



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme under section 104 of the Securities and Future Ordinance <chapter 571 of the Laws of Hong Kong>)
(Stock Code: 00405)

2011

ANNUAL REPORT

MANAGER



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





STAB



广州巨亨钟表市场

西城大厦

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Profile of Yuexiu REIT and Unitholders Calendar

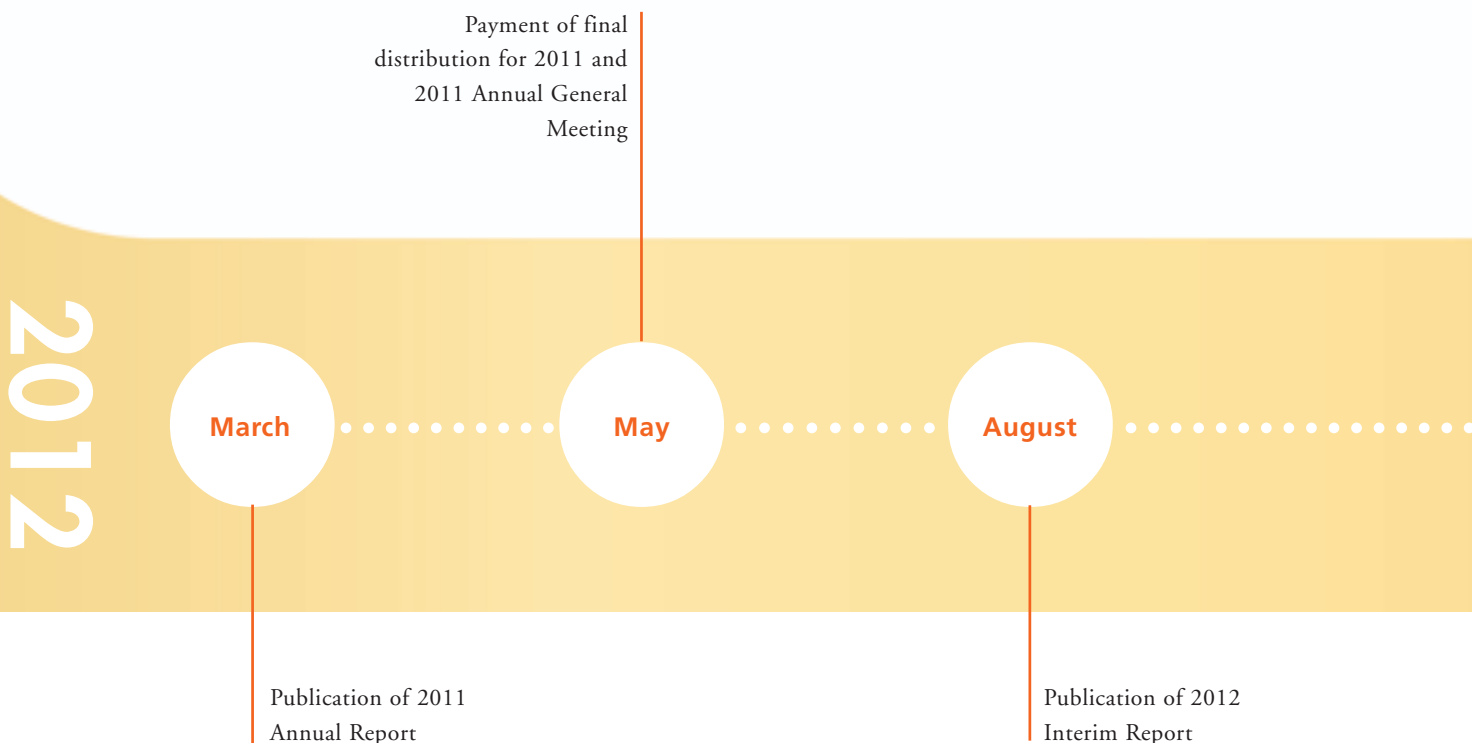
Profile of

Yuexiu Real Estate Investment Trust

(formerly known as GZI Real Estate Investment Trust) (“Yuexiu REIT”)

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

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



Payment of distribution
for six-month period
ended 30 June 2012

Payment of final
distribution for 2012

October

2013

March

May

Announcement of 2012
Annual Results

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 has resolved to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income for the financial year ended 31 December 2011 ("Reporting Year").

The final distribution to the Unitholders for the period from 1 July 2011 to 31 December 2011 ("2011 Final Period") will be approximately RMB0.1062 which is equivalent to HK\$0.1308 (2010: approximately RMB0.0983 which is equivalent to HK\$0.1165) per Unit. The 2011 final distribution will be paid on 9 May 2012, to the Unitholders whose names appear on the register of Unitholders on 16 April 2012.

The final distribution amount together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2011 to 30 June 2011 ("2011 Interim Period") is approximately RMB0.1109 which is equivalent to HK\$0.1339 (2010: approximately RMB0.1087 which is equivalent to HK\$0.1246) per Unit represented distribution of approximately RMB0.2171 which is equivalent to HK\$0.2647 (2010: approximately RMB0.2070 which is equivalent to HK\$0.2411) per Unit for the Reporting Year.

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the rental income of its properties. It has been distributing no less than 100% of the annual Total Distributable Income for 6 consecutive years after listing in 2005. The following table summarizes the distribution per Unit for the 6 years from 2006 to 2011:

HK\$	2011	2010	2009	2008	2007	2006
Total Distributable Income ('000)	282,107	257,023	249,248	262,113	225,867	206,683
Distributable income per Unit	0.2647	0.2411	0.2338	0.2460	0.2258	0.2067
Additional distribution per Unit	—	—	0.0180	—	—	—
Total distribution per Unit	0.2647	0.2411	0.2518	0.2460	0.2258	0.2067

The Manager confirms that the distribution referred above is only composed of profit after tax before transactions with the Unitholders and does not include any profit elements in the capital nature of Yuexiu REIT.

The Manager has calculated the Total Distributable Income based on Yuexiu REIT's consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the consolidated statement of comprehensive income for the relevant year or period.

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

DISTRIBUTION YIELD

Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.2647 (2010: HK\$0.2411) which represents a yield of approximately 7.72% (2010: 5.56%) per Unit based on the closing price of HK\$3.43 per Unit as at 31 December 2011 (2010: HK\$4.34). The increase in distribution yield per Unit is mainly due to the decrease in closing price of the Units as at the end of 2011, and the increase in DPU for the Reporting Year.

Performance Summary

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2011 together with comparative figures for the corresponding period in 2010:

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

	Financial Year ended 31 December 2011	Financial Year ended 31 December 2010	Percentage increase/ (decrease)
Gross income	522,286,000	484,655,000	7.76%
Net property income	409,486,000	379,190,000	7.99%
Profit after tax	1,337,275,000	635,635,000	110.38%
Earnings per unit ("Unit")	1.255	0.596	110.38%
Portfolio valuation	6,471,000,000	5,432,500,000	19.12%
Net assets attributable to Unitholders per Unit	4.78	3.73	28.15%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	5.90	4.38	34.70%
Units issued	1,065,972,687	1,065,972,687	0.00%
	units	units	
Total borrowings as a percentage of gross assets (Note a)	27%	29%	(2) percentage points
Gross liabilities as a percentage of gross assets (Note b)	31%	34%	(3) percentage points
Distribution			
Total distributable income	231,421,000	220,227,000	5.08%
Distributable income per Unit (HK\$)	0.2647	0.2411	9.79%

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

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



Dear Unitholders,

On behalf of the Manager of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), the Board of Directors of Yuexiu REIT Asset Management Limited (“Manager”), I am pleased to present to you the annual report of Yuexiu REIT for 2011.

RESULTS AND DISTRIBUTIONS

In 2011, with the extraordinary efforts of the entire management team and a portfolio of premium properties, Yuexiu REIT continued to attain good operation results, and all key operation indicators were performing well. As at 31 December 2011, the occupancy rate of the Yuexiu REIT properties remained high with the overall occupancy rate at 99.25%, slightly higher than that of the same period of last year (2010: 99.2%). During the Reporting Year, the total turnover revenue of Yuexiu REIT was approximately RMB522,286,000, representing an increase of 7.76% as compared to RMB484,655,000 for the same period last year. The rent collection ratio remained at 100% with no bad debt. All properties maintained a stable operation with a steadily rising trend in rental income.

In 2011, Yuexiu REIT realized a total distributable income of approximately RMB231,421,000, representing an increase of approximately RMB11,194,000 or approximately an increase of 5.08% as compared to the total of RMB220,227,000 for the same period last year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to all Unitholders, each Unitholder will receive a distribution amount of approximately HK\$0.2647 per Unit, representing an increase of approximately HK\$0.0236 or an increase of 9.79% as compared to the distribution amount of approximately HK\$0.2411 per Unit for the same period last year. Based on the closing price of HK\$3.43 per unit as at 31 December 2011, the return ratio is approximately 7.72%.

MARKET REVIEW

In 2011, the first year of the “Twelfth Five Years” of the PRC, with the persistent impact of the global financial crisis, the recovery of the world economy was sluggish and difficult, the PRC's overall economy continued to develop in accordance with the expected macro-control trend, a moderate slowdown in economic growth rate, and an increase in consumer price was curbed with an initial success. According to the data released by the National Bureau of Statistics, the gross domestic product (GDP) of the PRC for 2011 amounted to RMB47,156.4 billion, representing a growth of 9.2% year-on-year.

In 2011, Guangzhou, as one of the central cities in the PRC, took the lead in speeding up economic transition and upgrading, and its city competitiveness was gradually enhanced. According to the data released by Guangzhou Municipal Bureau of Statistics, the GDP of Guangzhou for 2011 amounted to approximately RMB1,230.312 billion, representing a growth of 11.0% year-on-year; the total retail sales of social consumables amounted to RMB524.302 billion, representing a growth of 17.1% year-on-year.

BUSINESS OPERATING STRATEGIES

The Manager will fully capture the market development opportunities to continuously focus on achieving high level occupancy rate by proactively adopting effective lease strategies and maintaining sound relationship with the tenants, operating strategies orientating towards attaining improved rental income, and striving to explore internal potentials of the properties portfolio, so as to accomplish better asset performance via the steadily improving rental income, constant optimization of properties mix and enhanced professional operation services.

The White Horse Building Units (“White Horse Building”) are the core of the Yuexiu REIT portfolio. The Manager focused its efforts on implementing innovative marketing measures such as organizing “White Horse Apparel Market Nationwide Circuit Show” and “White Horse Clothing Procurement Festival”, greatly strengthening projects in expanding the influence of the White Horse brand, enhancing the far-reaching recognition of White Horse and expanding channel resources; through continuous investment in asset enhancement, marketing and promotion, customer relationship management, industry research and marketing channels supervision, with combined forces in fostering the incubating base for the White Horse brand, consolidating and strengthening the competitive advantages of the White Horse customer base, enhancing the competitiveness and commercial value of the property in order to attain a satisfactory growth of the operating revenue.

BUSINESS OPERATING STRATEGIES (continued)

Both Fortune Plaza Units (“Fortune Plaza”) and City Development Plaza Units (“City Development Plaza”) are Grade A office projects. The Manager calmly responded to the impact arising from the additional supply in the market, accurately identified the marketing niche, maintained core customers and actively brought in quality customers to constantly optimize tenant mix; meanwhile proactively adjusted the operating strategies and reasonably dealt with the existing lease agreements to support quality customers in expanding and renewing their leasing agreements so as to realize a stable escalation in the rental income of the properties.

Yue Xiu Neo Metropolis Plaza Units (“Neo Metropolis”) offers multiple functional commercial offices. The Manager implemented pragmatic and effective lease strategies to enhance its bargaining power and make full preparations for tenant solicitation to realize rental increment while securing new leases and renewing existing leases, which resulted in a substantial improvement in the overall rental income as well as the gradual optimization of the potentialities of the property.

Victory Plaza Units (“Victory Plaza”) is the only retail commercial project in the current asset portfolio. The Manager captured the buoyant opportunity in the domestic retail market to actively optimize the operating conditions by introducing numerous premium brand retailers, complemented with featured marketing and promotion so as to gradually manifesting the commercial value of the properties. In addition, the Manager gradually reduced the reliance on a single sizable tenant and the proportion of low-rental-income food and beverage tenants through lease adjustment, enhanced the risk-resistant capability of the property for more stable operation.

INVESTMENT AND FINANCIAL STRATEGIES

In 2011, the PRC real estate market was affected by various uncertain factors, especially under the influence of the related national policies, resulted in uncertainties to the market, on the basis of the Manager capturing the market dynamics, and a thorough research on the market, the Manager continued to implement active and prudent investment principles, continually sought out and researched on both internal and external quality commercial real estate projects, successfully expanded the scale of the Trust bringing in a long-term and stable investment income for the Unitholders.

The Yuexiu REIT implemented stable and risk-averting financial policies. As at 31 December 2011, the gearing ratio (total borrowings to total assets) was maintained at 27%, which was still far from the upper limit of 45% as required under the REIT Code.

ASSET ENHANCEMENT STRATEGIES

The Manager implemented diversified capital enhancement strategies for the Properties owned by Yuexiu REIT. While formulating and implementing various asset enhancement plans, the Manager continuously facilitated the enhancement of property rental income and property value by adopting strategies such as continually optimizing the tenant mix, maintaining good customer relationship and allocating more resources in tenant solicitation.

Capital enhancement projects were completed in 2011, including the installation of new fire prevention, power supply and distribution systems in the City Development Plaza; capacity increment of the power supply system and double-circuit project, 4th floor ceiling renovation project, atrium renovation project in the White Horse Building; and air conditioner and wind cabinet renovation project in the podium of the City Development Plaza. Currently, a project involving an air conditioning core machine installation in the White Horse Building and the capacity increment project in the Neo Metropolis are underway effectively.

PROSPECTS

Looking forward into 2012, the global economic environment will become more complicated and volatile. With the spreading and deterioration of the European debt crisis, the US and Japan have not yet found the driving force for a continuous economic recovery, resulting in an increase in all kinds of uncertain factors. Affected by the slowdown of the global economy, there will be more intense pressure on the PRC economy and the potential economic growth rate will tend to drive downward. Under the context of the complicated global and domestic economic conditions, the PRC macro economy will revolve around the principle of “seeking progress in stability”.

With the increasing concerns over the prospects of the global economy, enterprises will be more prudent in business expansion, which will affect the short-term lease demands for office buildings. However, it is expected that domestic enterprises will continue to expand, and become the main driver of the lease market. In view of the satisfactory pre-leasing status of the new office buildings for next year, and benefiting from the continuously improved investment operational environment in Guangzhou, the overall leasing demand for Grade A office building market in Guangzhou will not contract rapidly and the upgrading demands will continue to support the market. Future rental income will undergo limited stress and sustains a stable growth trend.

However, we are cautiously optimistic in our belief that benefiting from the sustained growth of the PRC economy, coupled with our remarkable portfolio of properties and the professional management team of Yuexiu REIT, we will actively grasp potential investment opportunities through implementing proactive and progressive leasing strategies complemented with effective property appreciation measures, we will continue to generate stable returns for the Unitholders.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank sincerely our management team and all Board members for their contribution and dedication. I would also like to express my gratitude to all Unitholders, tenants and business partners for their vigorous support and cooperation.

Liang Ningguang

Chairman

Hong Kong, 20 February 2012

2011 Business Review And Future Prospects

BUSINESS REVIEW

Sustained Strong Assets Performance

In 2011, with the Chinese macroeconomy maintaining a steady development momentum, Yuexiu REIT continued to implement proactive leasing and asset management strategies and continually achieved good performance. Various operating indicators recorded historical highs with property competitiveness further strengthened, which laid down a solid foundation for future income growth and long-term development of Yuexiu REIT.

Properties Portfolio

As at 31 December 2011, Yuexiu REIT consists of five properties - White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis (together, the "Properties"). The aggregate area of ownership was approximately 223,614.3 sq.m., total rentable area was approximately 211,031.1 sq.m. (excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, which were not included in the following statistics of both total rentable area and occupancy rate).

A valuation of the Properties has been performed by Savills Valuation and Professional Services Limited ("Savills"), the new Principal Valuer of Yuexiu REIT appointed by the Trustee to succeed Vigers Appraisal And Consulting Ltd ("Vigers") on its retirement pursuant to the provisions of the REIT Code. The valuation of the Properties of Yuexiu REIT as at 31 December 2011 in aggregate was approximately RMB6.471 billion, representing an increase of RMB1.039 billion or 19.1% over the valuation on 31 December 2010. The net assets attributable to Unitholders per Unit was RMB4.78, an increase of 28.15% over the net assets attributable to Unitholders per Unit on 31 December 2010.

The following table summarizes the valuation of each of the Properties as at 31 December 2011 and 31 December 2010:

Name of Property	Valuation	Valuation	Increase %
	as at 31 December 2011 RMB million	as at 31 December 2010 RMB million	
White Horse Building	3,651.0	3,076.5	18.7%
Fortune Plaza	749.5	632.0	18.6%
City Development Plaza	612.0	450.5	35.8%
Victory Plaza	747.0	618.0	20.9%
Neo Metropolis	711.5	655.5	8.5%
Total	<u>6,471.0</u>	<u>5,432.5</u>	<u>19.1%</u>

Particulars of the Properties:

Property	Type	Location	Year of Completion	Area of Ownership (Sq.m.)	Total Rental Area (Sq.m.)	Property Occupancy Rate ⁽²⁾	# of Lease Contract ⁽²⁾	Appraised Value ⁽²⁾ (RMB million)
White Horse Building	Wholesale shopping center	Yuxiu District	1990	50,199.3	50,128.9	100.00%	1,105	3,651.0
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.05%	75	749.5
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	98.61%	57	612.0
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	99.96%	20	747.0
Neo Metropolis	Commercial complex	Yuxiu District	2007	61,964.3	49,887.3 ⁽¹⁾	98.81% ⁽¹⁾	115	711.5
Total				<u>223,614.3</u>	<u>211,031.1</u>	99.25%	<u>1,372</u>	<u>6,471.0</u>

Note:

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

(2) As at 31 December 2011.

Occupancy Rate Reached New Heights

As at 31 December 2011, the overall occupancy rate of the Properties was approximately 99.25%, representing a slight increase of 0.05% compared with 99.20% for the same period last year, staying at high levels, which reflected the efforts on leasing vacant units made by Yuxiu REIT's operating team and the strong market demand for Yuxiu REIT Properties portfolio.

The following table sets out a comparison of occupancy rates in respect of all the Properties between this Reporting Year and the same period of previous year:

Name of Property	Occupancy Rate as at 31 December 2011	Occupancy Rate as at 31 December 2010	Percentage Increase/ (Decrease) Compared to 31 December 2010
White Horse Building	100.00%	100.00%	0.00%
Fortune Plaza	99.05%	99.18%	(0.13)%
City Development Plaza	98.61%	99.16%	(0.55)%
Victory Plaza	99.96%	99.96%	0.00%
Neo Metropolis	98.81%	98.02%	0.79%
Total	99.25%	99.20%	0.05%



Revenue Continued to Increase

In 2011, the Properties recorded revenue of approximately RMB522.3 million, representing a 7.8% increase compared to that of the previous year. In particular, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis accounted for approximately 58.7%, 11.5%, 9.5%, 10.1% and 10.2% respectively of the total revenue of the Properties.

No bad debt was recorded during the Reporting Year.

The following table sets out a comparison of revenue in respect of all the Properties between the Reporting Year and the same period of previous year:

Name of Property	Revenue in 2011 RMB million	Revenue in 2010 RMB million	Increase of revenue Compared to 2010 RMB million	Increase of Revenue from Property %
White Horse Building	306.5	276.2	30.3	11.0%
Fortune Plaza	60.3	56.9	3.4	6.0%
City Development Plaza	49.6	49.3	0.3	0.6%
Victory Plaza	52.6	50.2	2.4	4.8%
Neo Metropolis	53.3	52.1	1.2	2.3%
Total	<u>522.3</u>	<u>484.7</u>	<u>37.6</u>	<u>7.8%</u>

White Horse Building — Increased resources invested in developing a premier platform for apparel trading and consolidating a competitive edge in the industry

White Horse Building persisted in implementing brand promotion programs. It successfully planned and held various theme promotions such as the 2011 White Horse Clothing Procurement Fair and White Horse Brand Nationwide Circuit Show. With an unprecedented scale, these activities received overwhelming responses from the industry, which drastically enhanced White Horse brand influence and effectively promoted apparel trading merchants in the building. The Manager attached great importance to tenant relations, implemented a customer classification management system, supported the operation of strong and vigorous brand merchants, fully took advantage of the White Horse customer resources, and enhanced the overall competitiveness of the project. The Manager steadily carried through various asset upgrading projects by renovating the fashion show stage, as well as passageways and elevator halls on some floors, improved the business environment of the building to provide purchasers with a better shopping experience and more satisfactory returns to Unitholders.



Fortune Plaza and City Development Plaza — Grasping the market rhythm, identifying the market position and promoting continuous growth in rent

Facing pressure from the concentrated supply of new office buildings in Guangzhou, Fortune Plaza and City Development Plaza still managed to record relatively satisfactory leasing results. Based on the precise analysis on the market competitive situation, the Manager adjusted the operating strategies in a timely manner, fully brought into effect the competitive edge of the Properties, captured the trend of local corporations office relocation and carried out active, effective and customized leasing activities. Annual occupancy rate was stable at 99% and above, and rent rebounded to the highest level since the 2008 financial crisis. In particular, Fortune Plaza grasped the opportunities arising from the expiring leases of podium street shops, restructured for new leases generating higher rent, whilst successfully brought in several renowned retailers. Meanwhile, it actively adjusted expired small office units to support lease expansion of internal quality customers. For City Development Plaza, most leases were renewed, with the growth rate of renewal rental exceeding 14%. City Development Plaza also took the initiative to attract well-known customers, the current proportion of tenants from the financial and related sectors reached 60%.

Victory Plaza — Continuously improving the tenant mix, planning for long-term business value, seeking profitable returns

In 2011, with its favorable location, a flourishing local retail market, a continuously optimized shop mix and highly effective promotion programmes, the traffic flow of Victory Plaza was kept robust, almost all shops were leased out. Property average rental value increased by nearly 13% compared to the beginning of the year, which gradually reflected its business value. By properly arranging the expired leases, the Manager attracted several quality customers to Victory Plaza, thus providing a better shopping experience and diversified options to its customers. At the same time, it also reduced the reliance on a single sizable tenant and the proportion of low-rental catering customers, which increased the property's resilience and kept the overall operations more stable.



Neo Metropolis — Strengthening lease supervision and renewal management to maximize property potential

Neo Metropolis made great progress in its 2011 leasing performance. Facing a large number of expired leases and expired small units, the operating team prepared well for soliciting business, carried out effective lease negotiations, which continuously enhanced its bargaining power. Rental of both new leases and renewed leases surged considerably, representing an increase of 6.6% and 12.7% respectively. With the efforts and professionalism of the management team, the occupancy rate and income of Neo Metropolis achieved satisfactory growth. The annual average occupancy rate maintained at a high level of over 99% and the property rental value also continued to rise steadily.



Proactively progressing assets improvement projects to maintain and enhance property values

In 2011, Yuexiu REIT or the property management company funded and completed a number of assets improvement projects, including the renovation of the public area on the 7th floor of White Horse Building, the renovation of the ceiling of the passage on the 4th floor of White Horse Building, the renovation of No.3 and No.4 lifts, the double circuit power supply renovation, and the atrium renovation in White Horse Building; the renovation of the lift cars, fire-fighting system, the air-conditioning system and the power supply system of City Development Plaza; the renovation of the lobby and plaza of Fortune Plaza; the renovation of the public areas of both Fortune Plaza and City Development Plaza; the upgrade and renovation of the air-conditioning wind cabinet on the podium of City Development Plaza, and the renovation of lighting on the podium of Victoria Plaza. All these had effectively improved the safety grades, business environment and competitiveness of our projects.

In 2012, the Manager focuses on the renovation of the lift system of White Horse Building and the decoration and renovation of the public areas of Fortune Plaza and City Development Plaza.

Getting hold of acquisition opportunities, Promoting normalized interaction, Enhancing long-term interest

In 2012, looking ahead to the continual slow recovery in world economy, China will persistently maintain its adjustment dynamics in real estate industry, the Manager will proactively seek suitable internal and external investment opportunities. At present, on top of exploring market opportunities in first-tier cities, the Manager is also focusing on conducting in-depth research on the commercial properties projects held by Yuexiu Property Company Limited ("YXP"), especially taking focal point on those properties projects enjoying prestigious geographical location, coupled with enormous appreciation potential, as well as exploring the possibilities on acquisition and normalized interaction between YXP and Yuexiu REIT. The Manager believes that the PRC commercial property market presents a much faster growth potential, whilst there is a rapid growth in the scale of YXP's development on large-scale integrated commercial complex, the Manager is confident of getting hold of the right timing in expanding the scale of the Trust assets, eventually enhancing the long-term interest of the Unitholders.

Financial Review

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than 2010. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2011 RMB'000	2010 RMB'000	% of Increase/ (Decrease)
Gross income	522,286	484,655	7.76%
Leasing agents fee	(17,828)	(16,669)	6.95%
Property related taxes (Note 1)	(92,407)	(83,608)	10.52%
Other property expenses (Note 2)	(2,565)	(5,188)	(50.56%)
Total property operating expenses	(112,800)	(105,465)	6.95%
Net property income	409,486	379,190	7.99%
Withholding tax	(47,060)	(43,554)	8.05%
Manager fees	(34,414)	(29,449)	16.86%
Trustee fees	(2,213)	(1,807)	22.47%
Other trust expenses (Note 3)	(17,396)	(11,240)	54.77%
Total non-property expenses	(101,083)	(86,050)	17.47%
Net profit before finance costs, interest income and income tax	308,403	293,140	5.21%
Interest income	2,783	2,373	17.28%
Finance income, net	33,545	9,048	270.74%
Net profit before income tax	344,731	304,561	13.19%
Income tax expenses	(33,862)	(14,049)	141.03%
Net profit after income tax before fair value gain on investment properties	310,869	290,512	7.01%
Fair value gain on investment properties	1,026,406	345,123	197.40%
Net profit after income tax before transactions with Unitholders	1,337,275	635,635	110.38%

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

Note 2 Other property expenses included valuation fee, insurance premium, depreciation and bank charges incurred at the level of the Properties.

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

Gross income and net property income during the Reporting Year were approximately RMB522.286 million (2010: RMB484.655 million) and RMB409.486 million (2010: RMB379.190 million) respectively, which represents an increase of 7.76% and 7.99% respectively while comparing with 2010.

Gross income included rental income of approximately RMB516.523 million (2010: RMB479.188 million) and other income of approximately RMB5.763 million (2010: RMB5.467 million) which included advertising income, forfeited rental deposit and late settlement. The change of gross income was mainly due to an increase of rental income for the renewal and the newly signed tenancy agreements. The average rental income per square meter per month of five premises as at 31 December 2011 was approximately RMB210.58 (2010: RMB194.41).

Net property income amounted to approximately RMB409.486 million (2010: RMB379.190 million), representing approximately 78% of total gross income, after deduction of property related taxes, leasing agent fees and other property operating expenses.

Property related tax increased by approximately 10.52% as compared with 2010. It was mainly because of, with effect from 1 December 2010, the following kinds of tax were newly adopted: i) urban construction and maintenance tax based on 7% of business tax and ii) education surcharge based on 3% of business tax and with effect from 1 January 2011, local education surcharge was newly adopted and based on 2% of business tax.

Overall, the Manager fee increased by approximately 16.86% as a result of the increase in total assets and net property income. The Trustee fee increased by approximately 22.47% as a result of the increase in total assets.

Other trust expenses increased by approximately 54.77%. It was mainly because of one-off charges of the legal and professional charge for the refinancing of the bank loan, and the exchange loss incurred on Hong Kong dollars deposit.

Due to the depreciation of Hong Kong dollar against Renminbi at the end of the Reporting Year, an exchange gain of RMB87,905,000 was deducted from the finance cost of the Hong Kong dollars term loan, excluding this favourable adjustment, the finance cost for such term loan would be RMB54,360,000.

Profit after tax before transactions with Unitholders amounted to approximately RMB1,337,275,000 (2010: RMB635,635,000), which represented 110.38% increase, mainly due to the fair value gain on properties valuation for the Reporting Year being approximately RMB1,026,406,000, far higher than the amount of approximately RMB345,123,000 recorded for the same period of last year.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2011 was approximately RMB4.78 (2010: RMB3.73), which represented an increase of approximately 28.15%.

New Units Issued and Unit Activity

There was no new Unit issued by Yuexiu REIT during the 2011 Reporting year. As at 31 December 2011, a total of 1,065,972,687 Units were issued by Yuexiu REIT.

The Unit price of Yuexiu REIT reached a high of HK\$4.40 and a low of HK\$3.10 during the Reporting Year. The average trading volume amounted to approximately 1,356,029 Units per day during the Reporting Year.

The closing price of the Units as at 31 December 2011 was HK\$3.43, representing a premium of approximately 11.54% as compared to the Offer Price of HK\$3.075. This represented a discount of approximately 41.86% as compared to the net assets attributable to Unitholders per Unit as at 31 December 2011.

CAPITAL STRUCTURE

On 6 November 2008, Yuexiu REIT had, through its SPVs entered into a facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK\$2.1 billion. The loan was drawn down on 12 November 2008 and was due on 12 November 2011.

Financial Review

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

As at 31 December 2011, total borrowings of Yuexiu REIT amounted to approximately RMB1.978 billion (calculation of total borrowings based on bank loan, excluding capitalization of debt-related expenses), representing approximately 27% of total assets of Yuexiu REIT.

As at 31 December 2011, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB2.280 billion, representing approximately 31% of total assets of Yuexiu REIT.

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

CASH POSITION

Cash and short-term bank deposit of Yuexiu REIT as at 31 December 2011 amounted to approximately RMB695.761 million. 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

Yuexiu REIT did not enter into any real estate sale and purchase during the 2011 Reporting Year.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

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

During the Reporting Year, Yuexiu REIT paid service fees to Yicheng and White Horse PM in the amounts of RMB8.633 million and RMB9.195 million respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

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

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

EMPLOYEES

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

REVIEW OF FINANCIAL RESULTS

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

CORPORATE GOVERNANCE

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

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

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

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 16 April 2012. The register of Unitholders will be closed from 17 April 2012 to 20 April 2012, both days inclusive, during which period no transfer of units will be effected. In order to be qualified for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT’s unit registrar, Tricor Investor Services Limited, on 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 16 April 2012. The payment date of final distribution will be on 9 May 2012.

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 2012.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year be held on 10 May 2012. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

Property Portfolio

OVERVIEW OF THE PROPERTIES

The Properties of Yuexiu REIT comprise five high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis. The overview of the Properties is as follows:

Property	Type	Location	Year of completion	Area of ownership (sq. m.)	Total rentable area (sq. m.)	Occupancy rate ⁽²⁾	Number of contract ⁽²⁾ lease	Appraised value ⁽²⁾ (RMB\$ million)
White Horse Building	Wholesale shopping centre	Yuexiu district	1990	50,199.3	50,128.9	100.00%	1,105	3,651.0
Fortune Plaza	Grade-A office	Tianhe district	2003	41,355.2	41,355.2	99.05%	75	749.5
City Development Plaza	Grade-A office	Tianhe district	1997	42,397.4	42,397.4	98.61%	57	612.0
Victory Plaza	Retail shopping centre	Tianhe district	2003	27,698.1	27,262.3	99.96%	20	747.0
Neo Metropolis	Commercial complex	Yuexiu district	2007	61,964.3	49,887.3 ⁽¹⁾	98.81% ⁽¹⁾	115	711.5
Total				223,614.3	211,031.1	99.25%	1,372	6,471.0

Notes: (1) Excluding the area of car park of 7,549.0 sq.m. as well as club houses and common facilities area of 4,528.1 sq.m.;

(2) As at 31 December 2011.

LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are all located in the core business district (“CBD”) of Guangzhou, the PRC. In particular, the White Horse Building is located in Liuhua business and exhibition area, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specialising in clothing, shoes and leatherware in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the north end of the Tianhe CBD, which is located on the new axis of Guangzhou and being one of the top three CBDs in China approved by the state where prime grade-A office buildings are concentrated, the Tianhe central business district is the largest modern business trade district in Guangzhou, with highly concentrated metro line networks, convenient transportation, established and sound ancillary facilities. Neo Metropolis is located at the intersection of three conventional business areas, being Beijing Road area in central Guangzhou, Shang Xia Jiu Road area and Liuhua business area, and is a property erected above the metro station enjoying enormous geographical advantages.





White Horse Building

Fortune Plaza

AREAS OF THE PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 223,614.3 sq.m. and a rentable area of 211,031.1 sq.m. As at 31 December 2011, the overall occupancy rate of the portfolio was 99.25%, slightly up from the corresponding period last year.



PROPERTY VALUATION

According to the valuation report issued by Savills, the property portfolio of Yuexiu REIT was valued at a total value of RMB6,471.0 million as at 31 December 2011.



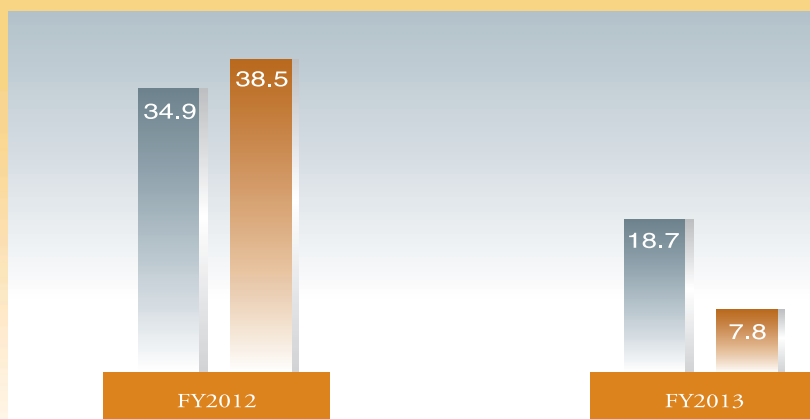
OPERATING INCOME GENERATED BY THE PROPERTIES

In 2011, Yuexiu REIT recorded a total operating income of RMB522.3 million, an increase of RMB37.6 million, 7.8% over the previous year.



LEASE EXPIRY OF THE PROPERTIES

In respect of rentable area in the next five years, ratios of lease expiry of Yuexiu REIT Properties each year will be 34.9%, 18.7%, 24.1%, 11.6% and 10.7% respectively. In respect of basic monthly rentals, ratios of lease expiry each year will be 38.5%, 7.8%, 31.4%, 15.1% and 7.2%.



City Development Plaza

Victory Plaza

Neo Metropolis

19.0%

12.4%

27.7%

9.5%

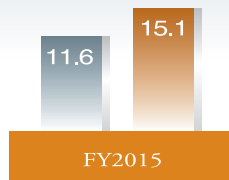
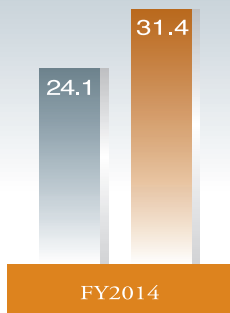
11.5%

11.0%

9.5%

10.1%

10.2%



- Rentable Area
- Rental income

WHITE HORSE BUILDING

A FAMOUS MID TO HIGH-END FASHION WHOLESALE AND RETAIL CENTRE IN THE PRC



Located in the heart of Liuhua business and exhibition area, a famous fashion centre in China, and close to the Guangzhou Railway Station, the White Horse Building commenced operation in 8 January 1993. It has an operating area of 60,000 sq.m., comprising 4 storeies of shopping mall, 5 storeies of office building and a single-storey underground car park.

Guangzhou White Horse Apparel Market converges more than 1,300 fashion manufacturers from around the country, with an average daily traffic flow of over 50,000 customers generating an annual trading volume exceeding RMB10 billion. It has become a domestic mid to high-end fashion wholesale and retail centre, as well as a franchise and development centre for branded fashion. It is also a modern integration service platform, integrating commodities trading, brand display, information



Outside View



Main Entrance

exchange, trade negotiations, order to join, e-commerce, fashion trend releases, logistics and apparel industry services. The tenants of the White Horse Building are principally engaged in mid to high-end clothing trading, and their products are widely popular worldwide, covering more than 30 provinces, municipalities and autonomous regions in the PRC, as well as over 70 countries and regions such as the United States, Russia, the Middle East, Southeast Asia and West Europe. With the fashionable decor, the mall is equipped with modern and comprehensive facilities, including central air conditioning, passenger/freight lifts, security control system, fire protection system and broadband network. Furthermore, there is also a multi-functional stage, a customer services centre, a logistics centre, banks, supermarkets, parking lots, and food and beverage.

After years of development, Guangzhou White Horse Apparel Market has become a bellwether in the clothing wholesales sector of the country. Over the years, Guangzhou White Horse Apparel Market has won various awards such as Top 10 Garment Wholesale Market Award of China, the Incubation base of China Fashion Brand, the Model Market Award at provincial, municipal and national levels, Top Ten Model Market Award of Guangdong Province, Trustworthy Demonstration Enterprises in Guangdong, Top 50 Markets with Strongest Commodity Trading Competitiveness in Guangdong, Most Competitive Market in the Garment Industry in Guangdong, Leading Enterprise in Guangdong and 100 Best Service Providers in Guangzhou.



Lobby on First Floor





Prominent Shops

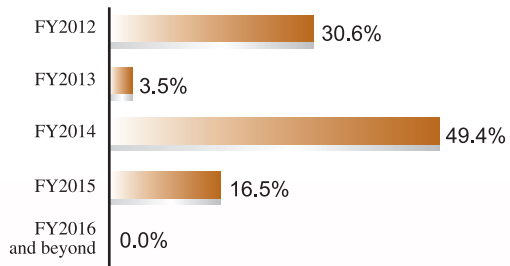


Shopping Mall

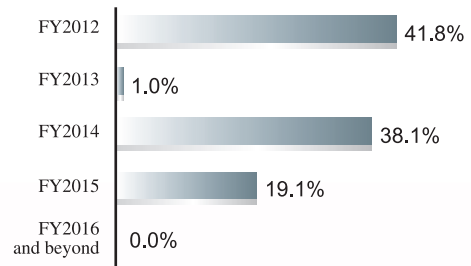


Shopping Mall

Lease Expiry of White Horse Building by Rentable Area



Lease Expiry of White Horse Building by Rental Income





Fashion Show Catwalk

Top Ten Tenants by Rental Income (as at 31 December 2011)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Shi Shali	Wholesale/retail	0.77%	1.17%
Lin Mingguang	Wholesale/retail	0.89%	1.14%
Zhao Kechun	Wholesale/retail	0.63%	1.13%
Wang Feng	Wholesale/retail	0.66%	0.88%
Lu Shaoying	Wholesale/retail	1.08%	0.87%
Zhu Dixiong	Wholesale/retail	0.82%	0.87%
Zhou Fawei	Wholesale/retail	0.69%	0.83%
Zhang Muchao	Wholesale/retail	0.71%	0.81%
Huang Yonghui	Wholesale/retail	0.81%	0.80%
Zhang Lingzhen	Wholesale/retail	0.59%	0.78%
Total		7.63%	9.29%

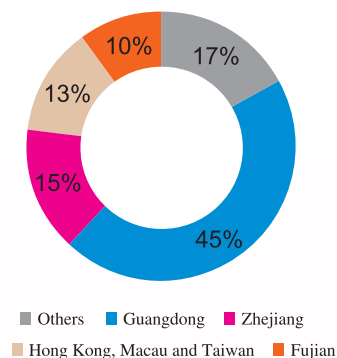


Taxi Stand

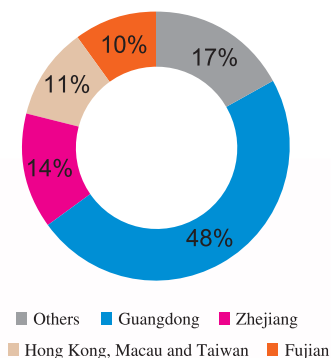


Parking Lot

Analysis on Gross Rental Area by Geographical Area of Tenants



Analysis on Total Rental Income by Geographical Area of Tenants



FORTUNE PLAZA

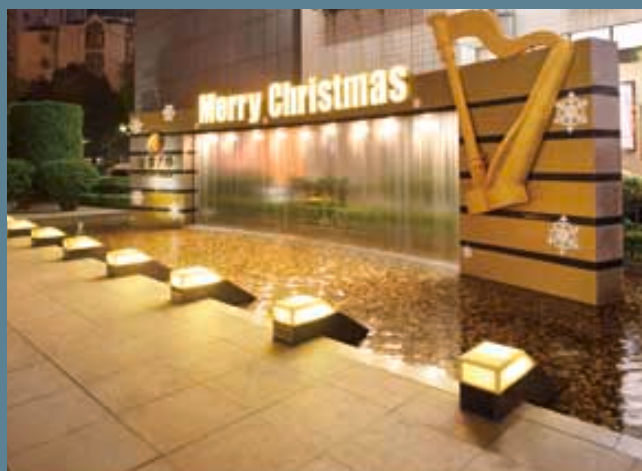
GRADE-A COMMERCIAL
BUILDING ERECTED ABOVE
METRO STATION



Located on Ti Yu Dong Road which is known as the “Guangzhou Wall Street”, and also at the heart of the Tianhe CBD, Fortune Plaza is a property erected above the Ti Yu Zhong Xin station of the Metro Line No. 1 of Guangzhou. It is easily accessible and adjacent to two important business districts, being Pearl River New City area in the south and Tianhe North in the north and benefitting greatly from its geographical advantages. This project has a total gross floor area of more than 80,000 sq.m. and comprises a 2-storey underground car park, a 6-storey commercial podium, a single-storey hanging garden club and 2 grade-A office building towers, one with 26 stories and the other 36. Fortune Plaza is one of the few intelligent 5A Grade-A office



Main Entrance

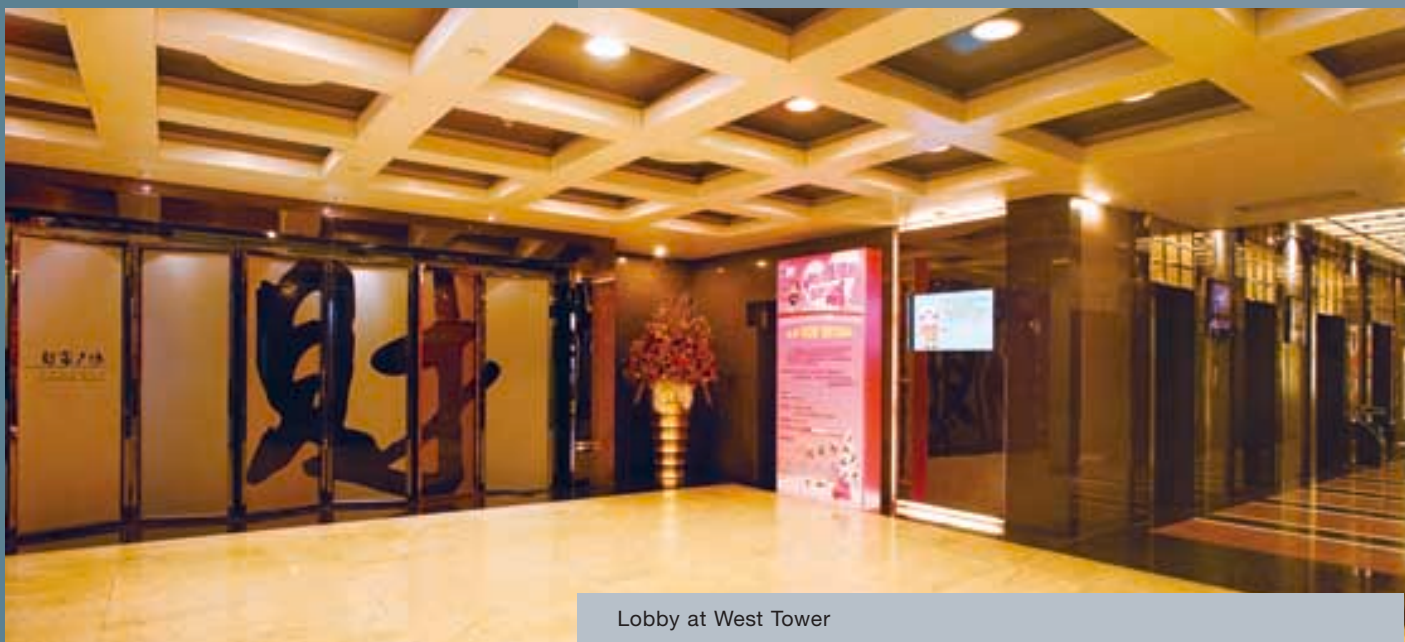


Cascade at Plaza

buildings in the Tianhe CBD business circle in Guangzhou. Inside the building, there are banks, a business centre, a large conference centre, convenience stores and a grand clubhouse, which provide all-round and convenient ancillary business services for business people in the building.

As a landmark building in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice of many Fortune 500 companies as their regional quarters, and other renowned companies in the PRC. Existing tenants of Fortune Plaza include many famous enterprises, such as Citibank, HSBC Software, Astrazeneca, Guoyuan Securities, CTRIP, Zhenrong Gas (振戎燃氣) and LG Chem.

Fortune Plaza was awarded “National Model Building for Property Management” by the Ministry of Construction of the PRC in 2006. It has received wide recognition by its customers and the industry.



Lobby at West Tower





Lobby at East Tower

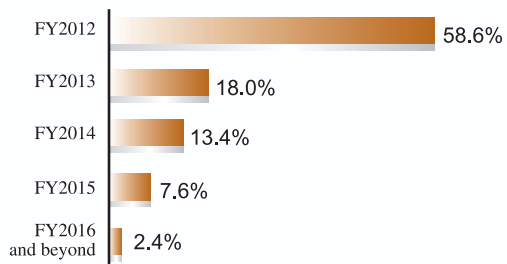


Lift Lobby

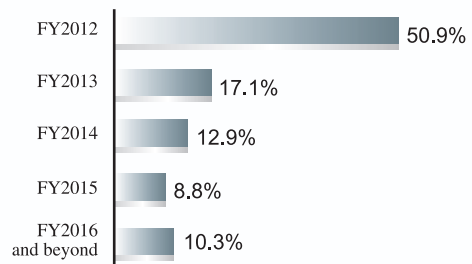


Clubhouse

**Lease Expiry of Fortune Plaza
by Rentable Area**



**Lease Expiry of Fortune Plaza
by Rental Income**





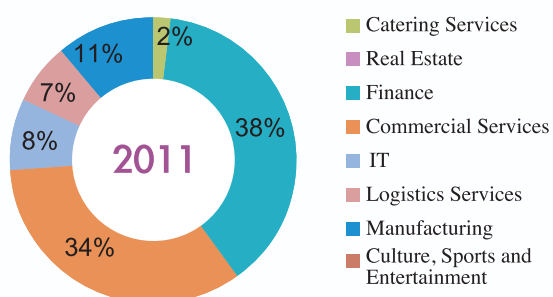
Outside View

Top Ten Tenants by Rental Income (as at 31 December 2011)

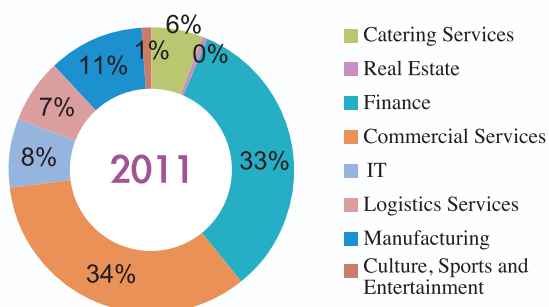
Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
HSBC Software Development (Guangdong) Limited	Finance	25.51%	21.43%
Wall Street English Training Center (Guangdong) Co., Ltd.	Commercial Services	3.74%	5.18%
Astrazeneca (Wuxi) Trading Co., Ltd. (阿斯利康(無錫)貿易有限公司)	Manufacturing	4.82%	4.73%
Guoyuan Securities Co., Ltd.	Finance	3.60%	3.60%
Guangdong Mannings Chain Commercial Co., Ltd. (廣東萬寧連鎖商業有限公司)	Commercial Services	0.55%	3.51%
Citibank (China) Co., Ltd., Guangzhou Branch	Finance	3.03%	3.48%
Guangzhou Real Kungfu Catering Co., Ltd.	Catering	0.97%	3.11%
Guangzhou Ctrip International Travel Service Co., Ltd.	Commercial Services	2.87%	2.89%
Guangzhou Zhenrong Gas Chain Co., Ltd. (廣州市振戎燃氣連鎖經營有限公司)	Manufacturing	2.42%	2.61%
Guangzhou Civil Aviation Information Technology Co., Ltd. (廣州民航信息技術有限公司)	IT	2.42%	2.51%
Total		49.94%	53.05%



Analysis on Gross Rentable Area by Industry of Tenants



Analysis on Total Rental Income by Industry of Tenants



CITY DEVELOPMENT PLAZA

TIANHE CBD COMMERCIAL SERVICES
CENTRE



City Development Plaza is located in the Tianhe CBD where a large number of high-end office buildings situated. It is easily accessible, just a 5-minute walk from the Metro Line No.3 and Pearl River New City Automatic Passenger Conveying System. With a green area of 5,000 sq.m., it provides a peaceful working environment. City Development Plaza has a total gross floor area of over 70,000 sq.m., comprising a 2-storey underground car park, a 3-storey commercial podium, a single-storey restaurant and conference centre, a single-storey hanging club and a 28-



Outside View

storey high-end office building. It is a commercial complex integrating office, bank, business and club functions.

Existing tenants of City Development Plaza include many famous enterprises, such as AIA, SPD Bank, Shenzhen Development Bank, E-Fund Company and Taikang Life.

City Development Plaza was awarded “Lu Ban Award” for its prominent design by the Ministry of Construction of the PRC

and the China Construction Industry Association in 1999, and “National Model Building for Property Management” by the Ministry of Construction in 2000.



Main Lobby





Information Desk

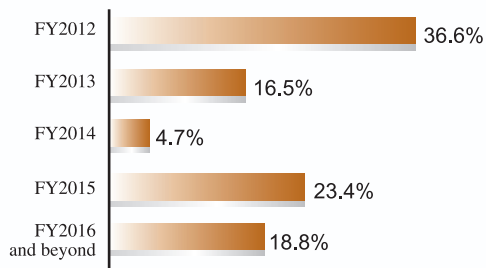


Lift Lobby

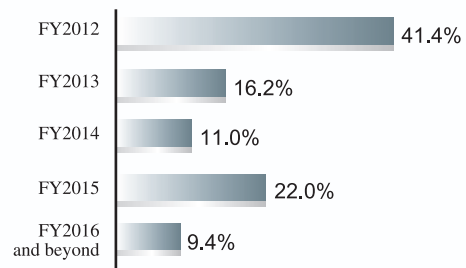


Corridor

**Lease Expiry of City Development Plaza
by Rentable Area**



**Lease Expiry of City Development Plaza
by Rental Income**





Atrium

Top Ten Tenants by Rental Income (as at 31 December 2011)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Efund Management Co., Ltd.	Finance	17.40%	19.41%
Guangzhou Wisevalley Development Co., Ltd.	Commercial Services	18.47%	9.40%
Shanghai Pudong Development Bank Guangzhou Branch	Finance	3.59%	9.11%
Golden Eagle Asset Management Co., Ltd (金鷹基金管理有限公司)	Finance	8.70%	8.51%
Taikanglife Insurance Co., Ltd. Guangdong Branch	Finance	7.86%	7.30%
Shenzhen Development Bank Guangzhou Branch Yangcheng sub-branch (深圳發展銀行廣州分行羊城支行)	Finance	1.89%	5.82%
Yingda Taihe Property Insurance Joint Stock Co., Ltd. Guangdong Branch (英大泰和財產保險股份有限公司廣東分公司)	Finance	4.35%	4.26%
AIA Company Limited, Guangdong Branch	Finance	4.35%	3.83%
Shenzhen Development Bank Co., Ltd. Guangzhou Branch	Finance	0.86%	2.97%
AXA-Minmetals Assurance Co., Ltd. Guangdong Branch (金盛人壽保險有限公司廣東分公司)	Finance	2.18%	2.55%
Total		69.64%	73.17%

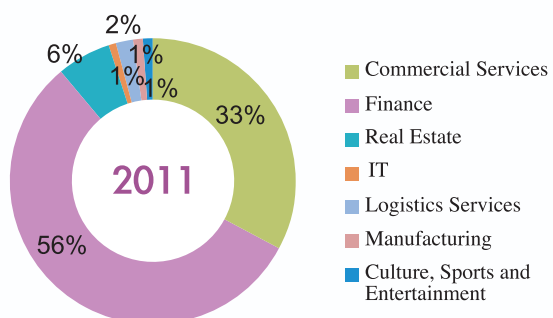


Green Plaza

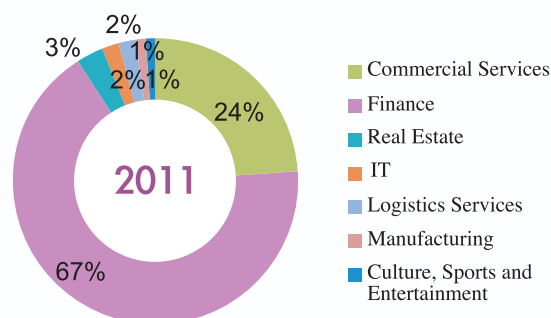


Hanging Garden

Analysis on Gross Rentable Area by Industry of Tenants



Analysis on Total Rental Income by Industry of Tenants



VICTORY PLAZA

A DIAMOND ICON IN
THE CORE BUSINESS HUB



Victory Plaza, located in the well-developed core area of the Tianhe CBD, is a comprehensive iconic building, integrating shopping mall, conference centre and high-end offices. It connects the interchange station between the Metro Lines No. 1 and No. 3. There are dozens of bus routes connecting to all directions.

Victory Plaza, with a total gross floor area of approximately 140,000 sq.m, comprises a 4-storey underground car park, a 6-storey shopping mall, a single-storey hanging garden club and



Outside View



Shop Entrance

two grade-A office buildings, one with 52 stories and the other 36. Its first floor to sixth floor belong to a commercial podium comprises GOME Electrical Appliances stores, leisure tea bars, specialty food and beverage outlets and banks. It also has a large car park with 438 car parking spaces and a multi-functional convention centre, providing visitors with a full range of services. It is equipped with state-of-the-art facilities, such as a 5A intelligent system and imported high-speed lifts facilitating convenient transportation inside the building.

Tenants of Victory Plaza include a number of renowned enterprises, including GOME Electrical Appliances, Starbucks, KFC, Industrial and Commercial Bank of China, China Merchants Bank and J.M. Developments.

Victory Plaza was recognized as a “Demonstration Project for Property Management in Guangdong” in 2010.



Night Scenery





Light Decoration

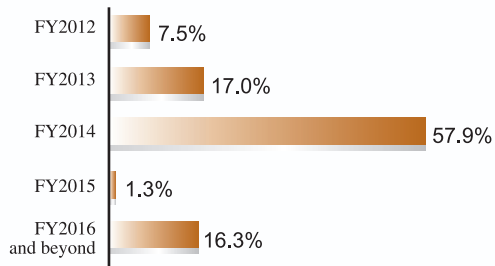


Lift Lobby

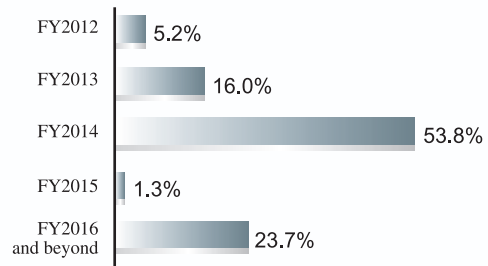


Metro Entrance

Lease Expiry of Victory Plaza
by Rentable Area



Lease Expiry of Victory Plaza
by Rental Income





Outside View



Top Ten Tenants by Rental Income (as at December 31 2011)

Name of tenant	Industry	% of gross rentable area	% of total monthly rental
Guangzhou GOME Electrical Appliances Co., Limited	Commercial Services	38.39%	41.27%
Guangzhou Friendship Baleno Company Limited (廣州友誼班尼路服飾有限公司)	Commercial Services	6.18%	10.70%
Industrial and Commercial Bank of China Limited Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.53%	7.83%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.84%	6.93%
J.M. Developments	Catering	11.07%	5.28%
Chen Huiyi	Catering	10.17%	4.69%
Yum! Restaurants (Guangdong) Co., Ltd.	Catering	3.08%	3.81%
Shenzhen Yilian Enterprises Management Consultation Co., Ltd. (深圳億聯企業管理諮詢有限公司)	Commercial Services	7.32%	3.74%
Guangzhou Shuitian Water Treatment Equipment Co., Ltd. (廣州市水天水處理設備有限公司)	Commercial Services	4.02%	3.43%
Hunan Home	Catering	5.82%	2.88%
Total		90.43%	90.56%

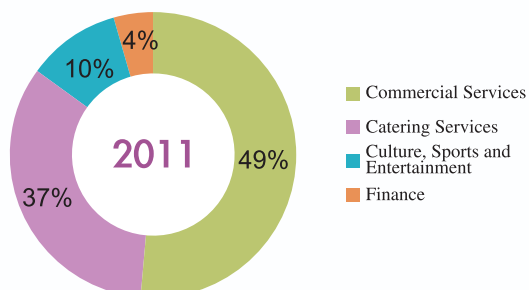


Food and Beverage

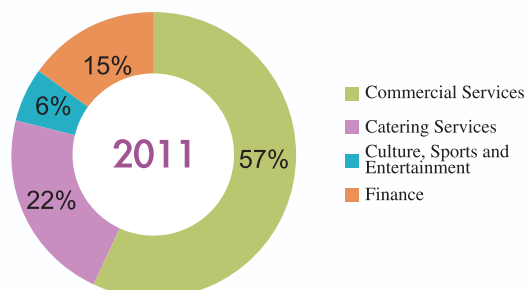


Electrical Appliances Shop

Analysis on Gross Rentable Area by Industry of Tenants



Analysis on Total Rental Income by Industry of Tenants



NEO METROPOLIS

BUSINESS CENTRE IN THREE BIG
TRADITIONAL BUSINESS CIRCLE



New Metropolis, located at the intersection of Zongshan Six Road and Renmin Road, connects three conventional business areas, being Beijing Road area, Shang Xia Jiu Road area and Liuhua business area. It is a property erected above the Metro Line No.1 with excellent accessibility. Put into operation in 2007, New Metropolis has a total gross floor area of over 80,000 sq.m., comprising a 2-storey underground car park, a single-storey underground shopping mall, a 6-storey shopping podium, a single-storey hanging garden club and a 17-storey high-end office building. In the shopping area there are a large IT retail shop, catering facilities, banks, as well as space for entertainment, fitness and educational training. In the office



Main Entrance



Metro Entrance

building there is a hanging garden every three stories, which provide a green leisure place for business people. An affordable and environment-friendly air-conditioning system is also set up in the building to provide a comfortable environment for 24-hour office work. Neo Metropolis is a green environment-friendly complex integrating shopping mall, high-end office building, auxiliary commercial facilities and club functions.

Tenants of Neo Metropolis are composed of a number of renowned enterprises, including Bank of China, China Minsheng Banking Corp., Ltd., Ping An Life Insurance, China Mobile, TNT, Star Cruises and Fairwood.

Neo Metropolis was recognized as a “Silver Medal for National Quality Engineering” for its construction quality by the Jury of National Engineering Construction Quality Award in 2008, and was recognized as a “Demonstration Building of Property Management in Guangzhou” and a “Demonstration Building of Property Management in Guangdong”.



Clubhouse



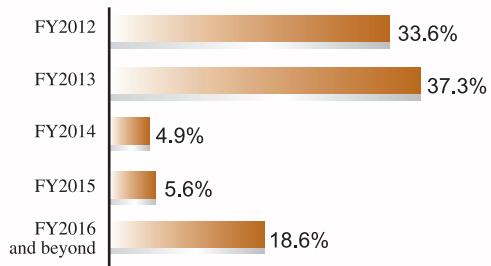


Clubhouse

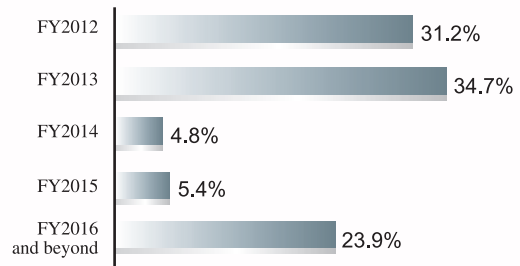


Hanging Garden

**Lease Expiry of New Metropolis
by Rentable Area**



**Lease Expiry of New Metropolis
by Rental Income**

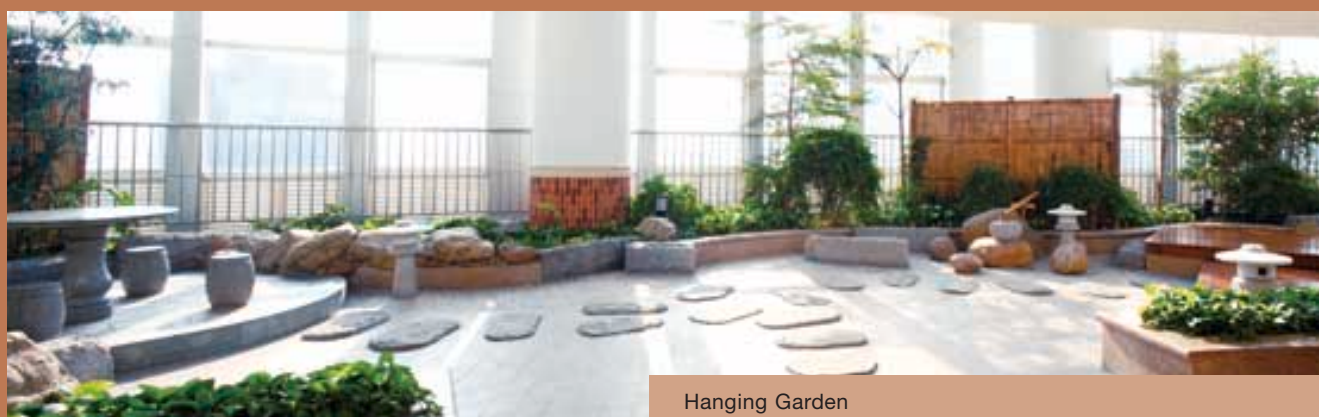




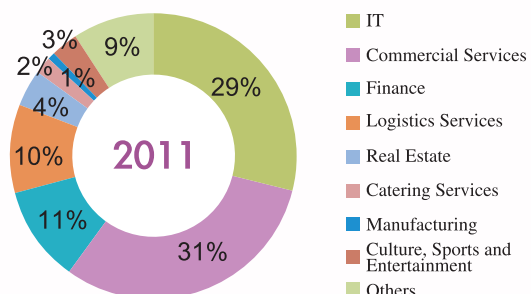
Outside View

TOP TEN TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2011)

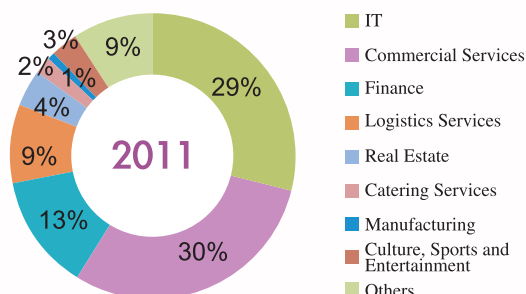
Name of tenant	Industry	% of gross rentable area	% of total monthly rental
EGO Digital Technology Group (Guangzhou) Co., Ltd.	IT	16.59%	18.12%
Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch	Finance	7.45%	6.83%
ALP School	Education	7.43%	6.72%
TNT Express Worldwide (China) Ltd.	Logistics Services	6.31%	5.71%
Guangzhou GOME Electrical Appliances Co., Limited	Commercial Services	4.75%	4.44%
Bank of China Limited Guangzhou Changdi Sub-branch	Finance	0.57%	3.73%
H. D. Lee Apparel Limited Guangzhou Branch	Commercial Services	3.14%	3.41%
China Mobile Group (Guangdong) Co., Ltd Guangzhou Branch	IT	2.83%	2.57%
Essence Securities Co., Ltd., Guangzhou Zhongshan Liu Road Securities Business Department	Finance	2.36%	2.53%
Shenzhen Fairwood Fast Food Limited	Catering	1.63%	2.03%
Total		53.05%	56.09%



Analysis on Gross Rentable Area by Industry of Tenants



Analysis on Total Rental Income by Industry of Tenants



Report of the Trustee

TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Yuexiu Real Estate Investment Trust has, in all material respects, managed the Yuexiu Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008 and the Second Supplemental Deed dated 23 July 2010 for the financial year ended 31 December 2011.

HSBC Institutional Trust Services (Asia) Limited,
in its capacity as the trustee of Yuexiu Real Estate Investment Trust

Hong Kong, 20 February 2012

Directors' and Senior Executives' Profiles

DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr LIANG Ningguang (梁凝光)	58	Chairman and Executive Director
Mr LIU Yongjie (劉永杰)	54	Chief Executive Officer and Executive Director
Mr LIANG Youpan (梁由潘) (resigned on 3 February 2012)	56	Non-Executive Director
Mr CHAN Chi On, Derek (陳志安)	48	Independent Non-Executive Director
Mr LEE Kwan Hung, Eddie (李均雄)	46	Independent Non-Executive Director
Mr CHAN Chi Fai, Brian (陳志輝)	57	Independent Non-Executive Director

Chairman

Mr LIANG Ningguang

Mr Liang is the Chairman and an Executive Director of the Manager and as one of the Manager's Responsible Officers. Mr Liang is also currently the Vice Chairman of Guangzhou Yue Xiu Holdings Limited ("GZYX"), an executive director of Yuexiu Transport Infrastructure Limited (Stock Code: 1052) and a director of Yue Xiu Securities Co. Ltd. Mr Liang was formerly an executive director and deputy general manager of YXP (Stock Code: 0123).

Prior to joining Yue Xiu Enterprises (Holdings) Limited in 1989, Mr Liang was a Deputy Commissioner of the Guangzhou Municipal Taxation Bureau.

Mr Liang graduated from the Television University (Guangzhou) in the PRC with a major in finance and holds a Master degree in Business Administration from the Murdoch University of Australia. He is a Senior Accountant and a member of the Chinese Institute of Certified Public Accountants and is a Responsible Officer licensed under the Securities and Futures Ordinance of Hong Kong, Cap 571, ("SFO") to carry on regulated activities types 1, 4 and 9.

Executive Director

Mr LIU Yongjie

Mr Liu is an Executive Director and Chief Executive Officer of the Manager as well as one of the Manager's Responsible Officers. He is concurrently Deputy General Manager of GZYX but has devoted, and expected to continue to devote, 100.0% of his time in the management of Yuexiu REIT.

Before joining Yue Xiu, Mr Liu was a Director and Deputy General Manager of Guangzhou City Construction & Development Co. Ltd. ("GCCD"), and was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr Liu has more than 15 years of experience in property investment and management. Prior to joining the property department of GCCD, Mr Liu was an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou.

Mr Liu graduated from the University of Hubei (formerly known as Wuhan Teachers' College) in the PRC with a major in science; and obtained an Executive Master degree of Business Administration from Honolulu University.

Directors' and Senior Executives' Profiles

Independent Non-executive Directors

Mr CHAN Chi On, Derek

Mr Chan is an independent non-executive director of the Manager.

Mr Chan is a Group Executive Director of Haitong International Securities Group Limited, a company listed on the Stock Exchange and is also currently the head of Haitong International Capital Limited, in charge of its corporate finance business. Mr Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) in 1985 and from the Hong Kong University of Science & Technology with a Master degree in Business Administration in 1994. Between 1989 and 1996, he worked for The Stock Exchange of Hong Kong Limited. He is an independent non-executive director of Longfor Properties Co. Ltd. and Sheng Yuan Holdings Ltd., which are companies listed on the main board of Stock Exchange and is also an adjunct professor of in the School of Accounting and Finance of the Hong Kong Polytechnic University. Mr Chan possesses over 20 years of experience in the financial services industry.

Mr LEE Kwan Hung, Eddie

Mr Lee Kwan Hung, Eddie, was appointed an independent non-executive Director on 11 November 2005. Mr Lee received his LL.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997 and is a practising lawyer. Mr Lee was a Senior Manager of the Listing Division of The Stock Exchange between 1993-94. Mr Lee is currently an independent non-executive director of Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, New Universe International Group Limited, Walker Group Holdings Limited, Newton Resources Limited and Tenfu (Cayman) Holdings Company Limited, the shares of these companies are listed on the Stock Exchange. Mr. Lee was also a non-executive director of GST Holdings Limited, which listing of its shares on the main board of the Stock Exchange has been withdrawn.

Mr CHAN Chi Fai, Brian

Mr Chan is an independent non-executive Director of the Manager and is currently also the Chief Financial Officer of the Parkview Group, which comprises two publicly listed companies.

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

Prior to joining the Parkview Group, Mr Chan worked in the banking sector from 1978 to 1989, the first seven years of which was with a reputable international bank. During his 11 years in banking, Mr Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr Chan is a certified public accountant with professional accounting qualifications in Hong Kong and the United Kingdom.

Compensation of Directors of the Manager

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

Independence of Directors

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

SENIOR EXECUTIVES OF THE MANAGER

Mr LIU Yongjie

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

Mr LIANG Danqing

Mr Liang is a Deputy Chief Executive Officer and heads the Corporate Services team of the Manager. He is responsible for overseeing corporate services and asset management operations of the Manager. Prior to joining the Manager, Mr Liang was the general manager of GCCD Marketing Center and was responsible for development strategies, marketing and promotional activities. In 2004-2005, the sales volume of the projects under his direction was among the top five of various Guangzhou developers. Mr Liang has remarkable performance in formulating sales strategies for commercial properties. He was in charge of planning and marketing various projects such as Victoria Plaza and Yue Xiu City Plaza. Mr Liang holds a real estate agent's licence of the PRC and has over 10 years of experience in property investment and planning.

Mr Liang graduated from South China University of Technology, majoring in Corporate Management Engineering. He also obtained a Master degree of Business Administration from the University of Western Sydney.

Mr LIN Deliang

Mr Lin is a Deputy Chief Executive Officer of the Manager and is responsible for identifying and assessing potential acquisition opportunities, to strengthen the current property portfolio, and in-charge of investor relation and market capitalization management. Prior to joining the Manager, Mr Lin was deputy general manager of Guangzhou Dongfang Hotel Group of Yue Xiu Group, responsible for lease and sales, financial revenue management, hotel brand development, tourism affairs etc. After joining GCCD in 1992, Mr Lin held various managerial positions in investment development department, Xingye Real Estate Agent Co., Ltd., Guangzhou Investment (HK Property) Company Limited, participated and in-charged of investment recommendation, market analysis, feasibility study, sales and marketing programmes for various large scale residential and commercial property, and was responsible for the sales of properties located in Hong Kong, Macau, France, Singapore etc from 2003 to 2005.

Mr Lin is familiar to investment, sales and operation of property, and hotel management. He has over 15 year experience over property investment and operation strategy. Mr Lin is Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

Mr Lin was graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a Bachelor degree in Economics. He completed a MBA postgraduate course at South China University of Technology from 2004 to 2005. He is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Mr KWAN Chi Fai

Mr Kwan is the Chief Financial Officer of the Manager. Prior to joining Yue Xiu in January 2007, Mr Kwan was the financial controller of two companies which are listed on the Stock Exchange. He has over 20 years of experience in finance, accounting and taxation.

Mr Kwan is a Certified Management Accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a Master degree in Business Administration and a Bachelor degree in Accounting from the University of Hong Kong.

Mr. LIAO Ningjuan

Mr. Liao heads the investment team of the Manager.

Prior to joining Yue Xiu group, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure. Mr. Liao has been working with Yue Xiu

Directors' and Senior Executives' Profiles

group since 1992. He had been the General Manager Assistant of the Finance and Accounts Department of Yue Xiu group and was the director and Deputy General Manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. Before joining the Manager, Mr. Liao is mainly responsible for corporate finance, capital restructuring and M&A and investment projects. He has more than 25 years' experience in investment, financial management and China taxation in real estate, financial and securities industries.

Mr. Liao graduated from Guangzhou Financial School majoring in accounting and financial management, and possesses a Master's degree in Business Administration from Murdoch University, Australia. He is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Ms CHEN Huiqing

Ms Chen heads the asset management team of the Manager. She joined the GCCD group in 1997 and worked in Guangzhou White Horse Property Management Co. Ltd. and Guangzhou Yicheng Property Management Co. Ltd. as deputy general manager. In the past 10 years, Ms Chen was responsible for various major projects on marketing strategies, marketing and management activities. Ms. Chen has over 10 years of experience in commercial property marketing strategy and leasing management.

Ms Chen obtained a degree in Management from University of China Geology in 1997 and a Master degree in Business Administration from South China University of Technology in 2008.

Mr IP Wing Wah

Mr Ip heads the Manager's development and project management team and has over 20 years of experience in the building industry. He has worked for contractors where his main duty was to manage the staff and to ensure timely completion of building projects for clients such as government departments and private developers.

Mr Ip has also worked for a number of property developers where his main duty was to work closely with the design teams, architects, engineers, quantity surveyors and solicitors to develop and build various properties. Projects he worked on were mainly residential, commercial and industrial developments.

Mr Ip obtained an Endorsement Certificate in Building Studies from Hong Kong Polytechnic in 1986 and is a member of Chartered Institute of Building as well as a member of the Hong Kong Institute of Construction Managers.

Ms LI Jing

Ms Li is the general manager of the Project Development Department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations. Before joining to Yue Xiu, Ms Li had 7 years of experience of senior engineering management in Colliers International and Jones Lang LaSalle. Ms Li titled Associate Director in Jones Lang LaSalle, and she was responsible for the technical supervision, including engineers team construction, system set up, quality control for the engineering services to clients, KPI management and risk management. Ms Li worked in Hongkong Road King Group to assist at new project planning, development and distribution.

Ms Li graduated from Tsinghua University with a bachelor degree of Engineering. Ms Li is the holder of Fire Services Designer's License, Plumbing and Drainage Engineer's License and Property Manager's License. Ms Li has over 16 years engineering experience and published papers in various technical publications of China.

Mr YU Tat Fung

Mr Yu Tat Fung is the company secretary and appointed as the Compliance Manager on 1 March 2010 of the Manager. He is also the legal counsel of YXP and, from October 2004, the company secretary of both YXP and Yuexiu Transport Infrastructure Limited. Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining YXP in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

The Leasing Agents

THE LEASING AGENTS

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by YXP. It was GB/T19001-2008 and ISO9001:2008 certified in 2009.

White Horse PM was incorporated in the PRC in 1998 to provide dedicated leasing, marketing, tenancy management and property management services to White Horse Building and has been exclusively managing the property since 1998. It was GB/T19001-2008 and ISO9001:2008 certified in 2011.

CONFLICTS OF INTEREST

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

SEGREGATION OF OPERATIONAL LEASING AND MARKETING FUNCTIONS

The YXP Group has effected an internal restructuring which resulted in White Horse PM and Yicheng (together “Leasing Agents”) only being solely responsible for providing leasing and marketing services to Yuexiu REIT’s properties and another company within the YXP group (“YXP Property Manager”) being solely responsible for providing such services to properties not belonging to Yuexiu REIT.

“CHINESE Walls”

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

The Leasing Agents

CONTRACTUAL PROTECTION

Contractual provisions have been included in each of the tenancy services agreements entered into between the Manager and Partat Investment Limited (“Partat”), Moon King Limited (“Moon King”), Full Estates Investment Limited (“Full Estates”), Keen Ocean Limited (“Keen Ocean”), Guangzhou Jieyacheng Properties Co., Ltd (“Jieyacheng”) or, as the case may be, and the relevant Leasing Agent to provide that:

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

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

Corporate Governance

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

AUTHORISATION STRUCTURE

Yuexiu REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has two persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, and Mr Liang Ningguang and Mr Liu Yongjie, the executive Directors of the Manager are also Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO.

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

ROLES OF THE TRUSTEE AND MANAGER

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

FUNCTIONS OF THE BOARD

The board of Directors of the Manager ("Board") currently comprises five members, three of whom are INEDs.

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

ROLES OF THE KEY BOARD MEMBERS

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

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

BOARD COMPOSITION

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

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

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

BOARD COMMITTEES

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

The committees of the Board are as follows:

AUDIT COMMITTEE

The Audit Committee comprises INEDs only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. Among other matters, it reviews the completeness, accuracy and fairness of Yuexiu REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management. The Audit Committee appoints external auditors, reviews their reports and guides management to take appropriate actions to remedy faults or deficiencies identified in internal control. The Audit Committee is also responsible for reviewing and monitoring connected party transactions.

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee comprises four Directors, including the Chairman, the Chief Executive Officer and at least one INED. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets and reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Yuexiu REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

DISCLOSURES COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises the Chief Executive Officer and at least three other Directors, one of whom must be an INED. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

BOARD MEETINGS

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

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

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

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

APPOINTMENT AND REMOVAL OF DIRECTORS

Directors may be nominated for appointment by the Board following a recommendation made by the Remuneration and Nomination Committee. All Directors will be appointed for specific terms. One-fourth of the INEDs who are subject to retirement by rotation (if necessary, rounded up to the nearest whole number) will retire at every annual general meeting from and including the first annual general meeting and the retiring Directors on each occasion will be those who have been longest in office since their last appointment or re-appointment, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by ballot. INEDs may serve up to a maximum term of nine years. There is no maximum term for other Directors.

The Chairman has been appointed for an initial term of three years. Upon the expiration of such initial term, he may be re-appointed as a Chairman for up to a maximum term of six consecutive years (including the initial term). On 29 December 2011, upon Board resolution, the Chairman's re-appointment tenure is not restricted.

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

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

GENERAL MEETINGS

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

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

REPORTING AND TRANSPARENCY

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

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

DISTRIBUTION PAYMENTS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute not less than 90% of Total Distributable Income to Unitholders. The Manager's policy is to distribute to Unitholders 100% of Yuexiu REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Yuexiu REIT's annual Total Distributable Income in each subsequent financial year.

ISSUES OF NEW UNITS POST-LISTING

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

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

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

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

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

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

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

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

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

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

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

CONFIRMATION OF COMPLIANCE WITH CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS

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

PUBLIC FLOAT

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

COMPLIANCE WITH COMPLIANCE MANUAL

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

AUDITORS

The financial statements of Yuexiu REIT have been audited by PricewaterhouseCoopers. They have been re-appointed for performing the audit for the financial year ending 31 December 2012.

Connected Party Transactions

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

THE MANAGER AND SIGNIFICANT HOLDER GROUP

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

LEASING TRANSACTIONS

Certain portions of City Development Plaza, Neo Metropolis and Fortune Plaza have been leased to connected parties (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager (“Manager Group”). Details are as follows:

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2011 Reporting Year (RMB)
City Development Plaza									
Guangzhou Yicheng Property Management Limited (“Yicheng”)	1st floor	an associate of the Manager	97.0	1 May 2010	485	5	0	3	5,820
YXP	16th floor	a significant holder	1,060.5	1 Jan 2011	100,747	95	0	0.55	652,375
Guangzhou office of Yue Xiu	16th floor	a significant holder	46.1	1 Jan 2011	4,380	95	0	0.55	28,362
Guangzhou City Construction & Development Xingye Property Agent Ltd (“Xingye”)	24th floor	an associate of the Manager	818.07	1 Feb 2009	81,807	100	0	3	981,684
Guangzhou City Construction & Development Co., Ltd (“GCCD”)	24D	an associate of the Manager	208.19	1 Sep 2009	19,778	95	0	1.96	138,446
GCCD	17CD	an associate of the Manager	334.64	1 Jan 2011	31,791	95	0	0.58	224,210
								Sub-total:	2,030,897

Connected Party Transactions

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2011 Reporting Year (RMB)
Neo Metropolis									
Guangzhou White Horse Clothings Market Ltd	Basement 2nd, 3rd floors	an associate of the Manager	7,621.03	1 Aug 2009	100,000	13	0	3.42	1,181,530
Xingye	East Tower 1104	an associate of the Manager	127.27	1 Mar 2011	10,818	85	46	3	106,381
Sub-total:									1,287,911
Fortune Plaza									
Xingye	East Tower 808	an associate of the Manager	188.80	1 Apr 2011	25,488	134	0	2	229,392
Total:									3,548,200

PROPERTY MANAGEMENT AGREEMENTS

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

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2011 Reporting Year (RMB)
White Horse PM	Associate of Manager	White Horse Building	1 Jan 2011	Property Management Agreement	N/A
Yicheng	Associate of Manager	Fortune Plaza	1 Jan 2011	Property Management Agreement	N/A
Yicheng	Associate of Manager	City Development Plaza	19 July 2010	Property Management Agreement	N/A
Yicheng	Associate of Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	Associate of Manager	Neo Metropolis	1 May 2011	Property Management Agreement	N/A

TENANCY SERVICES AGREEMENTS

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

Service provider	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2011 Reporting Year (RMB)
White Horse PM	Associate of Manager	White Horse Building	1 Jan 2011	Tenancy Services Agreement	9,195,000
Yicheng	Associate of Manager	Fortune Plaza	1 Jan 2011	Tenancy Services Agreement	2,349,000
Yicheng	Associate of Manager	City Development Plaza	1 Jan 2011	Tenancy Services Agreement	1,983,000
Yicheng	Associate of Manager	Victory Plaza	1 Jan 2011	Tenancy Services Agreement	2,106,000
Yicheng	Associate of Manager	Neo Metropolis and Fortune Plaza 1701	1 Jan 2011	Tenancy Services Agreement	2,195,000

TRADE MARK LICENCE AGREEMENTS

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

Grantor	Relationship with Yuexiu REIT	Property	Nature of transaction	Amount paid/ payable for 2011 Reporting Year	Licence Period
White Horse PM	Associate of Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	1 January 2007 to 27 November 2016 and 30 January 2017
Yue Xiu	Associate of Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

Connected Party Transactions

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of Yuexiu REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with Yuexiu REIT as a result of their connection with the Manager has been granted by the SFC on 6 January 2011, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors (“INED”) and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 17 December 2010.

HSBC GROUP*

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

LEASING TRANSACTIONS

Certain portions of the Fortune Plaza Units have been leased to members of the HSBC Group. Details are as follows:

Tenant	Location of unit (sq.m.)	GFA	Lease commencement date (RMB)	Monthly rent	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income for the 2011 Interim Period (RMB)
HSBC Software Development (Guangdong) Limited (“HSBC Software”)	4th storey(1)	4,275.1	1 Feb 2008	410,751	96	0	3	5,336,760
	5th storey(1)	4,275.1	1 Feb 2008	410,751	96	0	3	5,336,760
	3rd storey(2)	2,000.0	1 Dec 2006	192,160	96	60	4.2	2,484,759
Total:								13,158,279

- (1) On 1 February 2011, HSBC Software entered into a lease with Moon King Ltd, in respect of the 4th floor and 5th floor of Fortune Plaza, renewing for another 1.5 years commencing 1 February 2011. The rent per sq. meter was adjusted to approximately RMB105 per month.
- (2) On 1 February 2011, HSBC Software entered into a lease with Moon King Ltd., in respect of the 3rd floor of Fortune Plaza, renewing for another 1.5 years commencing 1 February 2011. The rent per sq. metre was adjusted to approximately RMB105 per month.

ORDINARY BANKING SERVICES

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

Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/ payable within the 2011 Reporting Year	Amount of interest paid/payable within the 2011 Reporting Year (RMB)
Loan ¹	6 November 2008 (Terminated as at 17 October 2011)	HK\$310 million	—	5,940,000
Loan ¹	26 September 2011	HK\$310 million	RMB509,000	1,750,000

¹ HSBC was one of the lending banks and acted as the agent and security agent for the lending bank.

REIT Holdco, Partat, Keen Ocean, Full Estates, Moon King and Metrogold Development Ltd (“Metrogold”) have maintained interest bearing accounts with HSBC at arm’s length and on commercial terms for deposits during the 2011 Reporting Year.

WAIVER FROM STRICT COMPLIANCE

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

CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

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

- (a) in the ordinary and usual course of business of Yuexiu REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from Yuexiu REIT than terms available from or to (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager’s internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

Connected Party Transactions

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

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction nor other connected transaction (save for those disclosed above) with the HSBC Group during the 2011 Reporting Year.

CONFIRMATION BY YUEXIU REIT EXTERNAL AUDITORS

Yuexiu REIT's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 67 to page 72 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Manager to The Stock Exchange of Hong Kong Limited.

MANAGER'S FEES

During the 2011 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB34,414,000.

TRUSTEE'S FEES

During the 2011 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB2,213,000.

PRINCIPAL VALUER'S FEES

During the 2011 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Principal Valuer was RMB565,000.

INTERESTS HELD BY THE MANAGER AND ITS DIRECTORS AND CHIEF EXECUTIVE OFFICER

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive of the Manager.

The interests and short positions held by Directors and Chief Executive Officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and Short Positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2011		As at 31 December 2011		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Liang Ningguang ¹	—	Nil	—	Nil	—	—
Mr. Liu Yongjie ²	—	Nil	—	Nil	—	—
Mr. Liang Youpan	—	Nil	—	Nil	—	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Lee Kwan Hung, Eddie	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—

1 Mr. Liang is also a director of Yue Xiu and therefore Yue Xiu is deemed to be an associate of Mr. Liang under Rule 8.1 of the REIT Code. Accordingly, the holdings of Yue Xiu as disclosed in “Holdings of Significant Holders” are deemed to be the holdings of Mr. Liang.

2 Mr. Liu is also the Chief Executive Officer of the Manager.

HOLDINGS OF SIGNIFICANT HOLDERS

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2011		As at 31 December 2011		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holding Limited (“GZYX”) ¹	Deemed	388,514,767	36.45%	388,514,767	36.45%	—
	Total	388,514,767	36.45%	388,514,767	36.45%	—
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”)	Beneficial	27,320	0%	27,320	0%	—
	Deemed	388,487,447	36.45%	388,487,447	36.45%	—
	Total	388,514,767	36.45%	388,514,767	36.45%	—
YXP ²	Beneficial	—	—	—	—	—
	Deemed	379,253,182	35.58%	379,253,182	35.58%	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—
Dragon Yield Holding Limited (“Dragon Yield”)	Beneficial	379,253,182	35.58%	379,253,182	35.58%	—
	Deemed	—	—	—	—	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—

1 Further information in relation to interests of corporations controlled by GZYX:

Connected Party Transactions

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYY	100.00	Y	27,320	—
	GZYY	100.00	N	388,487,447	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	387,188,217	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	379,253,182	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	34.06	N	379,253,182	—
Dragon Yield	YXP	100.00	Y	379,253,182	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—

2 The deemed interest in 379,253,182 Units were held through Dragon Yield, a 100% owned subsidiary.

HOLDINGS OF OTHER CONNECTED PERSONS

Senior Executives of the Manager

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

Name of Senior Executive	Nature of interest	As at 1 January 2011		As at 31 December 2011		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Ms. Chen Huiqing	Personal ¹	510	0%	510	0%	—
Mr. Ip Wing Wah	Personal	1,900	0%	1,900	0%	—
Ms. Ou Haijing	Personal	1,000	0%	1,000	0%	—

1 255 units held by spouse

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including the Trustee and Vigers holding any Units as at 31 December 2011.

Unit Options

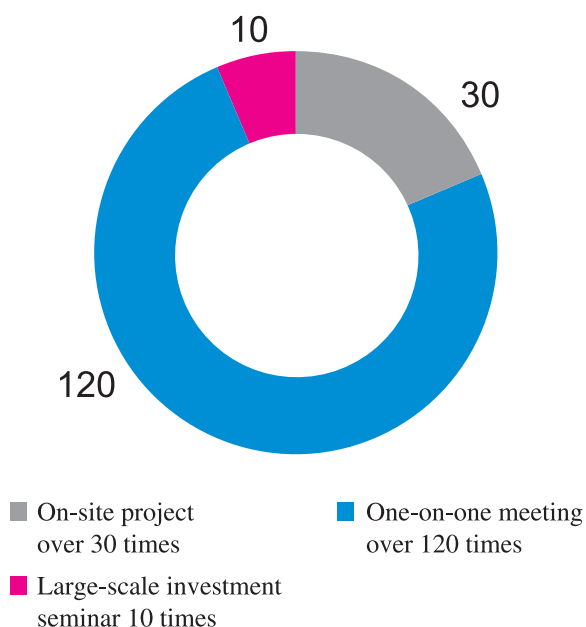
During the 2011 Reporting Year, Yuexiu REIT or any of its controlled entities was not a party to any arrangements enabling the Directors of the Manager (including, their spouses and children under 18 years of age) to benefit through acquiring the Units in Yuexiu REIT or any fund units of other legal entities or any derivatives of equities.

Investor Relations

Over the years, the Group has been endeavouring to optimise its efforts in investor relations, and proactively promoting information disclosure on company's business development and its future strategies, with an aim to elevate investors' in-depth understanding and recognition of the Company and facilitate the building up of a long-term, stable and strong cooperation relationship with various organisations in the capital market.

PROMOTION ACTIVITIES

In 2011, we significantly strengthened our efforts in investor relations, fully taking advantage of various means of communication like roadshows, investment seminars held by investment banks and conference calls to enhance investors' understanding and recognition of the Company. During the year, the Company's management and the investor relations team participated in a total of 10 large-scale investment seminars held by investment banks, over 120 one-on-one meetings and more than 30 on-site visits to our projects. By way of meetings, we contacted a great number of high quality international institutional investors.



MAJOR INVESTOR RELATIONS ACTIVITIES IN 2011

Month	Place	Activities
January	Hangzhou	Participated in the Industries Selected Strategy Conference in 2011 hosted by Guoyuan Securities (HK) Co., Ltd.
	Hong Kong	Joined the Macquarie Luncheon
February	Guangzhou	Held visits for financial media
March	Hong Kong	Held the analyst meeting and the press conference for the 2010 annual results announcement
	Hong Kong	Participated in the 2010 annual results roadshow conference organized by Bank of America Merrill Lynch (“BAML”)
	Singapore	Participated in the 2010 annual results roadshow conference organized by BAML
	Shanghai	Participated in the 2010 annual results roadshow conference organized by Samsung Securities
	Beijing	Participated in the 2010 annual results roadshow conference organized by Samsung Securities
April	Guangzhou	Held visits for fund manager and analyst
	Hangzhou	Participated in the China Corporate Conference held by Nomura Securities
May	Singapore	Participated in the Citi-Asia Pacific Property Conference held by Citibank
	Hong Kong	Participated in the Greater China Conference held by Macquarie
	Singapore	Participated in the BAML Asian Stars Conference 2011
July	Hong Kong	Held the analyst meeting and the press conference for the 2011 interim results announcement
	Hong Kong	Participated in the 2011 interim results roadshow conference organized by BOC International
	Shanghai	Participated in the 2011 interim results roadshow conference organized by BOC International
	Beijing	Participated in the 2011 interim results roadshow conference organized by BOC International
August	Hong Kong	Participated in the 2011 interim results roadshow conference organized by BAML
	Singapore	Participated in the 2011 interim results roadshow conference organized by J.P. Morgan Chase
	Hong Kong	Participated in the 2011 interim results roadshow conference organized by J.P. Morgan Chase
September	Hong Kong	Participated in the Daiwa REIT Day organized by Daiwa Securities
October	Beijing	Participated in The Greater China Enterprise Conference held by BAML
November	Singapore	Participated in the 10th Annual Asia Pacific Summit organized by Morgan Stanley
December	Tokyo	Participated in the 2011 Investment & Global Real Estate Forum by Nomura Securities
	Hong Kong	Participated in The Greater China Corporate Property Day held by BAML
	Hong Kong	Attended the RBS HK/China Access organized by RBS

ANALYSIS COVERAGE

With the continuous steady growth of the Company's business, the capital market was increasingly interested in the performance of the Company in 2011. A number of securities institutions successively published study reports on the Group during the year. The number of securities institutions which analysed the Company significantly increased from 4 in 2010 to 9 in 2011 while the number of study reports analysing the Company greatly increased from 6 to 20, most of which with the rating of "Buy in", indicating that the analysts were all optimistic about the future development prospects of the Company.

AWARDS

The Group is the first Hong Kong listed real estate investment trust with properties all located in the PRC. Exercising its leverage on its good corporate governance, bright development prospects and professional efforts in investor relations, the Group was awarded "The Excellence of Listed Enterprise Awards 2011" by Hong Kong "Capital Weekly" in August 2011, and "Hong Kong Outstanding Enterprises" by Hong Kong "Economic Digest" for the fourth consecutive year in December of the same year. The fact that the Company having been granted with these two awards for numerous times from "Capital Weekly" and "Economic Digest", two representative and authoritative financial magazines in Hong Kong, demonstrated that the Company's development since 2005 have won the confirmation and recognition of Hong Kong's capital market, which bears far-reaching significance to the Group: first it helps the Group enhance its brand image; second it proves that the Group's efforts in investor relations has been widely recognized and affirmed.

PROSPECT

The Group will continue to implement targeted investor relations campaign based on existing efforts to enable more investors to gain an in-depth understanding of the Company. Meanwhile, the Company values all investors' opinion and request with a modest attitude and strives to further improve the corporate governance of the Company, achieve continuous enhancement in operation management and realize better returns for shareholders.

Property Valuation Report

Yuexiu REIT Asset Management Limited (“Manager”)
24th Floor
Yue Xiu Building
Nos. 160-174 Lockhart Road
Wanchai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited (“Trustee”)
17th Floor, Towers 2 & 3
HSBC Centre
No. 1 Sham Mong Road
Kowloon
Hong Kong

20 February 2012

Dear Sirs,

RE: VARIOUS UNITS OF THE FOLLOWING PROPERTIES (THE “PROPERTIES”) HELD BY YUEXIU REAL ESTATE INVESTMENT TRUST (“YUEXIU REIT”) LOCATED IN GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA (THE “PRC”)

- **WHITE HORSE BUILDING**
- **FORTUNE PLAZA**
- **CITY DEVELOPMENT PLAZA**
- **VICTORY PLAZA**
- **YUE XIU NEO METROPOLIS PLAZA**

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2011 (the “**Date of Valuation**”) for annual accounting purpose.

Our valuation of the Properties is our opinion of its market value which we would define as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after property marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Property Valuation Report

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

We have been provided with extracts of some title documents relating to the Properties. However, we have not searched the original documents to ascertain the existence of any amendments which may not appear on the copy handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the authenticity and accuracy of the information provided. We are also advised by the Manager that no material facts have been omitted from the information supplied.

We have inspected the Properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Our valuation is prepared in accordance with paragraph 6.8 of the Code on Real Estate Investment Trusts (“REIT Code”) issued by the Securities and Futures Commission of Hong Kong Code and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors. We confirm that we meet the criteria under paragraph 6.4 and Practice Note Nos. 17 and 25 of the REIT Code. We are independent of Yuexiu REIT, the trustee and the manager and each of the significant shareholders of the scheme within the meaning of paragraph 6.5 of the REIT Code.

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

In accordance with our standard practice, we must state that this valuation certificate is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Unless otherwise stated, all monetary amounts stated in this report are denoted in Renminbi (“RMB”), the lawful currency of the PRC.

Our valuation report is enclosed herewith.

Yours faithfully,

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSC FRICS FHKIS MCIArb RPS(GP)

Managing Director

Note: Charles C K Chan is a Chartered Estate Surveyor and has about 28 years’ experience in the valuation of properties in Hong Kong and 23 years’ experience in the valuation of properties in the PRC.

1. BASIS OF VALUATION

Our valuations have been carried out in accordance with “The HKIS Valuation Standards on Properties (First Edition 2005)” published by the Hong Kong Institute of Surveyors. Our valuations are made on the basis of “market value” which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller on an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. We have valued the Properties in their existing states based on the assumption that the Properties can be freely transferred, mortgaged or let out in the prevailing market and all proper title certificates have been obtained and all land-use rights grant premium have been fully settled.

2. VALUATION APPROACH

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted both Income Capitalization Approach and Discounted Cash Flow Analysis (“DCF”). We have adopted the average of the values derived from both approaches.

2.1. INCOME CAPITALIZATION APPROACH

Income capitalization approach estimates the values of the Properties on a market value basis by capitalization net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and potential future reversionary income at market level. In calculating the net rental income, no deduction has been made from the net passing rental income which is exclusive of property management fee. In this valuation method, the assessment is divided into current passing rental income over existing lease terms (the “term value”), and potential future reversionary rental income (the “reversionary value”). The term value assessments involve capitalization of current passing rental income over the existing lease terms; whilst the reversionary value assessments are taken to be current market rental income upon lease expiry and are capitalized on fully let basis and discounted back to the Date of Valuation. In this approach, we have considered the appropriate term yields and reversionary yields for each property. The term yields are used for capitalization of the current passing rental income as at the Date of Valuation; whilst the reversionary yields are adopted to convert reversionary rental income.

2.2. DCF

DCF is defined in the “International Valuation Standards” as a financial modeling technique based on explicit assumptions regarding the prospective cash flow to properties. DCF is commonly applied when adopting the income method of valuation which takes “time value of money” into account and evaluates the value of an investment by arriving at a total net present value. The net present value of an investment is the value in current date of all present and future cash flows discounted at appropriate discount rate to reflect the opportunity cost, which reflects the returns available on investing in an alternative investment of equal timing and risk, and inflation of those cash flows; whilst the total net present value is the aggregate net cash flow of each period discounted at the same. Our DCFs are carried out on yearly basis over a 10-year investment horizon. In arriving at our opinion of values from DCF, we have made projections for the next 10-year cash flows from the Date of Valuation, and the anticipated net income of each income stream receivable thereafter is summed at a flatted growth rate in present value to reflect the future net income growth beyond the years. The analysis is based on the assumption of a cash purchase, and no allowance has been made for interest and/or any other kinds of funding costs.

3. VALUATION ASSUMPTIONS

Our valuations are subject to the following caveats and assumptions:

- 3.1. Inspections to the exterior and interior of the Properties have been carried out; but no test was carried out on any structure of the Properties.
- 3.2. We assume no responsibility for legal matters nor do we render any opinion as to the titles of the Properties which are assumed to be good and marketable. We are not aware of any easements or rights of way affecting the Properties and our valuations assume that none exists.
- 3.3. We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of, all ordinances and regulations, except only where otherwise stated. We have further assumed that, for any use of the subject properties upon which this report is based, any and all required licenses, permits, certificates, and authorizations have been obtained, except only where otherwise stated.
- 3.4. Our valuations have been made on the assumption that the Properties can be sold in the prevailing market without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which may serve to affect the values of the Properties. In addition, no forced sale situation in any manner is assumed in our valuations.
- 3.5. No account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Properties, and no allowance has been made for the Properties to be sold to a single party and/or as a portfolio or portfolios.
- 3.6. Having examined all relevant documentation, we have relied to a considered extent on the information given by the Manager, particularly in respect of planning approvals or statutory notices, land-use rights, site and floor areas, occupancy status, rent rolls, age and specifications of buildings as well as in the identification of the Properties.
- 3.7. We have not carried out detailed on-site measurements to verify the correctness of the site and floor areas in respect of the Properties but we have assumed that the site and floor areas shown on the documents handed to us are correct and accurate.
- 3.8. Based on our experience of valuations of similar properties in the PRC, we consider that the assumptions so made are reasonable.
- 3.9. The study of possible alternative development options and the related economics are not within the scope of this report.

4. SUMMARY OF VALUES:

A summary of our opinion of the market value of each of the Properties as at the Date of Valuation is tabulated as follows:

No.	Properties	Market Value as at 31 December 2011
1.	White Horse Building	RMB3,651,000,000
2.	Fortune Plaza	RMB749,500,000
3.	City Development Plaza	RMB612,000,000
4.	Victory Plaza	RMB747,000,000
5.	Yue Xiu Neo Metropolis Plaza	RMB711,500,000

Part A - Valuation of various units held by Yuexiu REIT located in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information supplied by the Manager, a total number of 9 Certificates of Building Ownership have been issued in respect of the Property. Details of the Property are tabulated as follows:

a. Property Description	White Horse Building is a 10-storey wholesale garment shopping centre including 8 levels above ground, a lower ground level and a level of basement car park. The Property comprises a number of units of the building.
b. Type of land use rights	Granted
c. Land use	Land use of the underlying land of White Horse Building is described as "Commercial/Office"
d. Land use rights terms	Lower Ground Level 50 years from 7 June 2005 Levels 1 to 3 40 years from 7 June 2005 Level 4 (7,164.2 sq.m.) 40 years from 7 June 2005 Level 4 (531.4 sq.m.) 50 years from 7 June 2005 Levels 5 to 8 50 years from 7 June 2005
e. Registered owner	Partat Investment Limited
f. Gross floor area	Retail - 46,279.3 sq.m. Office - 3,920.0 sq.m. Total: 50,199.3 sq.m.
g. Internal floor area	48,100.6 sq.m.
h. Gross rentable area	50,128.9 sq.m.

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

White Horse Building, a 10-storey wholesale garment shopping centre including 8 levels above ground, a lower ground level and a level of basement car park, is located at Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC. The Property is close to Guangzhou Railway Station, bus terminal and No. 2 Metro Line.

The Property is located in Yuexiu District and accessibility is considered to be good. The main garment wholesale area of Guangzhou is situated around Zhan Nan Road, Yue Xiu District. The area is very popular among wholesalers because of its location close to the Guangzhou Railway Station and major expressways. According to the State-owned Land-use Rights Grant Contract signed on 28th June 2005, the land-use of the underlying land of White Horse Building is described as “Commercial/Office”.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly commercial buildings and retail shopping and wholesale centres, interspersed with some older medium-rise residential buildings. The pedestrian flow along that section of Zhan Nan Road West is heavy as it is opposite to the bus terminal and close to the Guangzhou Railway Station. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites.

Due to the land registration system in the PRC, we cannot trace any information regarding previous development erected upon the subject site, and therefore we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility of the Property is good as public transportation such as taxis, buses and No. 2 Metro Line are available along Zhan Nan Road. Bus stops are located in 2-minute walking distance from the Property. A pedestrian footbridge adjacent to the Property allows access to the Guangzhou Railway Station. The Guangzhou Railway Station is also connected to No. 2 Metro Line.

3. PROPERTY DESCRIPTION

The Property is located at Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou's traditional wholesale business area. According to the information provided by the Manager, the Property has a total gross floor area of approximately 61,703.0 sq.m. Summary of breakdown floor areas of the Property is summarized below:

Level *	Use	Gross Floor Area
Basement 1	Car park	5,690.9 sq.m.
Lower Ground Level	Storage	6,934.5 sq.m.
Level 1	Commercial	7,667.0 sq.m.
Level 2	Commercial	7,199.8 sq.m.
Level 3	Commercial	7,684.9 sq.m.
Level 4	Commercial	7,695.6 sq.m.
Level 5	Commercial	7,466.4 sq.m.
Level 6	Commercial	7,443.9 sq.m.
Level 7	Commercial	2,003.5 sq.m.
Level 8	Commercial	1,916.5 sq.m.
	Total:	61,703.0 sq.m.

* Note: Level 1, Level 2, Level 3, Level 4, Level 5, Level 6, Level 7 and Level 8 correspond to 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 9th storey in White Horse Building respectively.

The site of the Property comprises a regular and level plot with its main frontage on Zhan Nan Road. It was first completed in 1990 and then underwent two separate phase extensions in between 1995 and 1997 as well as between 1998 and 2000. Car parking facilities are located on Basement Level 1. The layout and design of the Property is reasonable in comparison with other wholesale centres of similar scale and grade in the locality.

The Property was constructed of reinforced concrete with partly glazed and partly mosaic tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles at the main lobby. Main services comprise electricity, water and telecommunications. The building is sub-divided into various units on all levels and is served by 8 passenger lifts and 2 cargo lifts serving Level 1 to Level 6; 2 passenger lifts and a cargo lift serving Level 7 to Level 8; 12 escalators serving Level 1 to Level 4; and 17 staircases serving Level 1 to Level 8.

The standard of services and finishes within the development is considered to be reasonable and commensurate with other wholesale centres in the neighbourhood.

Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

YUEXIU REIT holds a portion of the building and the details of the interest are listed below:

Level	Use	Gross Floor Area	Internal Floor Area
Lower Ground Level	Storage	1,121.7 sq.m.	1,081.1 sq.m.
Level 1	Commercial	7,667.0 sq.m.	7,342.6 sq.m.
Level 2	Commercial	7,199.8 sq.m.	6,892.2 sq.m.
Level 3	Commercial	7,684.9 sq.m.	7,359.8 sq.m.
Level 4	Commercial	7,695.6 sq.m.	7,370.0 sq.m.
Level 5	Commercial	7,466.4 sq.m.	7,149.2 sq.m.
Level 6	Commercial	7,443.9 sq.m.	7,127.5 sq.m.
Level 7	Commercial	2,003.5 sq.m.	1,931.0 sq.m.
Level 8	Commercial	1,916.5 sq.m.	1,847.2 sq.m.
Total :		50,199.3 sq.m.	48,100.6 sq.m.

Upon our site inspection, we noted that Level 1 to Level 8 of the Property was occupied as retail shops and ancillary offices. As advised by the Manager, the Lower Ground Level comprises mainly common area including staircases and storage area, which is regarded as non-lettable area.

4.2. TITLE INVESTIGATION

Gongan Building is erected on the south side of White Horse Building with gross floor area of approximately 2,700.00 sq.m. According to an agreement signed on 7th February 1994 between “Guangzhou City Construction & Development Group Co. Ltd.” and “Guangzhou City Gongan Bureau”, “Guangzhou City Construction & Development Group Co. Ltd.” was responsible for the design, obtaining approval and construction of Gongan Building; “Guangzhou City Gongan Bureau” was responsible for paying construction cost and land-use rights grant premium of RMB950,000 to “Guangzhou City Construction & Development Group”. “Guangzhou City Gongan Bureau” could use Gongan Building for the residual land-use rights’ terms. As advised by the Manager, we understand that the owner of the Property does not have the right to use and title ownership of Gongan Building but this will not affect the title of “Partat Investment Limited” to the Property.

5. TENANCY DETAILS

5.1. RENTAL INCOME

As at the Date of Valuation, whole of the Property was tenanted. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Rental Income
50,128.9 sq.m.	RMB26,236,143.00	RMB314,833,71.00

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone and air-conditioning charges and so on. The tenants of the Property are from various industries such as bank, food & beverage, garment and so on. We are not aware of any material options or rights of pre-emption which may affect the value of the Property.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation with an occupancy rate of 100% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By area (%)
0	1	13.9%
1	2	16.7%
2	3	3.5%
3	4	49.4%
4	5	16.5%
		100.0%

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year by area (%)	By area (%)
End of 2012	30.6%
End of 2013	3.5%
End of 2014	49.4%
End of 2015	16.5%
	100.0%

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and its extension agreement were entered into between the Manager, “Partat Investment Limited” (the “Property Company”) and “White Horse Property Management Co. Ltd.” (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of White Horse Building, will be paid a remuneration of 3.0% per annum of the gross revenue (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of White Horse Building, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement. As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail / wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 7.75% per annum and the reversionary yield is 8.25% per annum. The term yield adopted is very close to the market yield because the current passing rental income of the Property is comparable to the estimated current market rental income.

6.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.6% per annum for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Discount Rate	9.6%
Growth Rate (10-year Average)	3.0%
Vacancy Allowance (10-year Average)	0.5%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

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In our discounted cash flow analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

Service Fees based on the Tenancy	3.00% of rental income
Energy and Utility Expenses	0.5% of rental income
Sundry Expenses	1.0% of rental income
Insurance	RMB4.00/sq.m./month
Business Tax and others	5.50% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

6.3. OPINION OF VALUE

We have summarized the calculation results of each approach in the table below:

Valuation Method	Opinion of Value
Income Capitalization Approach	RMB3,664,000,000
Discounted Cash Flow Analysis	RMB3,638,000,000

Based on our valuation method of income capitalization approach including discounted cash flow analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB3,651,000,000 (RENMINBI THREE BILLION SIX HUNDERD AND FIFTY ONE MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow analysis.

Part B - Valuation of various units held by Yuexiu REIT located in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information supplied by the Manager, a total number of 83 Certificates of Building Ownership have been issued in respect of the Property. Details of the Property are tabulated as follows:

a. Property Description	Fortune Plaza comprises a regular and level plot with its main frontage abutting Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers namely East Tower and West Tower, are erected. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 27th storey. The Property comprises a number of units of the development.
b. Type of land use rights	Granted
c. Land use	Land use of the underlying land of Fortune Plaza is described as "Commercial/Office"
d. Land use rights terms	Level 1 to Level 5 & Level 37 of East Tower and Level 27 of West Tower 40 years from 26 November 2002 Level 8 to Level 9, Level 11 to Level 14, Level 17, Level 19, Level 25 to Level 28 & Level 34 to 36 of East Tower and Level 8 to Level 19 & Level 24 to 26 of West Tower 50 years from 26 November 2002
e. Registered owner	All Units Except Unit 1701 on East Tower Moon King Limited Unit 1701 on East Tower Guangzhou Jieyacheng Properties Company Limited
f. Gross floor area	Retail - 3,853.1 sq.m. Office - 37,502.1 sq.m. Total: 41,355.2 sq.m.
g. Internal floor area	31,389.6 sq.m.
h. Gross rentable area	41,335.2 sq.m.

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Fortune Plaza is located at Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC. It is in close proximity to the Guangzhou East Train Station and Metro Station with interchange of Nos. 1 and 3 Metro Line. Tian He District is a rapidly developing area in Guangzhou and is the present focus of new Grade A office developments. Located on the eastern side of Guangzhou, the majority of major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new Central Business District (“CBD”) of Guangzhou within the last few years, and its increasing popularity with the business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near the central square but gradually expanding outwards from it.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility of the Property is good as public transportation such as taxis and buses are available along Ti Yu Dong Road, a major roadway in Guangzhou. Bus stops and a metro station are located adjacent to Fortune Plaza. It is located in approximately 5 minutes’ driving distance from Guangzhou East Train Station. A pedestrian subway adjacent to the Property allows access to Tian He Stadium.

3. PROPERTY DESCRIPTION

Fortune Plaza is a Grade A commercial complex and located at Tian He District, in Guangzhou’s prime business area. According to the information provided by the Manager, the development has a total gross floor area of approximately 81,418.1 sq.m. and the floor area breakdown is summarized as follows:

Level *	Use	Gross Floor Area
Basement 1	Carpark and Machinery Plant Room	8,561.6 sq.m.
Podium - Level 1 to 6	Commercial	23,993.0 sq.m.
Level 7	Machinery Plant Room	
East Tower	Level 7 - Office	999.0 sq.m.
	Level 8 to Level 36 - Office	28,900.3 sq.m.
	Level 37 - Commercial	
West Tower	Level 8 to Level 26 - Office	18,964.2 sq.m.
	Level 27 - Commercial	
	Total	81,418.1 sq.m.

The site of the development comprises a regular and level plot with its main frontage abutting Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers are erected and were completed in 2003. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 27th storey. The main entrance of Fortune Plaza abuts Ti Yu Dong Road. General accessibility of the Property is good as public transportation such as Metro System, buses and taxis are available along Ti Yu Dong Road which is a main roadway in Guangzhou. Car parking facilities are provided on 2 basement levels; a podium garden, a club and other ancillary facilities are located on Level 7. The layout and design of the Property is reasonable in comparison with other office buildings of similar scale and grading in the locality.

The Property is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles in the main lobby. The specification of the building includes central air-conditioning system.

Main services of the development comprise electricity, water and telecommunications. The building is subdivided into various units on all levels and is served by 10 passenger lifts and 2 cargo lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable and commensurate to other office buildings in the neighbourhood.

The development is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the development and the details of the interest are listed below:

Podium, Ti Yu Dong Road

Level/Unit	Use	Gross Floor Area	Internal Floor Area
No. 118, Unit 109	Commercial	1,007.4 sq.m.	968.9 sq.m.
No. 118, Level 2	Commercial	2,845.7 sq.m.	2,275.8 sq.m.
No. 118, Level 3	Commercial	4,275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 4	Commercial	4,275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 5	Commercial	4,275.1 sq.m.	3,593.0 sq.m.

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East Tower, Ti Yu Dong Road

Level/Unit	Use	Gross Floor Area	Internal Floor Area
No. 116, Unit 801	Office	180.2 sq.m.	150.0 sq.m.
No. 116, Unit 802	Office	124.7 sq.m.	79.5 sq.m.
No. 116, Unit 803	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 805	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 806	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 808	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 903	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 905	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 906	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 908	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1101	Office	180.2 sq.m.	115.0 sq.m.
No. 116, Unit 1102	Office	124.7 sq.m.	79.6 sq.m.
No. 116, Unit 1108	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1201	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1202	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1203	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1205	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1206	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1208	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1301	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1302	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1303	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1306	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1305	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1308	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1401	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1402	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1403	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1405	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1406	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1408	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1701	Office	999.0 sq.m.	637.4 sq.m.
No. 116, Unit 1901	Office	180.2 sq.m.	115.0 sq.m.
No. 116, Unit 1902	Office	124.7 sq.m.	79.5 sq.m.
No. 116, Unit 1903	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1905	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 1906	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 1908	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Units 2501 & 2601	Office	1,586.4 sq.m.	1,240.8 sq.m.
No. 116, Unit 2705	Office	188.7 sq.m.	121.8 sq.m.
No. 116, Unit 2801	Office	180.3 sq.m.	115.4 sq.m.
No. 116, Unit 3401	Office	180.4 sq.m.	115.0 sq.m.
No. 116, Units 3501 & 3601	Office	1,392.2 sq.m.	1,029.3 sq.m.
No. 116, Level 37	Commercial	302.2 sq.m.	181.0 sq.m.

West Tower, Ti Yu Dong Road

Level/Unit	Use	Gross Floor Area	Internal Floor Area
No. 114, Level 8	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 9	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 10	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Unit 1101	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1102	Office	125.0 sq.m.	79.5 sq.m.
No. 114, Unit 1103	Office	179.7 sq.m.	114.4 sq.m.
No. 114, Unit 1105	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1106	Office	125.0 sq.m.	79.6 sq.m.
No. 114, Unit 1108	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1201	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1202	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1203	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Unit 1205	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1206	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1208	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1301	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1302	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1303	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Unit 1305	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1306	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1308	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1401	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1402	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1403	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Level 15	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 16	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 17	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 18	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Unit 1902	Office	125.9 sq.m.	81.6 sq.m.
No. 114, Unit 1903	Office	179.3 sq.m.	116.2 sq.m.
No. 114, Unit 1905	Office	188.8 sq.m.	122.4 sq.m.
No. 114, Unit 1906	Office	125.9 sq.m.	81.6 sq.m.
No. 114, Unit 2401 & 2501	Office	1,591.4 sq.m.	1,243.6 sq.m.
No. 114, Level 26	Office	646.8 sq.m.	446.0 sq.m.
No. 114, Level 27	Office	335.8 sq.m.	180.4 sq.m.
Total:		41,355.2 sq.m.	31,389.6 sq.m.

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Rental Income
40,962.8 sq.m.	RMB5,038,339.00	RMB60,460,068.00

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing, engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 99.05% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By area (%)
0	1	4.7%
1	2	46.5%
2	3	21.4%
3	4	11.4%
4	5	12.5%
5	6	3.3%
6	7	0.2%
		100.0%

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year by area (%)	By area (%)
End of 2012	58.6%
End of 2013	18.0%
End of 2014	13.4%
End of 2015	7.6%
End of 2016	2.4%
	100.0%

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Moon King Limited (the “Property Company”) and Guangzhou Yicheng Property Management Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Fortune Plaza, is entitled to a remuneration of 4.0% of the gross revenue per annum (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of Fortune Plaza, the Service Fees payable to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail / wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.00% and 7.50% per annum for office and retail portions of the Property respectively; and the reversionary yields are 7.50% and 8.50% per annum for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.00% per annum for the office portion of the Property and a discount rate of 9.40% per annum for the retail portion of the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centers and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two years. Upon expiry of such tenancies, new leases will be granted or renewed on two years terms at the then existing market rentals. No deduction has been made for the expected maintenance cost as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Discount Rate	9.00% (Office) and 9.40% (Retail)
Growth Rate (10-year Average)	3.00%
Vacancy Allowance (10-year Average)	2.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

Service Fees based on the Tenancy	4.00% of rental income
Energy and Utility Expenses	0.5% of rental income
Sundry Expenses	2.00% of rental income
Insurance	RMB5.00/sq.m./month
Business Tax and others	5.50% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

6.3. OPINION OF VALUE

We have summarized the calculation results of each approach in the table below:

Valuation Method	Opinion of Value
Income Capitalization Approach	RMB755,000,000
Discounted Cash Flow Analysis	RMB744,000,000

Based on our valuation method of income capitalization approach including discounted cash flow analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB749,500,000 (RENMINBI SEVEN HUNDRED FORTY NINE MILLION AND FIVE HUNDRED THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

For reference purpose, we are of the opinion that the Market Value of Unit 1701 in East Tower of the Property in its existing state as at the Date of Valuation is **RMB17,800,000 (RENMINBI SEVENTEEN MILLION AND EIGHT HUNDRED THOUSAND ONLY)** assuming it is available for sale in the prevailing market with the benefit of existing tenant and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow analysis.

Property Valuation Report

Part C - Valuation of various units of held by Yuexiu REIT located in City Development Plaza, Nos. 185, 187 And 189 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 165 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

- | | |
|-----------------------------------|---|
| a. Property Description | The Property comprises a regular and level plot on which a 5-storey commercial podium and an office tower from the 6th to 28th storey is erected. The Property comprises a number of units of the building. |
| b. Type of land use rights | Granted |
| c. Land use | The land-use of the underlying land of City Development Plaza is described as "Commercial/Residential" |
| d. Land use rights terms | Level 1 to Level 3
40 years from 27 January 1997

Level 6 to Level 11 and Level 16 to Level 28:
50 years from 27 January 1997 |
| e. Registered owner | Full Estates Investment Limited |
| f. Gross floor area | Retail - 11,757.5 sq.m.
Office - 30,639.8 sq.m.
Total: 42,397.4 sq.m. |
| g. Internal floor area | 30,752.3 sq.m. |
| h. Gross rentable area | 42,397.4 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

City Development Plaza is situated on the western side of Ti Yu Xi Road in Tian He District, Guangzhou, Guangdong Province, the PRC. The Property is in close proximity to Guangzhou East Train Station and Lin He Xi Zhan Metro Station which is located within about 3 minutes' walking distance from the Property. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou. Tian He District is a rapidly developing area and is the present focus of new Grade A office developments. Located on the eastern side of Guangzhou, majority of major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new CBD of Guangzhou within the last few years and its increasing popularity with business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near central square but gradually expanding outwards from it.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility of the Property is good as public transportation such as taxis, buses and Nos. 1 and 3 Metro Line are available along Ti Yu Xi Road. Bus stops are located within 2 minutes' walking distance from the Property. It is directly accessible from Ti Yu Xi Road which is a major roadway in Guangzhou.

3. PROPERTY DESCRIPTION

City Development Plaza, a 28-storey Grade A commercial building with a 2-storey basement car parks, is located at Nos. 185, 187 and 189 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. The building comprises a 5-storey commercial podium and office areas from Level 6 to Level 28. According to the information provided by the Manager, the building has a total gross floor area of approximately 74,049.2 sq.m. The area breakdown of the Property is summarized as below:

Level *	Use	Gross Floor Area
Basements 1 and 2	Car park and machinery room	12,500.6 sq.m.
Level 1 to Level 3	Commercial	11,757.5 sq.m.
Level 4	Restaurant	4,639.3 sq.m.
Level 5	Club House	1,724.5 sq.m.
Level 6 to Level 28	Office	43,427.3 sq.m.
	Total:	74,049.2 sq.m.

The commercial portion of the Property is situated behind the main entrance lobby serving the office levels, and is divided into separate retail units arranged around an atrium. The ground level of the atrium is used for exhibition purposes.

The site of the building comprises a regular and level plot with its main frontage on Ti Yu Xi Road on which a 5-storey commercial podium with an office tower rising from the 6th to 28th level is built. The building was completed in 1997. The building's facilities include an exclusive club house, restaurants, a conference centre and car parking spaces. The layout and design of the Property is roughly square in shape.

The Property is constructed of reinforced concrete and is decorated with marble or granite wall and floor tiles at the main lobby and with gypsum false ceiling. The specification of the building includes a central air-conditioning system. Main services comprising electricity, water and telecommunications are provided to the building. The office portion of the Property is generally decorated with carpeted floors or homogenous floor tile, wallpaper and false ceilings. The retail podium is served by 2 passenger lifts, 10 escalators and 4 staircases. The office lifts serve all floors. The office portion is served by 6 passenger lifts, 2 service lifts and 2 staircases. The building is maintained in a reasonable condition commensurate with its age.

The building is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the building and the details of the interest as follows:

Level	Use	Gross Floor Area
Portion of Level 1 *	Commercial	1,580.2 sq.m.
Portion of Level 1 #	Commercial	1,707.4 sq.m.
The whole of Level 2	Commercial	3,977.0 sq.m.
The whole of Level 3	Commercial	4,493.0 sq.m.
Portion of Level 6	Office	1,487.3 sq.m.
Portion of Level 7	Office	818.1 sq.m.
Portion of Level 8	Office	922.2 sq.m.
Portion of Level 9	Office	795.7 sq.m.
Portion of Level 10	Office	1,383.3 sq.m.
The whole of Level 11	Office	1,844.3 sq.m.
The whole of Level 16	Office	1,844.3 sq.m.
Portion of Level 17	Office	1,717.9 sq.m.
Whole of Level 18 and Level 19	Office	3,688.7 sq.m.
Portion of Level 20	Office	1,613.8 sq.m.
Portion of Level 21	Office	1,613.8 sq.m.
Whole of Levels 22 to 28	Office	12,910.4 sq.m.
Total		42,397.4 sq.m.

* Note: This portion includes management office

Note: Atrium of Level 1 is not a retail unit nor for permanent lease.

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Rental Income
41,809.8 sq.m.	RMB4,485,829.00	RMB53,829,948.00

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing / engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 98.61% of the Property held by Yexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By area (%)
0	1	17.3%
1	2	11.0%
2	3	23.1%
3	4	12.1%
4	5	17.8%
5	6	18.7%
		100.0%

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year by area (%)	By area (%)
End of 2012	36.6%
End of 2013	16.5%
End of 2014	4.7%
End of 2015	23.4%
End of 2016 and thereafter	18.8%
	100.0%

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Moon King Limited (the “Property Company”) and Guangzhou Yicheng Property Management Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Fortune Plaza, is entitled to a remuneration of 4.0% of the gross revenue per annum (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of Fortune Plaza, the Service Fees payable to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail / wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.50% and 7.00% per annum for office and retail portions of the Property respectively; and the reversionary yields are 8.00% and 8.50% per annum for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.40% per annum for the office portion of the Property and a discount rate of 9.80% per annum for the retail portion of the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centers and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two years. Upon expiry of such tenancies, new leases will be granted or renewed on two years terms at the then existing market rentals. No deduction has been made for the expected maintenance cost as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Discount Rate	9.40% (Office) and 9.80% (Retail)
Growth Rate (10-year Average)	3.00%
Vacancy Allowance (10-year Average)	2.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

Service Fees based on the Tenancy	4.00% of rental income
Energy and Utility Expenses	2.00% of rental income
Sundry Expenses	2.00% of rental income
Insurance	RMB5.0/sq.m./month
Business Tax and others	5.50% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

6.3. OPINION OF VALUE

We have summarized the calculation results of each approach in the table below:

Valuation Method	Opinion of Value
Income Capitalization Approach	RMB618,000,000
Discounted Cash Flow Analysis	RMB606,000,000

Based on our valuation method of income capitalization approach including discounted cash flow analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB612,000,000 (RENMINBI SIX HUNDRED AND TWELVE MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow analysis.

Part D - Valuation of various units held by Yuexiu REIT located in Victory Plaza, No. 101 Ti Yu West Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 9 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

a. Property Description	Victory Plaza commercial retail centre with a 4-level basement together with 2 blocks of high-rise office building. The Property comprises a number of units of the development.
b. Type of land use rights	Granted
c. Land use	The land-use of the underlying land of Victory Plaza is described as "Commercial/Tourism"
d. Land use rights terms	40 years from 8 March 2004
e. Registered owner	Keen Ocean Limited
f. Gross floor area	27,698.1 sq.m.
g. Internal floor area	22,847.9 sq.m.
h. Gross rentable area	27,262.3 sq.m.

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Victory Plaza, is located at No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC. The Property features a 6-storey glass atrium over its entrance and a paved pedestrian mall in front of the building. There are two office towers of 52 and 36 storeys in height respectively constructed on top of the retail centre. It is located at the junction of Tian He Road and Ti Yu Xi Road and the intersection of Nos. 1 and 3 Metro Line. It is in close proximity to Guangzhou Book Centre and Teem Plaza. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

The Property is located in Tian He District. Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian traffic flow along that section of Ti Yu Xi Road is moderate. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility of the Property is good as public transportation such as taxis and buses are available along Ti Yu Xi Road. Bus stops are located within a 2 minutes' walking distance from the Property. It is located within about 3 minutes' walking distance from Ti Yu Xi Road Station of the No. 1 Metro Line. Nos. 1 and 3 Metro Line have direct underground access to Basement Level 1 of the Property.

3. PROPERTY DESCRIPTION

Victory Plaza is located at No. 101 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. According to the information provided by the Manager, the development has a total gross floor area of approximately 52,568.6 sq.m. Summary of breakdown floor areas of the Property is as follows:

Level *	Use	Gross Floor Area
Basements 1 and 2	Carpark	24,870.5 sq.m.
Basement 1	Commercial	1,809.2 sq.m.
Level 1	Commercial (including Refuge Floor)	3,033.5 sq.m.
Level 2	Commercial	3,968.9 sq.m.
Level 3	Commercial	4,756.7 sq.m.
Level 4	Commercial	4,756.7 sq.m.
Level 5	Commercial	4,769.9 sq.m.
Level 6	Commercial	4,603.2 sq.m.
Total :		<u>52,568.6 sq.m.</u>

The site area of the Property is approximately 10,477.0 sq.m. The site of the shopping centre comprises a regular and level plot with its main frontage abutting Ti Yu Xi Road on which a 6-storey commercial retail centre with a 4-level of basement is erected. The Property was completed in 2003. The main entrance of Victory Plaza is on Ti Yu Xi Road. The layout and design of Victory Plaza is reasonable in comparison with the other shopping centres of similar scale and grade in the locality.

The Property is constructed of reinforced concrete structures. The common parts from Level 1 to Level 4 are finished with granite homogenous floor and wall tiles; and granite floor, tiles and plastic or painted and wallpapered walls on Level 5 to Level 6. Main services comprising electricity, water and telecommunications are provided to the building. The building is subdivided into various units on all levels and is served by 4 passenger lifts, 20 escalators serving from basement to Level 6.

The standard of services and finishes within the Property is considered to be reasonable and commensurate to other shopping centers in the neighborhood. It is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the development and the details of the interest are listed below:

Level / Unit	Use	Gross Floor Area	Internal Floor Area
Portion of Basement 1	Commercial	1,809.2 sq.m.	1,503.6 sq.m.
Level 1 (101)	Commercial	473.7 sq.m.	442.3 sq.m.
Level 1 (102)	Commercial	1,553.5 sq.m.	1,451.0 sq.m.
Level 1	Commercial (Refuge Floor)	1,006.3 sq.m.	978.2 sq.m.
Level 2	Commercial	3,968.9 sq.m.	3,058.1 sq.m.
Level 3	Commercial	4,756.7 sq.m.	3,833.0 sq.m.
Level 4	Commercial	4,756.7 sq.m.	3,833.0 sq.m.
Level 5	Commercial	4,769.9 sq.m.	3,875.8 sq.m.
Level 6	Commercial	4,603.2 sq.m.	3,872.9 sq.m.
Total :		27,698.1 sq.m.	22,847.9 sq.m.

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Rental Income
27,252.3 sq.m.	RMB4,935,290.00	RMB59,223,480.00

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing / engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 99.96% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By area (%)
0	1	0.2%
1	2	0.4%
2	3	0.0%
3	4	6.9%
4	5	7.5%
5	6	1.2%
6	7	38.8%
7	8	1.3%
8	9	13.2%
9	10	0.0%
Above 10		30.5%
		<hr/>
		100.0%
		<hr/> <hr/>

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year by area (%)	By area (%)
End of 2012	7.5%
End of 2013	17.0%
End of 2014	57.9%
End of 2015	1.3%
End of 2016 and thereafter	16.3%
	<hr/>
	100.0%
	<hr/> <hr/>

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Keen Ocean Limited (the “Property Company”) and Guangzhou Yicheng Property Management Co., Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2011 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Victory Plaza, is entitled to a remuneration of 4.0% per annum of the gross revenue (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the development, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the development. The Leasing Agent agrees that, for so long as it is the property manager of Victory Plaza, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalizing net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail / wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 7.0% per annum; and the reversionary yield is 8.0% per annum.

6.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.4% per annum for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centers and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four to five years. Upon expiry of such tenancies, new leases will be granted or renewed on four years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Discount Rate	9.40%
Growth Rate (10-year Average)	3.00%
Vacancy Allowance (10-year Average)	2.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

Service Fees based on the Tenancy	4.00% of rental income
Energy and Utility Expenses	0.5% of rental income
Sundry Expenses	1.00% of rental income
Insurance	RMB3.50/sq.m./month
Business Tax and others	5.50% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

6.3. OPINION OF VALUE

We have summarized the calculation results of each approach in the table below:

Valuation Method	Opinion of Value
Income Capitalization Approach	RMB753,000,000
Discounted Cash Flow Analysis	RMB741,000,000

Based on our valuation method of income capitalization approach including discounted cash flow analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB747,000,000 (RENMINBI SEVEN HUNDRED AND FORTY SEVEN MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow analysis.

Property Valuation Report

Part E - Valuation of various units held by Yuexiu REIT located in Yue Xiu Neo Metropolis Plaza located at Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshanliu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 242 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

- | | |
|-----------------------------------|--|
| a. Property Description | A regular L-shaped and level plot upon which comprises a 26-storey commercial building (including a 3-level of basement) is erected. The Property comprises a number of units of the building. |
| b. Type of land use rights | Granted |
| c. Land use | The land-use of the underlying land of Yue Xiu Neo Metropolis Plaza is described as "Commercial and Office". |
| d. Land use rights terms | Commercial Portion
40 years from 22 November 2005

Office Portion
50 years from 22 November 2005

Carpark Portion
50 years from 22 November 2005 |
| e. Registered owner | Guangzhou Jieyacheng Properties Company Limited |
| f. Gross floor area | Commercial Portion (Basement 1 to Level 4)
15,445.5 sq.m.

Office Portion (Level 5 to Level 23 excluding Level 6)
34,441.8 sq.m.

Car Parking Spaces (Basement 2 to Basement 3)
7,549.0 sq.m.

Others (including Common Facilities Areas and Club house on Level 6)
4,528.0 sq.m.

Total : 61,964.3 sq.m. |
| g. Gross rentable area | 49,887.3 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Yue Xiu Neo Metropolis Plaza is located in Zhongshanliu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC. It is directly linked to Ximenkou Metro Station. Yue Xiu District is one of the oldest urban areas in Guangzhou where provincial and municipal governments are located and is a traditional shopping centre of Guangzhou where the commerce is very prosperous. The well-known commercial and shopping areas include Beijing Road Pedestrian Street, Yide Road Dried Seafood Market, Toy Street, White Horse Building, Zhuangyuanfang Stationary Street, Bar Street along Yanjiang Road, Gaodi Street Clothing Business Street, Street Market of Printing Ink and Presswork Products in Tiancheng Road, Decoration Market Street in Taikang Road, Lamp and Flower Market Street, Jiefang Road Electronic products Market Street, Haopan Street – Leather and Shoes Material Business Street and Huifu Road Food Street. All these have attracted the attention of numerous tourists and commercial investors.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

The Property is located in Yue Xiu District. Developments in the area comprise mainly a mixture of old and new mid-rise commercial buildings and residential developments, interspersed with older low to medium-rise residential buildings. The pedestrian traffic flow along that section of Zhongshanliu Road is heavy as it is located near the junction of Renmenzhong Road. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites.

Due to the land registration system in the PRC, we cannot trace any information regarding to the previous development erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility of the Property is good as public transportation such as taxis and buses are available along Zhongshanliu Road and Reminzhong Road. Ximenkou Exit of Metro Station is directly connected to basement level 1 of the Property. It is located within approximately 20 minutes' driving distance from Guangzhou East Train Station.

3. PROPERTY DESCRIPTION

Yue Xiu Neo Metropolis Plaza, a Grade B commercial complex, is located at Zhongshanliu Road, Yue Xiu District in Guangzhou's traditional urban shopping area. According to the information provided by the Manager, the development has a total gross floor area of approximately 85,750.76 sq.m. It is a 26-storey commercial building (including a 3-level of basement) and was completed in 2005. The main entrance of the Property is onto the junction of Zhongshanliu Road and Remin Road North. Car parking facilities are provided within a 2-level basement whilst a podium garden, club, business centre and other ancillary facilities are located on Level 6 and Refuge Level. The layout and design of Yue Xiu Neo Metropolis Plaza is reasonable in comparison with other office buildings in the locality.

The Property is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and tiled floor at the main lobby. Main services comprising electricity, water and telecommunications are connected to the building. The building is subdivided into various units on all levels and is served by seven passenger lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable and commensurate to other office buildings in the neighborhood. It is maintained in a reasonable condition commensurate to its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the building and the details of the interest are listed below:

Level	Use	Gross Floor Area
Basements 2 and 3	Car park *	7,549.0 sq.m.
Basements 1 and 2	Common facilities	999.4 sq.m.
Basement 1 to Level 4	Commercial/Retail	15,445.5 sq.m.
Levels 5, 7 to 23	Office	34,441.8 sq.m.
Levels 1 to 6	Common facilities areas, refuge floor on Level 3 and club house on Level 6	3,360.1 sq.m.
Level 24	Common facilities areas	168.5 sq.m.
Total:		61,964.3 sq.m.

* The total floor area of the car parking spaces is approximately 7,621.0 sq.m. including approximately 72.0 sq.m. to be distributed to the predecessor of the Domestic JV Partner

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Rental Income
49,295.6 sq.m.	RMB4,381,362.00	RMB52,576,344.00

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing / engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 98.81% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By area (%)
0	1	9.6%
1	2	26.2%
2	3	38.2%
3	4	8.9%
4	5	9.6%
5	6	7.5%
Total:		100%

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year by area (%)	By area (%)
End of 2012	33.6%
End of 2013	37.3%
End of 2014	4.9%
End of 2015	5.6%
End of 2016 and thereafter	18.6%
	100.0%

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Guangzhou Jieyacheng Properties Co. Ltd. (the "Property Company") and Guangzhou Yicheng Property Management Limited (the "Leasing Agent") on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent is entitled to a remuneration of 4.0% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Property.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalizing net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail / wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.50% and 6.50% per annum for office and retail portions of the Property respectively; and the reversionary yields 8.00% and 7.00% per annum for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted discount rates of 9.5% and 9.00% per annum for the office and retail portions of the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centers and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four to five years. Upon expiry of such tenancies, new leases will be granted or renewed on four years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Discount Rate	9.5% (Office) and 9.00% (Retail)
Growth Rate (10-year Average)	3.00%
Vacancy Allowance (10-year Average)	2.00% (Office) and 2.00% (Retail)

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

Service Fees based on the Tenancy	4.00% of rental income
Energy and Utility Expenses	0.5% of rental income
Sundry Expenses	1.00% of rental income
Insurance	RMB3.50/sq.m./month
Business Tax and others	5.50% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

6.3. OPINION OF VALUE

We have summarized the calculation results of each approach in the table below:

Valuation Method	Opinion of Value
Income Capitalization Approach	RMB715,000,000
Discounted Cash Flow Analysis	RMB708,000,000

Based on our valuation method of income capitalization approach including discounted cash flow analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB711,500,000 (RENMINBI SEVEN HUNDRED ELEVEN MILLION AND FIVE HUNDERD THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow analysis.

Independent Auditor's Report



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF YUEXIU REAL ESTATE INVESTMENT TRUST (FORMERLY KNOWN AS GZI REAL ESTATE INVESTMENT TRUST)

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

We have audited the consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (together, the "Group") set out on pages 122 to 150, which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statement of comprehensive income, distribution statement and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager of Yuexiu REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and is responsible for ensuring that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (the "Trust Deed"), and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trust established by the Securities and Futures Commission of Hong Kong (the "REIT Code"), and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Yuexiu REIT, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in the REIT Code.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 February 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue - rental income	5	522,286	484,655
Operating expenses	6	(213,883)	(191,515)
Fair value gain on investment properties	12	1,026,406	345,123
Net finance income - excluding amounts attributable to unitholders	8	36,328	11,421
Profit before income tax and transactions with unitholders		1,371,137	649,684
Income tax expense	9	(33,862)	(14,049)
Profit after income tax before transactions with unitholders		1,337,275	635,635
Other comprehensive income for the year		—	—
Total comprehensive income for the year before transactions with unitholders		1,337,275	635,635
Change in net assets attributable to unitholders	21	1,337,275	635,635

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (the "Trust Deed") Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement on page 125.
- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders and the average number of units in issue, is presented in Note 10.

The notes on pages 127 to 150 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Machinery and tools	11	10	813
Investment properties	12	6,471,000	5,432,500
Deferred assets	14	39,104	42,269
Goodwill	15	160,324	160,324
		<u>6,670,438</u>	<u>5,635,906</u>
Current assets			
Tax recoverable		2,248	2,226
Prepayments, deposits and other receivables	16	6,831	7,206
Short-term bank deposits	17	175,111	—
Cash and cash equivalents	17	520,650	378,955
		<u>704,840</u>	<u>388,387</u>
Total assets		<u>7,375,278</u>	<u>6,024,293</u>
Current liabilities			
Rental deposits, current portion	19	54,055	34,828
Receipts in advance	19	7,986	9,007
Accruals and other payables	19	44,944	49,089
Amounts due to related parties	23	22,179	16,756
Bank borrowings, secured	20	—	1,774,748
		<u>129,164</u>	<u>1,884,428</u>
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	19	72,576	83,364
Bank borrowings, secured	20	1,978,169	—
Deferred tax liabilities	18	100,105	75,511
		<u>2,150,850</u>	<u>158,875</u>

Consolidated Balance Sheet (continued)

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Total liabilities, other than net assets attributable to unitholders			
Net assets attributable to unitholders	21	5,095,264	3,980,990
Total liabilities		<u>7,375,278</u>	<u>6,024,293</u>
Net assets		<u>—</u>	<u>—</u>
Total equity		<u>—</u>	<u>—</u>
Net current assets/(liabilities)		<u>575,676</u>	<u>(1,496,041)</u>
Total assets less current liabilities		<u>7,246,114</u>	<u>4,139,865</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,065,973</u>
Net assets attributable to unitholders per unit		<u>RMB4.78</u>	<u>RMB3.73</u>

On behalf of the Board of Directors of the Manager

Liang Ningguang
Director

Liu Yongjie
Director

The notes on pages 127 to 150 are an integral part of these consolidated financial statements.

Distribution Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Profit after income tax before transactions with unitholders		1,337,275	635,635
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		(1,026,406)	(345,123)
– Deferred taxation in respect of fair value gain on investment property charged to the consolidated statement of comprehensive income		18,687	541
– Amortisation charges on investment properties under Accounting Standards for Business Enterprises		(10,230)	(10,230)
– Exchange gain on bank borrowings		(87,905)	(60,596)
Total distributable income		231,421	220,227
Distributable amount at 1 January		104,750	126,017
Distributions paid during the year (ii)	21	(223,001)	(241,494)
Distributable amount at 31 December		113,170	104,750
Final distribution declared		113,170	104,750
Distribution per unit, declared (iii)		RMB0.1062	RMB0.0983

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with 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) A final distribution for the period from 1 July 2010 to 31 December 2010 of RMB0.0983 (equivalent to HK\$0.1165) per unit and interim distribution for the period from 1 January 2011 to 30 June 2011 of RMB0.1109 (equivalent to HK\$0.1339) per unit, totalling RMB223,001,000 (equivalent to HK\$242,402,000) (2010: RMB241,494,000, equivalent to HK\$275,980,000), were paid to unitholders on 19 May 2011 and 26 October 2011 respectively.
- (iii) A final distribution for the period from 1 July 2011 to 31 December 2011 of RMB0.1062 (equivalent to HK\$0.1308) per unit, totaling RMB113,170,000 (equivalent to HK\$139,391,000) was declared by the Board of the Manager on 20 February 2012.

The notes on pages 127 to 150 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	22	321,442	306,555
Interest paid		(36,984)	(35,689)
Corporate income tax paid		(9,290)	(8,678)
		<u>275,168</u>	<u>262,188</u>
Cash flows from investing activities			
Additions of investment properties		(12,094)	(5,377)
Interest received		2,783	2,373
Increase in short-term bank deposits with original maturity of more than three months		(175,111)	—
		<u>(184,422)</u>	<u>(3,004)</u>
Cash flows from financing activities			
Distributions paid		(223,001)	(241,494)
Proceeds from bank borrowings, net of transaction costs		1,994,060	—
Repayment of bank borrowings		(1,720,110)	—
		<u>50,949</u>	<u>(241,494)</u>
Net cash generated from/(used in) financing activities		<u>50,949</u>	<u>(241,494)</u>
Net increase in cash and cash equivalents			
		<u>141,695</u>	<u>17,690</u>
Cash and cash equivalents at beginning of the year		<u>378,955</u>	<u>361,265</u>
Cash and cash equivalents at end of the year	17	<u><u>520,650</u></u>	<u><u>378,955</u></u>

The notes on pages 127 to 150 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Yuexiu Real Estate Investment Trust (formerly known as GZI 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 Yuexiu REIT Asset Management Limited (formerly known as GZI REIT Asset Management Limited), as the manager of Yuexiu REIT (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 and Second Supplemental Deed dated 23 July 2010) (the “Trust Deed”) and authorised under section 104 of the Securities and Futures Ordinance (“SFO”) subject to the applicable conditions imposed by Securities and Futures Commission (“SFC”) from time to time.

The address of its registered office is 24/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

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

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Manager on 20 February 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“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, which are carried at fair value.

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

(i) New/amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that have been adopted by the Group:

- HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party.
- Amendment to HKFRS 7, “Financial instruments: Disclosures” is effective for annual period beginning on or after January 2011. It clarifies seven disclosures requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

The adoption of these amendments and interpretations to existing standards has no material financial impact on Group for the year ended 31 December 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group

HKAS 32 (Amendment)	Classification of rights issue
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first time adopters
Amendment to HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

In addition, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) also published a number of amendments for the existing standards/interpretations under third annual improvement project (2010). These amendments, except for amendment to HKFRS 7 “Financial instruments: Disclosure” as disclosed in Note 2(a)(i), are not expected to have a material financial impact on the Group.

(iii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group

HKAS 1 (Amendment)	Presentation of financial statements ³
HKAS 12 (Revised)	Deferred tax: Recovery of underlying assets ²
HKAS 19 (Amendment)	Employee benefits ⁴
HKAS 27 (revised 2011)	Separate financial statements ⁴
HKAS 28 (revised 2011)	Investment in associates and joint ventures ⁴
HKAS 32 (Amendment)	Financial instruments : Presentation – Offsetting financial assets and financial liabilities ⁵
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters ¹
HKFRS 7 (Amendment)	Disclosures – Transfer of financial assets ¹
HKFRS 7 (Amendment)	Financial instruments : Disclosures – Offsetting financial assets and financial liabilities ⁴
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures ⁶
HKFRS 9	Financial instruments ⁶
HKFRS 10	Consolidated financial statements ⁴
HKFRS 11	Joint arrangements ⁴
HKFRS 12	Disclosures of interests in other entities ⁴
HKFRS 13	Fair value measurements ⁴

¹ effective for annual periods beginning on or after 1 July 2011

² effective for annual periods beginning on or after 1 January 2012

³ effective for annual periods beginning on or after 1 July 2012

⁴ effective for annual periods beginning on or after 1 January 2013

⁵ effective for annual periods beginning on or after 1 January 2014

⁶ effective for annual periods beginning on or after 1 January 2015

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2011.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

(c) Segment reporting

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

The Group mainly engages in leasing of commercial properties in China, accordingly, there is one business and geographical segment for the Group's operations.

(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 the Group's functional and presentation currency.

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Machinery and tools

Machinery and tools are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of machinery and tools is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 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 and office buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the consolidated statement of comprehensive income.

(g) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of non-financial assets

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

(i) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

(j) Rental deposits

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

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

(k) 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.

(l) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Borrowing costs

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

(o) Current and deferred income tax

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

(i) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Current and deferred income tax (continued)

(ii) Deferred income tax

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

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

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

(iii) Offsetting

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

(p) 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) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Distributions to unitholders

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(A) Foreign exchange risk

The Group operates in China with most of the transactions denominated in RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits, accruals and other payables, amount due to a related party and bank borrowings, denominated in primarily in Hong Kong dollar ("HK\$") and United States dollar ("USD").

At 31 December 2011 and 2010, if RMB had weakened/strengthened by 1 % against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2011 would have been approximately RMB16,364,000 (2010: RMB16,544,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits, accruals and other payables, amount due to a related party and bank borrowings.

(B) Cash flow interest rate risk

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

The Group did not enter any swaps for its floating-rate borrowing as at 31 December 2011 and 2010. At 31 December 2011 and 2010, 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 RMB18,207,000 (2010: RMB18,186,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to tenants, including committed transactions.

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

	2011 RMB'000	2010 RMB'000
Counterparty		
Shenzhen Development Bank	292,273	246,456
The Hongkong and Shanghai Banking Corporation Limited	147,307	132,499
Wing Lung Bank Limited	256,181	—
	<u>695,761</u>	<u>378,955</u>

The Group has no policy to limit the amount of credit exposure to any financial institution.

(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 RMB695,761,000 as at 31 December 2011 (2010: RMB378,955,000). Due to the nature of the underlying businesses, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

3 FINANCIAL RISK MANAGEMENT (continued)**(a) Financial risk factors** (continued)**(iii) Liquidity risk** (continued)

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2011					
Rental deposits	54,055	9,291	62,416	4,721	130,483
Accruals and other payables	44,944	—	—	—	44,944
Amounts due to related parties	22,179	—	—	—	22,179
Bank borrowings, secured	—	—	2,028,371	—	2,028,371
Interest payables	44,262	44,262	35,046	—	123,570
As at 31 December 2010					
Rental deposits	34,828	26,005	59,127	2,574	122,534
Accruals and other payables	49,089	—	—	—	49,089
Amounts due to related parties	16,756	—	—	—	16,756
Bank borrowings, secured	1,787,730	—	—	—	1,787,730
Interest payables	30,702	—	—	—	30,702

(b) Capital risk management

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

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

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 RMB'000	2010 RMB'000
Total borrowings (Note 20)	1,978,169	1,774,748
Total asset value	7,375,278	6,024,293
Gearing ratio	27%	29%

There is no significant change in gearing ratio during the year.

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, short-term bank deposits and other receivables and financial liabilities including receipts in advance, accruals and other payables, and amounts due to related parties approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES

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

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

(a) Estimate of fair value of investment properties

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

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

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

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

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

(b) Estimate of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

5 REVENUE AND SEGMENT INFORMATION

Turnover consists of rental income. Revenue recognised during the year represents rental income from tenants. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Given that management review is the operating results of the Group in an aggregate basis, no segment information is therefore presented.

All the revenue of the Group is from external tenants except for those rental income received from the related parties, which was disclosed in Note 23.

The Group's revenue from external tenants is derived solely from its operation in China and the non-current assets of the Group are also located in China. During the year, no revenue from transactions with a single external tenant amounted to 10% or more of the Group's total revenue.

6 EXPENSES BY NATURE

	2011 RMB'000	2010 RMB'000
Property management fees (i)	17,828	16,669
Urban real estate tax	61,987	57,380
Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	29,718	24,804
Withholding tax (ii)	47,060	43,554
Depreciation of machinery and tools	803	2,417
Manager's fee	34,414	29,449
Trustee's fee	2,213	1,807
Valuation fees	565	218
Legal and professional fee	3,822	8,968
Auditor's remuneration	1,496	1,645
Bank charges	901	558
Others	13,076	4,046
	<u>213,883</u>	<u>191,515</u>
Total operating expenses	<u>213,883</u>	<u>191,515</u>

Note:

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd. and Guangzhou White Horse Property Management Co., Ltd. (Note 23).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

7 EMPLOYEE BENEFIT EXPENSE

Yuxiu REIT did not appoint any directors and the Group did not engage any employees during the year. As such, it has not incurred any employee benefit expense.

8 NET FINANCE INCOME - EXCLUDING AMOUNTS ATTRIBUTABLE TO UNITHOLDERS

	2011	2010
	RMB'000	RMB'000
Interest income from bank deposits	2,783	2,373
Foreign exchange gain on bank borrowings	87,905	60,596
Interest expense for bank borrowings	(36,984)	(35,689)
Amortisation of transaction costs for bank borrowings	(17,376)	(15,859)
	<u>36,328</u>	<u>11,421</u>
Net finance income	<u><u>36,328</u></u>	<u><u>11,421</u></u>

9 INCOME TAX EXPENSE

Since one of the subsidiaries of the Group, Guangzhou Jieyacheng Properties Company Limited, is a sino-foreign co-operative joint venture in China, it is subject to corporate income tax at a rate of 25% (2010: 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.

	2011	2010
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	9,089	8,437
– Under provision in prior years	179	212
Deferred income tax (Note 18)	24,594	5,400
	<u>33,862</u>	<u>14,049</u>
	<u><u>33,862</u></u>	<u><u>14,049</u></u>

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:

	2011	2010
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	<u>1,371,137</u>	<u>649,684</u>
Tax calculated at domestic tax rate of 25%	342,784	162,421
Income not subject to tax	(319,651)	(152,794)
Expenses not deductible for tax purposes	2,787	1,679
Under provision in prior years	179	212
Withholding tax on unremitted earnings of a subsidiary	7,763	2,531
	<u>33,862</u>	<u>14,049</u>
	<u><u>33,862</u></u>	<u><u>14,049</u></u>

10 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS

Earnings per unit based upon profit after income tax before transactions with unitholders for the year ended 31 December 2011 is RMB1.25 (2010: RMB0.60). The calculation of earnings per unit is based on profit after income tax before transactions with unitholders of approximately RMB1,337,275,000 (2010: RMB635,635,000) and on average units in issue of 1,065,973,000 units (2010: 1,065,973,000 units) during the year.

Diluted earnings per unit is not presented as there is no dilutive instrument for the years ended 31 December 2011 and 2010.

11 MACHINERY AND TOOLS

	RMB'000
At 31 December 2011	
Cost	12,203
Accumulated depreciation	(12,193)
Net book amount	<u>10</u>
For the year ended 31 December 2011	
Opening net book amount	813
Depreciation	(803)
Closing net book amount	<u>10</u>
At 31 December 2010	
Cost	12,203
Accumulated depreciation	(11,390)
Net book amount	<u>813</u>
For the year ended 31 December 2010	
Opening net book amount	3,230
Depreciation	(2,417)
Closing net book amount	<u>813</u>
At 1 January 2010	
Cost	12,203
Accumulated depreciation	(8,973)
Net book amount	<u>3,230</u>

12 INVESTMENT PROPERTIES

	2011	2010
	RMB'000	RMB'000
At 1 January	5,432,500	5,082,000
Additions during the year	12,094	5,377
Fair value gains during the year	1,026,406	345,123
At 31 December	6,471,000	5,432,500

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

The investment properties were revalued at 31 December 2011 by Savills Valuation and Professional Services Limited, independent professional qualified valuers, which was newly appointed as the principal valuers of Yuexiu REIT for the valuation as at 31 December 2011. The valuation as at 31 December 2010 was performed by Vigers Appraisal and Consulting Limited. Valuations were performed using discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing lease and other contracts, and from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB81,643,000 (2010: RMB78,526,000). Included in the direct operating expenses, RMB269,558 (2010: RMB326,559) was relating to investment properties that were vacant.

As at 31 December 2011, certain investment properties were pledged as collateral for the Group's bank borrowings (Note 20).

13 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")	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1 each	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Metrogold Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1 each	100%
Guangzhou Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of RMB92 million	100%

Note: Shares of HoldCo and Metrogold Development Limited are held directly by Yuexiu REIT. Shares of all the other subsidiaries are held indirectly by Yuexiu REIT.

14 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. The deferred assets are denominated in RMB.

15 GOODWILL

	RMB'000
At 31 December 2011	
Cost	160,324
Accumulated impairment	—
	<u>160,324</u>
31 December 2011	
Net book amount	<u>160,324</u>
At 31 December 2010	
Cost	160,324
Accumulated impairment	—
	<u>160,324</u>
31 December 2010	
Net book amount	<u>160,324</u>

Impairment test for goodwill

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

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

	2011	2010
Growth rate per annum	4%	3%
Discount rate per annum	7.6%	7.4%

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.

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

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

17 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2011	2010
	RMB'000	RMB'000
Cash at bank	308,169	296,021
Short-term bank deposits with original maturity of less than three months	212,481	82,934
Cash and cash equivalents	520,650	378,955
Short-term bank deposits with original maturity of more than three months	175,111	—
Total	695,761	378,955
Maximum exposure to credit risk	695,761	378,955

As at 31 December 2011, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB267,376,000 (2010: RMB215,580,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of the China is subject to exchange control restrictions imposed by the Chinese government.

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

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

	2011	2010
	RMB'000	RMB'000
HK\$	383,699	116,455
RMB	267,376	215,580
USD	44,686	46,920
	695,761	378,955

18 DEFERRED TAX LIABILITIES

	2011	2010
	RMB'000	RMB'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	<u><u>100,105</u></u>	<u><u>75,511</u></u>

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

	Fair value gains RMB'000	Withholding tax in respect of unremitted operating profits of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	57,681	6,406	11,424	75,511
Charged to the consolidated statement of comprehensive income (Note 9)	<u>18,687</u>	<u>2,727</u>	<u>3,180</u>	<u>24,594</u>
At 31 December 2011	<u><u>76,368</u></u>	<u><u>9,133</u></u>	<u><u>14,604</u></u>	<u><u>100,105</u></u>
At 1 January 2010	57,140	3,875	9,096	70,111
Charged to the consolidated statement of comprehensive income (Note 9)	<u>541</u>	<u>2,531</u>	<u>2,328</u>	<u>5,400</u>
At 31 December 2010	<u><u>57,681</u></u>	<u><u>6,406</u></u>	<u><u>11,424</u></u>	<u><u>75,511</u></u>

There is no significant unprovided deferred taxation as at 31 December 2011 (2010: nil).

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

	2011	2010
	RMB'000	RMB'000
Rental Deposits		
Current portion	54,055	34,828
Non-current portion	72,576	83,364
	<u>126,631</u>	<u>118,192</u>
Receipts in advance	<u>7,986</u>	<u>9,007</u>
Provision for withholding tax payable	7,603	8,102
Provision for business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	5,727	5,611
Construction fee payable	3,685	4,810
Accruals for operating expenses	<u>27,929</u>	<u>30,566</u>
Accruals and other payables	<u>44,944</u>	<u>49,089</u>
	<u>179,561</u>	<u>176,288</u>

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

20 BANK BORROWINGS, SECURED

	2011	2010
	RMB'000	RMB'000
Current	<u><u>—</u></u>	<u><u>1,774,748</u></u>
Non-current	<u><u>1,978,169</u></u>	<u><u>—</u></u>

On 26 September 2011, the subsidiaries of Yuexiu REIT and the lending banks (the “Lending Banks”) entered into a facility agreement with the Lending Banks in connection with a three-year floating rate secured term loan facility of HK\$2,502 million for refinancing the secured bank borrowings of Yuexiu REIT in the amount of HK\$2,100 million matured in November 2011. The term loan facility was fully utilised on 17 October 2011.

20 BANK BORROWINGS, SECURED (continued)

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

- investment properties of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited amounting to RMB5,741,700,000
- assignment of rental income and all other proceeds arising from the above investment properties and of all tenancy agreements relating to the above investment properties
- equity interests of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited and Metrogold Development Limited, subsidiaries of the Group

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

	2011	2010
	RMB'000	RMB'000
Within one year	—	1,774,748
Between two and five years	1,978,169	—

The effective interest rate of the bank borrowings at the balance sheet date was 2.18% (2010: 1.99%) per annum.

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

The Group has no undrawn borrowing facilities as at 31 December 2011 (2010: Nil).

21 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2011	2010
	RMB'000	RMB'000
At 1 January	3,980,990	3,586,849
Transfer from the consolidated statement of comprehensive income	1,337,275	635,635
Distributions paid during the year	(223,001)	(241,494)
At 31 December	5,095,264	3,980,990

22 NOTE TO THE STATEMENT OF CASH FLOWS

	2011	2010
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	1,371,137	649,684
Adjustments for:		
– Depreciation expenses	803	2,417
– Amortisation of transaction costs for bank borrowings	17,376	15,859
– Exchange gains on bank borrowings	(87,905)	(60,596)
– Fair value gains on investment properties	(1,026,406)	(345,123)
– Interest income	(2,783)	(2,373)
– Interest expenses	36,984	35,689
Changes in working capital:		
– Deferred assets	3,165	(4,849)
– Prepayments, deposits and other receivables	375	(1,749)
– Rental deposits	8,439	11,808
– Receipts in advance	(1,021)	3,208
– Accruals and other payables	(4,145)	1,427
– Amounts due to related parties	5,423	1,153
	<hr/>	<hr/>
Cash generated from operations	321,442	306,555
	<hr/> <hr/>	<hr/> <hr/>

23 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The table set forth below summarised the names of connected/related parties and nature of relationship with Yuexiu REIT as at 31 December 2011:

Connected/related party	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") ¹	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (formerly known as GZI REIT Asset Management Limited (the "Manager") ¹	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. ("Yicheng") ¹	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") ¹	A subsidiary of YXP
Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM") ¹	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Valuer")	The former principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

23 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

(a) Transactions with connected/related parties

	2011 RMB'000	2010 RMB'000
Manager's fee paid/payable to the Manager (ii)	(34,414)	(29,449)
Management fee paid/payable to Yicheng	(8,633)	(8,384)
Management fee paid/payable to White Horse PM	(9,195)	(8,285)
Rental income received/receivable from Xingye	1,317	982
Rental income received/receivable from YXP	652	1,209
Rental income received/receivable from Yue Xiu	28	53
Rental income received/receivable from Yicheng	6	5
Rental income received/receivable from GCCD	363	603
Rental income received/receivable from White Horse JV	1,181	1,178
Trustee's fee paid/payable to the Trustee	(2,213)	(1,807)
Valuation fee paid/payable to the Incumbent Valuer	(249)	—
Valuation fee paid/payable to the Former Valuer	(316)	(218)
Transactions with the HSBC Group		
– Interest expense paid/payable to the HSBC Group	(7,690)	(7,609)
– Annual arrangement fees on borrowings paid to the HSBC Group	(457)	(446)
– Commitment fee on bank borrowings paid to the HSBC Group	(52)	—
– Rental income received/receivable from the HSBC Group	13,158	11,445
– Interest income from the HSBC Group	42	38
	<u>13,158</u>	<u>11,445</u>

Note:

- (i) All transactions with connected parties/related parties were carried out in accordance with the terms of the relevant agreement governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the Deposited Property, as defined in the Trust Deed and a service fee of 3% per annum of Net Property Income, as defined in the Trust Deed.

23 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

	2011 RMB'000	2010 RMB'000
Amount due to Yicheng	(747)	(720)
Amount due to White Horse PM	(767)	(702)
Amount due to the Manager	<u>(20,665)</u>	<u>(15,334)</u>

All balances with related parties are unsecured, interest-free, repayable on demand and approximate to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2011 (2010: Nil).

24 CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital commitments in respect of investment properties, contracted but not provided for	<u>5,664</u>	<u>1,639</u>

25 FUTURE MINIMUM RENTAL RECEIVABLE

At 31 December 2011, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2011 RMB'000	2010 RMB'000
Within one year	513,976	476,321
Between one year and five years	701,081	912,250
Over five years	<u>17,913</u>	<u>2,872</u>
	<u>1,232,970</u>	<u>1,391,443</u>

Performance Table

As at 31 December 2011

	2011	2010	2009	2008
Net assets attributable to unitholders (RMB)	5,095,264,000	3,980,990,000	3,586,849,000	3,547,264,000
Net asset attributable to unitholders per unit (RMB) (Equivalent to HK\$)	4.78 5.90	3.73 4.38	3.36 3.82	3.33 3.77
The highest premium of the traded price to net asset value (HK\$)	N/A⁽ⁱ⁾	N/A	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	2.80⁽ⁱ⁾	1.44	2.19	2.54
Net yield per unit	44.01%⁽ⁱⁱ⁾	15.85%	9.58%	12.21%
Number of units in issue (units)	1,065,972,687	1,065,972,687	1,065,972,687	1,065,972,687

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.40 (2010: HK\$4.35) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011. The highest discount is calculated based on the lowest traded price of HK\$3.10 (2010: HK\$2.94) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2011 over the traded price of HK\$3.43 (2010: HK\$4.34) as at 31 December 2011.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of Yuexiu REIT for the last five financial years is set out below

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Profit after tax before transactions with Unitholders	<u>1,337,275</u>	<u>635,635</u>	<u>265,119</u>	<u>207,301¹</u>	<u>353,136²</u>
As at 31 December					
	2011	2010	2009	2008	2007 ³
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Total assets	7,375,278	6,024,293	5,651,149	5,602,431	4,861,621
Total Liabilities, other than net assets attributable to Unitholders	<u>2,280,014</u>	<u>2,043,303</u>	<u>2,064,300</u>	<u>2,055,167</u>	<u>1,551,874</u>
Net assets attributable to Unitholders	<u>5,095,264</u>	<u>3,980,990</u>	<u>3,586,849</u>	<u>3,547,264</u>	<u>3,309,747</u>

¹ The conversion rate of HK\$ to RMB was based on the average rate of 2008

² The conversion rate of HK\$ to RMB was based on the average rate of 2007

³ The conversion rate of HK\$ to RMB was based on the closing rate of 2007

Corporate and Investor Relations Information

BOARD OF DIRECTORS OF THE MANAGER

Executive directors

Mr Liang Ningguang (*Chairman*)

Mr Liu Yongjie

Non-executive director

Mr Liang Youpan (Resigned on 3 February 2012)

Independent non-executive directors & audit committee members

Mr Chan Chi On, Derek

Mr Lee Kwan Hung, Eddie

Mr Chan Chi Fai, Brian

Responsible Officers of the Manager

Mr Liang Ningguang

Mr Liu Yongjie

COMPANY SECRETARY OF THE MANAGER

Mr Yu Tat Fung

CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr Kwan Chi Fai

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS OF YUEXIU REIT

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd.
Wing Lung Bank, Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Limited
Malayan Banking Berhad Group

WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>
<http://www.hkex.com.hk>

REGISTERED OFFICE OF THE MANAGER

24th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

UNIT LISTING

Yuexiu REIT's Units are listed on:
The Stock Exchange of Hong Kong Limited

The stock code is: 405

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