.6%	10.2%
FY 2022 and beyond	3.8%	7.5%
Total	100.0%	100.0%

GZIFC

	Office		Retail Shopping Mall	
Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	36.5%	39.6%	6.1%	8.4%
FY 2019	22.5%	21.5%	1.1%	2.0%
FY 2020	23.1%	23.6%	3.2%	6.1%
FY 2021	9.2%	8.1%	14.0%	16.0%
FY 2022 and beyond	8.7%	7.2%	75.6%	67.5%
Total	100.0%	100.0%	100.0%	100.0%

Yue Xiu Tower

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	41.2%	38.0%
FY 2019	44.7%	46.7%
FY 2020	6.6%	7.0%
FY 2021	2.6%	2.7%
FY 2022 and beyond	4.9%	5.6%
Total	100.0%	100.0%

Wuhan Properties

	Office		Retail Shopping Mall	
Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2018	0.0%	0.0%	3.1%	6.6%
FY 2019	7.3%	7.1%	8.8%	15.0%
FY 2020	27.5%	29.6%	24.5%	25.2%
FY 2021	12.6%	11.9%	12.1%	10.4%
FY 2022 and beyond	52.6%	51.4%	51.5%	42.8%
Total	100.0%	100.0%	100.0%	100.0%

Revenue continued to increase

In 2017, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,854,303,000, representing an increase of 0.8% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC , Yue Xiu Tower and Yuexiu Fortune Centre accounted for approximately 19.7%, 3.9%, 3.5%, 3.6%, 3.8%, 57.9%, 7.5% and 0.1% 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 2017 *RMB million*	Revenue in 2016 *RMB million*	Increase/ (Decrease) as compared to 2016 *RMB million*	Increase/ (Decrease) *%*
White Horse Building	**366.1**	401.8	(35.7)	(8.9)%
Fortune Plaza	**71.7**	70.7	1.0	1.4%
City Development Plaza	**64.4**	62.9	1.5	2.4%
Victory Plaza	**66.8**	64.5	2.3	3.6%
Neo Metropolis	**70.2**	63.8	6.4	10.0%
Sub-total of the original properties	**639.2**	663.7	(24.5)	(3.7)%
GZIFC	**1,073.5**	1,037.8	35.7	3.4%
Yue Xiu Tower	**139.2**	136.1	3.1	2.3%
Wuhan Properties	**2.0**[(1)]	—	2.0	N/A
Total	**1,853.9**	1,837.6	16.3	0.9%

Note:

(1) Revenue from Wuhan Properties was recorded since 22 December 2017.

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

Name of Property	Net Property Income in 2017 *RMB million*	Net Property Income in 2016 *RMB million*	Increase/ (decrease) as compared to 2015 *RMB million*	Increase/ (decrease) *%*
White Horse Building	**307.8**	329.9	(22.1)	(6.7)%
Fortune Plaza	**59.4**	57.3	2.1	3.7%
City Development Plaza	**53.4**	50.6	2.8	5.5%
Victory Plaza	**55.4**	51.9	3.5	6.7%
Neo Metropolis	**57.4**	51.1	6.3	12.3%
Sub-total of the original properties	**533.4**	540.8	(7.4)	(1.4)%
GZIFC	**652.5**	607.3	45.2	7.4%
Yue Xiu Tower	**126.4**	120.0	6.4	5.3%
Wuhan Properties	**1.8**[(1)]	—	1.8	N/A
Total	**1,314.1**	1,268.1	46.0	3.6%

Note:

(1) Net Property Income from Wuhan Properties was recorded since 22 December 2017.

White Horse Building — implemented transformation in brand wholesaling, strengthened core competitiveness

In 2017, the Manager took the initiative to adapt to changes in the market, continued to accelerate the process of product elevation and channel development, focused on building core competitiveness for White Horse Apparel Market, attracted more superb suppliers to enter and operate in White Horse. The Manager focused on product improvement projects of rental renewals for shops on 1/F, 4/F and 5/F and adjustment of rental increment terms for the remaining floors, strengthened tenants' confidence in operation and devoted efforts in quality brands introduction and inferior brands removal, the effect for which was significant. Specifically, the branding rate of the overall market increased to 61% through introducing some merchants with stronger production, design competence and brand influence to base in White House; successfully completed the image enhancement project of common area on the 4/F which brought a fresh look to the operating environment; organized clients to appear in China International Fashion Fair in Shanghai in the form of "Brand Collection House" for the first time and showed the brand style and glamour of White Horse; for lease management, the Manager implemented sound mid-and-long-term leasing policy, and continued to maintain the leading position of White Horse in market competitiveness.

Victory Plaza — deepened the positioning of mall, further upgraded brand portfolio

Victory Plaza gradually deepened the positioning of focusing on the young generation through replacing merchant brands. It successfully introduced certain quality brands such as "Hey Tea(喜茶)", "McDonalds" and "Nine house" in 2017 and entered into lease renewal arrangements with the original powerful merchants. Both new and renewed contracts recorded satisfactory rental performance. Victory Plaza continued to optimize consumer experience, cleanliness in mall and atmosphere based on customers' various accesses, to enhance shopping experience of the consumers. It attracted massive flow of visitors and significantly expanded the popularity and influence of "VT101" through integrating high quality external and internal resources, connecting merchants on the site and conducting diversified marketing activities. Among those in nearly 100 marketing campaigns, the campaign of "50% off for Apple Pay (Apple Pay 5折活動)" held in July 2017 generated the most remarkable result in yielding significant increase in both customer traffic and revenue for all of the participating merchants. Specifically, the sales for "UNIQLO" and "Adidas" increased by 165% and 156% on year-on-year basis respectively. The highest customer traffic hit 42,000, marking a new high for the year.

Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — actively managed expiring leases to stabilize operation of customers

In 2017, the three office projects of Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza successfully mitigated material risk in expiring leases by way of actively expanding channels for attracting business, holding joint promotional events, adjusting intermediary commission policy and improving market research system, and completed lease renewals with anchor tenants such as "AEON Group", "General Mills", "Wall Street English" by virtue of flexible rental conditions and well-established customer relationship base to stabilize the operation. Specifically, the renewal rate for Yue Xiu Neo Metropolis Plaza was over 90% and the renewal rate for Fortune Plaza and City Development Plaza was around 70%.

GZIFC — attracted quality customers for office buildings, continuously enriched mall operation format

GZIFC office proactively mitigated the impact from newly delivered projects and consolidation of finance industry, provided lease renewal plans targeted at customers' needs and avoided losing key customers. The renewal rate for the year was high at 82.4%. In the meantime, it adopted aggressive business solicitation policy and took the initiative to expand its market share. It has successfully brought in notable tenants such as "Dow Chemical Company(陶氏化工)", "Zhenai.com(珍愛網)" and the Portuguese Consulate, its quality customer base continues to expand. Also, it continued to optimize its business lobbying model and integrate resources, which enabled internal customers to expand leasing. In 2017, Guangzhou International Finance Center became the super high-rise landmark and by scoring 88 marks, being the highest score in China, it obtained the Standard Platinum Certification for Operating Phase LEED V4 (運營階段LEED V4標準鉑金級認證). This fully demonstrated GZIFC's outstanding performance in energy saving and environmental protection and sustainable development as a green building model. It also exhibited the project's excellence in design and operation management.

The Manager further improved business structure for GZIFC's mall "GZIFC Shopping Mall" and introduced a new retail experience format — "NIO House" (蔚來), an auto flagship store, which was of high market potential and highly intelligent and environmentally friendly. This has created substantial rental income, enriched the operation of the first two floors of GZIFC Shopping Mall and further consolidated the image of GZIFC as the city landmark. In addition, the Manager successfully introduced brand merchants such as "Taotaoju(陶陶居)", "Will's", "Jinlong Culture(錦龍文化)" by the overall rehabilitation on the fifth floor of GZIFC Shopping Mall, which enriched the retail brand portfolio and was in line with the targeted consumers' needs.

Driven by the overall recovery of the hotel market in China, both average room rate and occupancy rate for high-end international brand hotels in Guangzhou increased. For serviced apartments, there was no new supply during the whole year, the performance of the leasing market was stable. Through the implementation of a "5 in 1" cooperative and mutually beneficial owner supervision system, the Manager supervised and managed the operations of Four Seasons Hotel and the Ascott Serviced Apartments effectively. Moreover, the Manager continued to strengthen operation supervision and cost control, and changed from analysis of operation indicators to analysis of asset efficiency indicators, focused on details of customer service quality, monitored Four Seasons Hotel and the Ascott Serviced Apartments to improve service standards and enhance operating income. During the Reporting Year, Four Seasons Hotel and the Ascott Serviced Apartments continued to be leaders with benchmark positions in the industry in Guangzhou area, the average room rate, revenue per available room and customer satisfaction were all in top ranking among competitors. The average room rate in Four Seasons Hotel increased by 3.84% and revenue per available room increased by 14.65% on a year-on-year basis; the average room rate of the Ascott Serviced Apartments increased by 1.60% and revenue per available room increased by 1.96% on a year-on-year basis, with good performance in operating results.

Yue Xiu Tower —tapped into internal potential, supported operation of growing customers

The Manager was unperturbed at dealing with huge supply in Pudong core area in 2017 and conducted lease renewal management in an orderly manner. The renewal area amounted to approximately 13,000 square meters with a renewal rate of 74%, reaching a historical high. Besides, the Manager tapped into internal customer potential and supported growing customers like "Huashe Assets Management" and "American Baby International English(愛貝少兒英語)"; gradually expanded vacant units leasing and promoted external business solicitation by virtue of the brand effect of cornerstone customers. Meanwhile, the Manager leveraged advantage of the platform and consolidated financial customer resources of the Tower, to improve business contacts among the customers.

Wuhan Properties — strengthened business solicitation management, created new commercial landmark in Wuhan

Yuexiu Fortune Centre has overcome difficulties such as insufficient absorbability in office building market in Wuhan and traffic jam around the project. It took various effective measures to complete rental area of 43,000 square meters, equivalent to two thirds of total quantity of absorbability of office building market in Wuhan in 2017. As of 31 December 2017, Wuhan Yuexiu Fortune Centre recorded a contracted leasing rate of 46.11%, which was in line with expectation.

Starry Victoria Shopping Centre introduced brand merchants matching our targeted position and optimized the overall business mix based on the targeted consumption demand in surrounding area.

Actively pursued asset enhancement projects to realize property value preservation and appreciation in Properties

In 2017, the Manager continued to implement a number of capital-intensive renovation and enhancement projects, including upgrading and renovation of the safety and preventive system of Guangzhou International Finance Center's office buildings, renovation of first two floors of GZIFC Shopping Mall, renovation of used clothes trough, elevator machine room and air-conditioning system on 1/F lobby and addition of air valve of exhaust pipe in kitchen on 103/F of Four Seasons Hotel, renovation of weak electricity engine room on 6/F and addition of access control system, monitor system, pool, water supply, elevators, ventilation, public lighting to the clubhouse and upgrading and renovation of logistics office, lobby in 1/F, golf course in 6/F, meeting room, the clubhouse, public corridor, bathroom in guestrooms of the apartment, door closer, air-conditioner outlet of Ascott Serviced Apartments, image enhancement project of common area on the 4/F of White Horse Building, renovation of bathrooms in common area and pantries and waterproof renovation on roof of Shanghai Yue Xiu Tower. The total amount invested was over RMB20 million. The Manager will continue to enhance operating efficiency and environment for these projects.

In 2018, the Manager also plans to invest in a number of capital-intensive modification projects at GZIFC, White Horse Building, Fortune Plaza, City Development Plaza and Yue Xiu Tower to continuously enhance operation efficiency and business environment of these projects.

Continuously optimized the debt structure, proactively managed foreign exchange risk

As at the end of 2017, balance of borrowings from financial institutions was approximately RMB 12.7 billion, representing an increase of RMB0.8 billion as compared to the beginning of the year. The increase was mainly due to an increase in bank loan arising from acquisition of projects in Wuhan. The Manager optimized financing structure and lower finance costs through effective financing replacement measures. The average financing cost rate as at the end of 2017 was 3.16%, representing a decrease of 0.13 percentage point as compared to 3.29% at the beginning of the year. For foreign exchange management, the accumulated exchange gains for the year was RMB543 million. The hedging products recorded a loss of RMB258 million in fair value. The net exchange gain for the year was approximately RMB285 million.

FINANCIAL REVIEW

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2016. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2017 *RMB'000*	2016 *RMB'000*	Increase/ (Decrease)
Gross income	**1,853,899**	1,837,579	0.9%
Hotel and serviced apartments direct expenses	**(311,233)**	(293,317)	6.1%
Leasing agents fees	**(40,471)**	(40,977)	(1.2)%
Property related taxes (Note 1)	**(177,669)**	(221,873)	(19.9)%
Other property expenses (Note 2)	**(10,422)**	(13,308)	(21.7)%
Total property operating expenses	**(539,795)**	(569,475)	(5.2)%
Net property income	**1,314,104**	1,268,104	3.6%
Withholding tax	**(56,581)**	(80,501)	(29.7)%
Depreciation and amortisation	**(145,776)**	(156,878)	(7.1)%
Manager's fees	**(133,836)**	(129,907)	3.0%
Trustee fees	**(10,230)**	(9,186)	11.4%
Other trust expenses (Note 3)	**(22,445)**	(9,297)	141.4%
Total non-property expenses	**(368,868)**	(385,769)	(4.4)%
Net profit before finance expenses, finance income and income tax	**945,236**	882,335	7.1%
Finance income	**573,528**	26,243	2,085.5%
Finance expenses	**(366,986)**	(938,299)	(60.9)%
Net profit / (loss) before income tax	**1,151,776**	(29,721)	3,975.3%
Income tax expense	**(277,544)**	(285,183)	(2.7)%
Net profit/(loss) after income tax before fair value gain on investment properties, other expenses in relation to the acquisition of a subsidiary and fair value (loss)/gain on derivative financial instruments	**874,232**	(314,904)	377.6%
Fair value gain on investment properties	**885,792**	952,422	(7.0)%
Other expenses in relation to the acquisition of a subsidiary	**(64,921)**	—	N/A
Fair value (loss) / gain on derivative financial instruments	**(258,008)**	74,626	445.7%
Net profit after income tax before transactions with Unitholders	**1,437,095**	712,144	101.8%

Note 1 Property related tax included urban real estate tax, land use right tax, business tax (from 1 May 2016 onward, the business tax was replaced by value-added tax (VAT)), 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 RMB1,853,899,000 (2016: RMB1,837,579,000) and RMB1,314,104,000 (2016: RMB1,268,104,000) respectively, which represented an increase of approximately 7.9% and 3.6% respectively while comparing with 2016.

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

	2017	2016
	RMB'000	RMB'000
Office	**824,005**	815,300
Wholesales	**366,130**	401,752
Retail	**136,511**	136,606
Hotel and serviced apartments	**527,253**	483,921
Total	**1,853,899**	1,837,579

Net property income amounted to approximately RMB1,314,104,000 (2016: RMB1,268,104,000), representing approximately 70.9% 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:

	2017	2016
	RMB'000	RMB'000
Office	**695,834**	667,423
Wholesales	**307,780**	329,879
Retail	**114,852**	112,494
Hotel and serviced apartments	**195,638**	158,308
Total	**1,314,104**	1,268,104

Upon the implementation of the VAT reform, and separation of price and tax, our revenue decreased but the costs and expenses were adjusted accordingly. For example, payment for business tax was no longer required, property tax, leasing agent fees and withholding tax decreased in proportion to the decrease in revenue. At the same time, the adjustment of the business structure for the shopping podium of GZIFC, a one-off non-cash rental had incurred in the first half of 2017. Upon the completion of this adjustment, the rental income of retails in GZIFC is increased.

Hotel and serviced apartments direct expenses were approximately RMB311,233,000, an increase of 6.1% as compared with 2016. It was mainly because of an increase of occupancy rate and rental income of hotel and serviced apartment.

Leasing agent fees deceased by approximately 1.2% as compared with 2016. It was mainly because of a decrease in rental income of White Horse Building.

Property related tax decreased by approximately 19.9% as compared with 2016. It was mainly because of the replacing of business tax with value-added tax (VAT) and from 1 May 2016 onward, no business tax is required to pay and a decrease in rental income of White Horse Building.

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 3.0% as a result of the increase in total assets and net property income. The Trustee fees increased by approximately 11.4% as a result of the increase in total assets.

As Renminbi appreciated against Hong Kong dollar and US dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange gain of approximately RMB542,552,000 (2016:exchange loss of approximately RMB544,074,000). Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB366,987,000 (2016: RMB379,031,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB1,437,095,000 (2016: RMB712,144,000), which represented a 101.8% increase, mainly due to an exchange gain and fair value gain on investment properties incurred for the Reporting Year.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2017 was approximately RMB4.75 (2016: RMB4.63), which represented an increase of approximately 2.6%.

Deferred Units

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

On 31 December 2017, Yuexiu REIT issued 66,000,000 Units to a wholly —owned subsidiary of Yuexiu Property Company Limited. The remaining balance of deferred units were approximately 602,401,000

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 14,401,158 and 12,104,254 units at HK$4.624 and HK$5.037 on 10 March 2017 and 24 August 2017 respectively. On 31 December 2017, referring to the terms disclosed from the Circular dated 30 June 2012, Yuexiu REIT issued 66,000,000 Units at a price of HK$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of Yuexiu Property (a significant holder of the Yuexiu REIT), in part satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2017, a total of 3,014,285,896 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK$5.30 and a low of HK$4.08 during the Reporting Year. The average trading volume amounted to approximately 5,676,000 Units per day during the Reporting Year (2016: 4,350,650 Units).

The closing price of the Units as at 31 December 2017 was HK$5.12, represented a discount of approximately 21.0% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2017.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Bank borrowings and notes		
Denominated in RMB	**3,021,280**	4,165,500
Denominated in HKD	**5,569,459**	3,370,740
Denominated in USD	**4,140,034**	4,388,746
Total bank borrowings and notes	**12,730,773**	11,924,986
Maturity analysis		
Within one year	**4,408,474**	1,503,357
Two to five year	**6,643,219**	8,408,329
Beyond five year	**1,679,080**	2,013,300
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	**4.31%**	4.34%
HKD	**2.47%**	2.52%
USD	**3.26%**	2.90%

In 2017, Manager adopted the following financial arrangement to manage the foreign exchange risk.

1) On 2 September 2016, Capped Forward hedging was applied to US$177million bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.

2) From December 2016 to June 2017, Capped Forward hedging was fully applied to HKD2.3billion bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.

3) In May 2017, Yuexiu REIT entered into a HK$2.95 billion loan facility with certain banks to repay the matured HKD loan facility.

On 31 December 2017, Yuexiu REIT held certain hedging financial derivatives with a fair value liabilities of RMB183,381,000.

As at 31 December 2017, total borrowings of Yuexiu REIT amounted to approximately RMB12,730,773,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 36.7% 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 2017, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB19,926,920,000, representing approximately 56.4% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2017 amounted to approximately RMB1,330,606,000. 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 67% of Wuhan Properties at adjusted final acquisition price of RMB2,009,508,000. The total GFA of Wuhan Properties is approximately 248,000 sq.m.. For details please refer to the circular dated 15 November 2017 and the announcements dated 21 December 2017 and 13 February 2018 respectively.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yicheng Property Management Ltd ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") 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, Baima BM and GZAM in the amounts of RMB10,840,000, RMB10,964,000 and RMB18,667,000 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 2017, Yuexiu REIT employed 685 and 134 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 2018.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 17 May 2018. 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 2017

	Note	**2017**	2016
		RMB'000	RMB'000
Revenue	5	**1,853,899**	1,837,579
Operating expenses, net	6	**(973,584)**	(955,244)
Fair value gain on investment properties	15	**885,792**	952,422
Fair value (loss)/ gain on derivative financial instruments	20	**(258,008)**	74,626
Finance income	9	**573,527**	26,243
Finance expenses	10	**(366,987)**	(938,299)
Profit before income tax and transactions with unitholders		**1,714,639**	997,327
Income tax expense	11	**(277,544)**	(285,183)
Profit after income tax before transactions with unitholders		**1,437,095**	712,144
Transactions with unitholders	28	**(1,511,377)**	(775,488)
Loss after income tax and transactions with unitholders		**(74,282)**	(63,344)
Other comprehensive income for the year :			
Items that will not be reclassified to profit or loss			
Change in fair value of property, plant and equipment			
- Gross		**114,231**	98,182
- Tax		**(31,993)**	(27,498)
Other comprehensive income for the year, net of tax		**82,238**	70,684
Total comprehensive income for the year		**7,956**	7,340

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to				
	Unitholders before transactions with unitholders RMB'000	**Transactions with unitholders (Note 28) RMB'000**	**Unitholders after transactions with unitholders RMB'000**	**Non - controlling interests RMB'000**	**Total RMB'000**
Profit/(loss) for the year ended 31 December 2016	705,540	(775,488)	(69,948)	6,604	(63,344)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	69,948	—	69,948	736	70,684
Total comprehensive income for the year ended 31 December 2016	775,488	(775,488)	—	7,340	7,340
Profit/(loss) for the year ended 31 December 2017	**1,429,996**	**(1,511,377)**	**(81,381)**	**7,099**	**(74,282)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	**81,381**	**—**	**81,381**	**857**	**82,238**
Total comprehensive income for the year ended 31 December 2017	**1,511,377**	**(1,511,377)**	**—**	**7,956**	**7,956**

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.

(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 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	13	**2,451,081**	2,413,699
Land use rights	14	**1,429,254**	1,478,539
Investment properties	15	**28,706,000**	24,197,500
Deferred assets	17	**224,343**	219,913
Goodwill	18	**845,325**	824,459
Derivative financial instruments	20	**—**	74,626
		33,656,003	29,208,736
Current assets			
Inventories		**3,127**	4,337
Trade receivables	21	**19,746**	14,865
Amounts due from related parties	31	**266,357**	131,351
Prepayments, deposits and other receivables	22	**59,885**	41,574
Top-up payment asset	19	**—**	17,184
Short-term bank deposits	23	**26,702**	22,400
Cash and cash equivalents	23	**1,303,904**	1,180,828
		1,679,721	1,412,539
Total assets		**35,335,724**	30,621,275
Current liabilities			
Trade payables	25	**17,611**	15,276
Rental deposits, current portion	26	**151,145**	106,676
Receipts in advance	26	**76,743**	71,366
Accruals and other payables	26	**1,158,000**	658,019
Amounts due to related parties	31	**887,404**	83,441
Derivative financial instruments	20	**46,457**	—
Borrowings	27	**4,408,474**	1,503,357
Tax payable		**89,646**	10,421
		6,835,480	2,448,556
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	26	**201,109**	213,109
Receipt in advance	26	**2,798**	12,233
Borrowings	27	**8,322,299**	10,421,629
Deferred tax liabilities	24	**4,428,310**	3,891,364
Derivative financial instruments	20	**136,924**	—
		13,091,440	14,538,335

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	**2017**	2016
		RMB'000	RMB'000
Total liabilities, other than net assets attributable to unitholders		**19,926,920**	16,986,891
Net assets attributable to unitholders	28	**14,321,384**	13,534,400
Total liabilities		**34,248,304**	30,521,291
Net assets		**1,087,420**	99,984
Equity			
Revaluation reserve		**455,212**	373,831
Retained earnings		**(455,212)**	(373,831)
Non-controlling interests		**1,087,420**	99,984
Total equity		**1,087,420**	99,984
Units in issue ('000)	28	**3,014,285**	2,921,780
Net assets attributable to unitholders per unit (RMB)		**RMB4.75**	RMB4.63

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		**1,429,996**	705,540
Adjustments for the total distributable income (i)			
- Fair value gain on investment properties		**(885,792)**	(952,422)
- Fair value gain on derivative financial instruments		**—**	(74,626)
- Foreign exchange gain in financing activities		**(542,552)**	—
- Deferred taxation in respect of fair value gain on investment property charged to profit or loss		**165,083**	190,184
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")		**(296,173)**	(271,081)
Total distributable loss		**(129,438)**	(402,405)
Additional items (ii)			
- Cash received and/or receivable according to the Deed of Top-up Payments		**—**	52,626
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		**296,173**	271,081
- Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")		**145,777**	156,878
- Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		**83,871**	76,848
- Manager's fee paid and payable in units in lieu of cash		**107,069**	110,421
- Interest income and fair value loss from top-up payment asset		**—**	15,194
- Fair value loss on derivatives financial instruments		**258,008**	—
- Foreign exchange loss in financing activities		**—**	544,074
- Expenses incurred in connection with the acquisition of a subsidiary		**64,921**	—
Distributable income after additional items		**826,381**	824,717
Distributable amount at 1 January		**440,245**	362,749
Distributions paid during the year (iii)	28	**(835,499)**	(747,221)
Final distribution declared		**431,127**	440,245
Distribution per unit, declared (iv)		**RMB0.1430**	RMB0.1506

DISTRIBUTION STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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. For the year ended 31 December 2017, most of the expenses incurred in connection with the acquisition of subsidiaries of RMB64,921,000 will be distributed.

(iii) A final distribution for the period from 1 July 2016 to 31 December 2016 of RMB0.1506 (equivalent to HK$0.1699) per unit and interim distribution for the period from 1 January 2017 to 30 June 2017 of RMB0.1346 (equivalent to HK$0.1566) per unit, totaling RMB835,499,000 (2017: RMB747,221,000), were paid to unitholders on 16 May 2017 and 26 October 2017 respectively.

(iv) A final distribution for the period from 1 July 2017 to 31 December 2017 of RMB0.1430 (equivalent to HK$0.1775) per unit, totaling RMB431,127,000 (equivalent to HK$535,140,000) was declared by the Board of the Manager on 13 Febrauary 2018.

CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

		Equity			
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	13,400,472	(303,883)	303,883	92,644	13,493,116
Issuance of units	105,661	—	—	—	105,661
Profit/(loss) for the year ended 31 December 2016 attributable to:					
- Unitholders	775,488	—	—	—	775,488
- Equity holders	—	(69,948)	—	6,604	(63,344)
Distributions paid to unitholders	(747,221)	—	—	—	(747,221)
Change in fair value of property, plant and equipment, net of tax	—	—	69,948	736	70,684
At 31 December 2016	13,534,400	(373,831)	373,831	99,984	13,634,384
At 1 January 2017	**13,534,400**	**(373,831)**	**373,831**	**99,984**	**13,634,384**
Issuance of units	**111,106**	**—**	**—**	**—**	**111,106**
Acquistion of a subsidiary (Note 30)	**—**	**—**	**—**	**979,480**	**979,480**
Profit/(loss) for the year ended 31 December 2017 attributable to:					
- Unitholders	**1,511,377**	**—**	**—**	**—**	**1,511,377**
- Equity holders	**—**	**(81,381)**	**—**	**7,099**	**(74,282)**
Distributions paid to unitholders	**(835,499)**	**—**	**—**	**—**	**(835,499)**
Change in fair value of property, plant and equipment, net of tax	**—**	**—**	**81,381**	**857**	**82,238**
At 31 December 2017	**14,321,384**	**(455,212)**	**455,212**	**1,087,420**	**15,408,804**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017**	2016
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	29	**986,508**	1,182,902
Interest paid		**(345,525)**	(355,004)
Corporate income tax paid		**(35,625)**	(24,935)
Top-up payment received		**17,184**	64,173
Net cash generated from operating activities		**622,542**	867,136
Cash flows from investing activities			
Additions of investment properties		**(35,708)**	(51,078)
Additions of property, plant and equipment		**(19,107)**	(10,657)
Interest received		**30,975**	26,243
(Increase)/decrease in short-term bank deposits with original maturity of more than three months		**(4,302)**	34,869
Acquisition of a subsidiary, net of cash acquired	30	**(963,062)**	—
Net cash used in investing activities		**(991,204)**	(623)
Cash flows from financing activities			
Distributions paid		**(835,499)**	(747,221)
Proceeds from borrowings, net of transaction costs		**3,777,732**	6,075,015
Repayment of bank borrowings		**(2,450,495)**	(5,696,075)
Net cash generated from/(used in) from financing activities		**491,738**	(368,281)
Net increase in cash and cash equivalents		**123,076**	498,232
Cash and cash equivalents at beginning of the year		**1,180,828**	682,596
Cash and cash equivalents at end of the year	23	**1,303,904**	1,180,828

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

As at 31 December 2017, the Group's current liabilities exceeded its current assets by RMB5,155,759,000 (2016: RMB1,036,017,000) mainly because of the borrowings of RMB4,408,474,000 which fall due within twelve months from the balance sheet date and the deferred completion payment of approximately RMB803,803,000 for the acquisition of a subsidiary in Wuhan which primarily operates a commercial development, a shopping arcade and certain carpark spaces in Wuhan together ("Wuhan Properties"). 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 and deferred completion payment based on the Group's past experience, its assets quality and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities, medium term notes programme and potential disposal of the Group's properties, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidation 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 2017

		Effective for accounting periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flow	1 January 2017
Annual improvement to HKFRSs 2014-2016 cycle: HKFRS 12 Amendments	Disclosure in other entities	1 January 2017

The adoption of these new and amended standards did not result in any 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 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 40	Transfer of investment properties	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRS 2014-2016 Cycle	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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 2017.

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.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (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 profit or loss.

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 reliable.

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

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

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

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

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

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

(f) Investment properties

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

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

2 Summary of significant accounting policies (Continued)

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) Derivative financial instruments

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

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

(i) Impairment of non-financial assets

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

(j) Offsetting financial instruments

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

2 Summary of significant accounting policies (Continued)

(k) Inventories

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

(l) 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.

(m) 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.

(n) Rental deposits

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

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

(o) Cash and cash equivalents

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

2 Summary of significant accounting policies (Continued)

(p) Trade payables

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

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

(q) Provisions

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

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

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

(r) Borrowings

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

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

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

(s) Borrowing costs

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

2 Summary of significant accounting policies (Continued)

(t) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

2 Summary of significant accounting policies (Continued)

(u) Revenue recognition

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

(i) Rental income

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

(ii) Hotel and serviced apartment income

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

(iii) Interest income

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

(v) Distributions to unitholders

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

(w) Employee 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.

2 Summary of significant accounting policies (Continued)

(w) 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").

At 31 December 2017 and 2016, 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 2017 would have been approximately RMB511,282,000 (2016: RMB411,199,000) 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.

(b) Cash flow interest rate risk

The Group's interest rate risk mainly arises from borrowings obtained at variable rates which expose the Group to cash flow interest rate risk.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

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 2017 and 2016. At 31 December 2017 and 2016, 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 RMB124,291,000 (2016: RMB117,225,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk

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

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

	2017	2016
	RMB'000	RMB'000
Counterparty		
The Hongkong and Shanghai Banking Corporation Ltd.	**62,802**	19,096
Bank of China	**511,447**	911,462
DBS Bank Ltd. Hong Kong Branch	**273,197**	253,367
China Construction Bank	**342,467**	10,178
Other banks	**140,246**	8,678
Short-term bank deposits and cash and cash equivalent	**1,330,159**	1,202,781

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.

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 RMB1,330,606,000 as at 31 December 2017 (2016: RMB1,203,228,000). 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 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 2017					
Rental deposits	**151,145**	**101,493**	**98,464**	**19,068**	**370,170**
Trade payables	**17,611**	**—**	**—**	**—**	**17,611**
Accruals and other payables	**1,158,000**	**—**	**—**	**—**	**1,158,000**
Amounts due to related parties	**887,404**	**—**	**—**	**—**	**887,404**
Bank borrowings					
- Principal to be repaid	**2,123,815**	**2,175,877**	**4,467,342**	**1,679,080**	**10,446,114**
- Interest payables	**202,909**	**152,798**	**383,892**	**154,651**	**894,250**
Other borrowings					
- Principal to be repaid	**2,284,659**	**—**	**—**	**—**	**2,284,659**
- Interest payables	**29,510**	**—**	**—**	**—**	**29,510**
Derivative financial instruments	**46,457**	**136,924**	**—**	**—**	**183,381**
As at 31 December 2016					
Rental deposits	106,676	86,985	152,739	16,120	362,520
Trade payables	15,276	—	—	—	15,276
Accruals and other payables	658,019	—	—	—	658,019
Amounts due to related parties	83,441	—	—	—	83,441
Bank borrowings					
- Principal to be repaid	1,503,357	3,151,092	2,837,627	2,013,300	9,505,376
- Interest payables	296,300	221,769	362,916	174,447	1,055,432
Other borrowings					
- Principal to be repaid	—	2,419,610	—	—	2,419,610
- Interest payables	75,008	31,253	—	—	106,261

(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.

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

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 2017, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
	RMB'000	RMB'000
Total borrowings (Note 27)	**12,730,773**	11,924,986
Total asset value	**35,335,724**	30,621,275
Gearing ratio	**36%**	39%

The gearing ratio decreased to 36% in 2017 (2016: 39%) mainly due to the increase in assets value during the year.

(c) Fair value estimation

The carrying amounts of the Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The fair value of non-current financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

See Note 13 for disclosures of property, plant and equipment, Note 15 for investment properties, and Note 20 for derivative financial instruments.

4 Critical accounting estimates

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

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

4 Critical accounting estimates (Continued)

(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).

5 Revenue and segment information

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

The executive directors consider the business by nature of business activities and assess the performance of hotel and service apartments, office rental and wholesale and shopping mall.

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

Total assets excluded corporate assets which are not directly attributable to segments.

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2017				
Revenue from external customers	527,253	824,005	502,641	1,853,899
Segment results	51,017	1,556,271	446,832	2,054,120
Depreciation and amortisation	144,621	1,156	—	145,777
Fair value gain on investment properties	—	861,592	24,200	885,792
Year ended 31 December 2016				
Revenue from external customers	483,921	815,300	538,358	1,837,579
Segment results	3,183	1,451,054	609,411	2,063,648
Depreciation and amortisation	155,125	1,753	—	156,878
Fair value gain on investment properties	—	785,384	167,038	952,422
As at 31 December 2017				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657
As at 31 December 2016				
Total reportable segments' assets	4,382,545	16,310,926	9,085,308	29,778,779

5 Revenue and segment information (Continued)

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

Year ended 31 December

	2017	2016
	RMB'000	RMB'000
Segment results	**2,056,120**	2,063,648
Fair value (loss)/ gain on derivative financial instruments	**(258,008)**	74,626
Unallocated operating costs (Note)	**(290,013)**	(228,891)
Operating profit	**1,508,099**	1,909,383
Finance income	**573,527**	26,243
Finance expenses	**(366,987)**	(938,299)
Profit before income tax and transactions with unitholders	**1,714,639**	997,327

Note: Unallocated operating costs include mainly asset management fee, legal and professional expenses and other operating expenses.

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Total reportable segments' assets	**34,368,657**	29,778,779
Corporate assets	**967,067**	842,496
Total assets	**35,335,724**	30,621,275

5 Revenue and segment information (Continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
China	**1,853,899**	1,837,579	**34,368,657**	29,778,779
Unallocated assets			**967,067**	842,496
			35,335,724	30,621,275

The Group's revenue by nature is as follows:

	2017	2016
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	299,705	273,565
Food and beverages	209,535	195,694
Property rentals	1,326,647	1,353,658
Others	18,012	14,662
	1,853,899	1,837,579

6 Expenses by nature, net

	2017 RMB'000	2016 RMB'000
Property management fees (i)	**40,471**	40,977
Employee benefit expenses (Note 7)	**120,307**	111,992
Real estate tax	**164,877**	174,348
Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**10,792**	44,876
Withholding tax (ii)	**56,581**	80,501
Depreciation of property, plant and equipment (Note 13)	**96,492**	107,593
Amortisation of land use rights (Note 14)	**49,285**	49,285
Cost of inventories sold or consumed in operation	**61,612**	50,536
Other direct expenses on hotel and serviced apartment	**129,314**	130,789
Manager's fee (Note 8)	**133,836**	129,907
Trustee's fee	**10,230**	9,186
Valuation fees	**1,193**	1,000
Legal and professional fee	**65,589**	8,680
Auditor's remuneration	**3,000**	3,055
Bank charges	**1,390**	708
Foreign exchange loss/(gain) arising from operating activities	**8,395**	(9,619)
Others	**20,220**	21,430
Total operating expenses, net	**973,584**	955,244

Note:

(i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou Baima Business Operation Management Co. Ltd. (previously known as Guangzhou White Horse Property Management Co., Ltd.) and Guangzhou Yuexiu Asset Management Company Limited (Note 31).

(ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

7 Employee benefit expenses

	2017	2016
	RMB'000	RMB'000
Wages, salaries and bonus	**78,928**	77,316
Pension costs	**4,533**	4,303
Medical benefits costs	**3,155**	3,340
Social security costs	**5,301**	5,101
Staff welfare	**28,390**	21,932
	120,307	111,992

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 from external party, as defined in the Trust Deed.

	2017	2016
	RMB'000	RMB'000
Manager's fee:		
In the form of units	**107,069**	110,421
In the form of cash	**26,767**	19,486
	133,836	129,907

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.

9 Finance income

	2017 RMB'000	2016 RMB'000
Interest income from bank deposits	**9,489**	10,445
Interest income from a related company	**21,486**	15,798
Foreign exchange gain on financing activities	**542,552**	—
	573,527	26,243

10 Finance expenses

	2017 RMB'000	2016 RMB'000
Interest expense for bank borrowings	**272,052**	283,221
Interest expense for other borrowings	**73,473**	71,783
Interest expenses to a related party	**360**	—
Amortisation of transaction costs for borrowings	**21,102**	24,027
Fair value loss on top-up payment asset (note 19)	**—**	15,194
Foreign exchange loss on financing activities	**—**	544,074
	366,987	938,299

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.

	2017 RMB'000	2016 RMB'000
Current income tax		
- China corporate income tax	**42,742**	32,287
- Under-provision in prior years	**—**	220
Deferred income tax (Note 24)	**234,802**	252,676
	277,544	285,183

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:

	2017 RMB'000	2016 RMB'000
Profit before income tax and transactions with unitholders	**1,714,639**	997,327
Tax calculated at domestic tax rate of 25%	**428,660**	249,332
Income not subject to tax	**(349,448)**	(235,945)
Expenses not deductible for tax purposes	**170,352**	233,189
Under-provision in prior years	**—**	220
Withholding tax on unremitted earnings of subsidiaries	**27,980**	38,387
	277,544	285,183

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.

	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**1,429,996**	705,540
Weighted average number of units in issue ('000)	**2,937,991**	2,854,211
Basic earnings per unit (RMB)	**0.49**	0.25

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. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2017.

	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**1,429,996**	705,540
Weighted average number of units in issue ('000)	**2,937,991**	2,854,211
Adjustments for deferred units ('000)	**602,401**	668,401
Adjustments for manager's fee in form of units ('000)	**10,338**	13,761
Weighted average number of units for diluted earnings per unit ('000)	**3,550,730**	3,536,373
Diluted earnings per unit (RMB)	**0.40**	0.20

13 Property, plant and equipment

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2016				
Cost	2,295,151	12,692	9,503	2,317,346
Accumulated depreciation	(312,705)	(12,604)	(6,138)	(331,447)
Fair value gain on revaluation	426,554	—	—	426,554
Net book amount	2,409,000	88	3,365	2,412,453
Year ended 31 December 2016				
Opening net book amount	2,409,000	88	3,365	2,412,453
Additions	10,657	—	—	10,657
Depreciation (Note 6)	(105,840)	(23)	(1,730)	(107,593)
Fair value gain on revaluation	98,182	—	—	98,182
Closing net book amount	2,411,999	65	1,635	2,413,699
At 31 December 2016				
Cost	2,305,808	12,692	9,503	2,328,003
Accumulated depreciation	(418,545)	(12,627)	(7,868)	(439,040)
Fair value gain on revaluation	524,736	—	—	524,736
Net book amount	2,411,999	65	1,635	2,413,699
Year ended 31 December 2017				
Opening net book amount	**2,411,999**	**65**	**1,635**	**2,413,699**
Additions	**19,106**	**1**	**—**	**19,107**
Depreciation (Note 6)	**(95,336)**	**(13)**	**(1,143)**	**(96,492)**
Acquisition of a subsidiary (Note 30)	**—**	**390**	**146**	**536**
Fair value gain on revaluation	**114,231**	**—**	**—**	**114,231**
Closing net book amount	**2,450,000**	**443**	**638**	**2,451,081**
At 31 December 2017				
Cost	**2,324,914**	**13,083**	**9,649**	**2,347,646**
Accumulated depreciation	**(513,881)**	**(12,640)**	**(9,011)**	**(535,532)**
Fair value gain on revaluation	**638,967**	**—**	**—**	**638,967**
Net book amount	**2,450,000**	**443**	**638**	**2,451,081**

13 Property, plant and equipment (Continued)

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 RMB1,811,033,000 (2016: RMB1,887,263,000).

As at 31 December 2017, property, plant and equipment with an aggregate carrying amount of RMB2,171 million (2016: RMB2,138 million) were pledged as collateral for the Group's bank borrowings (Note 27).

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

	31 December	
	2017	2016
	RMB'000	RMB'000
Opening balance	**2,411,999**	2,409,000
Additions	**19,106**	10,657
Depreciation	**(95,336)**	(105,840)
Unrealised gains recognised in reserve	**114,231**	98,182
Closing balance	**2,450,000**	2,411,999
Unrealised gains for the year included in other comprehensive income at the end of the year	**114,231**	98,182

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited both being independent qualified valuers not related to the Group at 31 December 2017 and 2016 respectively.

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

At each financial year end the finance department:

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

13 Property, plant and equipment (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair value of the building portion of hotel and serviced apartments of Guangzhou International Financial Center ("Guangzhou IFC'') is derived using depreciated replacement cost method.

The depreciated replacement cost method involves estimation of the market redevelopment costs of the building portion of hotel and serviced apartments of Guangzhou IFC which includes building costs, finance costs and professional fee. Depreciation is also considered to reflect the physical deterioration, functional and economic obsolescence to derive the fair value.

The overall fair value (including land and building elements) of hotel and serviced apartments in China is generally derived using the discounted cash flow analysis. Due to lack of land transaction in market, fair value of land, for disclosure purpose only as set out in Note 14, is therefore calculated as the difference between the fair value under discounted cash flow analysis and the value under depreciated replacement cost method.

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

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

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

Significant inputs used to determine fair value

Building costs are estimated by reference to market construction costs of other similar buildings. The higher the building costs, the higher the fair value.

Discount rates are estimated by Savills Valuation and Professional Services Limited for 2017 and Vigers Apprasial and Consulting Linited for 2016 based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

13 Property, plant and equipment (Continued)

Significant inputs used to determine fair value (Continued)

The adopted valuation assumptions in the depreciated replacement cost method are summarised as follows:

As at 31 December 2016

	Depreciated replacement cost method		
	Building cost	**Finance cost**	**Professional fee**
	(RMB /m^2)	(% on construction cost)	(% on construction cost)
Hotel	14,000	5	5
Serviced apartments	11,300	5	5

As at 31 December 2017

	Depreciated replacement cost method		
	Building cost	**Finance cost**	**Professional fee**
	(RMB /m^2)	(% on construction cost)	(% on construction cost)
Hotel	15,200	4.75	6
Serviced apartments	12,300	4.75	6

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:

	2017	2016
	RMB'000	RMB'000
At 1 January	**1,478,539**	1,527,824
Amortisation (Note 6)	**(49,285)**	(49,285)
At 31 December	**1,429,254**	1,478,539

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

	31 December 2017	31 December 2016
	RMB'000	RMB'000
In China:		
Land use rights between 10 and 50 years	**1,429,254**	1,478,539

As at 31 December 2017, the fair value of land use rights is approximately RMB2,200 million (2016: RMB2,048 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2017, land use rights were pledged with an aggregate net book amount of approximately RMB1,343 million (2016: RMB1,393 million) as collateral for the Group's bank borrowings (Note 27).

15 Investment properties

	2017	2016
	RMB'000	RMB'000
At 1 January	**24,197,500**	23,194,000
Additions during the year	**35,708**	51,078
Acquisition of subsidiaries (Note 30)	**3,587,000**	—
Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties'	**885,792**	952,422
At 31 December	**28,706,000**	24,197,500
Fair value gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	**885,792**	952,422

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 RMB208,594,000 (2016: RMB223,337,000). Included in the direct operating expenses, RMB3,072,000 (2016: RMB2,919,000) was related to investment properties that were vacant.

Yuexiu REIT acquired Wuhan Properties on 21 December 2017 . In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2017, investment properties with an aggregate carrying value of approximately RMB3,471 million (2016: RMB3,317 million) were pledged as collateral for the Group's bank borrowings (Note 27).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited and Vigers Apprasial and Consulting Limited being independent qualified valuer not related to the Group at 31 December 2017 and 2016 respectively.

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

15 Investment properties (Continued)

Valuation processes of the Group (Continued)

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 Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited for 2017 and 2016 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

15 Investment properties (Continued)

Significant inputs used to determine fair value (Continued)

The adopted valuation assumptions in the income capitalisation method are summarised as follows:

As at 31 December 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	52 to 328	4.25% to 7.50%
Wholesale and shopping mall	85 to 1,250	4.25% to 8.00%

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	96 to 312	4.00% to 7.25%
Wholesale and shopping mall	83 to 1,335	4.00% to 7.75%

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

As at 31 December 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	52 to 328	6.75% to 8.75%	90.00% to 98.96%
Wholesale and shopping mall	85 to 1,250	7.00% to 9.00%	95.00% to 99.48%

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	39.80% to 100%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	78.90% to 100%

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%

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 Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of RMB92 million	100%
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%

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 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%
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.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK$257,614,000	100%
Fully Cheer Management Limited[1]	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

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)
Sure Win International Holding Limited[1]	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
Wuhan Yuexiu Property Development Limited[1]	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB2,200,000,000	67%
Yuexiu REIT 2017 Company Limited[2]	British Virgain Islands, limited liability company	Investment holding	1 ordianry share of USD1	100%

1 These subsidiaries are acquired during the year ended 31 December 2017.

2 This subsidiary is incorporated during the year ended 31 December 2017.

Note:

Shares of HoldCo 2005, REIT 2012, REIT 2013, MTN, REIT 2017 and Metrogold Development Limited are held directly by Yuexiu REIT. Shares of all the other subsidiaries are held indirectly by Yuexiu REIT.

17 Deferred assets

Rental income is recognised on an accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The temporary difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets. Deferred assets which are expected to be realised twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

18 Goodwill

	2017 RMB'000	2016 RMB'000
At 1 January		
Cost	**824,459**	824,459
Accumulated impairment	**—**	—
Net book amount	**824,459**	824,459
Year ended 31 December		
Opening net book amount	**824,459**	824,459
Acquistion of subsidiaries (Note 30)	**20,866**	—
Net book amount	**845,325**	824,459
At 31 December		
Cost	**845,325**	824,459
Accumulated impairment	**—**	—
Net book amount	**845,325**	824,459

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 pre-tax 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:

	2017	2016
Growth rate per annum	3.00%-5.50%	4.00%-5.50%
Discount rate per annum	7.75%-8.50%	8.50%-8.75%

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

19 Top-up payment asset

During 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 fair value of the balance approximates its carrying amount.

The final top-up payment of RMB17,184,000 was received by the Group during the year ended 31 December 2017.

20 Derivative financial instruments

	2017	2016
	RMB'000	RMB'000
Non-current assets		
Capped foreign exchange forward contracts	**—**	74,626
Non-current liabilities		
Capped foreign exchange forward contracts	**136,924**	—
Current liabilities		
Capped foreign exchange forward contracts	**46,457**	—

The fair value of the derivative financial instruments are classified as non-current assets or liabilities if the settlement date is beyond 12 months after balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2017 were USD177,000,000 and HK$2,300,000,000 (2016: USD177,000,000 and HK$1,000,000,000).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair values of capped forward exchange contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable forward exchange rates at each reporting date. If significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy.

21 Trade receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**19,746**	14,865

The fair values of trade receivables approximate their carrying amounts.

The credit terms of the Group are generally within three months. The ageing analysis of trade receivables by invoice date is as follows:

	2017 RMB'000	2016 RMB'000
0 - 30 days	**16,293**	11,566
31 - 90 days	**3,040**	3,196
91 - 180 days	**413**	103
	19,746	14,865

As at 31 December 2017, trade receivables of approximately RMB19,333,000 (2016: RMB14,865,000) were fully performing.

As at 31 December 2017, the Group has insignificant trade receivables which are past due but not impaired.

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

22 Prepayments, deposits and other receivables

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

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

23 Short-term bank deposits and cash and cash equivalents

	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand	**1,299,718**	1,162,327
Short-term bank deposits with original maturity of less than three months	**4,186**	18,501
Cash and cash equivalents	**1,303,904**	1,180,828
Short-term bank deposits with original maturity of more than three months	**26,702**	22,400
Total	**1,330,606**	1,203,228
Maximum exposure to credit risk	**1,330,159**	1,202,781

As at 31 December 2017, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,086,661,000 (2016: RMB999,684,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

The credit quality of short-term bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates as disclosed in Note 3(a)(ii). The existing counterparties do not have defaults in the past.

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	2017	2016
	RMB'000	RMB'000
HK$	**204,766**	143,895
RMB	**1,099,367**	1,000,130
USD	**26,473**	59,203
	1,330,606	1,203,228

24 Deferred tax liabilities

	2017	2016
	RMB'000	RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**4,428,310**	3,891,364

The movements in the deferred tax liabilities are as follows:

	2017	2016
	RMB'000	RMB'000
Beginning of the year	**3,891,364**	3,611,190
Deferred taxation charged to profit or loss (Note 11)	**234,802**	252,676
Deferred taxation charged to reserve	**31,993**	27,498
Acqusition of a subsidiary (Note 30)	**270,151**	—
End of the year	**4,428,310**	3,891,364

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 2016	86,485
Credited to profit or loss	27,404
At 31 December 2016	113,889
At 1 January 2017	113,889
Credited to profit or loss	26,040
Acquisition of a subsidiary	14,500
At 31 December 2017	154,429

24 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 2016				
At 1 January 2016	2,879,540	440,100	378,035	3,697,675
Charged/(credited) to profit or loss	190,184	(1,832)	91,728	280,080
Charged to reserve	27,498	—	—	27,498
At 31 December 2016	3,097,222	438,268	469,763	4,005,253
Year ended 31 December 2017				
At 1 January 2017	3,097,222	438,268	469,763	4,005,253
Charged/(credited) to profit or loss	165,083	26,634	69,125	260,842
Charged to reserve	31,993	—	—	31,993
Acquisition of a subsidiary	257,976	20,742	5,933	284,651
At 31 December 2017	3,552,274	485,644	544,821	4,582,739

There is no significant unprovided deferred taxation as at 31 December 2017 (2016: nil).

25 Trade payables

	2017 **RMB'000**	2016 RMB'000
Trade payables	**17,611**	15,276

The fair values of trade payables approximate their carrying amounts.

25 Trade payables (Continued)

The ageing analysis of the trade payables is as follows:

	2017	2016
	RMB'000	RMB'000
0 - 30 days	**10,394**	10,656
31 - 90 days	**4,473**	2,901
91 - 180 days	**2,744**	1,719
	17,611	15,276

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

26 Rental deposits, receipts in advance, accruals and other payables

	2017	2016
	RMB'000	RMB'000
Rental deposits		
Current portion	**151,145**	106,676
Non-current portion	**201,109**	213,109
	352,254	319,785
Receipts in advance		
Current portion	**76,743**	71,366
Non-current portion	**2,798**	12,233
	79,541	83,599
Accrued urban real estate tax	**13,509**	16,550
Accrued withholding tax payable	**11,697**	13,816
Accrued value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	**11,272**	14,147
Construction fee payable	**943,171**	497,148
Accruals for operating expenses	**178,351**	116,358
Accruals and other payables	**1,158,000**	658,019
	1,589,795	1,061,403

26 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.

27 Borrowings

	2017	2016
	RMB'000	RMB'000
Current portion of long term borrowings		
Bank borrowings, Secured	**268,440**	268,440
Bank borrowings, Unsecured	**1,855,375**	1,234,917
Other borrowings, unsecured (Note b)	**2,284,659**	—
	4,408,474	1,503,357
Long-term borrowings		
Bank borrowings		
- Secured (Note a)	**3,021,280**	3,355,500
- Unsecured	**7,424,834**	6,149,876
Other borrowings, unsecured (Note b)	**2,284,659**	2,419,610
	12,730,773	11,924,986
Less: current portion of long-term borrowings	**(4,408,474)**	(1,503,357)
Total long-term borrowings	**8,322,299**	10,421,629
Analysed into:		
Unsecured	**9,709,493**	8,569,486
Secured	**3,021,280**	3,355,500
	12,730,773	11,924,986

Note a:

Syndicated and entrustment loans totalling to RMB3,021 million which are secured by certain parts of Guangzhou IFC with carrying value of RMB7,107 million (2016: RMB6,848 million).

27 Borrowings (Continued)

The Group's borrowings are repayable as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**4,408,474**	1,503,357
Between one year and five years	**6,643,219**	8,408,329
Over five years	**1,679,080**	2,013,300

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

	2017	2016
RMB	**4.31%**	4.34%
HK$	**2.47%**	2.52%
USD	**3.26%**	2.90%

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

	2017	2016
	RMB'000	RMB'000
RMB	**3,021,280**	4,165,500
HK$	**5,569,459**	3,370,740
USD	**4,140,034**	4,388,746
	12,730,773	11,924,986

The Group has no undrawn bank borrowing facility as at 31 December 2017 (2016: 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 2017.

28 Net assets attributable to unitholders

	2017 RMB'000	2016 RMB'000
At 1 January	**13,534,400**	13,400,472
Issuance of units	**111,106**	105,661
Transfer from the consolidated statement of comprehensive income	**1,511,377**	775,488
Distributions paid during the year	**(835,499)**	(747,221)
At 31 December	**14,321,384**	13,534,400

The movement in the number of existing units are as below:

Units in issue ('000)	**2017**	2016
At 1 January	**2,921,780**	2,828,887
Units issued during the year (Note a)	**26,505**	28,014
Issuance of deferred units during the year (Note b)	**66,000**	64,879
At 31 December	**3,014,285**	2,921,780

Note a:

During 2017, 26,505,412 units were issued for payment of manager's fee (2016: 28,014,000 units).

Note b:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2017. The number of units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. During 2017, 66,000,000 units were issued and the outstanding deferred units at 31 December 2017 was 602,401,000 units (31 December 2016: 668,401,000 units).

29 Notes to the consolidated statement of cash flows

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

	2017	2016
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	**1,714,639**	997,327
Adjustments for:		
- Depreciation expenses	**96,492**	107,593
- Amortisation of land use right	**49,285**	49,285
- Amortisation of transaction costs for bank borrowings	**21,102**	24,027
- Foreign exchange (gain)/loss on financing activities	**(542,552)**	544,074
- Fair value gains on investment properties	**(885,792)**	(952,422)
- Fair value loss/(gain) on derivative financial instruments	**258,008**	(74,626)
- Fair value loss on top-up payment asset	**—**	15,194
- Interest income	**(30,975)**	(26,243)
- Interest expenses	**345,885**	355,004
Changes in working capital:		
- Deferred assets	**11,741**	(32,501)
- Inventories	**1,210**	(96)
- Trade receivables	**8,916**	(1,697)
- Amounts due from related parties	**(135,006)**	160,821
- Prepayments, deposits and other receivables	**(18,311)**	1,333
- Trade payables	**1,099**	2,182
- Rental deposits	**15,187**	16,783
- Receipts in advance	**(4,128)**	(6,086)
- Accruals and other payables	**79,908**	(5,565)
- Amounts due to related parties	**(200)**	8,515
Cash generated from operations	**986,508**	1,182,902

(b) Major non-cash transaction:

During the year ended 31 December 2017, 26,505,412 units (2016: 28,014,000 units) amounting to RMB 111,106,000 (2016: RMB105,661,000) were issued for payment of manager's fee.

30 Business combinations

On 14 November 2017, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited. (hereafter collectively referred to as "Fully Cheer Group"). The Fully Cheer Group holds 67% interest in Wuhan Properties. The transaction was completed on 21 December 2017.

30 Business combinations (Continued)

The financial impact to the group from acquisition dated to 31 December 2017 was insignificant

Had Fully Cheer Group been consolidated from 1 January 2017 to 31 December 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB 51 million and profit before income tax and transaction with unitholders of RMB 3 million from its leasing operations.

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

	2017
	RMB'000
Purchase consideration	
At 21 December 2017	
— Cash	1,205,705
— Deferred payment	803,803
Total consideration	2,009,508
Non-controlling interest	979,480
Fair value of net assets acquired — shown as below	(2,968,122)
Goodwill	20,866

	Fair Value
	RMB'000
Property, plant and equipment (Note 13)	536
Deferred assets (Note 17)	16,171
Investment properties	3,587,000
Trade and other receivables	13,797
Cash and cash equivalents	242,643
Trade payables	(1,236)
Rental deposits, current portion	(712)
Receipts in advance	(70)
Accruals and other payables	(530,090)
Amount due to a related party	(1,088)
Tax payable	(72,108)
Rental deposits, non-current portion	(16,570)
Deferred tax liabilities (Note 24)	(270,151)
Net assets acquired	2,968,122

30 Business combinations (Continued)

	2017 RMB'000
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration settled in cash	1,255,705
Cash and cash equivalents in the subsidiary acquired	(292,643)
Cash outflow on acquisition	963,062

Acquisition-related costs of RMB64,921,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

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

31 Capital commitments

	2017 RMB'000	2016 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	**65,465**	31,258

32 Future minimum rental receivable

The future minimum rental receivable under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**1,161,671**	1,179,765
Between one year and five years	**1,564,887**	1,623,765
Over five years	**176,550**	183,953
	2,903,108	2,987,483

33 Net debt reconciliation

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents	**Short term deposits**	**Borrowings— repayable within one year**	**Borrowings— repayable after one year**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Other assets, net as at 1 January 2017	1,180,828	22,400	(1,503,357)	(10,421,629)	(10,721,758)
Cash flows	123,076	4,302	—	—	127,378
Proceeds from new bank borrowings	—	—	—	(3,777,732)	(3,777,732)
Repayment of bank borrowings	—	—	1,543,257	907,238	2,450,495
Other non-cash movements	—	—	(4,448,374)	4,969,824	521,450
Net debt as at 31 December 2017	1,303,904	26,702	(4,408,474)	(8,322,299)	(11,400,167)

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

Hong Kong, 13 February 2018

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

Executive Directors:	*Messrs. LIN Deliang and CHENG Jiuzhou*
Non-executive Directors:	*Messrs. LIN Zhaoyuan (Chairman) and LI Feng*
Independent Non-executive Directors:	*Messrs. CHAN Chi On, Derek, CHAN Chi Fai, Brian CHEUNG Yuk Tong and CHEN Xiaoou*