



# 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 Orinance <chapter 571 of the Laws Hong Kong>  
(Stock Code: 00405)

VISION FOR  
A STEADY FORTUNE

ANNUAL REPORT 2015

Manager



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







# CONTENTS

2	Profile of Yuexiu REIT
3	Unitholders Calendar
4	Distribution
5	Performance Summary
6	Chairman's Statement
12	2015 Business Review and Future Prospects
22	Financial Results
28	Sustainable Development and Corporate Social Responsibility
35	Property Portfolio
74	Report of the Trustee
75	Directors' and Senior Executives' Profiles
81	The Leasing Agents
83	Corporate Governance
94	Connected Party Transactions
106	Investor Relations
108	Property Valuation Report
138	Independent Auditor's Report
140	Consolidated Statement of Comprehensive Income
142	Consolidated Balance Sheet
144	Distribution Statement
145	Consolidated Statement of Net Assets Attributable to Unitholders and Changes in Equity
146	Consolidated Statement of Cash Flows
147	Notes to the Consolidated Financial Statements
196	Performance Table
197	Five Year Financial Summary
198	Corporate and Investor Relations Information



# PROFILE OF YUEXIU REIT

## PROFILE OF YUEXIU REAL ESTATE INVESTMENT TRUST ("YUEXIU REIT")

Yuexiu REIT is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 ("Trust Deed") between HSBC Institutional Trust Services (Asia) Limited as the trustee ("Trustee") and Yuexiu REIT Asset Management Limited as the manager of Yuexiu REIT ("Manager") as modified by a First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Trust Deed dated 25 July 2012 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").

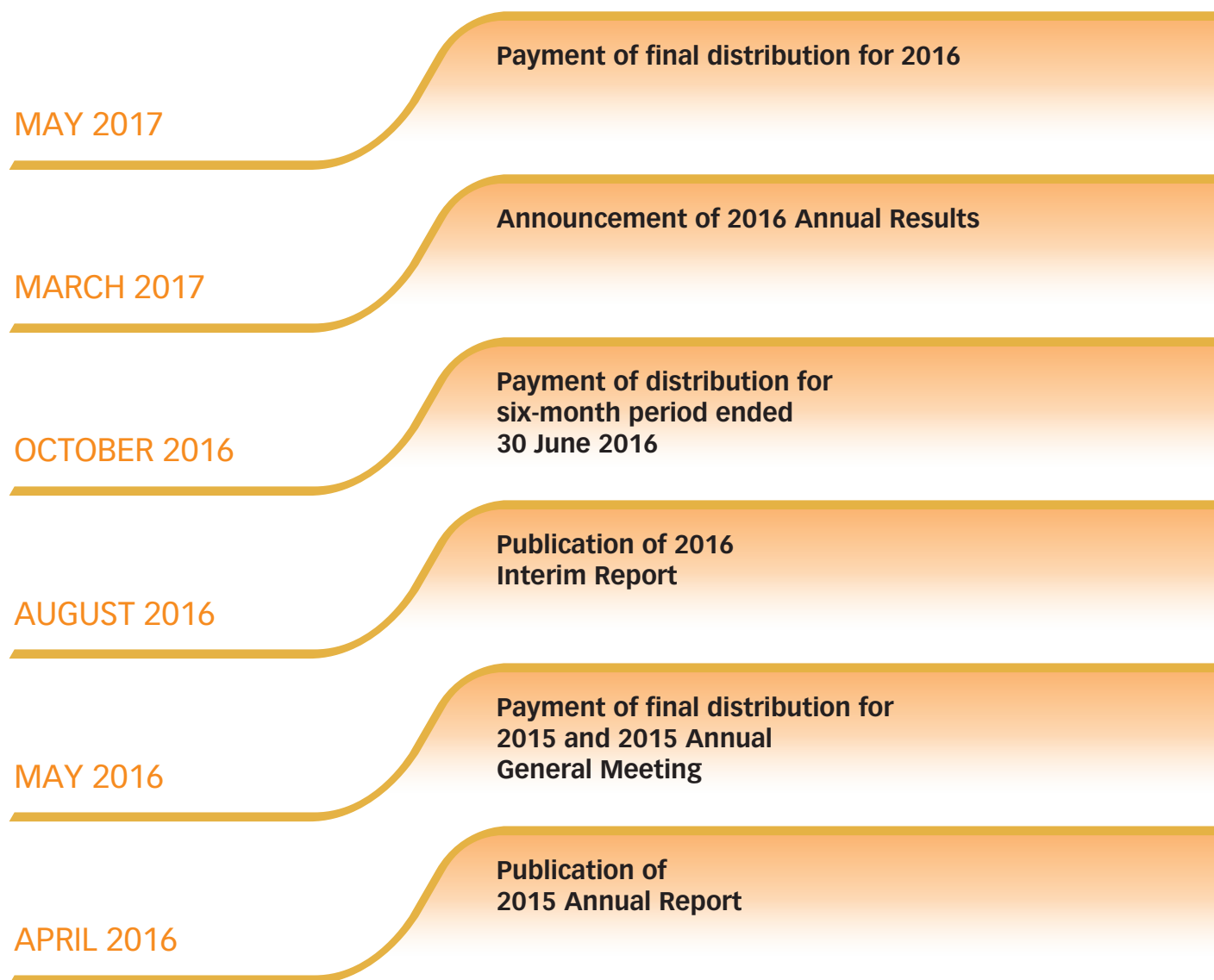
Yuexiu REIT's property portfolio ("Properties") consists of six commercial properties located in Guangzhou and one commercial property located in Shanghai. Yuexiu REIT is the first listed real estate investment trust in the world which invests in real property in mainland of the People's Republic of China ("PRC").





# UNITHOLDERS CALENDAR

## UNITHOLDERS CALENDAR 2016-2017



## DISTRIBUTION

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

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

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

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

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

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

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

### DISTRIBUTION YIELD

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

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 14 April 2016. The register of Unitholders will be closed from 14 April 2016 to 15 April 2016, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricolor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 13 April 2016. The final distribution will be paid on 17 May 2016 to the Unitholders whose names appear on the register of Unitholders on 14 April 2016.



# PERFORMANCE SUMMARY

## FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

## CHAIRMAN'S STATEMENT



**Liu Yongjie**  
Chairman

### **Dear Unitholders,**

On behalf of the Board of Directors of Yuexiu REIT Asset Management Limited as the Manager (“Manager”) of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), I am pleased to present the 2015 annual report of Yuexiu REIT.



## RESULTS AND DISTRIBUTIONS

In 2015, with a portfolio of premium properties and the extraordinary efforts of the entire management team, Yuexiu REIT continued to attain good operational results, and all key operational indicators were performing well. In 2015, Yuexiu REIT successfully acquired Hongjia Tower, a grade A office building located in the Zhuyuan commercial district, Pudong, Shanghai, further diversifying the property portfolio and income sources of the REIT. As at 31 December 2015, properties under Yuexiu REIT still maintained a relatively high occupancy rate and the overall occupancy rate reached 97.3%, representing an increase of 2.2% year-on-year. The occupancy rate of the original five properties was 99.4%, the occupancy rate of Guangzhou International Finance Center (“GZIFC”) was 97.3%, occupancy rate of the shopping mall was 86.8% and the occupancy rate of Hongjia Tower was 98.9%. During the Reporting Year, the total revenue of Yuexiu REIT was approximately RMB1,709,645,000, representing an increase of 8.8% as compared to RMB1,571,168,000 for the same period last year. The rent collection ratio remained at 100% with no bad debt. All Properties maintained stable operation and continued to improve steadily.

In 2015, Yuexiu REIT realized a total distribution of approximately RMB704,321,000, representing an increase of approximately RMB41,607,000 or an increase of approximately 6.3% as compared to the total distribution of RMB662,714,000 for the corresponding period last year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.3061 per Unit, representing an increase of HK\$0.0084 or an increase of approximately 2.8% as compared to the distribution amount of HK\$0.2977 for the same period last year. Based on the closing price of HK\$4.16 per Unit as at 31 December 2015, the rate of return was approximately 7.4%.



### MARKET REVIEW

In 2015, the macroeconomic growth rate of China continued to slow down, with notable characteristics of a new normal state of the economy, the pace of structural adjustment was accelerated, with relatively large downside pressure on economic growth. Moreover, the adjustment to the Renminbi exchange rate determination mechanism in China affected the global capital markets and commodity markets to a certain extent. However, with increased efforts in policies stressing on stable growth, structural adjustment, promotion of reforms, benefits to people's livelihood and risk prevention, the structural adjustments to the Chinese economy were further optimized. According to the data released by the National Bureau of Statistics, the gross domestic product ("GDP") of the PRC in 2015 amounted to RMB67,670.8 billion, representing a growth of 6.9% year-on-year, the overall economy maintained steady growth.

As the economic structure of China optimized further, transformation and upgrading of industries also continued in Guangzhou, operation of the overall economy in Guangzhou was basically stable. In 2015, the gross domestic product of Guangzhou was RMB1,810.041 billion, increased by 8.4% year-on-year, higher than the national and provincial growth rates by 1.5% and 0.4% respectively. Fixed asset investments of RMB540.595 billion were completed in Guangzhou, representing an increase of 10.6% year-on-year, total retail sales of consumables in the private sector of the entire city amounted to RMB793.296 billion, representing an increase of 11%, the economy maintained a fundamentally stable development.

In 2015, the total inventory of Grade A offices in the market of Guangzhou remained stable, with limited supply of new offices during the year. The rentals in the overall market maintained a steady rising trend. Leasing demand for Grade A offices was prominent from enterprises in the technology, media, communications and financial sectors, which usually required larger office spaces. Meanwhile, with robust demand arising from relocation, expansion and new establishment of offices from enterprises, the overall vacancy rate of Grade A offices declined to 9.2%. The performance of Grade A offices in Shanghai was also stable in 2015, the vacancy ratio of Grade A offices in the central business districts across Shanghai fell to 3.6% in the fourth quarter, representing a decrease of 0.5% as compared to the previous quarter and a decrease of 2.6% year-on-year, while average rentals increased by 2.6% as compared to the previous quarter and increased by 9.3% year-on-year, the rental level of the overall market was steady with an upward trend. In the retail sector, growth rate of total consumption had slowed down, coupled with diversified retail channels, market competition became increasingly intense. In the high-end hotel market, international branded high-end hotels in Guangzhou experienced robust and promising performance driven by the steady development in the domestic tourism market and the gradual recovery of the inbound tourism sector. Both occupancy and average daily room rate of hotel rooms showed continuous rising momentum. For high-end serviced apartments, the leasing market was stable in performance with a progressively upward trend, a declining vacancy ratio and an increase in the average apartment rental level year-on-year.



### BUSINESS OPERATING STRATEGIES

In response to dynamic changes in the market, the Manager achieved a relatively high occupancy rate coupled with the strengthening and enhancement of property rental value by implementing a proactive asset management and enhancement strategy, ultimately achieved stable rental returns and long-term sustainable business growth. Yuexiu REIT's Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza, offices in GZIFC and the newly acquired Hongjia Tower persistently recorded high occupancy rates through active leasing policy implemented by the Manager to effectively maintain stability of core customers and attract more high quality customers, the average occupancy ratio was 98.1%, unit rentals increased significantly by 8.0% year-on-year. The performance of GZIFC was particularly outstanding, with occupancy increased by 6.5% year-on-year and unit rental increased by 3.7% year-on-year, commanding a premium of more than 40% over other projects in the same area.

In retail malls and professional market segments, Victory Plaza continued further adjustment in its operation positioning to realize its transformation into a Fast Fashion Experience Centre. With increasing marketing and promotional efforts, the "VT101" brand image malls were gradually more popular among customers and led to a noticeable rise in rentals of this project. The Manager proactively initiated an optimization and enhancement plan for the podium mall of GZIFC, upgrading and renovation were basically completed, and leasing was progressing steadily. White Horse Building continued transforming and upgrading, the Manager consolidated the benchmark position of White Horse Building in the fashion wholesale sector and expanded the brand influence through image enhancement, tenant adjustment and innovative marketing measures, and recorded an excellent performance of achieving 100% occupancy rate and an increase in unit rental by 7.4% year-on-year.

With further implementation of the effective owner supervision system by the Manager, Four Seasons Hotel and Ascott Apartments continued to enjoy a leading position as landmarks of the industry in the Guangzhou region, revenue from each saleable unit and average room rate were the highest among competitors, with excellent results in performance.

### INVESTMENT AND FINANCIAL STRATEGIES

In 2015, the REIT successfully completed the transaction of Hongjia Tower, realizing the first asset acquisition by the REIT in area outside Guangzhou, resulting in an expanded size, more optimized asset portfolio and greater branding influence of the REIT.

The Yuexiu REIT implemented stable and sound financial policies. As at 31 December 2015, the gearing ratio (total borrowings to total assets) of Yuexiu REIT was maintained at the level of 37.4%, which was still far from the upper limit of 45% as required under the REIT Code.

The Manager continued its work in maintaining a stable credit rating of the REIT. In 2015, Moody's and Standard & Poor's continued to maintain an investment-grade rating of Baa2 and BBB respectively for the REIT.

### ASSET ENHANCEMENT STRATEGIES

The Manager was committed to improving perpetually the safety level, business operation conditions and office environment of the properties owned by Yuexiu REIT, in particular, the ongoing asset enhancement of projects. Diversified capital enhancement strategies were implemented on properties owned by Yuexiu REIT. While formulating and implementing various asset reconstruction plans, the rental level and value of the properties were continually enhanced by adopting strategies such as constantly optimizing the tenant mix, maintaining good customer relationship and increasing business-soliciting activities.

### PROSPECTS

Looking ahead to 2016, major economies of the world will continue to maintain moderate growth, the overall external environment for economic development faced by China will recover. However, as China will be in a transforming stage between old and new dynamic momentums, overall market demand remains weak, the domestic economy will still be facing considerable downside pressure. Nonetheless, it is expected that China is adopting an overall easing macroeconomic policy, through the implementation of a series of policies and incentive measures to adjust economic structure and enhance the perpetual economic growth momentum. In 2016, market expectation of a depreciation in Renminbi still prevails. However, as Renminbi is still not freely convertible for capital account items, the relevant regulatory authorities of the PRC will adopt measures to maintain a relatively stable exchange rate of Renminbi to keep the range of exchange rate fluctuations under control. The Manager will actively respond to the currency risk while focusing the liability position of Yuexiu REIT. The market of Grade A offices in Guangzhou market will usher in a new round of peak in supply. However, benefiting from the implementation of a series of favourable policies under the "Thirteenth Five-Year Plan" in Guangzhou, it is expected that the demand for office space will continue to grow with expansion, upgrading relocation and new establishment of offices from enterprises, and future trend of rentals will be able to remain stable. The supply of Grade A offices in Shanghai keeps increasing in quantity, the overall market vacancy rate may increase, subject to sustained robustness in demand, rentals are expected to maintain a steady growth. As competition intensifies in the leasing market of retail malls in Guangzhou, commercial units in the core business districts are still the hotspots of demand. Although average room rate and occupancy ratio of high-end hotels are affected by a slower growth in domestic economic development and a decline in consumer demand, they still maintain a stable to rising trend. For high-end serviced apartments, the market demand for leasing and average unit rate will continue to maintain a steady growth momentum. 2016 will be the last year of income support for operation of hotels and apartments, and the deferred units will also be issued every year at end, which will bring pressure on our future results. However, we believe that the impact resulting from the end of income support for hotels and apartments and issuing of the deferred units will be offset or mitigated when the Manager continues to enhance the operational efficiency.

## Chairman's Statement

We are cautiously optimistic in our belief that we are reaping the benefits of the steady growth in the PRC economy, on the basis of our premium portfolio of properties coupled with the professional management team of Yuexiu REIT, we will actively grasp prospective investment opportunities, through implementing proactive and prudent leasing strategies, which are complemented with effective property appreciation measures, we aim at continuously generating stable returns for the Unitholders.

### APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank wholeheartedly 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 enormous support and cooperation.

**Liu Yongjie**

*Chairman*

Hong Kong, 23 February 2016





# 2015 BUSINESS REVIEW AND FUTURE PROSPECTS

## BUSINESS REVIEW

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

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

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

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

## PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2015, Yuexiu REIT's portfolio of properties ("Properties") consisted of seven properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC") are located in Guangzhou and Hongjia Tower is located in Shanghai. The aggregate area of ownership of the Properties was approximately 743,106.2sq.m. and the total rentable area was 487,324.3 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Hongjia Tower; and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

## Particulars of the Properties are as follows:

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

## Note:

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

Segments of the Properties are as follows:

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

Note:

(1) As at 31 December 2015;

(2) For the year ended 31 December 2015;

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

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

Note:

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

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



### Property Valuation

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

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

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

Note:

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

### Lease Expiry of the Properties

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

### Revenue continued to increase

In 2015, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,709.6 million, representing an increase of 8.8% as compared to the corresponding period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC and Hongjia Tower accounted for approximately 23.8%, 4.2%, 3.5%, 3.7%, 3.8%, 58.5% and 2.5% respectively of the total revenue.

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

Name of Property	Revenue in 2015 RMB million	Revenue in 2014 RMB million	Increase in Revenue compared to 2014 RMB million	Increase %
White Horse Building	406.9	366.1	40.8	11.1%
Fortune Plaza	71.5	69.6	1.9	2.7%
City Development Plaza	60.2	59.4	0.8	1.3%
Victory Plaza	63.9	53.5	10.4	19.4%
Neo Metropolis	64.5	61.9	2.6	4.2%
Sub-total of the original properties	667.0	610.5	56.5	9.3%
GZIFC	999.6	960.6	39.0	4.1%
Hongjia Tower	43.0 <sup>(1)</sup>	—	43.0	N/A
Total	1,709.6	1,571.1	138.5	8.8%

Note:

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

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

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

Note:

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

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

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





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

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

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

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



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

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

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



## 2015 Business Review and Future Prospects

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

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

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





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

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

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

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

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

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

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

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

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

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

# FINANCIAL RESULTS

## FINANCIAL RESULTS

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

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

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

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

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

## Financial Results

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

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

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

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

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

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

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

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

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

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

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

## Financial Results

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

### Top-up Payment

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

### Net Asset Value

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

### New Units Issued and Unit Activity

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

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

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

## CAPITAL STRUCTURE

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

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

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

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



## Financial Results

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

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

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

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

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

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

## CASH POSITION

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

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

## ACCOUNTING TREATMENTS

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

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

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

## Financial Results

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

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

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

### SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

During the Reporting Year, Yuexiu REIT acquired Hongjia Tower at adjusted final acquisition price of US\$382,254,574. The total GFA of Hongjia Tower is approximately 62,139.35 sq.m.. For details please refer to the circular dated 6 August 2015 and the announcements dated 31 August 2015 and 27 January 2016 respectively.

### REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

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

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

### REPURCHASE, SALE OR REDEMPTION OF UNITS

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

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

### EMPLOYEES

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

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

### REVIEW OF FINANCIAL RESULTS

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

### CORPORATE GOVERNANCE

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

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

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

### ISSUANCE OF ANNUAL REPORT

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

### ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 18 May 2016. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

# SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

## 2015

Yuexiu REIT has been adhering to the core values of “professionalism, stability, excellence and win-win strategy” and strives to be a responsible corporate citizen for creating long-term value for various parties including investors, tenants, cooperation partners and employees, while insisting on ethical operational practice by adopting active measures to protect the environment and taking on social responsibility.

## CARING FOR EMPLOYEES

### Compliance with the labour law

The Yuexiu REIT is managed by the Manager (Yuexiu REIT and are collectively referred to as “we” hereinafter, as and when the context requires). We are in compliance with the applicable labour regulations and standards of Mainland China and Hong Kong, covering all aspects of employment protection and employee welfare, no children or adolescents (persons who are below the age of 18), as defined under the labour regulations, have been employed as our employees and there are no potential issues involving under-age workers or forced labour. The operators of Four Seasons Hotel and Ascott Apartments have strictly observed the labour laws of the place where they are situated; and the Manager has strictly complied with the relevant equal opportunities legislation. We ensure that any job applicant or employee will not be subjected to unfair treatment due to their disability, gender, pregnancy, marital status or sexual orientation.

### Development and training

Whether employees of the Manager, or employees of Four Seasons Hotel and Ascott Apartments, in addition to competitive remuneration and welfare benefits, we have been striving to provide multi-level internal and external training sessions for employees at various levels to satisfy the vocational development needs of the employees. Meanwhile, a comprehensive performance appraisal system and an ancillary two-way communication mechanism on performance are also being established and improved by us to enhance the vocational capabilities of staff.

### Caring for employees

In 2015, the Manager upheld two emphasis including “helping for employees and caring for employees”, to strive for establishing the home of employees with the satisfaction of employees, put great efforts on helping employees with difficulties, organized various humanistic care activities which satisfy the requirements of employees and beneficial to the physical and mental health of employees, e.g. thanksgiving orientation, birthday party for employees, “Guess Who I am” parent-child activity, theme speech competition, annual gathering and fun games.

## GROWING TOGETHER WITH TENANTS

The sustainable development of tenants is the core to drive performance growth of the REIT. Asset enhancement has continuously added vigour to our properties and also offered a better operating environment. In 2015, we continued to implement a number of measures to support and improve the business environment of our tenants.



### Capital innovation

- In 2015, six properties of Yuexiu REIT underwent nine capital renovation construction projects (the statistics excluding newly acquired Shanghai Hongjia Tower), totally invested in approximately RMB95.74 million.
- In 2015, the main capital innovation of GZIFC including commercial adjustment of basement and the fourth floor of retail podium. Such renovation project was commenced since the early of August, Friendship Store, the original tenant, returned the retail space in October as per expected planning and we started construction. It is expected that the renovation will be completed and re-opened in the first half of 2016. Besides, GZIFC renovated the carpark system, underwent safety upgrade of equipment room and renovated the environment of transfer plate. GZIFC also remodeled all the identification system in the office area.
- In 2015, White Horse Building commenced upgrade construction of 13, 14 passages in the 1st floor and public areas in other floors, which enhanced the business environment of the 1st floor and property image of White Horse Building and reinforced the leading position of White Horse Building in the Linhua business district, so as to lay down the solid foundation for increasing the property rental value.
- Yuexiu REIT completed 12 minor renovations of equipment of Shanghai Hongjia Tower after took over it.



### Service enhancement

- In 2015, GZIFC comprehensively implemented “6S Star Service System” and created an open cultural and art sharing platform named M Space (M空間), which organized a series of branding service theme activities for white-collar workers, including the ocean theme photography exhibition aimed for promoting “Marine Conservation” by Xie Mo (謝墨), one of the Hasselblad masters, the artistic private kitchen theme exhibition and talk aimed for promoting “Don’t waste food” by Craig Au-Yeung Ying Chai (歐陽應霽), the “shou shu” cities cultural theme exhibition by Ma, Ka Fai (馬家輝), the public welfare photography exhibition which recorded “Scenery of Love” by Jiang Yi Yan (江一燕) LOVE and the first talk among the nationwide “Hear the Love” public welfare talk tour. Multi-Disciplinary and diversified activities leded current topics of urban elites, and attracted the continuous follow-up and coverage by mainstream media such as “Southern Metropolis Daily” and “Live Broadcast Guangzhou” by Guangzhou Broadcasting Network;
- Fortune Plaza implemented serviced apartment management, in order to align its service standard with star hotel through enhancing soft services and optimizing hard amenities;
- City Development Plaza launched the pilot of online 2.0 version of office property service (EC services), which continued to dig out client’s service needs by the 6M and EC services idea, and implanted resources integration for gradually improving the offline service experience of customer through WeChat platform; simplified complain process, under supervision by customer through WeChat platform and reinforced on-site environmental management quality. We will explore and research the application of PAD in property management, promote and advertise through WeChat marketing measures, increase the stickiness of customer, so as to create an influential social circle for exploring and sharing customer resources;
- Utilizing social tools such as “WeChat” for building up community atmosphere and performing online interaction with tenants. As of December, the number of fans of Victory Plaza official WeChat had exceeded 100,000 and the number of fans of White Horse official had approximately 500,000; meanwhile, we implanted resources integration for gradually improving the offline service experience of customer through WeChat platform.
- Continued to co-operate with SGS for improving customer service system, including customer satisfactory survey, customer needs survey, customer service business document optimization and establishment of customer service standard.



## CARING FOR THE ENVIRONMENT

### Health and safety

Properties under our portfolio have adopted a number of modern health and safety measures, including automated fire detection and fire alert systems, standby power systems, etc. GZIFC is equipped with highly sophisticated fire alert facilities, including the advanced power leakage fire alert system, distributive optical fibre temperature-sensitive fire alarm system, intelligent emergency evacuation instruction system and intelligent emergency broadcasting system.

GZIFC has adopted currently the most advanced intelligent optical-fibre network, security and management system as well as an intelligent building surveillance system to safeguard network security; a central air-conditioning system with fresh air ventilation, fresh air heat ventilation and photocatalyst sterilization has been installed to ensure energy saving and environmental friendliness, which can kill bacteria and purify air effectively, to ensure indoor air quality; double layer, double glazed, low-e, low reflection, highly transparent and empty core glass walls of globally advanced level have been adopted, which are not only effective in heat insulation but also effective in reducing energy consumption and light pollution to the surroundings.

In 2015, we further upgraded the intelligent system of the retail podium of GZIFC when underwent commercial adjustment. The upgraded intelligent system added shopping mall security and protecting system, tenant information access and information publish interface, intelligent energy charging sub-system and wireless network sub-system, and we renovated the building construction surveillance system (BAS and BMS), which incorporated all the new electrical and mechanical equipment of shopping malls to the BAS and BMS system of GZIFC for centralized equipment supervision.

In 2015, we also planned to arrange the training and education and learning for safety management personnel, actively promoted training and certificate examination of "registered safety engineer", organized safety management personnel to visit benchmark commercial projects for learning of safety management and exchanging ideas, and systematically improved the safety management level of the Manager.



### Environmental protection and energy conservation

We have been encouraging a concept of green and environment-friendly lifestyle and performing our responsibilities for environmental protection through practical actions. We have been closely monitoring and analyzing the energy consumption pattern of the properties under our portfolio and implement energy saving measures based on technological reforms. We have adopted business measures conducive to environmental protection in the course of daily operations. For instance, various energy saving measures have been taken in the properties under our portfolio, recycled and environmentally friendly materials are used in improvement works so far as possible; professional institutions are engaged to conduct ad hoc risk surveys on hotels, apartments and offices, including fire and disaster prevention, flood control, machinery equipment, security and terrorism prevention, etc. In 2015, we have engaged an electrical and mechanical expert from the Architectural Design and Research Institute of Guangdong Province and an electrical and mechanical equipment consultant company to undergo on-site inspection evaluation of property project ELV intelligent system, elevator system, electrical and mechanical operational management, which they issued detailed inspection report and suggested optimization proposals for security, energy and electrical and mechanical management system of property.

### PAYING ATTENTION TO SOCIAL WELFARE

In 2015, the Manager remained to vigorously participate in various charity and public welfare activities:

#### Poverty alleviation activities

- In July 2015, we have sponsored RMB 260,000 to Suping Village, Baxiangshan Town, Fengshun County, Meizhou City, Guangdong Province for restoring a collapsed highway destroyed by typhoon "Linfa", and donated stationery such as schoolbag to local primary schools, as well as organized employees to visit such village during the Chinese New Year;
- In 2015, we have donated additional funds for construction of Baxiang center district of Baxiangshan Town in Fengshun County, Meizhou City, Guangdong Province, which supporting the upgrade of hardware amenities in its center district. The tender process of construction unit had been completed and it will enter into the construction stage.



### Charity and public welfare

- In 2015, the VT101 mall of Victory Plaza joined hands with various social organizations to spread the idea of public welfare through promotion campaigns. In January, VT101 joined hands with Information Times (信息時報) to initiate “Charity from Car Boot” (善在車尾箱) campaign, which established a caring car boot for calling on citizen to donate idle clothes, toys and books as new year gifts for children in mountainous areas; in February, VT101 organized 40 hair stylists to initiate “City Free Haircut 3 Anniversary • Forever Love”(全城義剪三周年 • 剪不斷的愛), which over 500 public-spirited citizens came for haircut and donated funds to Binxin Public Welfare Fund (碧心公益基金) in only 4 hours; in September, VT101 joined hands with Guangzhou Firebug Social Work Service Centre (廣州螢火蟲社會工作服務中心), which visited the “Blessed Cabin” (幸福小屋) in Qijing Village, Paitan County, Zengcheng, a left-behind children education base, with volunteers from the public and the “Lovely little V”(可愛的小V);
- In 2015, White Horse Building exerted its industrial influence and organized tenants to inspire the city with heart and worked together for charity. In January, the Guangzhou White Horse Apparel Market co-operated with Suixing Social Work Service Centre (穗星社會工作服務中心) to jointly organize “Hundred Family Public Welfare Helping Hundred Family—— Love in White Horse and Hundred Family Food Bank Charity Crowd-Funding Capaign”(百家公益共濟百家——愛在白馬暨百家食物銀行慈善眾籌活動) and “Bring Warmth to Home——White Horse Charing Auction (把溫暖帶回家——白馬慈善拍賣會). Tenants from White Horse donated approximately 360 pieces of clothes for auction in the auction campaign, and the proceeds from auction was passed to Liuhuajie Party Work Committee specific for property alleviation. In May, during the 2015 Guangdong University Students Fashion Week, the Guangzhou White Horse Apparel Market was awarded the “Award of Enthusiastic in Education” (熱心教育獎), in order to praise the solid support from White Horse to fashion design industry and university students design education.

## ADHERANCE TO OPERATING PRACTICES

### Product Liability

We have been endeavouring to provide quality services to clients (that means tenants and customers), the entrusted team of building and property management services have been operating in accordance with ISO 9000 quality management, ISO 14000 environmental management and OHSAS 18000 occupational health and safety management systems, while monitoring the satisfaction level of clients at the same time and active measures are also adopted to enhance the satisfaction level. A third party satisfaction survey showed that in 2015, the minimum overall satisfaction level of original 5 properties was also reached 94.1% and the maximum reached 100%, and the overall satisfactory level of GZIFC reached 90%.

### Future Prospect

We are fully aware of the importance of corporate social responsibility and strive to include the concept of sustainable development into the decision-making process of operational management. We expect to achieve better performance in the sustainable development of different areas while driving continuous growth in the operating results of Yuexiu REIT to satisfy the expectations of stakeholders.

# PROPERTY PORTFOLIO

## OVERVIEW OF THE PROPERTIES

The properties of Yuexiu REIT comprise seven high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC and Hongjia Tower.








## LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are located in the core business districts (“CBD”) of Guangzhou and Shanghai, the PRC. In particular, the White Horse Building is located in the Liuhua business and exhibition area of Guangzhou, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specializing in apparels, shoes and leatherware in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the north end of the Guangzhou Tianhe CBD, which is located on the new axis of Guangzhou and being one of the top three CBDs in China approved by the State where prime grade-A office buildings are concentrated, with highly concentrated metro line networks, convenient transportation, established and sound ancillary facilities. 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. GZIFC is located at the core financial business district of the Zhujiang New Town which is located on the new axis of Guangzhou, and enjoys favorable geographical advantages, with well-developed commercial and thriving cultural activities in the surrounding areas integrating natural landscape and arts of the new town center, which will make Guangzhou International Finance Center the new icon of Guangzhou City. Hongjia Tower is located at 388 Fushan Road, Pudong New District, Shanghai Municipality, PRC and only 2 kilometres away from the Little Lujiazui central district. Due to its convenient traffic conditions, Hongjia Tower can be reached by various rail lines in the vicinity and is adjacent to the intersection of metro lines 2, 4, 6 and 9.

# PROPERTY PORTFOLIO LOCATIONS MAP OF PROPERTY



## PROPERTY

-  Guangzhou IFC
-  White Horse Building
-  Neo Metropolis
-  City Development
-  Victory Plaza
-  Fortune Plaza
-  Shanghai Hongjia Tower



# 廣州 GUANGZHOU







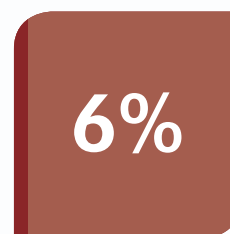
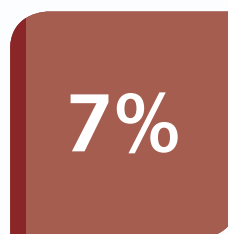
White Horse Building



Fortune Plaza

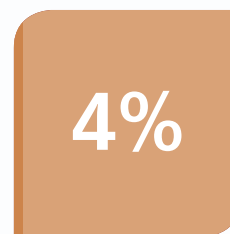
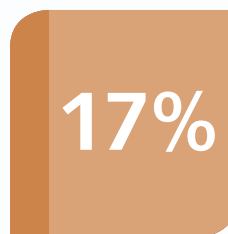
### AREA OF PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 743,106.2 sq.m. and a rentable area of 487,324.3 sq.m. As at 31 December 2015, the overall occupancy rate of the portfolio was 97.3%.



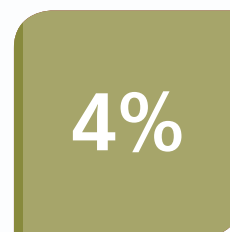
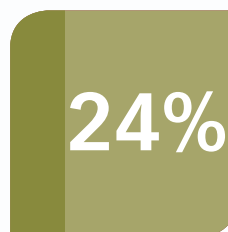
### PROPERTY VALUATION

According to the valuation report issued by Vigers, the property portfolio of Yuexiu REIT was valued at a total value of RMB27,574 million as at 31 December 2015.



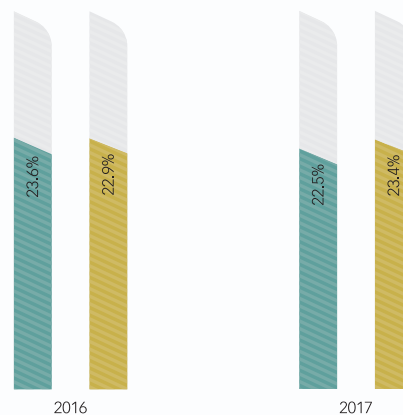
### OPERATING INCOME GENERATED BY THE PROPERTIES

In 2015, Yuexiu REIT recorded a total annual operating income of RMB1,709.6 million, representing an increase of 8.8% as compared to the same period last year.



### LEASE EXPIRY OF THE PROPERTIES

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





City Development Plaza



Victory Plaza



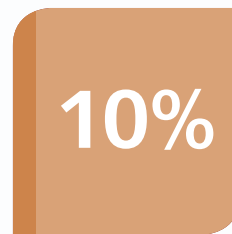
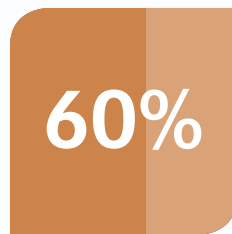
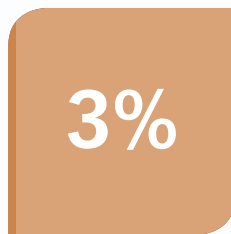
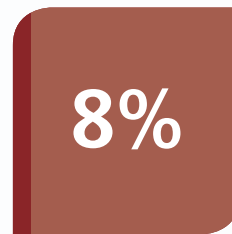
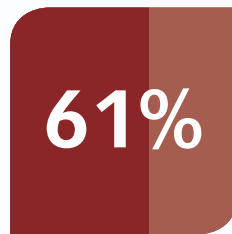
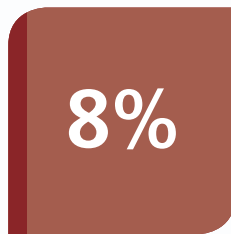
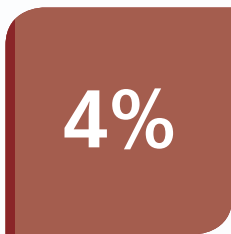
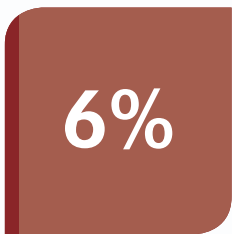
Neo Metropolis



Guangzhou International Finance Center



Shanghai Hongjia Tower



2018



2019



2020 and beyond

By rental area  
By basic monthly rentals

GUANGZHOU - TIANHE DISTRICT  
**GUANGZHOU IFC**

**A GLOBAL BUSINESS LEADER  
AND A NEW BENCHMARK FOR  
THE BUSINESS IMAGE OF GUANGZHOU**

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

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

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

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







GUANGZHOU - TIANHE DISTRICT

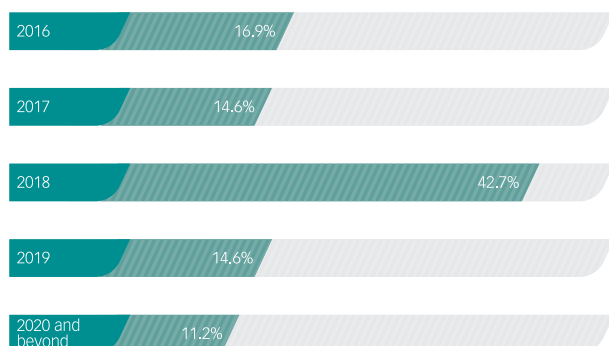
# GUANGZHOU IFC - OFFICE



The offices of Guangzhou International Finance Center are on the 4th to 65th floors of the main tower. It has a gross floor area of 184,000 sq.m. and commenced operation in July 2011. As an iconic building and a landmark in southern China, Guangzhou International Finance Center has attracted many multinational companies and renowned enterprises to lease its office spaces. Currently its tenants include renowned companies such as Bank of America, Société Générale, Allianz Insurance, The British Consulate, China Britain Business Council, Alcatel, Biostime France, Italian Foreign Trade Association, BSH, Cushman & Wakefield and Mitsubishi Electric.

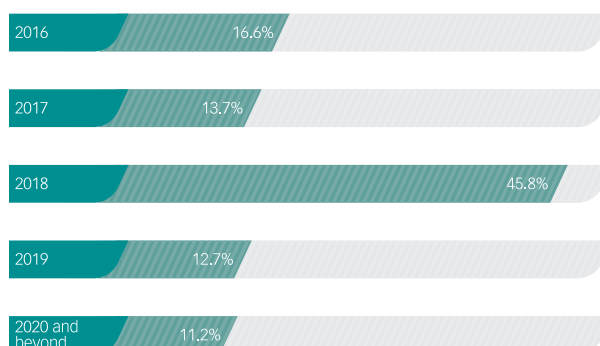
## Lease Expiry of the Offices

(by rental area)



## Lease Expiry of the Offices

(by basic monthly rentals)

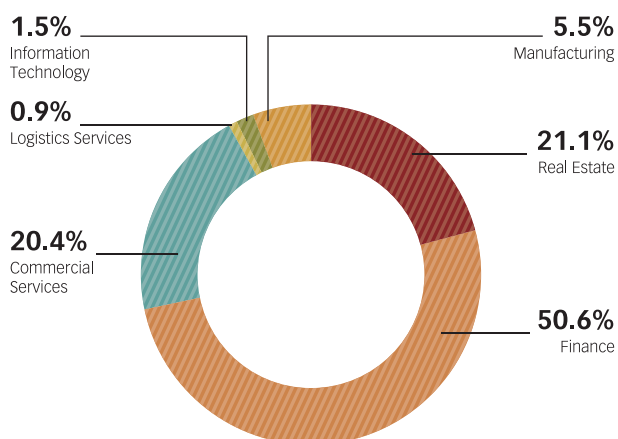




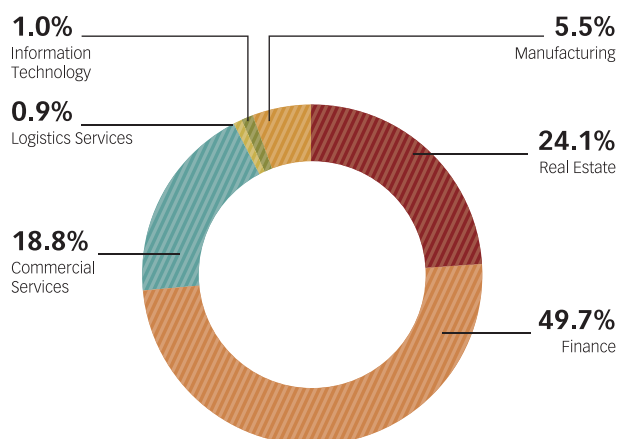
TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of Gross Rental Area	% of Total Monthly Rentals
Guangzhou Yuexiu and its subsidiaries	Comprehensive trade	27.3%	31.3%
Guangzhou Industrial Investment Fund and its subsidiaries	Finance	6.4%	6.3%
Kingvision Group Limited	Real estate	1.8%	2.2%
Guangzhou City Biostime Biological Products Co., Ltd.	Manufacturing	2.1%	2.1%
Youngy Investment Holding Group	Finance	1.8%	1.8%
China Export & Credit Insurance Corporation Guangdong Branch	Finance	1.8%	1.7%
King & Wood (Guangzhou) Law Firm	Commercial services	1.8%	1.7%
Guangzhou Servcorp Business Service Co. Ltd.	Commercial services	1.3%	1.3%
Ping An Bank Company Limited	Finance	1.2%	1.2%
Allianz and its associated enterprises	Finance	1.6%	1.2%
<b>Total</b>		<b>47.1%</b>	<b>50.8%</b>

Industry Composition of Offices Tenants by Rental Area



Industry Composition of Offices Tenants by Basic Monthly Rentals



GUANGZHOU - TIANHE DISTRICT

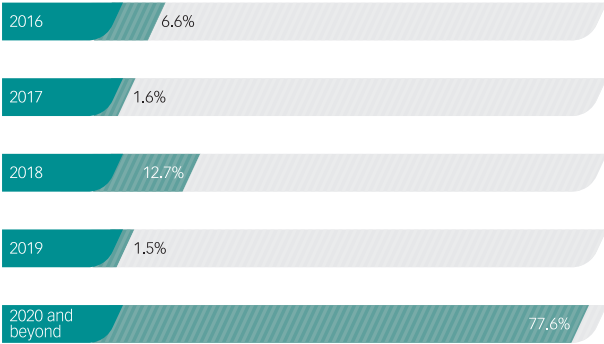
# GUANGZHOU IFC - SHOPPING MALL



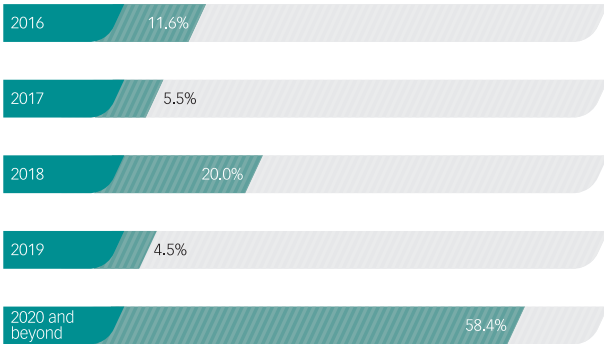
The shopping mall occupies a total of six floors of the podium. It has a gross floor area of 47,000 sq.m. and commenced operation in November 2010.

The anchor tenant of the shopping mall is the high-end department store, Guangzhou Friendship Store, which occupies 60.6% of the area of the shopping mall for a term of 15 years with effect from 2010. As of 31 December 2015, the occupancy of the shopping mall was 86.8%, and the unit rental price was RMB105. In order to better accommodate changes in the retail market, commercial adjustments were made to a portion of the shopping mall starting from 2015 so as to optimize the property structure.

**Lease Expiry of Shopping Mall**  
(by rental area)



**Lease Expiry of Shopping Mall**  
(by basic monthly rentals)





GUANGZHOU - TIANHE DISTRICT

# GUANGZHOU IFC - FOUR SEASONS HOTEL



## Property Portfolio

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

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

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

	<b>Date of inception</b>	<b>Area of ownership</b>	<b>Number of rooms</b>	<b>Average occupancy rate</b>	<b>Average room rate (RMB/night)</b>
Four Seasons Hotel Guangzhou	August 2012	91,460.9	344	71.8%	1,928.2





GUANGZHOU - TIANHE DISTRICT

# GUANGZHOU IFC - ASCOTT IFC

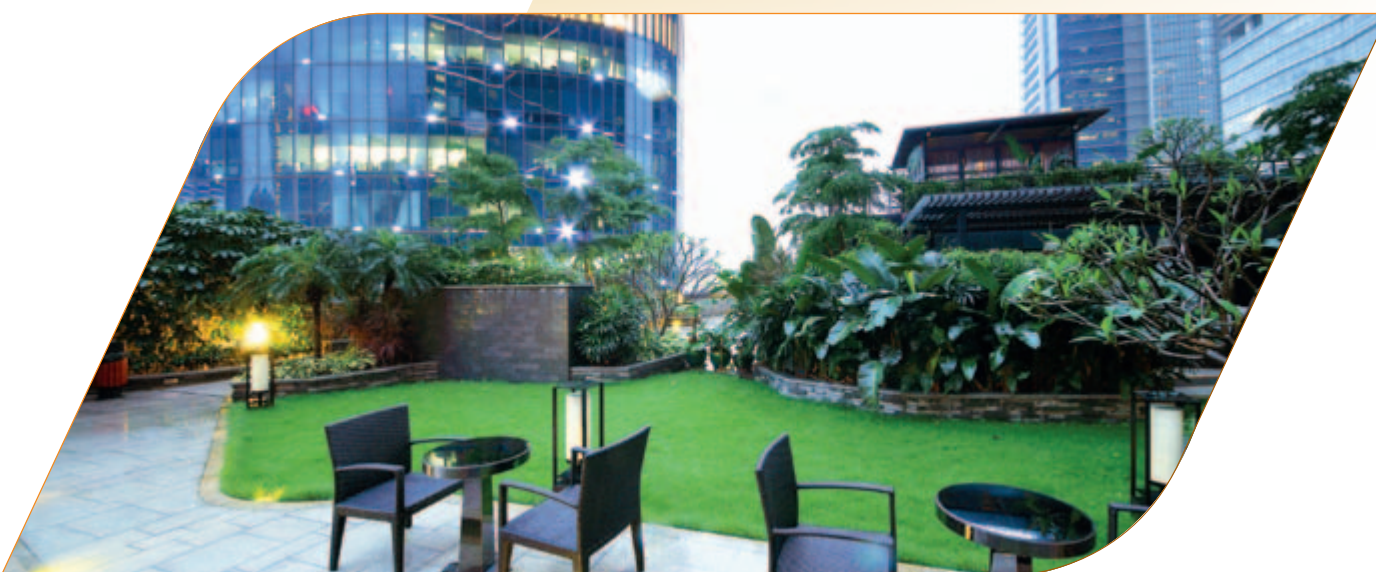


## Property Portfolio

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

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

	<b>Date of inception</b>	<b>Area of ownership</b>	<b>Number of rooms</b>	<b>Average occupancy rate</b>	<b>RMB/night</b>
Ascott IFC Guangzhou	September 2012	51,102.3	314	93.1%	953.2



GUANGZHOU - YUEXIU DISTRICT

## WHITE HORSE BUILDING

### TOP 10 CHINA GARMENT WHOLESALE MARKET AND THE INCUBATION BASE OF CHINA FASHION BRANDS

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

More than 1,100 fashion manufacturers from various regions across the country congregate in the Guangzhou White Horse Apparel Market. The Market is mainly engaged in middle to high end fashionable men's and women's branded apparel and adheres to the competitive advantages featuring "Original Brands, High Quality Products, Primary Source of Goods and Manufacturers' Direct Sales". 80% of the tenants in the Market operate their own factories and are capable of independent product R&D and manufacturing. Their products are widely popular worldwide, covering over 30 provinces, municipalities and autonomous regions in the PRC, as well as over 70 countries and regions such as the United States, Russia, the Middle East, Southeast Asia and Western Europe. The Market has an average daily traffic flow of 50,000 customers with an annual trading amount of over RMB10 billion.

In recent years, Guangzhou White Horse Apparel Market made timely use of Internet resources to provide free WIFI services across the Market. The WeChat of Guangzhou White Horse Apparel Market (Account No: baima\_market) has been created to concurrently provide purchasers with the latest fashion information and recommendation of superior brands and sources of goods, which creates limitless business opportunities through mobile phones.

After years of cultivation and development, the Guangzhou White Horse Apparel Market has become a bellwether in the wholesale industry of garments in the country, and has won various recognition and awards, such as the Top 10 Professional Markets of Fashion in China, CNTAC Product Development and Promotion Award, the First Incubation Bases for Fashion Brands in China, National Civilized Market, Guangdong Fashion Apparel International Purchase Centre, Guangdong Famous Brand, Leading Enterprise in Guangdong Modern Wholesale Market, China E-Commerce Modelling Enterprise and 2013-2014 Guangdong Top 100 E-Commerce Enterprises in Guangdong.





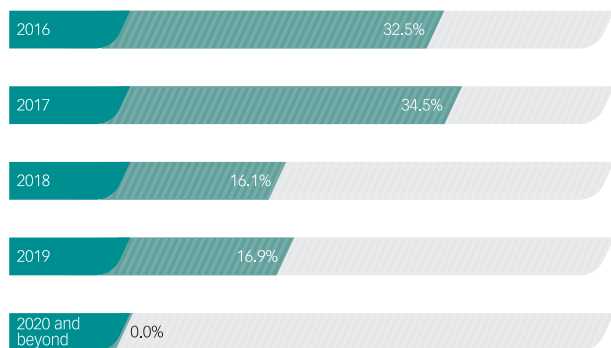
广州白马服装市场

白马大厦

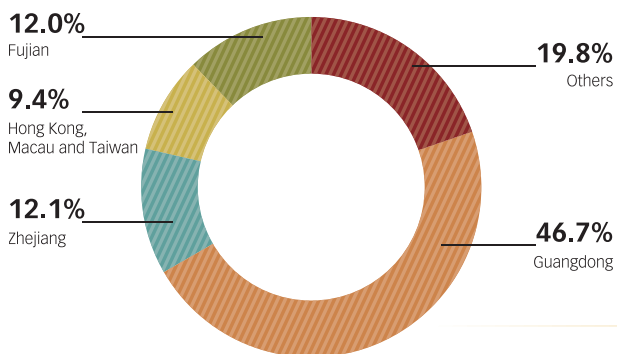


### Lease Expiry

(by rental area)

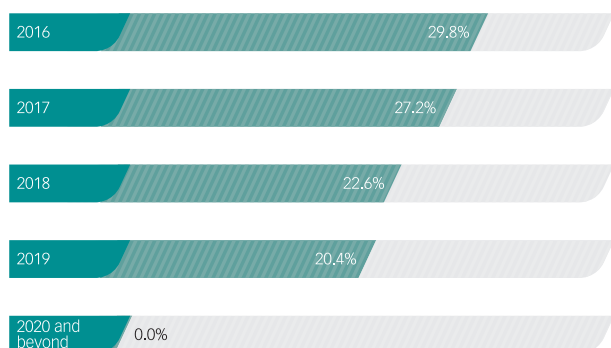


### Geographical Distribution of Tenants by Rental Area

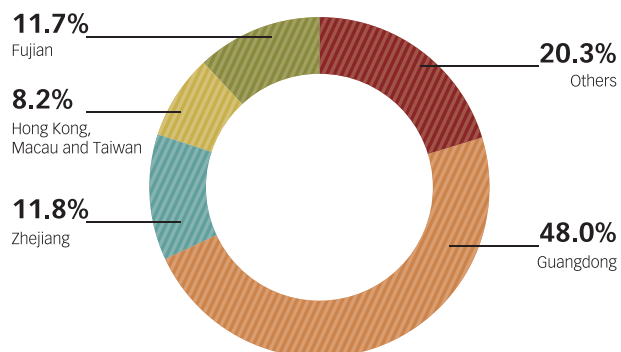


### Lease Expiry

(by basic monthly rentals)



### Geographical Distribution of Tenants by Basic Monthly Rentals







TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
Wang Jiang	Wholesale/Retail	1.3%	1.5%
Zhao Kechun	Wholesale/Retail	0.7%	1.3%
Jin Yudan	Wholesale/Retail	0.6%	1.3%
Chen Shaoyang	Wholesale/Retail	0.6%	1.1%
Zhou Fawei	Wholesale/Retail	0.8%	1.1%
Shi Shali	Wholesale/Retail	0.5%	0.9%
Chen Jiaquan	Wholesale/Retail	0.8%	0.7%
Zhu Huifeng	Wholesale/Retail	0.4%	0.7%
Lin Peifang	Wholesale/Retail	0.4%	0.7%
Fang Mianfang	Wholesale/Retail	0.6%	0.7%
<b>Total</b>		<b>6.7%</b>	<b>10.0%</b>



GUANGZHOU - TIANHE DISTRICT

## FORTUNE PLAZA

### CONVERGENCE OF THE GLOBAL LARGE RENOWNED COMPANIES AND MODEL OF NATIONAL PROPERTY MANAGEMENT

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

As an iconic building and landmark in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice for large renowned companies in the world. It has been recognized as the “Model of National Property Management” and is well received by customers in the industry. The existing tenants of Fortune Plaza include many famous enterprises, such as Chevron, Citibank, AEON Group, Publicis Advertising, Baleno, Ping An Bank, CTRIP, Wall Street English and Santa Ana.





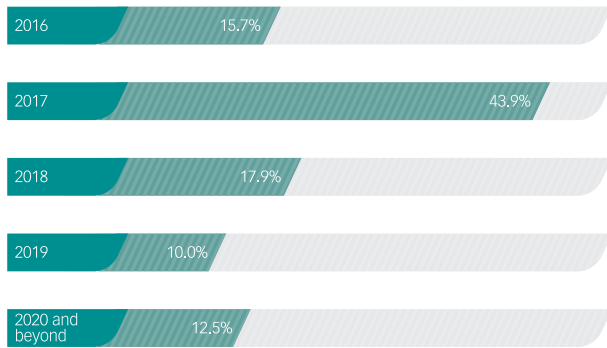
越秀·财富广场  
YUESHOU WEALTH PLAZA

国元证券  
GUOYUAN SECURITIES

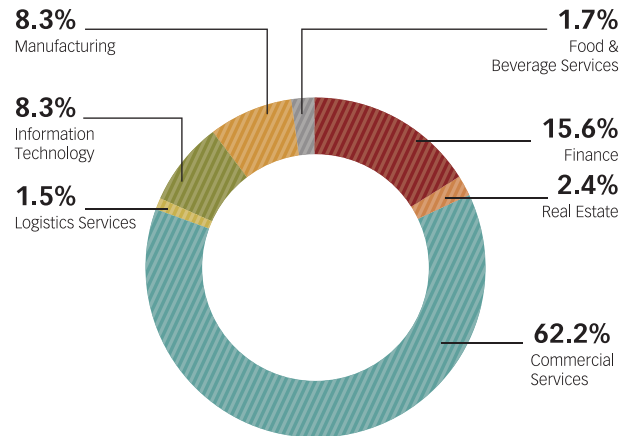
atbank

### Lease Expiry

(by rental area)

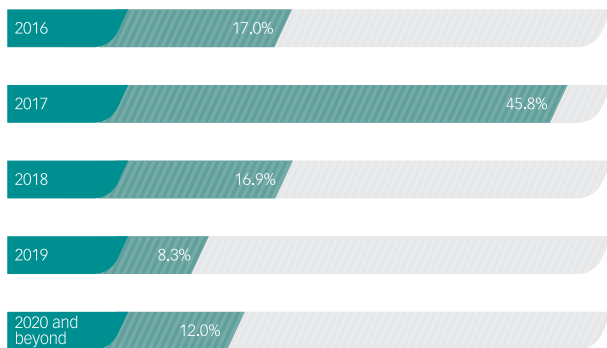


### Industry Composition of Tenants by Rental Area

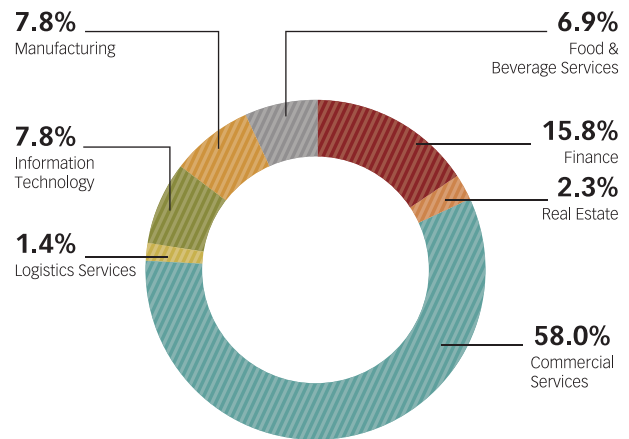


### Lease Expiry

(by basic monthly rentals)



### Industry Composition of Tenants by Basic Monthly Rentals





TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
Guangzhou Friendship Baleno Company Limited	Commercial Services	10.3%	8.2%
Publicis Group and its subsidiaries	Commercial Services	9.5%	8.0%
AEON Group and its subsidiaries	Commercial Services and Finance	10.3%	7.8%
Wall Street English Training Centre (Guangdong) Co., Ltd.	Commercial Services	3.7%	5.7%
CTRIP and its subsidiaries	Commercial Services and IT	5.9%	5.6%
Citibank (China) Company Limited, Guangzhou Branch	Finance	4.4%	4.9%
Mannings Guangdong Retail Company Limited	Commercial Services	0.6%	3.7%
Shinyway Group and its subsidiaries	Commercial Services	3.6%	3.5%
Kungfu Catering Management Co., Ltd.	Food & Beverage Services	1.0%	3.3%
Beijing Qunar Software Technology Company Limited	IT	2.9%	2.7%
<b>Total</b>		<b>52.2%</b>	<b>53.4%</b>



GUANGZHOU - TIANHE DISTRICT

## CITY DEVELOPMENT PLAZA

### ENTERPRISE HEADQUARTERS IN TIANHE CBD AND MODEL OF NATIONAL PROPERTY MANAGEMENT

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

Existing tenants of City Development Plaza include many famous enterprises, such as Efund Management Company, Ping An Bank, SPD Bank, Taikang Life, Taikang Pension, General Mills, White Horse PM, and a visa centre for seven countries such as the U.K., Canada and Spain was set up in its podium.



城建大厦

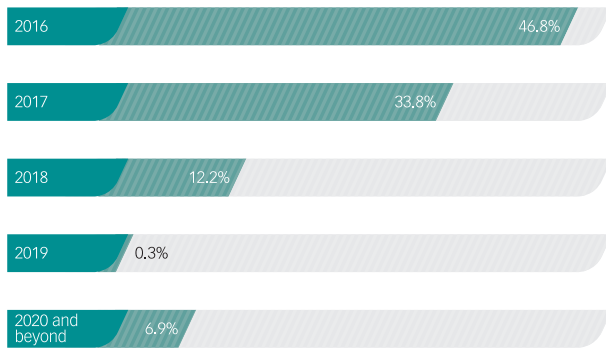
城建大厦  
CITY DEVELOPMENT PLAZA

浦发银行 SPD BANK

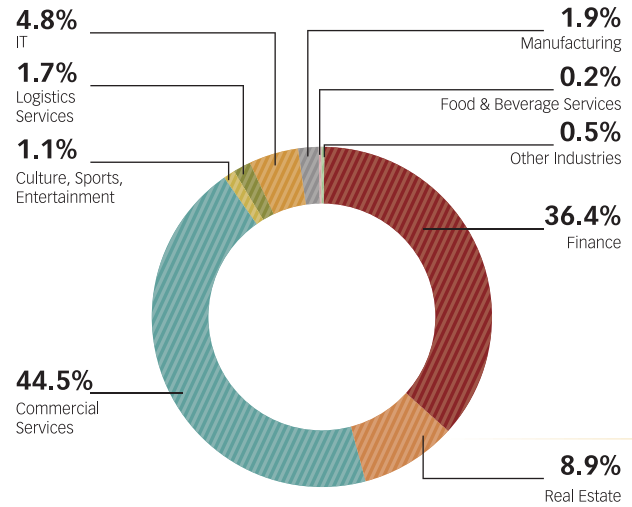
康人壽



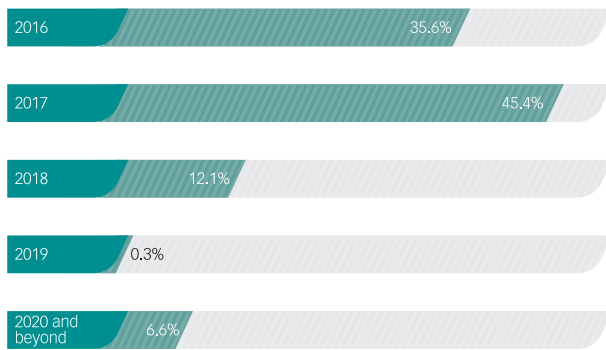
**Lease Expiry**  
(by rental area)



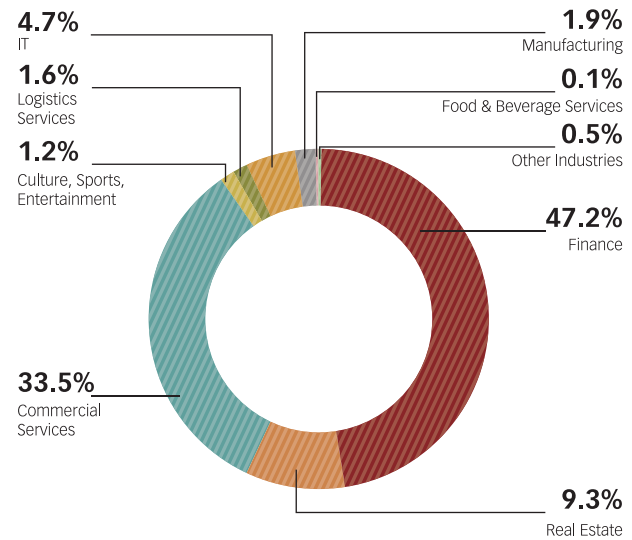
**Industry Composition of Tenants by Rental Area**



**Lease Expiry**  
(by basic monthly rentals)



**Industry Composition of Tenants by Basic Monthly Rentals**







TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
Shanghai Pudong Development Bank, Guangzhou Branch	Finance	3.6%	10.4%
Guangzhou City Construction & Development Group	Real Estate	8.7%	9.3%
Taikang Insurance and its subsidiaries	Finance	9.7%	9.2%
Ping An Bank	Finance	3.6%	8.7%
Guangzhou Wisevalley Development Co., Ltd.	Commercial Services	18.5%	8.6%
Golden Eagle Asset Management Co., Ltd.	Finance	8.7%	8.4%
Efund Management Co., Ltd.	Finance	5.7%	6.1%
Guangzhou Yicheng Property Management Limited	Commercial Services	4.6%	4.4%
Tongcheng International Travel Service Co., Ltd. (同程國際旅行社有限公司)	Commercial Services	2.4%	2.5%
General Mills Trading (Shanghai) Co., LTD Guangzhou Branch	Commercial Services	2.2%	2.2%
<b>Total</b>		<b>67.7%</b>	<b>69.8%</b>

GUANGZHOU - TIANHE DISTRICT  
**VICTORY PLAZA**

**AN INTERNATIONAL FAST FASHION  
EXPERIENCE SHOPPING MALL AND “DIAMOND”  
BUSINESS LANDMARK OF GUANGZHOU CBD**

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

Its shopping mall is positioned as an “international fast fashion experience shopping mall” and was renamed as “VT101” on 28 September 2014. It features fashionable, young, healthy, sustainable and trendy lifestyle. It has introduced tenants including the largest flagship store of Uniqlo in south China, Adidas’ brand new HomeCourt in south China, a super large store of SWATCH, a fashionable watch brand in Guangzhou, Tanyu (探魚), the most fashionable roast fish brand. It has integrated shopping, food and beverages, leisure, literature and art functions. VT101 mainly promotes lifestyles of health and sustainability, consolidates organic life and modern decoration in a subtle manner so that consumers can have enjoyable food and shopping experience in an easy and pleasurable environment.





UNIQLO

UNI  
QLO

HOLIDAY SALE

UNIQLO

adidas

UNI  
QLO

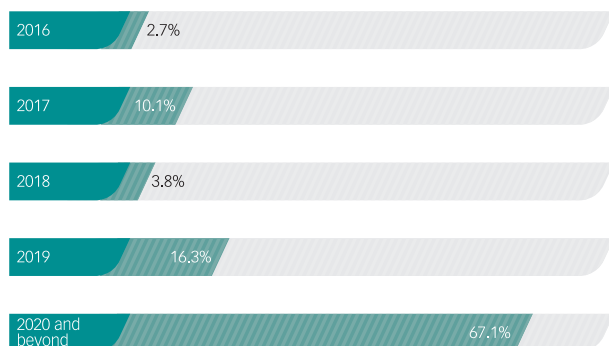




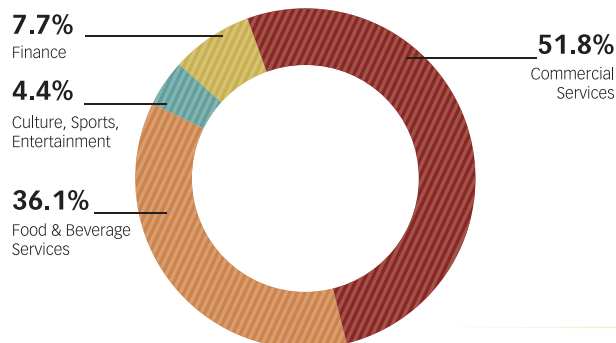
## Property Portfolio

### Lease Expiry

(by rental area)

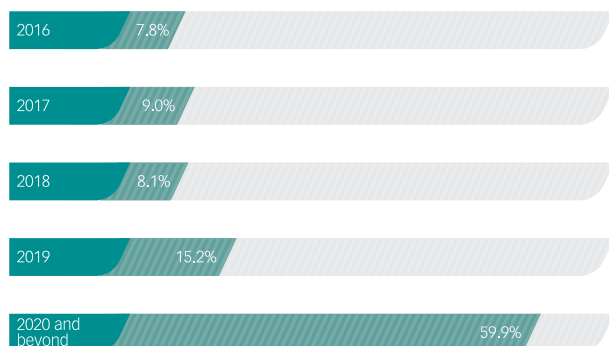


### Industry Composition of Tenants by Rental Area

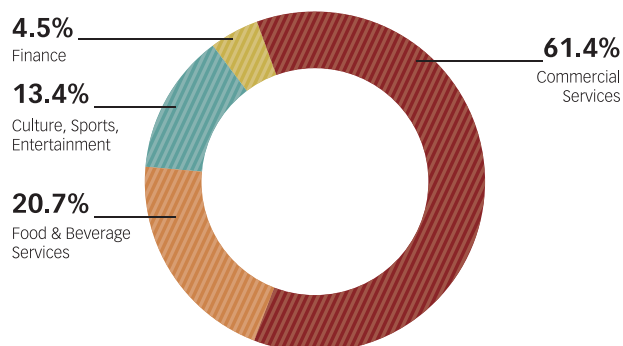


### Lease Expiry

(by basic monthly rentals)



### Industry Composition of Tenants by Basic Monthly Rentals







TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
Fast Retailing Co., Ltd.	Commercial Services	38.1%	45.8%
Guangzhou GOME Electrical Appliances Co., Ltd.	Commercial Services	6.2%	8.9%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.8%	7.1%
Industry and Commercial Bank of China Limited Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.5%	6.3%
J.M. Developments	Food & Beverage	11.1%	4.5%
Guangzhou Tianhe Meten English Center	Commercial Services	5.1%	2.5%
Guangzhou Sanshe Merchant Chain Co., Ltd.	Commercial Services	4.7%	2.2%
Guangzhou Tianhe Xin Ying Dong Foreign Languages Training Center	Commercial Services	2.6%	2.0%
Guangzhou Libao Food & Beverage Catering Management Co., Ltd.	Food & Beverage	2.8%	1.9%
Guangzhou Hakka Yu Food & Beverage Development Co., Ltd.	Food & Beverage	3.0%	1.7%
<b>Total</b>		<b>77.9%</b>	<b>82.9%</b>

GUANGZHOU - YUEXIU DISTRICT

## NEO METROPOLIS

**NEW GREEN BUSINESS EXPERIENCE,  
MODEL OF PROPERTY MANAGEMENT IN  
GUANGDONG PROVINCE**

Neo Metropolis, located at the intersection of Zhongshan Six Road and Renmin Road, connects the three major conventional business areas of Beijing Road, Shang Xia Jiu and Liuhua business circle. It is a property erected above the Ximenkou Station of Metro Line No.1 with excellent accessibility. Neo Metropolis commenced operation in 2007, with 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 clubhouse and a 23-storey high-end office building. In the shopping mall area, there are large IT retail shops, catering facilities, banks, leisure and fitness, as well as educational and training facilities. In the office building, there is a hanging garden for every three storeys, providing a green leisure space for business people. An affordable and environmentally friendly air-conditioning system is also installed in the building to provide a comfortable environment for 24-hour office work. Neo Metropolis is a green eco-friendly complex integrating retail shopping mall, high-end office building, auxiliary commercial facilities and clubhouse functions.

Existing tenants of Neo Metropolis are a number of renowned enterprises, including Bank of China, Ping An Insurance, TNT, Essence Securities, ALP School, Itochu Corporation and Sino-Swed Pharmaceutical.





ECO 颐高数码广场

越秀新都会大厦  
YUEXIU NEW CITY PLAZA

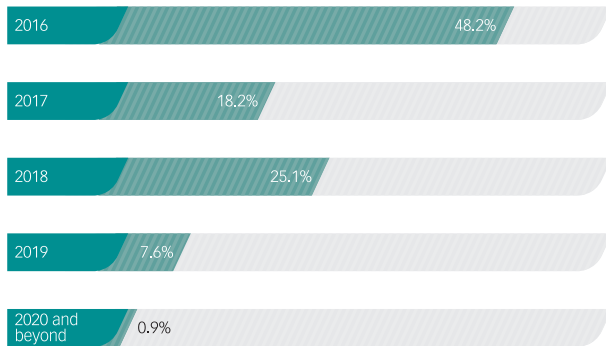
Game

国美电器

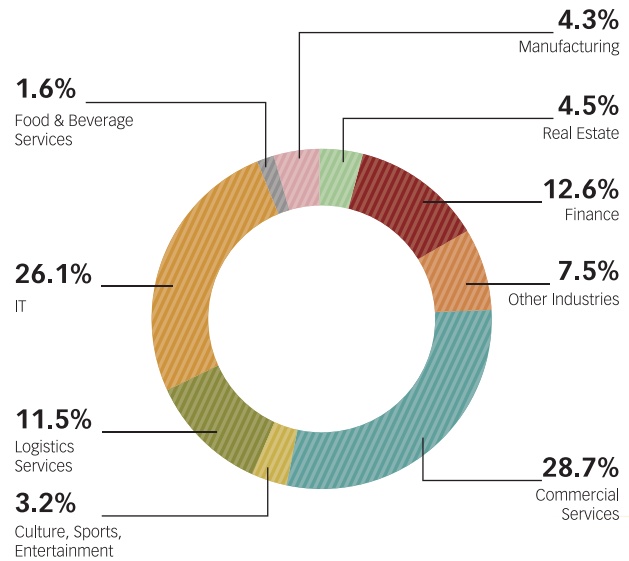


## Property Portfolio

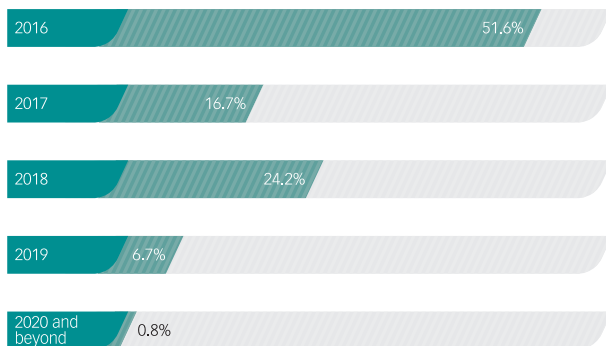
### Lease Expiry (by rental area)



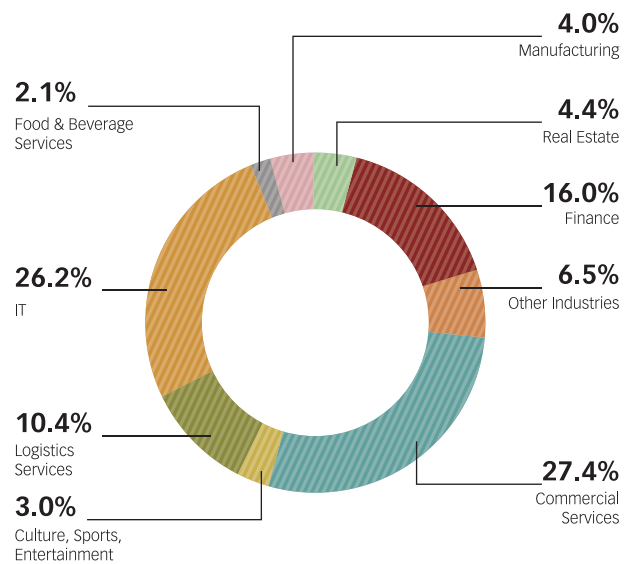
### Industry Composition of Tenants by Rental Area



### Lease Expiry (by basic monthly rentals)



### Industry Composition of Tenants by Basic Monthly Rentals







TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
EGO Digital Technology Group (Guangzhou) Co., Ltd. Yuexiu Branch	IT	16.6%	17.3%
Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch	Finance	8.2%	7.6%
ALP School	Commercial services	7.4%	6.5%
TNT Express Worldwide (China) Ltd.	Logistics services	6.5%	5.7%
Bank of China Limited Guangzhou Yuexiu Sub-branch	Finance	0.6%	4.6%
VF Corporation and its subsidiaries	Commercial services	3.8%	4.2%
Guangzhou GOME Electrical Appliances Co., Ltd.	Commercial services	4.7%	4.7%
Star Cruises and its subsidiaries	Culture, sports, entertainment	3.2%	3.0%
Vision-X Enterprise Management, Ltd. Guangzhou Branch	Commercial services	3.5%	3.0%
Fairwood (Shenzhen) Fast Food Limited	Food & Beverage	1.6%	2.1%
<b>Total</b>		<b>56.1%</b>	<b>58.7%</b>

SHANGHAI - PUDONG NEW DISTRICT  
**HONGJIA TOWER**

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

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

Existing tenants of Hongjia Tower are a number of renowned enterprises, including Golden Brick (Beijing) International, Kuaikuai Finance, Tebon, Suning Holdings, AVIC Securities and Pacorini Metals.

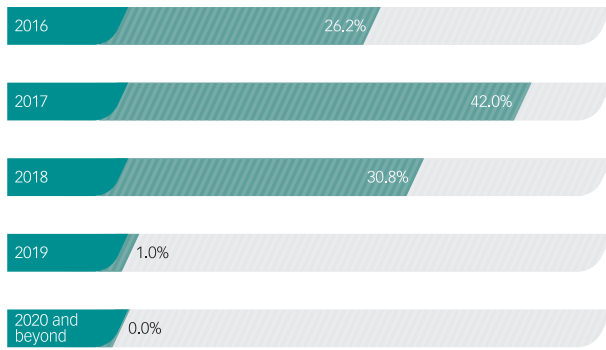




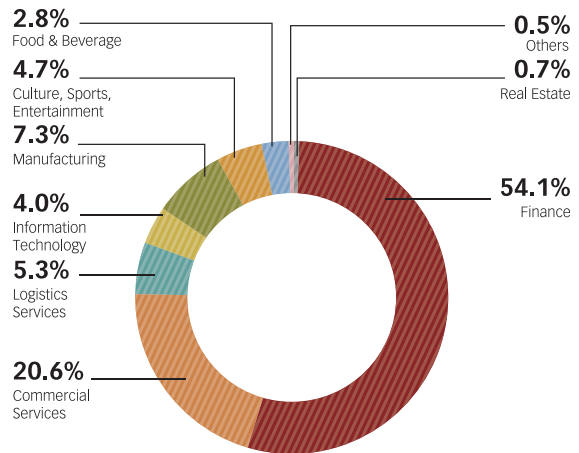


### Lease Expiry

(by rental area)

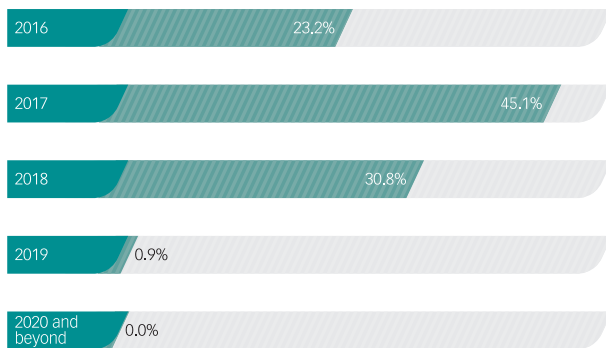


### Industry Composition of Tenants by Rental Area

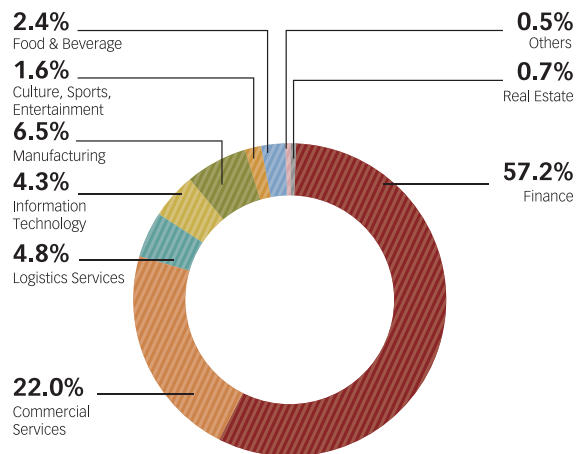


### Lease Expiry

(by basic monthly rentals)



### Industry Composition of Tenants by Basic Monthly Rentals







TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2015)

Name of Tenant	Industry	% of gross rental area	% of total monthly rentals
Golden Brick (Beijing) International Assets Management Co., Ltd.	Manufacturing	3.9%	4.9%
Kuaikuai Financial Information Service (Shanghai) Co., Ltd.	Finance	3.9%	4.4%
Tebon and its related companies	Finance	3.6%	3.9%
Markor International Furniture Co., Ltd.	Commercial services	2.7%	3.6%
Huashe Assets Management (Shanghai) Co., Ltd.	Finance	2.6%	2.9%
Shanghai Nabtesco Business Management Co., Ltd.	Manufacturing	2.9%	2.8%
Tecan (Shanghai) Trading Co., Ltd.	Commercial services	2.2%	2.4%
Shanghai Hanshang Investment Development Co., Ltd.	Finance	2.5%	2.4%
Shanghai Da'ou Import & Export Co., Ltd.	Commercial services	1.7%	2.1%
Nile Dutch Africa Line (Shanghai) Co., Ltd.	Logistics and transportation	2.3%	2.1%
<b>Total</b>		<b>28.3%</b>	<b>31.5%</b>

# REPORT OF THE TRUSTEE

## TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Yuexiu Real Estate Investment Trust has, in all material respects, managed the Yuexiu Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010 and the Third Supplement Deed dated 25 July 2012 for the financial year ended 31 December 2015.

### **HSBC Institutional Trust Services (Asia) Limited**

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

Hong Kong, 23 February 2016

# DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

## DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr. LIU Yongjie (劉永杰) (resigned on 1 April 2016)	58	Chairman and Executive Director
Mr. LIN Zhaoyuan (林昭遠) (appointed on 1 April 2016)	46	Chairman and Non-Executive Director
Mr. LIN Deliang (林德良)	46	Executive Director and Chief Executive Officer
Mr. LI Feng (李鋒)	47	Non-Executive Director
Mr. CHAN Chi On, Derek (陳志安)	52	Independent Non-Executive Director
Mr. CHAN Chi Fai, Brian (陳志輝)	61	Independent Non-Executive Director
Mr. CHEUNG Yuk Tong (張玉堂)	58	Independent Non-Executive Director

### Chairman and Executive Director

#### Mr. LIU Yongjie (resigned on 1 April 2016)

Mr. Liu is the Chairman and Executive Director of the Manager as well as one of the Manager's Responsible Officers licensed under the SFO and is authorized to carry out type 9 regulated activities. He is concurrently the Deputy General Manager of Guangzhou Yue Xiu Holdings Limited.

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 20 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.

### Chairman and Non-Executive Director

#### Mr. LIN Zhaoyuan (appointed on 1 April 2016)

Mr. Lin, aged 46, joined Guangzhou Paper Limited (廣州造紙有限公司) in 1993, and was promoted as chairman of the board of Guangzhou Paper Group Limited (廣州造紙集團有限公司) in 2009. He has and continues to serve as the deputy general manager of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司) ("Guangzhou Yuexiu") and Yue Xiu Enterprises (Holdings) Limited since 2011 as well as an executive director, vice chairman and general manager of Yuexiu Property Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 00123), since 2015. Prior to that, he was a director of Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) ("GCCD") and an assistant to General Manager of Guangzhou Yuexiu and Yue Xiu Enterprises (Holdings) Limited. Mr. Lin has relatively extensive work experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

Mr. Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-Sen University and the qualification of mechanical engineer.

### Executive Director and Chief Executive Officer

#### Mr. LIN Deliang

Mr. Lin is an Executive Director and Chief Executive Officer of the Manager and as one of the Responsible Officers licensed under the SFO and is authorized to carry out type 9 regulated activities. He also supervises the risk management and safety management of Yuexiu REIT.



## Directors' and Senior Executives' Profiles

Prior to joining the Manager, Mr. Lin was the deputy general manager of Guangzhou Dongfang Hotel Group of the Yuexiu group, responsible for, among others, lease and sales, financial revenue management, hotel brand development and tourism affairs. After joining GCCD in 1992, Mr. Lin held various managerial positions in the investment development department of GCCD as well as in Xingye Real Estate Agent Co., Ltd. (being a subsidiary of Yuexiu Property Company Limited) and Guangzhou Investment (HK Property) Company Limited. Mr. Lin participated in and was in charge of investment recommendation, market analysis, feasibility study, sales and marketing programmes for various large scale residential and commercial properties of the Yuexiu group, and was responsible for the sales of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005.

Mr. Lin is familiar with investment, sales and operation of properties as well as hotel management. He has over 18 years experience of property investment and operation strategies. Mr. Lin is a qualified Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

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

### Non-Executive Director

#### Mr. LI Feng

Mr. Li is a Non-Executive Director of the Manager since June 2012. He has been appointed an Executive Director of Yuexiu Property Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 00123), since 21 March 2014. Mr. Li has been appointed a Non-Executive Director of Chong Hing Bank Limited (Stock Code: 01111) since 14 February 2014.

Besides, Mr Li is the Chief Capital Officer of, as well as the General Manager of the Capital Department of, Guangzhou Yue Xiu Holdings Limited and Yue Xiu Enterprises (Holdings) Limited, and a Director of Guangzhou City Construction & Development Co., Ltd., mainly responsible for organizing and implementing Guangzhou Yue Xiu group's major capital operation plans and coordinating investor relations for Guangzhou Yue Xiu group's listed companies. Mr Li was a director of Yue Xiu Securities Company Limited. Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in Naval Architecture, and obtained a Master of Business Administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. Mr Li joined Yuexiu in December 2001 and has successively held positions including Assistant Manager of Corporate Management Department, Assistant to General Manager of Supervision and Auditing Department, Deputy General Manager of Capital Department and Deputy General Manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of the Guangzhou Yue Xiu group; before that, he was also engaged in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

### Independent Non-Executive Directors

#### Mr. CHAN Chi On Derek

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

Mr. Derek Chan has over 25 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong.

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

## Directors' and Senior Executives' Profiles

Mr. Derek Chan is also currently an independent non-executive director of Longfor Properties Co. Ltd. (Stock Code: 00960), China Conch Venture Holdings Limited (Stock Code: 00586) and Global International Credit Group Limited (Stock Code: 01669), all of which are companies listed on the Main Board of the Stock Exchange. Until his resignation in July 2012, Mr. Derek Chan was an independent non-executive director of Sheng Yuan Holdings Limited (Stock Code: 00851), which is also a company listed on the Main Board of the Stock Exchange. Mr. Derek Chan is also currently an adjunct professor in the School of Accounting and Finance of the Hong Kong Polytechnic University.

Mr. Derek Chan graduated from the Hong Kong University of Science and Technology with a Master's degree in Business Administration in 1994 and from the University of Hong Kong with a Bachelor's degree in Social Sciences (majoring in Economics) in 1985.

### **Mr. CHAN Chi Fai Brian**

Mr. Brian Chan is an INED of the Manager.

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

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

Mr. Brian Chan is a director of Primeline Energy Holdings Inc. which is listed on the TSX Venture Exchange (stock code: PEH.V).

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

### **Mr. CHEUNG Yuk Tong**

Mr. Cheung is an INED of the Manager.

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

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

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

## 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.

## Directors' and Senior Executives' Profiles

### Independence of Directors

The Manager has received written annual confirmation of independence from each of the three 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 Chairman, Executive Director and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

### Mr. LIN Deliang

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

### Mr. CHENG Jiuzhou

Mr. Cheng is the deputy chief executive officer of the Manager. After joining GCCD in 1996, Mr. Cheng held various managerial positions in GCCD and its subsidiaries. He was involved in the successful listing of Yuexiu REIT. From 2006 to 2008, Mr. Cheng was the head supervisor of asset management and the deputy chief executive officer of the Manager. Mr. Cheng subsequently became the general manager and chairman of White Horse PM and Yicheng and held office from 2008 to April 2014. On 25 April 2014, Mr. Cheng was re-appointed as the deputy chief executive officer of the Manager.

Mr. Cheng has over 20 years of experience in real estate market research and the operation and management of commercial real estate. Mr. Cheng is a China Registered Property Valuer and a China Registered Property Manager.

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

### Mr. YU Tat Fung

Mr. Yu is the company secretary and appointed as the Compliance Manager on 1 March 2010 of the Manager. He is responsible for the company secretarial affairs and compliance of the Group. He is also the general manager of the Legal Department (HK) of Yue Xiu Enterprises. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property Company Limited (stock code: 00123) ("YXP") and Yuexiu Transport Infrastructure Limited (stock code: 01052) and, from January 2014, he has also been appointed as the company secretary of Yue Xiu Enterprises. 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.

### Mr. KWAN Chi Fai

Mr. Kwan is the Chief Financial Officer and one of the Responsible Officers of the Manager. He is responsible for the financial management of the Group. 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 25 years of experience in finance, accounting and taxation.

Mr. Kwan is a member of Chartered Professional Accountants of Canada, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a Master degree in Business Administration and a Bachelor degree in Accounting from The University of Hong Kong.

## Directors' and Senior Executives' Profiles

### Mr. LI Wenzheng

Mr. Li heads the investment and investor relationship team of the Manager. He is responsible for supervise the asset investment of the Manager, including acquisition, disposal and exploring new markets, and market survey and research. He is also responsible for capital market and investor relationship. Mr. Li joined the Manager in 2009 and was the responsible person of investment and investor relationship team of the Manager from 2012 to 2015. Before joining the Manager, he had served as the head of the corporate management department of Guangzhou City Construction and Development Group Co., Ltd. (廣州市城建開發集團有限公司), an investment director of the China office of the British Golden Bridge Investment Company (金橋投資公司), and the head of projects of the investment banking department of Guangzhou Securities (廣州證券), overseeing the businesses of property development and management, equity investment and corporate financing,, with many years of experience in real estate and M&A investment activities.

Mr. Li was graduated with a Master degree from the Department of Economics of the University of York in U.K. Before that, he had obtained a Bachelor degree from the Business Administration School of the South China University of Technology (華南理工大學) in the PRC. Mr. Li is also a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

### Ms. OU Haijing

Ms. Ou is the general manager of the asset management department of the Manager. She is responsible for supervise the asset investment of the Manager, including leasing, property management and asset enhancement. She joined the Yuexiu Group in 2002, she was also involved in the successful listing of Yuexiu REIT, and she has been headed the investment team of the Manager from 2007-2009. She was subsequently responsible for the internal governance and human resources management of the Manager from 2009-2015. Before joining the Manager, Ms OU was mainly engaged in the capital operations and had participated in various mergers and acquisitions.

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

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

### 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 of the Properties. Before joining to Yue Xiu in 2008, 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 The Royal Institute of Chartered Surveyor's License, Fire Services Designer's License, Plumbing and Drainage Engineer's License and Property Manager's License. Ms. Li has over 21 years engineering experience and published papers in various technical publications of China.



## Directors' and Senior Executives' Profiles

### Mr. PO Ping Wah, Alain

Mr. Po is the Owner Representative of Hotels and Apartments of the Manager. Before joining the Yue Xiu Group in August 2012, Mr. Po has served in the senior positions as the general manager of hotels in various hotel management groups, including InterContinental, Hyatt and Marriott, both overseas and within China since 1980s, overseeing preparations at the pre-opening stage, management during the operation period as well as renovation and restructuring in the later stage, and has accumulated over 31 years of experience in the industry.

### Mr. HUANG Weijun

Mr. Huang is the general manager of the finance department of the Manager. Mr. Huang joined the GCCD group in 1998 and had served as the cost management manager and tax manager in the finance department, and also served as the finance manager of the Guangzhou City Construction & Development Jingcheng Property Co., Ltd. (廣州城建開發景城房地產有限公司), he has approximately 16 years of experience in the area of finance of the real estate industry.

Mr. Huang was graduated from the Accounting Department of Jinan University (暨南大學) in 1998 with a Bachelor degree in Economics, and obtained a Master degree in Professional Accounting from Jinan University in 2008. Mr. Huang is a non-practising member of the Chinese Institute of Certified Public Accountants.

### Mr. LIU Bihong

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

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

### Mr. LIAO Ningjun

Mr. Liao is the director of the Shanghai project and the responsible person of the Shanghai project posted by the Manager. Mr. Liao joined the Yuexiu 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. He was involved in the successful listing of Yuexiu REIT, and had been the general manager of the investment department, head of the investment department and assistant to Chief Executive Officer of the Manager from 2005-2015. Before joining the Manager, 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 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.

# 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 2015.

White Horse PM was incorporated in the PRC in 1998 to provide 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 2013.

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

## 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, Yicheng and GZAM (together "Leasing Agents") only being solely responsible for providing leasing and marketing services to Yuexiu REIT's properties and another company within the YXP group ("YXP Property Manager") will be responsible for providing such services to properties not belonging to Yuexiu REIT.

## "CHINESE WALLS"

"Chinese Wall" procedures have been put in place to ensure that there is segregation of information between the Leasing Agents and the YXP Property Manager. These include having separate operating premises and IT systems, and separate reporting lines, for each of the Leasing Agents and the YXP Property Manager. 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.

## 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"), Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd ("GYCCIFC"), Shanghai Hong Jia Real Estate Development Co., Ltd. ("Shanghai Hong Jia") 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;

## The Leasing Agents

- (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 three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, Mr. Liu Yongjie and Mr. Lin Deliang, the Executive Directors of the Manager, are also Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO. Mr. Kwan Chi Fai is also a Responsible Officer.

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

As at 31 December 2015, the board of Directors of the Manager ("Board") currently comprises six 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 half of the Board and, in any event, not less than three Directors should comprise INEDs.

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

### BOARD MEETINGS

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

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

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

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

## Corporate Governance

The Manager has held seven full Board meetings, none of which was held by means of written resolution, during the Reporting Year and the attendance of individual directors at such Board meetings is as follows:

<b>Members of the Board</b>	<b>Number of meetings attended</b>
<b>Chairman and Executive Director</b>	
Mr. Liu Yongjie	6
<b>Executive Director</b>	
Mr. Lin Deliang	7
<b>Non-executive Director</b>	
Mr. Li Feng	6
<b>Independent Non-executive Directors</b>	
Mr. Chan Chi On, Derek	7
Mr. Chan Chi Fai, Brian	7
Mr. Cheung Yuk Tong	7

## BOARD COMMITTEES

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

The committees of the Board are as follows:

### AUDIT COMMITTEE

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

The Audit Committee's responsibilities also include:

- (1) appointing external auditors, reviewing their reports and guiding management to take appropriate actions to remedy faults or deficiencies identified in internal control.
- (2) monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the applicable Listing Rules.

## Corporate Governance

- (3) reviewing all financial statements and internal audit reports.
- (4) reviewing and monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Yuexiu REIT and a “connected person” ( as defined in REIT Code).

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

Audit Committee meeting was held during 2015 for considering and reviewing 2014 annual result, 2015 interim result, connected party transactions and other internal controls, risk management and compliance matters of Yuexiu REIT.

The attendance of members at such meetings is as follows:

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Chan Chi Fai, Brian (Chairman)	5
Mr. Chan Chi On, Derek	5
Mr. Cheung Yuk Tong	5

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

## FINANCE AND INVESTMENT COMMITTEE

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

Finance and Investment Committee meeting was held during 2015 for reviewing 2014 annual result, 2015 interim result, Bank loan refinancing and capital renovation of Yuexiu REIT.

## Corporate Governance

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

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Lin Deliang (Chairman)	6
Mr. Li Feng	5
Mr. Liu Yongjie	5
Mr. Chan Chi On, Derek	6
Mr. Chan Chi Fai, Brian	6

## DISCLOSURES COMMITTEE

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

The Disclosures Committee's responsibilities also include:

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

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

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

The Disclosures Committee meeting was held during 2015 for considering and reviewing results announcements, interim and annual reports and other corporate disclosure issues of Yuexiu REIT.



## Corporate Governance

The attendance of members at such meetings is as follows:

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Chan Chi On, Derek (Chairman)	16
Mr. Lin Deliang	16

## REMUNERATION AND NOMINATION COMMITTEE

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

Remuneration and Nomination Committee held during 2015 for nominating a non-executive director, reviewing the performance management and manpower deployment of the Yuexiu REIT and the Manager and reviewing the structure, size and composition of the board and committees.

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

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Cheung Yuk Tong (Chairman)	2
Mr. Liu Yongjie	2
Mr. Chan Chi On, Derek	2
Mr. Chan Chi Fai, Brian	2

## INDEPENDENT BOARD COMMITTEE

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

No Independent Board Committee has held during the Reporting Year.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the Reporting Year, the Directors have participated in relevant seminars or readings etc. which covered topics relating to the management and related regulations, as well as compliance issues with respect to the Listing Rules and the Securities and Futures Ordinance. Based on the Director's training records, trainings received by each Director during the period from 1 January 2015 to 31 December 2015 are summarized as follows:

<b>Name of Directors</b>	<b>Readings on publications and newspapers on updated information about economics, commerce, Directors duties, etc.</b>	<b>Participation in trainings/briefings/corporate governance/seminars/conferences relevant to Directors' duties</b>
<b>Executive Directors</b>		
Mr. LIU Yongjie	√	√
Mr. LIN Deliang	√	√
<b>Non-Executive Director</b>		
Mr. LI Feng	√	√
<b>Independent Non-Executive Directors</b>		
Mr. CHAN Chi On, Derek	√	√
Mr. CHAN Chi Fai, Brian	√	√
Mr. CHEUNG Yuk Tong	√	√

### APPOINTMENT AND REMOVAL OF DIRECTORS

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

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

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

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

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

### RISK MANAGEMENT AND INTERNAL CONTROL

To maintain a more effective and efficient business operation and sustainable business growth, Yuexiu REIT's risk management framework was elevated in 2015 systematically determining business risk and setting up risk management structure, procedures and related information.

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

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

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

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

### CONFLICT OF INTEREST

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

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

### GENERAL MEETINGS

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

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

### REPORTING AND TRANSPARENCY

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

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

### DISTRIBUTION PAYMENTS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute not less than 90% of Total Distributable Income to Unitholders. The Manager's policy is to distribute to Unitholders 100% of Yuexiu REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Yuexiu REIT's annual Total Distributable Income in each subsequent financial year. According to the OC issued to Unitholders dated 30 June 2012, the Manager has intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item for the financial years ended from 31 December 2012 to 31 December 2016.



### 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.

## Corporate Governance

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 2016.

# 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, Fortune Plaza and GZIFC 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 2015 Reporting Year (RMB)
<b>City Development Plaza</b>									
Guangzhou Yicheng Property Management Co., Limited ("Yicheng")	1/F	an associate of the Manager	97.00	1 May 2013	485	5	0	3	5,820
Yicheng	19/F	an associate of the Manager	1,844.34	30 Jan 2013	217,632	118	122	5.33	2,545,798
Guangzhou City Construction & Development Xingye Property Agent Co., Ltd ("Xingye")	27, 28/F	an associate of the Manager	3,688.68	16 Dec 2012	461,085	125	121	5.04	5,429,696
Golden Eagle Asset Management Co., Ltd	22, 23/F	an associate of the Manager	3,688.68	16 Jan 2011	387,311	105	75	5	4,549,849
<b>Sub-total:</b>									<b>12,531,163</b>

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 2015 Reporting Year (RMB)
<b>Neo Metropolis</b>									
Guangzhou White Horse Clothings Market Co., Ltd ("White Horse JV")	Basement 2, 3/F	an associate of the Manager	7,621.03	1 Jan 2013	100,000	13	0	3	1,200,000
<b>Sub-total:</b>									<b>1,200,000</b>

## 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 2015 Reporting Year (RMB)
<b>Fortune Plaza</b>									
Guangzhou Yuexiu Micro Credit Co., Ltd	Podium 303	an associate of the Manager	501.05	1 Apr 2013	55,116	110	61	4	663,738
Xingye	East Tower 808	an associate of the Manager	188.80	1 Apr 2013	26,432	140	0	2	79,296
<b>Sub-total:</b>									<b>743,034</b>

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 2015 Reporting Year (RMB)
<b>GZIFC</b>									
廣州越秀企業集團有限公司	0601-A <sup>(1)</sup>	an associate of the Manager	1,224.74	1 Jan 2015	264,815	216	0	1	2,905,108
Guangzhou Grandcity Development Ltd. (廣州宏城發展有限公司)	0601-G, H	an associate of the Manager	877.03	1 Oct 2014	181,894	207	0	1.25	2,253,291
GCCD	1501, 1601	an associate of the Manager	6,297.82	1 Jan 2013	1,391,818	221	0	3	17,610,684
GCCD	5801-B, 02, 03, 04-A <sup>(2)</sup>	an associate of the Manager	1,196.58	1 Jan 2015	324,154	271	0	1.42	4,027,779
廣州越秀企業集團有限公司	5801-A <sup>(3)</sup>	an associate of the Manager	512.64	1 Jan 2015	138,868	271	0	1.42	1,725,516
廣州越秀企業集團有限公司	6401, 6501 <sup>(4)</sup>	an associate of the Manager	6,509.02	1 Jan 2015	2,274,870	349	0	1	26,461,770
GCCD	0440-E, F	an associate of the Manager	1,023.55	1 Jan 2015	187,719	183	0	1	2,252,627
廣州越秀企業集團有限公司	0440-H	an associate of the Manager	476.76	1 Jan 2015	87,438	183	0	1	1,049,255
Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng")	6301-C	an associate of the Manager	811.63	1 Jan 2015	282,098	348	0	1	3,385,174
Guangzhou Grandcity Development Ltd. (廣州宏城發展有限公司)	1101, 1401	an associate of the Manager	6,062.80	1 Jan 2013	1,339,878	221	0	3	16,953,476
Guangzhou Suiqiao Development Co. Ltd. (廣州穗橋發展有限公司) ("Suiqiao")	1701-D	an associate of the Manager	200.99	1 Jan 2015	50,426	251	0	3	621,737
Guangzhou Yuexiu Asset Management Company Limited ("GZAM")	0601-E	an associate of the Manager	46.82	1 Jan 2015	10,123	216	0	3	124,834



## 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 2015 Reporting Year (RMB)
GZAM	0601-D	an associate of the Manager	138.72	1 Sep 2013	27,605	199	0	3	335,614
GZAM	1701-E <sup>(6)</sup>	an associate of the Manager	855.96	1 Oct 2014	213,134	249	0	0.67	1,485,799
GZAM	0440-D	an associate of the Manager	207.40	1 Jan 2015	38,037	183	0	1	456,443
Guangzhou Yue Peng Information Ltd. (廣州越鵬信息有限公司)	1701-C	an associate of the Manager	266.86	1 Jan 2015	66,953	251	0	3	825,499
Guangzhou Yue Tong Expressway Operations and Management Company Limited (廣州越通公路運營管理有限公司)	1701-B	an associate of the Manager	261.29	1 Jan 2015	65,555	251	0	3	808,267
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	175.08	1 Jan 2015	32,110	183	0	1	385,320
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM")	6301-A, E	an associate of the Manager	696.58	1 Jan 2015	242,110	348	0	1	2,905,320
GZYXIFM	0440-C	an associate of the Manager	78.11	1 Jan 2015	14,325	183	0	1	171,900
Guangzhou Yuexiu Financial Holdings Group Co., Ltd ("YXFH")	0601-B	an associate of the Manager	227.87	1 Jan 2015	49,270	216	0	1	591,242
YXFH	6301-B	an associate of the Manager	930.54	1 Jan 2015	323,428	348	0	1	3,881,136
YXFH	0440-B	an associate of the Manager	142.76	1 Jan 2015	26,182	183	0	1	314,185
Guangzhou Yuexiu Financial Leasing Co., Ltd. ("GZYXFL")	6301-D, F	an associate of the Manager	860.73	1 Jun 2013	275,434	320	0	3	3,443,297
GZAM	3801-3803 <sup>(6)</sup>	an associate of the Manager	842.52	1 Nov 2014	208,102	247	0	0.58	1,453,769
GZYXFL	5604 <sup>(7)</sup>	an associate of the Manager	533.50	15 Jul 2013	137,643	258	0	2	1,646,121
Guangzhou Securities Co., Ltd.	0601-C	an associate of the Manager	248.05	1 Jan 2015	53,633	216	0	1	643,597
Guangzhou Securities Co., Ltd.	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2015	1,645,309	257	0	1	19,952,922
GZAM	5804-B <sup>(8)</sup>	an associate of the Manager	242.29	1 Jan 2015	65,637	271	0	1.42	815,574
Yuexiu (China) Transport Infrastructure Investment Company Limited	5804-C · 05-A <sup>(9)</sup>	an associate of the Manager	398.75	1 Jan 2015	108,020	271	0	1.42	1,342,207
YXFH	5805-B · 06-A <sup>(9)</sup>	an associate of the Manager	507.40	1 Jan 2015	137,464	271	0	1.42	1,708,054
Guangzhou Securities Co., Ltd.	5806-B <sup>(8)</sup>	an associate of the Manager	213.70	1 Jan 2015	57,854	271	0	1.42	718,867
GZYXFL	5806-C <sup>(8)</sup>	an associate of the Manager	133.50	1 Jan 2015	36,194	271	0	1.42	449,731
Guangzhou Paper Group Ltd.	5806-D <sup>(8)</sup>	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	287,788
Guangzhou Building Materials Enterprise Group Co., Ltd. ("GBMC")	5806-E · 07-A <sup>(9)</sup>	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	287,788

## 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 2015 Reporting Year (RMB)
Guang Zhou Titanium Dioxide Factory (廣州鈦白粉廠)	5807-B <sup>③</sup>	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	287,788
Guangzhou Securities Co., Ltd.	401-B	an associate of the Manager	1,422.14	27 Feb 2015	220,432	155	0	1	2,124,633
Chong Hing Bank Limited Guangzhou Sub-branch ("Chong Hing Guangzhou")	4605	an associate of the Manager	558.36	30 Mar 2015	138,473	248	0	1	1,198,657
GZAM	4001 · 02 · 03 · 05 · 06	an associate of the Manager	2,882.42	1 May 2015	706,193	245	0	3	5,304,181
Guangzhou Securities Co., Ltd.	706-707	an associate of the Manager	474.16	15 Apr 2015	76,814	162	0	3	632,917
YXFH	4706A	an associate of the Manager	300.00	12 May 2015	73,500	245	0	0.64	561,918
GZYXFL	4706B	an associate of the Manager	246.91	12 May 2015	60,493	245	0	0.64	462,480
Guangzhou Securities Co., Ltd.	501	an associate of the Manager	2,868.01	20 Jun 2015	458,882	160	0	3	2,743,414
Guangzhou Securities Co., Ltd.	0440-G	an associate of the Manager	409.42	1 Jan 2015	75,088	183	0	1	901,057
Yuexiu (China) Transport Infrastructure Investment Company Limited	0601-F	an associate of the Manager	126.99	1 Jan 2015	27,458	216	0	3	338,596
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-A	an associate of the Manager	1,585.09	1 Jan 2015	397,683	251	0	3	4,903,279
GCCD	1001-1012	an associate of the Manager	2,972.86	1 Jun 2013	594,572	200	0	3	7,247,163
Beijing Jones Lang LaSalle Property Management Services Company Limited, Guangzhou Branch ("Beijing JLL")	2403	an associate of the Manager	534.80	16 Jan 2013	112,308	210	0	3.67	1,248,333
GZYXFL	0440-I	an associate of the Manager	145.45	1 Jan 2015	26,676	183	0	1	320,112
Guang Zheng Hang Seng Research Co., Ltd.	0440-J	an associate of the Manager	40.40	1 Jan 2015	7,409	183	0	1	88,907
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL")	Carpark <sup>④</sup>	an associate of the Manager	71,082.79	1 Jul 2014	1,172,500	16	0	1	14,479,998
Chong Hing Guangzhou	podium 103 · 203 <sup>⑤</sup>	an associate of the Manager	631.28	1 Jan 2015	233,068	369	0	2.5	2,607,983
YXFH	3406	an associate of the Manager	273.00	1 Oct 2015	66,885	245	0	0.5	201,751
YXFH	3601 <sup>⑥</sup>	an associate of the Manager	283.16	1 Apr 2014	71,356	252	0	1.25	838,826
<b>Sub-total:</b>									<b>170,773,684</b>

## Connected Party Transactions

- (1) The tenant of unit 601-A has been changed from Guangzhou Yuexiu Holdings Limited ("GZYX") to 廣州越秀企業集團有限公司 on 1 January 2015, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (2) The tenant of units 5801-B、02、03 has been changed from GZYX to 廣州越秀企業集團有限公司 on 1 January 2015, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (3) The tenant of units 5801-A、04-B、04-C、05-A、05-B、06-A、06-B、06-C、06-D、06-E、07-A、07-B has been changed from GCCD to 廣州越秀企業集團有限公司, GZAM, Yuexiu (CHINA) Transport Infrastructure Investment Company Limited, YXFH, Guangzhou Securities Co., Ltd., GZYXFL, Guangzhou Paper Group Ltd., GBMC, Guang Zhou Titanium Dioxide Factory (廣州鈦白粉廠) on 1 January 2015, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (4) The tenant of units 6401,6501 has been changed from GZYX to 廣州越秀企業集團有限公司 on 1 January 2015, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (5) On 1 June 2015, GZAM entered into a lease with IFC Company in respect of units 1701E of GZIFC, renewing the existing term for 2 months commencing 1 June 2015, and the unit price of rent remain unchanged.
- (6) On 1 June 2015, GZAM entered into a lease with IFC Company in respect of units 3801-03 of GZIFC, renewing the existing term for 2 months commencing 1 June 2015, and the unit price of rent remain unchanged.
- (7) On 15 July 2015, GZYXFL entered into a lease with IFC Company in respect of units 5604 of GZIFC, renewing the existing term for 5.5 months commencing 15 July 2015, and the unit price of rent remains unchanged.
- (8) On 1 July 2015, GZ JLL entered into a lease with IFC Company in respect of the car park of GZIFC, renewing the existing term for 1 year, commencing 1 July 2015, at an adjusted rent of RMB17/sq.meter/month.
- (9) The tenant of units podium 103、203 has been changed from Chong Hing Bank Limited Shantou Branch to Chong Hing Guangzhou on 1 January 2015, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (10) On 1 July 2015, YXFH entered into a lease with GZIFC Company in respect of the 3601 of GZIFC, renewing the existing term for 6 months, commencing 1 July 2015, and the unit price of rent remains unchanged.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2015 Reporting Year (RMB)
<b>Hongjia Tower</b>									
Guangzhou Yicheng Property Management Co., Limited Shanghai Branch M("Yicheng Shanghai")	Carpark	an associate of the Manager	13,502.58	1 Sep 2015	150,000	11	0	2.33	600,000
<b>Sub-total:</b>									<b>600,000</b>
<b>Total:</b>									<b>185,847,881</b>

## Connected Party Transactions

### 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 2015 Reporting Year (RMB)
Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM")	an associate of the Manager	White Horse Building	1 Jan 2014	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2014	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 July 2013	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Neo Metropolis	1 Jan 2014	Property Management Agreement	N/A
GZ JLL	an associate of the Manager	GZIFC	1 Sep 2009	Property Management Agreement	N/A
Yicheng Shanghai	an associate of the Manager	Hongjia Tower	1 Sep 2015	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 2015 Reporting Year (RMB)
White Horse PM	an associate of the Manager	White Horse Building	31 Dec 2014	Tenancy Services Agreement	12,206,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2014	Tenancy Services Agreement	2,794,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2014	Tenancy Services Agreement	2,407,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2014	Tenancy Services Agreement	2,557,000
Yicheng	an associate of the Manager	Neo Metropolis and Fortune Plaza 1701	31 Dec 2014	Tenancy Services Agreement	2,648,000
GZAM	an associate of the Manager	GZIFC	7 Oct 2015	Tenancy Services Agreement	13,576,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai branch	an associate of the Manager	Hongjia Tower	1 Sep 2015	Tenancy Services Agreement	1,285,000



## Connected Party Transactions

### TRADE MARK LICENCE AGREEMENTS

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

Grantor	Relationship with Yuexiu REIT	Property	Nature of Transaction	Amount paid/ payable for 2015 Reporting Year	Licence Period
White Horse PM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	1 January 2007 to 27 November 2016 and 30 January 2017
Yue Xiu Enterprises (Holdings) Limited <sup>(1)</sup>	an associate of the Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

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

### CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

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

Engineering Settlement Agent	Relationship with Yuexiu REIT	Date of the Agreement	Balance of Prepaid Construction Payable for 2015 Reporting Year (RMB)	Nature of Transaction	Amount received/ receivable for 2015 Reporting Year (RMB)
GCCD	an associate of the Manager	4 May 2012	278,910,000	Interest on the balance of construction payable	30,327,000

### GUARANTEE FROM FOUNDING SHAREHOLDERS

Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. has an existing syndicated development loan of RMB4.5 billion guaranteed jointly and severally byGCCD, Guangzhou Charcon Real Estate Co., Ltd. (廣州市祥港房地產開發有限公司) and Guangzhou City Construction and Development Group Co., Ltd. (廣州市城市建設開發集團有限公司) in the proportion of 75%, 24% and 1% respectively with an effective period expiring on the date two years after full repayment of the existing syndicated development loan.

## 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 11 December 2014, 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 25 November 2014.

### HSBC GROUP\*

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

### CORPORATE FINANCE TRANSACTIONS AND ORDINARY BANKING SERVICES

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

Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2015 Reporting Year	Amount of interest paid/payable within the 2015 Reporting Year
Loan <sup>(1)</sup>	13 December 2013	HK\$350,000,000	—	RMB7,025,000

(1) HSBC was one of the lending banks.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, Metrogold Development Ltd ("Metrogold"), Ever Joint Investment International Limited ("Ever Joint"), Long Grace Holdings Limited ("Long Grace"), Profit Link Investment International Limited ("Profit Link"), San Bright Holdings Limited ("San Bright") and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm's length and on commercial terms for deposits during the 2015 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 11 December 2014 subject to specific caps on fees payable by Yuexiu REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

### CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

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

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

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

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2015 Reporting Year.

### MANAGER'S FEES

During the 2015 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB139,555,000, 90% of which was settled by the issuance of new Units, and 10% was settled in cash.

### TRUSTEE'S FEES

During the 2015 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB8,476,000.

### PRINCIPAL VALUER'S FEES

During the 2015 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was RMB1,118,000.

## Connected Party Transactions

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

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

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

Interests and Short Positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2015		As at 31 December 2015		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Liu Yongjie (resigned on 1 April 2016)	—	Nil	—	Nil	—	—
Mr. Lin Zhaoyuan (appointed on 1 April 2016)	—	240	0.000009%	240	0.000008%	(0.000001%)
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Li Feng	—	1,825	0.000065%	1,825	0.000065%	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—

### 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 2015		As at 31 December 2015		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>(1)</sup>	Deemed	1,762,973,259 <sup>(3)</sup>	62.97% <sup>(4)</sup>	1,792,064,948 <sup>(3)</sup>	63.35%	0.38%
	Total	1,762,973,259 <sup>(3)</sup>	62.97% <sup>(4)</sup>	1,792,064,948 <sup>(3)</sup>	63.35%	0.38%
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,762,945,939 <sup>(3)</sup>	62.97% <sup>(4)</sup>	1,792,037,628 <sup>(3)</sup>	63.35%	0.38%
	Total	1,762,973,259 <sup>(3)</sup>	62.97% <sup>(4)</sup>	1,792,064,948 <sup>(3)</sup>	63.35%	0.38%
YXP <sup>(2)</sup>	Beneficial	—	—	—	—	—
	Deemed	1,753,711,674 <sup>(3)</sup>	62.64% <sup>(4)</sup>	1,782,803,363 <sup>(3)</sup>	63.02%	0.38%
	Total	1,753,711,674 <sup>(3)</sup>	62.64% <sup>(4)</sup>	1,782,803,363 <sup>(3)</sup>	63.02%	0.38%
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,697,125,730 <sup>(3)</sup>	60.62% <sup>(4)</sup>	1,697,125,730 <sup>(3)</sup>	59.99%	(0.63%)
	Deemed	—	—	—	—	—
	Total	1,697,125,730 <sup>(3)</sup>	60.62% <sup>(4)</sup>	1,697,125,730 <sup>(3)</sup>	59.99%	(0.63%)
Yuexiu International Investment Limited ("YXII")	Beneficial	56,585,944	2.02%	85,677,633	3.03%	1.01%
	Deemed	—	—	—	—	—
	Total	56,585,944	2.02%	85,677,633	3.03%	1.01%



## Connected Party Transactions

<sup>(1)</sup> Further information in relation to interests of corporations controlled by GZYY:

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	1,792,037,628 <sup>(3)</sup>	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,790,738,398 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,782,803,363 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	33.89	N	1,782,803,363 <sup>(3)</sup>	—
Dragon Yield	YXP	100.00	Y	1,697,125,730 <sup>(3)</sup>	—
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	—
YXII	YXP	100.00	Y	85,677,633	—

<sup>(2)</sup> The deemed interest in 1,782,803,363 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of YXP.

<sup>(3)</sup> The number of units includes 733,280,494 deferred units. Commencing from 31 December 2016, Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or YXP Nominee) at an issue price of HK\$4.00 per unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.

<sup>(4)</sup> After deducting the unissued deferred units, the approximate interest held by GZYY and Yue Xiu will be approximately 37.43%, while the approximate interest in Yuexiu REIT held by YXP, Dragon Yield and YXII will be approximately 37.1%.

## Connected Party Transactions

### Holdings of Senior Executives of the Manager

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

Name of Senior Executive	Nature of interest	As at 1 January 2015		As at 31 December 2015		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Cheng Jiuzhou	Personal	480	0.000017%	480	0.000017%	—
Mr. Liao Ningjun	Personal	1,250	0.000045%	1,250	0.000044%	(0.000001%)
Ms. Chen Huiqing	Personal <sup>(1)</sup>	510	0.000018%	510	0.000018%	—
Ms. Ou Haijing	Personal	1,000	0.000036%	1,000	0.000035%	(0.000001%)
Mr. Liu Bihong	Personal	225	0.000008%	225	0.000008%	—

<sup>(1)</sup> 255 units held by spouse

### Holdings of Other Connected Person

Name	Nature of interest	As at 1 January 2015		As at 31 December 2015		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed <sup>(1)</sup>	437,040	0.0156%	283,900	0.01%	(0.0056%)

<sup>(1)</sup> Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 31 December 2015.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Vigers, holding any Units as at 31 December 2015.

# INVESTOR RELATIONS

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

## COMMUNICATION ACTIVITIES WITH UNITHOLDERS AND INVESTORS

As GZIFC stepped into maturity and upon the successful acquisition of Shanghai Hongjia Tower during this year, attention of capital markets on the Yuexiu REIT was raised significantly while we also continuously strengthened our efforts in investor relations by fully utilizing various investor communication channels, such as analysts' meetings and press conferences for interim and annual results, annual general meeting of unitholders, roadshows and promotional activities, investment seminars held by investment banks, conference calls, on-site visits to investment projects by investors and media and continuous update of website contents, to enhance the investing public's understanding of the Yuexiu REIT. During the year, the Manager and the investor relations team participated in a total of 33 meetings in 7 large-scale investment seminars held by investment banks, 60 roadshows for investors and 10 on-site visits to our projects.

## MAJOR INVESTOR RELATIONS ACTIVITIES IN 2015

Month	Place	Activities
February	Hong Kong	Held the analyst meeting and press conference for the 2014 annual results announcement
March	Hong Kong	Participated in the 2014 annual results road show conference organized by DBS
	Singapore	Participated in the 2014 annual results road show conference organized by Macquarie
	Hong Kong	Participated in the 2014 annual results road show conference organized by DBS
April	Shanghai, Beijing	Participated in the 2014 annual results road show conference organized by BOC International
	Hong Kong	Participated in the Asian Investor Conference organized by DBS
May	Hong Kong	Participated in the Asia Finance and Real Estate Summit by Barclays
	Hong Kong	Participated in the Greater China Seminar organized by Macquarie
July	Hong Kong	Held the analyst meeting and press conference for the 2015 interim results announcement
	Hong Kong	Participated in the 2015 interim results road show conference organized by Morgan Stanley
August	Hong Kong, Singapore	Participated in the 2015 interim results road show conference organized by DBS
	Shanghai, Beijing	Participated in the 2015 interim results road show conference organized by BOC International
September	Australia	Participated in the 2015 interim results road show conference organized by DBS
	Hong Kong	Participated in the REIT Day Seminar organized by Daiwa Capital
November	Macau	Participated in the China Investor Conference organized by Citibank
	Shanghai	Participated in the China Summit 2015 organized by Goldman Sachs
	Singapore	Participated in the Asia Summit organized by Morgan Stanley

### ANALYSIS COVERAGE

With continuous and steady growth of the Yuexiu REIT's business, in particular the properties after the injection of GZIFC and the successful acquisition of Shanghai Hongjia Tower, the capital market was increasingly interested in the performance of the REIT in 2015. A number of securities institutions published a number of research reports on the Yuexiu REIT during the year. 8 securities institutions (including Morgan Stanley, BOC International, Citibank, Goldman Sachs, Bank of America Merrill Lynch, Macquarie, Daiwa Capital and Deutsche Bank) which analyzed the Company, and most of the research reports recommended the rating of "Buy in", indicating that the analysts were optimistic about the future development prospects of the Yuexiu REIT.

### AWARDS

Yuexiu REIT is the first Hong Kong listed real estate investment trust with properties all located in the PRC. By leveraging on good corporate governance, bright development prospects and professional efforts, a number of social awards were won by the Yuexiu REIT and the Manager, including the gold award of the "2013/14 Vision Awards Annual Report Competition" by LACP in March 2015; the "Excellence of Listed Enterprise Award 2015" by "Capital Weekly" in October 2015; the gold award of "Corporate Governance 2015" by "The Asset" in December; and the Yuexiu REIT was incorporated into the "Hang Seng Composite Index" and "Hong Kong Hang Seng Corporate Substantiality Index". These awards demonstrated that the Yuexiu REIT has won the affirmation and recognition of capital markets in Hong Kong and Asia Pacific, which is favorable for the Yuexiu REIT to enhance its brand image.

### PROSPECT

The Manager will reinforce communication with the capital markets and enhance transparency, to achieve effective mutual interactive communication between investors and the Manager.



# PROPERTY VALUATION REPORT

## Yuexiu REIT Asset Management Limited

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

24th Floor, Yue Xiu Building,  
No. 160 Lockhart Road,  
Wanchai, Hong Kong



AND

## HSBC Institutional Trust Services (Asia) Limited

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

17th Floor, Towers 2 & 3, HSBC Centre,  
No. 1 Sham Mong Road,  
Kowloon, Hong Kong

## Vigers Appraisal and Consulting Limited

General Practice Sector

Direct Line: +852 2342-2000  
Facsimile: +852 2840-0614  
E-mail: gp@vigers.com  
Website: www.Vigers.com

10/F The Grande Building,  
398 Kwun Tong Road,  
Kowloon, Hong Kong

23 February 2016

**Our Ref.: DC/FW/SN/WW/VA23175-2015**

Dear Sirs,

### **RE: VALUATIONS OF VARIOUS PROPERTIES HELD BY YUEXIU REIT IN THE PEOPLE'S REPUBLIC OF CHINA**

We refer to the joint instruction from the Manager and the Trustee of "Yuexiu Real Estate Investment Trust" ("Yuexiu REIT") for us to assess the market values of various properties (individually referred to as the "Subject Property" and collectively referred to as the "Subject Properties") located in the People's Republic of China (the "PRC") as listed in the attached Summary of Values in existing state and physical condition as at 31st December 2015 ("Valuation Date") for accounting purpose. We confirm that we have inspected the Subject Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of values of the Subject Properties as at the Valuation Date.

### **BASIS OF VALUE**

Our valuations are our opinion of market values of the Subject Properties which is defined as intended to mean *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*. Our valuations have been prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation – Professional Standards (January 2014)" published by the "Royal Institution of Chartered Surveyors" ("RICS"), and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)" ("REIT Code") published by "Securities and Futures Commission" ("SFC").

### VALUATION APPROACHES

In the course of our valuations, we have adopted the income approach using income capitalization method and/or discounted cash flow analysis to arrive at our opinion of values of the Subject Properties; and we have cross-checked our valuation results using the market approach in which recent transactions and/or offering of comparable properties in the locality are analysed and compared with the Subject Properties, if available and applicable. As defined in the "International Valuation Standards 2013" published by the "International Valuation Standards Council" ("IVSC"), income approach "provides an indication of value by converting future cash flows to a single current capital value"; whilst market approach "provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available". Both income approach and market approach are applicable for the valuations of the Subject Properties, but priority is given to the income approach as the Subject Properties are primarily income producing which is particularly relevant for real estate investment trust ("REIT") based purchasers. In our valuations, no consideration has been taken into account of alternative use(s) or development option(s); nor have we considered any redevelopment potential of the Subject Properties.

#### **Income Capitalization Method**

In valuing the office, retail, commercial and carpark portions of the Subject Properties which are subject to existing tenancies (i.e. excluding the hotel and serviced apartment portions), we have firstly adopted income capitalization method which estimates the values of such portions of the Subject Properties on a market value basis by capitalizing net rental income of current rent passing as of the Valuation Date (the "term value"), and adding up with the reversionary interests by taking into account of the current market rents upon leases' expiry on fully let basis (the "reversionary value") in present value.

#### **Discounted cash Flow Analysis**

The discounted cash flow analysis adopted in our valuations is a financial modelling technique based on explicit assumptions regarding the prospective income and expenses of the Subject Properties, which is a well-accepted valuation method within the income approach to valuation. Our discounted cash flow analyses for the Subject Properties are established based on our analyses of historical data and on assumptions about future market conditions affecting demand, supply, income, expenses and potential for risk. These assumptions determine the earning capability of the Subject Properties upon which the pattern of income and expenditures are projected to establish a fair maintainable net property income on a yearly basis by a reasonably efficient owner or operator over a 10-year investment horizon; and the anticipated net property income stream receivable thereafter is capitalised at appropriate terminal capitalization rates and adjusted to present values to reflect the capital values beyond the years until the end of respective land use-rights' terms. The discount rates adopted in our discounted cash flow analyses theoretically reflect the rates of return that adequately compensate the investors for the risks taken.

#### **Supportive Method – Comparison Method of Valuation**

As a supportive method to our valuations drawn from the income approach, we have also considered the comparison method of valuation whereby comparisons based on actual sales transactions and/or offering of comparable properties in the locality have been made, if available and applicable. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Subject Properties in order to arrive at the fair comparison of values.

#### **Approach to Value**

In arriving at the market values of the Subject Properties, excluding the hotel and service apartment portions of Guangzhou International Finance Centre, we have adopted the average of values derived from income capitalization method and discounted cash flow analysis; whilst the market values of the hotel and service apartment portions of Guangzhou International Finance Centre is assessed by discounted cash flow analyses.

### TITLE INVESTIGATIONS

The Subject Properties are located in the PRC but we have not been provided with proper legal opinion on the laws of the PRC prepared by qualified legal advisor(s). In our valuations, we have assumed that there are good titles to the Subject Properties which can be freely disposed of in the prevailing market without paying additional land-use rights grant premium. We have been provided with a set copy of relevant documents but we have not searched the original documents to ascertain ownership nor to verify any amendments which may not appear on the copies handed to us. We have assumed that the owners of the Subject Properties have free and uninterrupted rights to use and assign the Subject Properties during the whole of the respective unexpired land-use rights' terms granted subject to the payment of usual land-use fees unless otherwise noted or specified.

### VALUATION CONSIDERATION

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Manager, particularly planning approvals or statutory notices, easements, land-use rights' terms, site and floor areas, occupancy status, rental information, historical and forecast operating performance of the hotel and serviced apartment portions of the Subject Properties as well as in the identification of the Subject Properties. We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager, and had been advised by the Manager that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurements to verify the correctness of the site and floor areas in respect of the Subject Properties but we have assumed that the site and floor areas shown on the documents handed to us are accurate and reliable. All dimensions, measurements and areas included in our valuation report are based on the information contained in the documents provided to us by the Manager and are therefore approximations.

On-site inspections to the Subject Properties were carried out by Mr. Stephen C. H. Ng *BSc(Hons)* and Ms. Wendy Y. X. Wu *BCom(Finance)* on 16th December 2015 and 17th December 2015 for those Subject Properties located in Guangzhou as well as by Ms. Kathy L.L. Mak *BSc(Hons)* on 17th November 2015 for the Subject Property located in Shanghai but we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Subject Properties is free from any structural or non-structural defect.

### MARKET COMMENTARY

#### Guangzhou Overview

Guangzhou's gross domestic product ("GDP") is estimated to have grown 8.4% year-on-year ("y-o-y") in 2015, outpacing the country's growth rate of 6.9%, to an estimated value of RMB1,810.41 billion. Over the past five years, Guangzhou's GDP showed a compound annual growth rate ("CAGR") of 9.87%, retaining third place among cities in the country in terms of GDP in the past two decades. The tertiary industries' contribution on GDP growth has exceeded 70% for the first time in 2015, with the financial sector as well as the information technology and communication sector growing around 14% and 12% respectively, while the real estate sector maintained a steady growth of over 8% in the year. The continuous growth in the tertiary industry will carry on to provide support for the office market in Guangzhou. The city's inflation rate slowed down a little to an estimated 1.7% in the year of 2015, bringing the average inflation rate over the past five years to 3.02% or thereabout.

The China (Guangdong) Pilot Free Trade Zone at Nansha, or Nansha New Area, was launched in April 2015. As a state-level new area, state-level economic and technological development zone, bonded port area, and new and high-tech development zone, the Nansha New Area provides enormous business opportunities and boosts Guangzhou's attractiveness even further. The launch of the Nansha New Area combines with the above-average economic growth and mildly inflationary environment, continues to attract businesses, both local and foreign alike, to start up or expand in Guangzhou.

### Office

There were at least 4 new completions in the Guangzhou Grade A office market in 2015, two of which are located in the Pearl River New City submarket, leaving the two outside central business district ("CBD"). The combined effective new supply amounts to approximately 344,500 square metres of office gross floor area ("GFA"). As a result, the leasing market's existing stock increased 6.7% to approximately 4.28 million square metres. The financial sector, as well as the logistics and transportation sector, remains as the major driver of demand, pushing down the average vacancy rate by about 1.8% in 2015 to 15.7%, the lowest record in last six years. The average rent of Guangzhou's Grade A office market rebounded by 2.6% y-o-y to RMB155.4 per square metre per month by the end of 4th quarter of 2015. Looking ahead, six new projects with a total office GFA of approximately 610,000 square metres are scheduled for completion in 2016, including approximately 411,000 square metres in the Pearl River New City submarket. Yet the increased volume of supply is expected to be balanced out by the increased demand from businesses setting up or seeking expansion in Guangzhou, because of its above average growth rate and the opportunities offered by the Nansha New Area.

### Retail

According to Guangzhou Statistics Bureau, the city's retail sales of consumer goods grew 11% y-o-y in 2015, showing about 1.5% deceleration from 2014's figure, yet still outpacing the national average of 10.7%, reaching over RMB793 billion in 2015. There were five new retail projects launched in 2015, including GT Land Winter Plaza, Wanda Plaza Luogang and CapitaMall Sky Plus, adding approximately 435,000 square metres of retail GFA to the market, to about 3.65 million square metres in total. Driven by limited supply, the average vacancy rate of Guangzhou's retail property market edged down by 0.6% y-o-y to around 9% by the end of 4th quarter of 2015, while the vacancy rate of the city's prime retail shops dropped 0.7% y-o-y to 6.7% or thereabout. Demand, especially in the prime areas, was mainly supported by the fashion sector. The average rent in the first-tier area showed a y-o-y increase of 1.4%, whilst a 6% decrease was seen in the non-core area. Looking ahead, the stock of Guangzhou's retail market will continue to expand in 2016, with approximately 508,000 square metres of GFA across six new projects are scheduled to be completed next year. The large amount of new supply is expected to drive an increase on the average vacancy rate temporarily, yet still limited by the pre-lease activities of some projects.

### Hotel

The number of 5-star hotels, mainly in the Pearl River New City and Yuexiu District, has been shown increasing in recent years, as renowned brands enter the Guangzhou market. With the huge increase in supply from new completions in 2014, the 2015 overall occupancy rate has dropped. Park Hyatt Guangzhou with 208 guestrooms, also located in the Pearl River New City, was opened in late 2015. The supply in the area is expected to increase further in the coming 2 years, with the 207-room Jumeirah Guangzhou and the 251-room Rosewood Guangzhou, both in the Pearl River New City, opening in 2016 and 2017 respectively. Yet, the stimulated economic cooperation among Hong Kong, Macao and Guangzhou and increased business opportunities for foreign businesses provided by the Nansha New Area has increased the number of overnight visitors to Guangzhou in the year of 2015 and is expected to increase the figure further in 2016. The country's economic reform and Guangzhou's location on the 21st Century Maritime Silk Road would also open new doors to business opportunities. Moreover, the depreciation of the RMB against foreign currencies is expected to increase the attractiveness of Chinese exports. The higher expected attendance of the Canton Fair held in Guangzhou as China's exports regain its popularity, is expected to support future occupancy level and average daily rate of Guangzhou's hotels in the future.



### Serviced Apartment

The average rental prices for serviced apartments in Guangzhou recorded in 4th quarter of 2015 is about RMB209 per square metre, rising around 1% y-o-y from the RMB207 recorded in 4th quarter of 2014, maintaining a steady rental price growth. Over the course of the year, the overall vacancy rate of Guangzhou's serviced apartments has fallen about 4%, from the 16% recorded in 4th quarter of 2014, to the 12% recorded in 4th quarter of 2015. Demand continued to be supported mainly by overseas manufacturers, especially car manufacturers, retailers and consulates, with executives staying in Guangzhou for an extended period of time. No new supply has entered the serviced apartment market in the year of 2015 and the number of available units remained at around 3,280 units. An additional 169 units, over 5% of the current stock, is expected to enter the serviced apartment leasing market in Guangzhou, from Jumeirah's new project originally planned to be launched in 4th quarter of 2015 in the traditional business area of Pearl River New City. The new supply is expected to put upward pressure on the overall vacancy rate. Yet, demand is also expected to grow from the increased popularity of Guangzhou among foreign businesses with the inclusion of Nansha in the Guangdong Free Trade Zone. Average rental price is expected to rise in 2016 due to the above-average price set for the new project.

### Shanghai Overview

Lujiazui is a government-designated national-level development zone located in Shanghai which was reaffirmed by the State Council as the only finance and trade zone among the 185 state-level development zones in China in 2005. The addition of the Lujiazui financial area to the Shanghai Free Trade Zone ("SFZ") since March 2015, has significantly increased the attractiveness of offices in the area. SFZ will continue to be the pioneer in China's economic development as the country continues its work on economic reform. Recent notable reforms carried out in the SFZ include the cross-border cash pooling, allowing multinationals to integrate their onshore cash pool in China with their offshore global treasury centres and conduct a two-way automatic sweeping of the yuan. It is planned to connect Shanghai's and London's stock exchanges to accelerate financial reforms and also to expand the cross-border use of yuan in the SFZ in the future.

### Economic Development

Shanghai's economy has been growing steadily over the past few years, with a CAGR in GDP of 6.8% per annum from 2011 to 2015. The figure was marginally brought down by the relatively slow growth rate of 5.9% in 2015, slightly behind the country's 6.9% GDP growth in 2015. The 2.3% inflation in 2015 made Shanghai's average yearly inflation rate over the past 5 years of 3.1% on average. Shanghai's steady economic growth, moderately inflationary environment, combined with the many business opportunities the city offers, has made Shanghai desirable for both domestic and foreign businesses to set up or expand their businesses in. The city's attractiveness, evidenced by the steady increase in foreign direct investment ("FDI") at a CAGR of 9.7%, have been driving up the demand for office spaces in the city. Shanghai's stable growth in the tertiary sector, an average of 9.8% increase per annum over the past five years, has also increased the demand for office spaces. The financial industry in Shanghai has been growing at an accelerating rate over the past five years. Expected to have grown 27.2% in 2015, the average growth of the financial industry in Shanghai in the past five years is brought up to 15.1% per annum. The accelerating growth in the financial industry have been increasing, and is likely to continue driving up, the demand for office spaces in the Lujiazui and Zhuyuan area.

### Supply and Demand of Offices in Lujiazui and Zhuyuan

Mainly supported by the strong growth in the financial industry, demand for office spaces in Shanghai has been solid. Despite the increase in absorption, the 2015 overall vacancy rate of Grade A offices in the city has fallen slightly, to approximately 5%, reaching the lowest since 3rd quarter in 2008. Vacancy rate at the Zhuyuan district has been temporarily driven up to around 10% by the new supply at LJZ Century Metropolis, the first new development in Zhuyuan since 4th quarter in 2012. In terms of the rental market, Zhuyuan has seen the most rapid growth in rent in the sub-markets in Shanghai, growing more than 15% quarter-to-quarter (“q-o-q”) in both 3rd quarter and 4th quarter of 2015, with Lujiazui following in the second place, with over 10% q-o-q increase in both quarters.

### Outlook

Looking ahead, overall office vacancy rate in Shanghai is likely to go up in the near future because of nearly a million square metres of office supply due to be completed in the CBDs in 2016. Among the new supply, more than half will be completed in Pudong New District, easing the tight availability of offices in the area. Notable buildings include Century Link in Zhuyuan and Shanghai Tower in Lujiazui. Yet, the increase in supply is expected to be balanced out by the future demand surge for offices in the area, following China’s plan to develop its finance sector in the country’s 13th 5-year Plan (i.e. from 2016 to 2020) announced in November 2015. The support for the development of the finance sector would greatly benefit Shanghai and therefore support the office market of the city, especially in its financial districts. The inclusion of Renminbi in the International Monetary Fund’s Special Drawing Rights basket and the country’s intention to internationalize Renminbi would also increase the demand for quality offices in SFZ Lujiazui.

## VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Subject Properties could be sold in the prevailing market in existing state subject to the existing tenancies; and the hotel and serviced apartment portions of the Subject Properties could be sold subject to hotel and serviced apartment management agreements as fully-equipped real properties which would include trade fixtures, fittings, furniture, furnishings and equipment but without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the values of the Subject Properties, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Subject Properties. No consideration has been made for the Subject Properties being sold in bulk or as a portfolio or portfolios.

In our valuations, we have assumed that the owners of the Subject Properties have free and uninterrupted rights to use and assign the respective Subject Property during the whole of the unexpired land-use rights’ term(s) granted subject to the payment of usual land-use fee(s). Our valuations for the Subject Properties are carried out on the basis of cash purchase, and no allowance has been made for interest and/or funding cost in relation to the sale or purchase of the Subject Properties.

We had carried out on-site inspections to the Subject Properties but no soil investigation has been carried out to determine the suitability of ground conditions or services for any property development erected on the Subject Properties. Our valuations have been carried out on the assumption that these aspects are satisfactory. We have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will be granted without onerous conditions or delay.

Our market value assessments of the Subject Properties are the values estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Subject Properties have been disregarded. In our valuations, we have assumed that the Subject Properties are free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the values of the Subject Properties.

### REMARKS

We hereby confirm that:

- (1) we have no present or prospective interest in the Subject Properties and are not a related corporation of nor have a relationship with the Manager, the Trustee or any other party or parties whom Yuexiu REIT is contracting with;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties; and
- (3) our valuations have been prepared on fair and unbiased basis.

Unless otherwise stated, all money amounts stated herein are denoted in Renminbi ("RMB"), the lawful currency of the PRC.

We enclose herewith our Summary of Values and the core content of our valuation report.

Yours faithfully,  
For and on behalf of

**VIGERS APPRAISAL AND CONSULTING LIMITED**

**David W. I. CHEUNG**

MRICS MHKIS RPS(GP) CREA  
RICS Registered Valuer  
*Executive Director*

**Franky C. H. WONG**

MSc(RealEst) MCIM MRICS MHKIS RPS(GP)  
RICS Registered Valuer  
*Director*

Note: Mr. David W. I. Cheung is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong"), and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 32 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom, Canada and the United States of America.

Graduated from The University of Hong Kong with a Master of Science in Real Estate, Mr. Franky C. H. Wong is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 15 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom and the United States of America.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB16,639,000,000
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB4,714,500,000
3.	Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB903,000,000
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB758,500,000
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB865,500,000
6.	Various Units in Yue Xiu Neo Metropolis Plaza, Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshan Six Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB863,500,000
7.	Hongjia Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	RMB2,830,000,000
<b>GRAND TOTAL</b>		<b>RMB27,574,000,000</b>



## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
1.	Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in 2010 and 2011 in stages, the Subject Property, named "Guangzhou International Finance Centre" ("GZ-IFC") comprises a comprehensive mix-user development ("main building") with a 103-storey above the ground, a 4-storey underground and a 28-storey annex building erected over a site of about 27,508 square metres consisting of a shopping mall, office, serviced apartment, a luxury hotel and 1,679 below ground car parking spaces having a total gross floor area of about 457,356.68 square metres.</p> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 23rd June 2008 for commercial, tourism and entertainment uses; and a term of 50 years from 23rd June 2008 for office use.</p> <p>Retail</p> <p>The retail portion of the Subject Property comprises the 6-storey shopping mall podium from Basement 1 to Level 5 of GZ-IFC with a total gross floor area of about 46,989.16 square metres including a staff canteen of about 2,698.93 square metres on Level 4.</p> <p>Office</p> <p>The office portion of the Subject Property is provided on Levels 4 to Level 65 of GZ-IFC as well as Levels 27 and 28 of annex building having a total gross floor area of about 183,539.65 square metres.</p> <p>Serviced Apartment</p> <p>The serviced apartment portion of the Subject Property is currently operated as a serviced apartment under the tradename of "Ascott IFC Guangzhou" at Levels 6 to 28 of the annex building of GZ-IFC with 314 apartment units having a total gross floor area of about 51,102.26 square metres, including a clubhouse on Level 6 of about 2,866.96 square metres.</p> <p>Hotel</p> <p>The hotel portion of the Subject Property is currently operated as a luxury hotel under the tradename of "Four Seasons Hotel Guangzhou" providing 344 hotel guestrooms at Levels 68 to 100 of GZ-IFC with ancillary facilities such as food and beverage, conference rooms, fitness centre, SPA, swimming pool and so on provided therein having a gross floor area of about 89,198.83 square metres.</p> <p>Carpark and Ancillary Areas</p> <p>The Subject Property also includes a total of 1,679 below ground car parking spaces as well as ancillary areas for refuge floor, machine and facilities' room having a gross floor area of about 71,082.79 square metres and 15,443.99 square metres respectively.</p>	<p>According to the tenancy schedule provided by the Manager, majority of the retail, office, carpark and other portions of the Property having the occupancy rates of 86.81%, 97.30% and 100.00% respectively is let to various tenants at an aggregate monthly rent of about RMB46,828,354 exclusive of management fees and utility charges with the last expiry date on 31st December 2025; whilst the serviced apartment and hotel portions of the Subject Properties are operated by 3rd parties under respective management agreement and consultancy agreement.</p>	RMB 16,639,000,000

## Property Valuation Report

Note:

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

Uses	Total Lettable Area (square metres)	Leased Lettable Area (square metres)	Annual Rental Income (Approximately)
Retail	46,727.27	40,562.92	RMB51,320,000
Office	183,539.65	178,582.77	RMB493,580,000
Carpark	71,082.79	71,082.79	RMB14,890,000
Total	301,349.71	290,228.48	RMB559,790,000

- Annual net property income as at the Valuation Date and gross floor area breakdown of the serviced apartment and hotel portions of the Subject Property are tabulated as follows.

Uses	Gross Floor Area (square metres)	No. of Unit/Guestroom	Annual Net Property Income (Approximately)
Serviced Apartment	51,102.26	314	RMB56,720,000
Hotel	89,198.83	344	RMB94,450,000
Total	140,301.09	658	RMB151,170,000

## Property Valuation Report

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	6.70%
1	2	0.00%
2	3	14.20%
3	4	0.00%
4	5	0.00%
5	6	7.30%
6	7	2.00%
7	Or More	69.80%
Total	=	100.00%

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

Year of Expiry	Proportion by Floor Area
In 2016	6.65%
In 2017	1.55%
In 2018	12.70%
In 2019	1.50%
In 2020	5.50%
In 2021	2.30%
In 2022	0.00%
In 2023	0.00%
In 2024	0.00%
In 2025 and Afterward	69.80%
Total	= 100.00%

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	6.80%
1	2	3.50%
2	3	39.40%
3	4	5.00%
4	5	35.90%
5	6	8.40%
6	7	0.60%
7	8	0.00%
8	9	0.00%
9	Or More	0.40%
Total	=	100.00%

## Property Valuation Report

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

Year of Expiry	Proportion by Floor Area
In 2016	16.90%
In 2017	14.55%
In 2018	42.75%
In 2019	14.60%
In 2020	10.80%
In 2021	0.40%
Total	= 100.00%

11. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
12. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
13. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Retail	Income Capitalization Method	Term Yield	4.75% per annum
	Income Capitalization Method	Reversionary Yield	5.25% per annum
	Discounted cash Flow Analysis	Discount Rate	7.50% per annum
Office	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	5.00% per annum
	Discounted cash Flow Analysis	Discount Rate	7.25% per annum
Serviced Apartment	Discounted cash Flow Analysis	Average Daily Rate	RMB964 per room per night
	Discounted cash Flow Analysis	Occupancy Rate	95.00% in Year-1 of Projection
	Discounted cash Flow Analysis	Discount Rate	7.50% per annum
Hotel	Discounted cash Flow Analysis	Average Daily Rate	RMB2,010 per room per night
	Discounted cash Flow Analysis	Occupancy Rate	73.00% in Year-1 of Projection
	Discounted cash Flow Analysis	Discount Rate	8.00% per annum
Carpark	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	5.00% per annum
	Discounted cash Flow Analysis	Discount Rate	7.25% per annum

14. Breakdown market values of the Subject Properties as at the Valuation Date are listed as follows.

Portion	Income Capitalization Method	Discounted cash Flow Analysis	Market Value
Retail	RMB2,516,000,000	RMB2,531,000,000	RMB2,523,500,000
Office	RMB9,215,000,000	RMB9,205,000,000	RMB9,210,000,000
Serviced Apartment	Not Applicable	RMB2,070,000,000	RMB2,070,000,000
Hotel	Not Applicable	RMB2,310,000,000	RMB2,310,000,000
Carpark	RMB537,000,000	RMB514,000,000	RMB525,500,000
Total		=	RMB16,639,000,000

15. The estimated net yield of the Subject Property is 4.27% which is derived from the estimated rental received for the retail, office, carpark and other portions as well as annual net property income from the serviced apartment and hotel portions in Year-2015 divided by the market value as at the Valuation Date.



## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The Subject Property comprises large majority portion in White Horse Building which is a 10-storey (including a lower ground floor mainly for management office and storage uses and a basement carpark) commercial wholesale centre completed in or about 1990 with two extensions furnished in between 1995 to 1997 and 1998 to 2000 respectively.</p> <p>The Subject Property has a total gross floor area of approximately 50,199.35 square metres with breakdown as follows.</p>	According to the tenancy schedule provided by the Manager, the Subject Property having an occupancy rate of 100.00% is let to various tenants at an aggregate monthly rent of about RMB32,012,831 exclusive of management fees and utility charges with the last expiry date on 31st December 2019.	RMB 4,714,500,000

Level (Use)	Gross Floor Area (square metres)
Lower Ground (Storage)	1,121.68
Level 1 (Commercial)	7,667.04
Level 2 (Commercial)	7,199.80
Level 3 (Commercial)	7,684.91
Level 4 (Commercial)	7,695.56
Level 5 (Commercial)	7,466.39
Level 6 (Commercial)	7,443.90
Level 7 (Commercial)	2,003.54
Level 8 (Commercial)	1,916.53
<b>Total</b>	<b>50,199.35</b>

The Subject Property is held under granted land-use rights for a term of 40 years from 7th June 2005 for commercial use on Level 1 to Level 3 (with aggregate gross floor area of about 22,551.75 square metres and portion of Level 4 with aggregate gross floor area of about 7,164.20 square metres; and a term of 50 years from 23rd June 2008 for office and storage use on Lower Ground Floor with aggregate gross floor area of about 1,121.68 square metres, portion of Level 4 with aggregate gross floor area of about 531.36 square metres, and Level 5 to Level 8 with aggregate gross floor area of about 18,830.36 square metres.

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of “柏達投資有限公司”.
- Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

Uses	Total Lettable Area (square metres)	Leased Lettable Area (square metres)	Annual Rental Income (Approximately)
Commercial	50,128.90	50,128.90	RMB382,980,000
<b>Total</b>	<b>50,128.90</b>	<b>50,128.90</b>	<b>RMB382,980,000</b>

## Property Valuation Report

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	18.00%
1	2	14.40%
2	3	31.50%
3	4	2.90%
4	5	33.20%
Total	=	100.00%

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

Year of Expiry	Proportion by Floor Area
In 2016	32.50%
In 2017	34.50%
In 2018	16.10%
In 2019	16.90%
Total	= 100.00%

5. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
6. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Commercial	Income Capitalization Method	Term Yield	7.75% per annum
	Income Capitalization Method	Reversionary Yield	8.25% per annum
	Discounted cash Flow Analysis	Discount Rate	9.50% per annum

8. We have summarized our valuations by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB4,710,000,000
Discounted cash Flow Analysis	RMB4,719,000,000
Market Value (Average of the Above)	RMB4,714,500,000

9. The estimated net yield of the Subject Property is 8.12% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.

## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date						
3.	Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2003, the Subject Property comprises large majority portion in Fortune Plaza which consists of a 30-storey office tower ("East Tower") and a 20-storey office tower ("West Tower") erected over a 6-storey retail commercial podium and a 2-storey basement carpark.</p> <p>The Subject Property has a total gross floor area of approximately 41,355.20 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Commercial Office</td> <td>3,853.07 37,502.13</td> </tr> <tr> <td>Total</td> <td>41,355.20</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 26th November 2002 for commercial use; and a term of 50 years for office use.</p>	Use	Gross Floor Area (square metres)	Commercial Office	3,853.07 37,502.13	Total	41,355.20	<p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 98.90% is let to various tenants at an aggregate monthly rent of about RMB6,614,974 exclusive of management fees and utility charges with the last expiry date on 31st July 2022; whilst the remaining portion of the Subject Property is left vacant.</p>	<p>RMB903,000,000</p> <p><i>(Please also refer to Note 12. below for further details.)</i></p>
Use	Gross Floor Area (square metres)									
Commercial Office	3,853.07 37,502.13									
Total	41,355.20									

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, large majority of the Subject Property having an aggregate gross floor area of about 40,356.19 square metres is vested in the name of "金峰有限公司".
- Pursuant to a set copy of Certificate of Real Estate Ownership, part of the Subject Property (i.e. Unit 1701 of East Tower) having a gross floor area of about 999.01 square metres is vested in the name of "廣州捷雅城房地產開發有限公司".
- Yuexiu REIT holds the following units in Fortune Plaza as of the Valuation Date.

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

## Property Valuation Report

4. Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

Uses	Total Lettable Area (square metres)	Leased Lettable Area (square metres)	Annual Rental Income (Approximately)
Retail	3,853.07	3,853.07	RMB15,110,000
Office	37,502.14	37,047.02	RMB64,270,000
Total	41,355.21	40,900.09	RMB79,380,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	1.60%
1	2	15.90%
2	3	29.20%
3	4	10.90%
4	5	28.60%
5	6	1.50%
6	7	0.00%
7	8	1.90%
8	9	0.00%
9	Or More	10.40%
Total	=	100.00%

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

Year of Expiry	Proportion by Floor Area
In 2016	15.70%
In 2017	43.90%
In 2018	17.90%
In 2019	10.00%
In 2020	2.10%
In 2021	0.00%
In 2022 and Afterward	10.40%
Total	= 100.00%

## Property Valuation Report

7. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
8. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
9. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Retail	Income Capitalization Method	Term Yield	7.50% per annum
	Income Capitalization Method	Reversionary Yield	8.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum
Office	Income Capitalization Method	Term Yield	7.00% per annum
	Income Capitalization Method	Reversionary Yield	7.50% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum

10. We have summarized our valuations by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB911,000,000
Discounted cash Flow Analysis	RMB895,000,000
Market Value (Average of the Above)	RMB903,000,000

11. The estimated net yield of the Subject Property is 8.79% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.
12. We are of the opinion that the market value of the Subject Property which is vested in the name of “廣州捷雅城房地產開發有限公司” (i.e. Unit 1701 of East Tower) as at the Valuation Date is RMB21,630,000 only.



## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date						
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 1997, the Subject Property comprises large majority portion in City Development Plaza which consists of a 28-storey office commercial building erected over a 2-storey basement carpark.</p> <p>The Subject Property has a total gross floor area of approximately 42,397.36 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Commercial Office</td> <td>11,757.54 30,639.82</td> </tr> <tr> <td>Total</td> <td>42,397.36</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 27th January 1997 for commercial use; and a term of 50 years from 27th January 1997 for office use.</p>	Use	Gross Floor Area (square metres)	Commercial Office	11,757.54 30,639.82	Total	42,397.36	According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 96.60% is let to various tenants at an aggregate monthly rent of about RMB5,207,871 exclusive of management fees and utility charges with the last expiry date on 31st December 2020; whilst the remaining portion of the Subject Property is left vacant.	RMB 758,500,000
Use	Gross Floor Area (square metres)									
Commercial Office	11,757.54 30,639.82									
Total	42,397.36									

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of “福建地產投資有限公司”.
- Yuexiu REIT holds the following units in City Development Plaza as of the Valuation Date.

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

## Property Valuation Report

3. Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

<b>Uses</b>	<b>Total Lettable Area</b> (square metres)	<b>Leased Lettable Areas</b> (square metres)	<b>Annual Rental Income</b> (Approximately)
Commercial	11,757.54	10,777.88	RMB16,880,000
Office	30,639.82	30,178.73	RMB45,620,000
<b>Total</b>	<b>42,397.36</b>	<b>40,956.61</b>	<b>RMB62,500,000</b>

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

<b>Lease Term Greater Than (Year)</b>	<b>Lease Term Less Than or Equal To (Year)</b>	<b>Proportion by Floor Area</b>
0	1	46.80%
1	2	33.80%
2	3	12.20%
3	4	0.30%
4	5	6.90%
<b>Total</b>	<b>=</b>	<b>100.00%</b>

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

<b>Year of Expiry</b>	<b>Proportion by Floor Area</b>
In 2016	46.80%
In 2017	33.80%
In 2018	12.20%
In 2019	0.30%
In 2020	6.90%
<b>Total</b>	<b>= 100.00%</b>

## Property Valuation Report

6. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
7. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Commercial	Income Capitalization Method	Term Yield	8.00% per annum
	Income Capitalization Method	Reversionary Yield	8.50% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum
Office	Income Capitalization Method	Term Yield	7.50% per annum
	Income Capitalization Method	Reversionary Yield	8.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum

9. We have summarized our valuations by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB756,000,000
Discounted cash Flow Analysis	RMB761,000,000
Market Value (Average of the Above)	RMB758,500,000

10. The estimated net yield of the Subject Property is 8.24% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.

## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date																						
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2003, the Subject Property comprises the commercial retail podium named "Victory Plaza" from portion of Basement 1 to Level 6.</p> <p>The Subject Property has a total gross floor area of approximately 27,698.14 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Level/Unit</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Basement 1 (Part)</td> <td>1,809.21</td> </tr> <tr> <td>Level 1 (101)</td> <td>473.71</td> </tr> <tr> <td>Level 1 (102)</td> <td>1,553.52</td> </tr> <tr> <td>Level 1 (Others)</td> <td>1,006.22</td> </tr> <tr> <td>Level 2</td> <td>3,968.92</td> </tr> <tr> <td>Level 3</td> <td>4,756.74</td> </tr> <tr> <td>Level 4</td> <td>4,756.74</td> </tr> <tr> <td>Level 5</td> <td>4,769.85</td> </tr> <tr> <td>Level 6</td> <td>4,603.23</td> </tr> <tr> <td><b>Total</b></td> <td><b>27,698.14</b></td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 8th March 2004 for commercial use.</p>	Level/Unit	Gross Floor Area (square metres)	Basement 1 (Part)	1,809.21	Level 1 (101)	473.71	Level 1 (102)	1,553.52	Level 1 (Others)	1,006.22	Level 2	3,968.92	Level 3	4,756.74	Level 4	4,756.74	Level 5	4,769.85	Level 6	4,603.23	<b>Total</b>	<b>27,698.14</b>	<p>According to the tenancy schedule provided by the Manager, the Subject Property having an occupancy rate of 100.00% is let to various tenants at an aggregate monthly rent of about RMB5,380,578 exclusive of management fees and utility charges with the last expiry date on 31st December 2023.</p>	RMB 865,500,000
Level/Unit	Gross Floor Area (square metres)																									
Basement 1 (Part)	1,809.21																									
Level 1 (101)	473.71																									
Level 1 (102)	1,553.52																									
Level 1 (Others)	1,006.22																									
Level 2	3,968.92																									
Level 3	4,756.74																									
Level 4	4,756.74																									
Level 5	4,769.85																									
Level 6	4,603.23																									
<b>Total</b>	<b>27,698.14</b>																									

## Property Valuation Report

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of “京澳有限公司”.
- Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

Uses	Total Lettable Areas (square metres)	Leased Lettable Areas (square metres)	Annual Rental Income (Approximately)
Commercial	27,262.27	27,262.27	RMB64,570,000
Total	27,262.27	27,262.27	RMB64,570,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.00%
1	2	0.00%
2	3	10.50%
3	4	0.60%
4	5	20.10%
5	6	14.60%
6	7	0.00%
7	8	16.20%
8	9	0.00%
9	10	0.00%
10	Or More	38.00%
Total	=	100.00%

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

Year of Expiry	Proportion by Floor Area
In 2016	2.73%
In 2017	10.10%
In 2018	3.81%
In 2019	16.26%
In 2020	17.97%
In 2021	11.07%
In 2022	0.00%
In 2023	38.06%
Total	= 100.00%



## Property Valuation Report

5. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
6. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Commercial	Income Capitalization Method	Term Yield	7.50% per annum
	Income Capitalization Method	Reversionary Yield	8.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum

8. We have summarized our valuations by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB867,000,000
Discounted cash Flow Analysis	RMB864,000,000
<b>Market Value (Average of the Above)</b>	<b>RMB865,500,000</b>

9. The estimated net yield of the Subject Property is 7.46% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.

## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date												
6.	Various Units in Yue Xiu Neo Metropolis Plaza, Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshan Six Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2005, the Subject Property comprises large majority portion in Yue Xiu Neo Metropolis Plaza which is a 26-storey (including a 3-level basement) commercial tower.</p> <p>The Subject Property has a total gross floor area of approximately 61,959.99 square metres.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Carpark *</td> <td>7,544.77</td> </tr> <tr> <td>Commercial</td> <td>15,445.51</td> </tr> <tr> <td>Clubhouse, Common Facilities and Others</td> <td>4,527.96</td> </tr> <tr> <td>Office</td> <td>34,441.75</td> </tr> <tr> <td><b>Total</b></td> <td><b>61,959.99</b></td> </tr> </tbody> </table> <p><i>* Note: Exclusive of an area of about 76.26 square metres to be distributed to the predecessor of the Domestic Joint-venture Partner</i></p> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 8th March 2004 for commercial and restaurant uses.</p>	Use	Gross Floor Area (square metres)	Carpark *	7,544.77	Commercial	15,445.51	Clubhouse, Common Facilities and Others	4,527.96	Office	34,441.75	<b>Total</b>	<b>61,959.99</b>	<p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 99.74% is let to various tenants at an aggregate monthly rent of about RMB5,539,987 exclusive of management fees and utility charges with the last expiry date on 29th February 2020; whilst the remaining portion of the Subject Property is left vacant.</p>	RMB 863,500,000
Use	Gross Floor Area (square metres)															
Carpark *	7,544.77															
Commercial	15,445.51															
Clubhouse, Common Facilities and Others	4,527.96															
Office	34,441.75															
<b>Total</b>	<b>61,959.99</b>															

## Property Valuation Report

Note:

1. Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of “廣州捷雅城地產開發有限公司”.
2. Yuexiu REIT holds the following units in City Development Plaza as of the Valuation Date.

Tower	Use	Level
Podium	Carpark	Basement 2 and Basement 3
Podium	Common Facilities	Basement 1 and Basement 2
Podium	Commercial	Basement 1 and Level 1 to Level 4
Podium	Clubhouse, Common Facilities and Others	Level 1 to Level 6
East	Office	Unit 501, Unit 502, Unit 503, Unit 504, Unit 505, Unit 506, Unit 507, Unit 508, Unit 509, Unit 701, Unit 702, Unit 703, Unit 705 Unit 706, Unit 1104, Unit 1304, Unit 1402, Unit 1404, Unit 1405, Unit 1406, Unit 1408, Unit 1504, Unit 1508, Unit 1601, Unit 1602, Unit 1603, Unit 1604, Unit 1605, Unit 1606, Unit 1607, Unit 1608, Unit 1609, Unit 1610, Unit 1701, Unit 1702, Unit 1703, Unit 1704, Unit 1705, Unit 1706, Unit 1707, Unit 1708, Unit 1709, Unit 1710, Unit 1801, Unit 1802, Unit 1803, Unit 1804, Unit 1805, Unit 1806, Unit 1807, Unit 1808, Unit 1809, Unit 1810, Unit 1901, Unit 1902, Unit 1903, Unit 1904, Unit 1905, Unit 1906, Unit 1907, Unit 1908, Unit 1909, Unit 1910, Unit 2001, Unit 2002, Unit 2003, Unit 2004, Unit 2005, Unit 2006, Unit 2007, Unit 2008, Unit 2009, Unit 2010, Unit 2101, Unit 2102, Unit 2103, Unit 2104, Unit 2105, Unit 2106, Unit 2107, Unit 2108, Unit 2109, Unit 2110, Unit 2201, Unit 2202, Unit 2203, Unit 2204, Unit 2205, Unit 2206, Unit 2207, Unit 2208, Unit 2209, Unit 2210, Unit 2301, Unit 2302, Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310, Unit 2311
Centre	Office	Unit 501, Unit 502, Unit 503, Unit 805, Unit 904, Unit 905, Unit 1005, Unit 1105, Unit 1304, Unit 1305, Unit 1401, Unit 1403, Unit 1404, Unit 1405, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1601, Unit 1604, Unit 1605, Unit 1704, Unit 1705
West	Office	Unit 501, Unit 502, Unit 503, Unit 504, Unit 505, Unit 506, Unit 706, Unit 707, Unit 709, Unit 801, Unit 1001, Unit 1101, Unit 1109, Unit 1201, Unit 1401, Unit 1408, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1506, Unit 1507, Unit 1508, Unit 1509, Unit 1601, Unit 1608, Unit 1609, Unit 1701, Unit 1801, Unit 1809, Unit 1901, Unit 1902, Unit 1903, Unit 1904, Unit 1905, Unit 1906, Unit 1907, Unit 1908, Unit 1909, Unit 2001, Unit 2002, Unit 2003, Unit 2004, Unit 2005, Unit 2006, Unit 2007, Unit 2008, Unit 2009, Unit 2101, Unit 2102, Unit 2103, Unit 2104, Unit 2105, Unit 2106, Unit 2107, Unit 2108, Unit 2109, Unit 2201, Unit 2202, Unit 2203, Unit 2204, Unit 2205, Unit 2206, Unit 2207, Unit 2208, Unit 2209, Unit 2301, Unit 2302, Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310

## Property Valuation Report

3. Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

<b>Uses</b>	<b>Total Lettable Areas</b> (square metres)	<b>Leased Lettable Areas</b> (square metres)	<b>Annual Rental Income</b> (Approximately)
Commercial	15,445.51	15,445.51	RMB22,720,000
Office	34,441.79	34,290.45	RMB41,670,000
Carpark	7,544.77	7,544.77	RMB1,200,000
<b>Total</b>	<b>57,432.07</b>	<b>57,280.73</b>	<b>RMB65,590,000</b>

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

<b>Lease Term Greater Than(Year)</b>	<b>Lease Term Less Than or Equal To (Year)</b>	<b>Proportion by Floor Area</b>
0	1	2.00%
1	2	15.10%
2	3	32.80%
3	4	18.10%
4	5	13.00%
5	6	1.80%
6	7	0.50%
7	8	0.00%
8	9	0.00%
9	10	16.70%
<b>Total</b>	<b>=</b>	<b>100.00%</b>

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

<b>Year of Expiry</b>	<b>Proportion by Floor Area</b>
In 2016	48.25%
In 2017	18.17%
In 2018	25.11%
In 2019	7.56%
In 2020	0.91%
<b>Total</b>	<b>= 100.00%</b>

## Property Valuation Report

6. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
7. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Commercial	Income Capitalization Method	Term Yield	6.50% per annum
	Income Capitalization Method	Reversionary Yield	7.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum
Office	Income Capitalization Method	Term Yield	7.50% per annum
	Income Capitalization Method	Reversionary Yield	8.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum
Carpark	Income Capitalization Method	Term Yield	10.00% per annum
	Income Capitalization Method	Reversionary Yield	10.00% per annum
	Discounted cash Flow Analysis	Discount Rate	9.25% per annum

9. We have summarized our valuations by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB867,000,000
Discounted cash Flow Analysis	RMB860,000,000
<b>Market Value (Average of the Above)</b>	<b>RMB863,500,000</b>

10. The estimated net yield of the Subject Property is 7.60% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.



## Property Valuation Report

No.	Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date																
7.	Hongjia Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	<p>Completed in 2010, the Subject Property, named "Hongjia Tower" is a 25-storey (including refuge floor on 14th floor) commercial building with a 2-level basement carpark. Portion of Basement 1 as well as 1st and 2nd floors of the Subject Property is devoted to retail use; whilst the upper floors (except 14th Floor) are designed for office use.</p> <p>The Subject Property has a site area of about 10,641 square metres and a total gross floor area of about 62,139.35 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use*</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>6,256.70</td> </tr> <tr> <td>Office</td> <td>39,769.63</td> </tr> <tr> <td>Carpark</td> <td>13,502.58</td> </tr> <tr> <td>Bicycle Carpark</td> <td>1,296.18</td> </tr> <tr> <td>Management Offices</td> <td>276.53</td> </tr> <tr> <td>Refuge Floor</td> <td>1,037.73</td> </tr> <tr> <td><b>Total</b></td> <td><b>62,139.35</b></td> </tr> </tbody> </table>	Use*	Gross Floor Area (square metres)	Retail	6,256.70	Office	39,769.63	Carpark	13,502.58	Bicycle Carpark	1,296.18	Management Offices	276.53	Refuge Floor	1,037.73	<b>Total</b>	<b>62,139.35</b>	<p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 99.12% is let to various tenants at an aggregate monthly rent of about RMB10,837,377 with the last expiry date on 15th March 2019; whilst the remaining portion of the Subject Property is vacant.</p>	RMB 2,830,000,000
Use*	Gross Floor Area (square metres)																			
Retail	6,256.70																			
Office	39,769.63																			
Carpark	13,502.58																			
Bicycle Carpark	1,296.18																			
Management Offices	276.53																			
Refuge Floor	1,037.73																			
<b>Total</b>	<b>62,139.35</b>																			
		<p>* Note: The gross floor areas of the Subject Property for retail, office and carpark uses are quoted from Shanghai Certificate of Real Estate Ownership of the Subject Property; whilst the remainder is quoted from Registers of Real Estate of Shanghai Municipality of the Subject Property.</p> <p>The Subject Property provides 273 private car parking spaces on basement and 27 aboveground private car parking spaces.</p> <p>The Subject Property is held under granted land use rights from 7th January 2005 to 6th January 2055 for commercial and office uses.</p>																		

## Property Valuation Report

Note:

1. Pursuant to a copy of Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Pu Zi (2011) No. 060397) registered on 29th September 2011, the Subject Property is vested in the name of “上海宏嘉房地產開發有限公司”.
2. Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

Uses	Total Lettable Area (square metres)	Leased Lettable Area (square metres)	Annual Rental Income (Approximately)
Retail	6,256.70	5,924.36	RMB8,710,000
Office	39,769.63	39,579.57	RMB119,540,000
Carpark	13,502.58	13,502.58	RMB1,800,000
Total	59,528.91	59,006.51	RMB130,050,000

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

Lease Term Greater Than(Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.00%
1	2	3.10%
2	3	25.07%
3	4	59.29%
4	5	0.26%
5	6	12.28%
Total	=	100.00%

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

Year of Expiry	Proportion by Floor Area
In 2016	26.20%
In 2017	41.96%
In 2018	30.83%
In 2019	1.01%
Total	= 100.00%

## Property Valuation Report

5. Save as disclosed, we understand that the Subject Property has no material rent review provisions; and we are not aware of any sub-lease or tenancy or any material options or rights of pre-emption which may materially affect the value of the Subject Property.
6. As advised by the Manager, the property management income of the Subject Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
7. In the course of our valuation, we have adopted the following key assumptions.

Portion	Valuation Method	Parametres	Assumption
Retail	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discounted cash Flow Analysis	Discount Rate	9.00% per annum
Office	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discounted cash Flow Analysis	Discount Rate	9.00% per annum
Carpark	Income Capitalization Method	Term Yield	4.50% per annum
	Income Capitalization Method	Reversionary Yield	4.75% per annum
	Discounted cash Flow Analysis	Discount Rate	9.00% per annum

8. We have summarized our valuations of the Subject Property by income capitalization method and discounted cash flow analysis as follows.

Income Capitalization Method	RMB2,830,000,000
Discounted cash Flow Analysis	RMB2,830,000,000
Market Value (Average of the Above)	RMB2,830,000,000

9. The estimated net yield of the Property is 4.60% which is derived from the estimated rental received in Year-2015 divided by the market value as at the Valuation Date.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## TO THE UNITHOLDERS OF YUEXIU REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the 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 140 to 195, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, distribution statement, consolidated statement of net assets attributable to unitholders and changes in equity 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, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (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.

---

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)



羅兵咸永道

**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 2015, 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, 23 February 2016



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

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

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Notes:

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

The notes on page 147 to 195 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

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

## Consolidated Balance Sheet

AS AT 31 DECEMBER 2015

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

On behalf of the Board of Directors of the Manager

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The notes on page 147 to 195 are an integral part of these consolidated financial statements.

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the “Manager”) intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A final distribution for the period from 1 July 2014 to 31 December 2014 of RMB0.1203 (equivalent to HK\$0.1521) per unit and interim distribution for the period from 1 January 2015 to 30 June 2015 of RMB0.1208 (equivalent to HK\$0.1530) per unit, totaling RMB680,407,000 (2014: RMB643,932,000), were paid to unitholders on 13 May 2015 and 28 October 2015 respectively.
- (iv) A final distribution for the period from 1 July 2015 to 31 December 2015 of RMB0.1282 (equivalent to HK\$0.1531) per unit, totaling RMB362,749,000 (equivalent to HK\$433,102,657) was declared by the Board of the Manager on 23 February 2016.

The notes on page 147 to 195 are an integral part of these consolidated financial statements.



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

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The notes on page 147 to 195 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The notes on page 147 to 195 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of preparation (continued)

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Consolidation

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2015.

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

#### (ii) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Segment reporting

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

### (d) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

### (e) Property, plant and equipment

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

### (f) Investment properties

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Goodwill

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

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

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

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

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

### (i) Offsetting financial instruments

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

### (j) Inventories

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Loan and other receivables

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

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

Subsequent recoveries of amounts previously written off are credited to the profit or loss.

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

### (l) Land use rights

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

### (m) Rental deposits

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

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

### (n) Cash and cash equivalents

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

### (o) Trade payables

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Provisions

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

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

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

### (q) Borrowings

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

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

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

### (r) Borrowing costs

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

### (s) Current and deferred income tax

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (i) Current income tax

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

#### (ii) Deferred income tax

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

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

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

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

#### (iii) Offsetting

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Revenue recognition

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

#### (i) Rental income

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

#### (ii) Hotel and serviced apartment income

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

#### (iii) Interest income

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

### (u) Distributions to unitholders

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

### (v) Employee benefits

#### (i) Pension obligations

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Employee benefits (continued)

#### (ii) Termination benefits

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

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

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

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

#### (i) Market risk

##### (a) Foreign exchange risk

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

At 31 December 2015 and 2014, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2015 would have been approximately RMB409,124,000 (2014: RMB232,535,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits, and borrowings.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (i) Market risk (continued)

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

The Group's interest rate risk arises from borrowings obtained at variable rates which expose the Group to cash flow interest rate risk partially offset by deposits held at variable rate.

Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future. The Group did not enter into any swaps for its floating-rate borrowing for the year ended 31 December 2015 and 2014. At 31 December 2015 and 2014, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB109,029,000 (2014: RMB80,306,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (ii) Credit risk

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

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

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

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

The Group has policies in place to ensure that sales are made to customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Financial risk factors (continued)

##### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB739,865,000 as at 31 December 2015 (2014: RMB999,453,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

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



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Capital risk management

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

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

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

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

The gearing ratio increased to 37% in 2015 (2014: 32%) due to increase in borrowings resulting from the acquisition of subsidiaries during the year.

#### (c) Fair value estimation

The carrying amounts of the Group's current financial assets including cash and cash equivalents, short-term bank deposits, trade and other receivables, amounts due from related parties and top-up payment asset and current financial liabilities including borrowings, rental deposits, accruals and other payables, and amounts due to related parties approximate their fair values due to their short maturities.

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

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

#### 4 CRITICAL ACCOUNTING ESTIMATES

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

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

##### (a) Estimate of fair value of property, plant and equipment and investment properties

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

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

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

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

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

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

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

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

## 5 REVENUE AND SEGMENT INFORMATION

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

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

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

Total assets excluded taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

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

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

## 5 REVENUE AND SEGMENT INFORMATION (continued)

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

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

Note:

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

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

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

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

## 5 REVENUE AND SEGMENT INFORMATION (continued)

The Group's revenue by nature is as follows:

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

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

## 6 EXPENSES BY NATURE

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

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou White Horse Property Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 30).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.



## 7 EMPLOYEE BENEFIT EXPENSES

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

### Pension scheme arrangements

Certain subsidiaries of Yuexiu REIT in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16% to 24% of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

## 8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property; a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate, as defined in the Trust Deed. A transaction fee of RMB26,272,000 in business combination in related to acquisition to Shanghai has been included to manager's fee for the year ended 31 December 2015.

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

Pursuant to the circular of Yuexiu REIT dated 30 June 2012, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2015 are expected to be issued on 9 March 2016. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 9 March 2016 and (ii) the average closing price of the units in the 10 trading days immediately preceding 9 March 2016.

## 9 FINANCE INCOME

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

## 10 FINANCE EXPENSES

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

## 11 INCOME TAX EXPENSE

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

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

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

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

The tax on the Group's profit before income tax and transactions with unitholders differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

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

## 12 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

### (a) Basic

Basic earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit after income tax before transactions with unitholders attributable to unitholders by the weighted average number of units in issue during the year.

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

### (b) Diluted

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

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

## 13 PROPERTY, PLANT AND EQUIPMENT

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

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

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



**13 PROPERTY, PLANT AND EQUIPMENT** (continued)

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

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

**Valuation processes of the Group**

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

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

At each financial year end the finance department:

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

**Valuation techniques****Fair value measurements using significant unobservable inputs**

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

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

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

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

**13 PROPERTY, PLANT AND EQUIPMENT** (continued)**Significant input used to determine fair value**

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

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

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

**As at 31 December 2014**

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

**As at 31 December 2015**

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

**14 LAND USE RIGHTS**

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

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

**14 LAND USE RIGHTS** (continued)

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

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

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

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

**15 INVESTMENT PROPERTIES**

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

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

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

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

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

## 15 INVESTMENT PROPERTIES (continued)

### Valuation processes of the Group

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

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

At each financial year end the finance department:

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

### Valuation techniques

#### Fair value measurements using significant unobservable inputs

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

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

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

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

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

**15 INVESTMENT PROPERTIES** (continued)**Significant inputs used to determine fair value**

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

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

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

**As at 31 December 2014**

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

**As at 31 December 2015**

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

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

**As at 31 December 2014**

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

**As at 31 December 2015**

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

## 16 SUBSIDIARIES

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



## 16 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Tower Top Development Ltd. ("Tower Top")	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary share of USD1	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%

## 16 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd. <sup>1</sup>	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%
Bestget Enterprises Limited <sup>1</sup>	Hong Kong, limited liability company	Investment holding	257,614,000 ordinary share of HK\$257,614,000	100%

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

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

## 17 DEFERRED ASSETS

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

## 18 GOODWILL

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

**Impairment test for goodwill**

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

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

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

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

## 19 TOP-UP PAYMENT ASSET

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

Top-up payment asset is recognised as financial assets in Yuexiu REIT, which is denominated in RMB. The value of the balance approximates its carrying amount.

It is initially recognised at fair value. In determining the fair value of the top-up payment asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the market interest rate of 1.650% (2014: 2.970%) per annum. Top-up payment asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of top-up payment asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance expense"/"finance income".

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

## 20 TRADE RECEIVABLES

	2015 RMB' 000	2014 RMB' 000
Trade receivables	13,168	11,564

The fair values of trade receivables approximate their carrying amounts.

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

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

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

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

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

## 21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

## 22 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

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

As at 31 December 2015, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB572,004,000 (2014: RMB786,480,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of the China is subject to exchange control restrictions imposed by the Chinese government.

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

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

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

## 23 DEFERRED TAX LIABILITIES

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

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

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

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

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



**23 DEFERRED TAX LIABILITIES** (continued)

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

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

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

**24 TRADE PAYABLES**

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

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

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

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

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

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

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

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

## 26 BORROWINGS

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

Note a

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

- certain parts of Guangzhou IFC amounting to RMB6,755 million;
- present and future assets (including but not limited to: (a) a charge over any interest-bearing accounts (the “Charged Accounts”), (b) a floating charge over all assets, (c) an assignment of dividends and all other revenue generated) of Yuexiu REIT 2012 Company Limited (“Yuexiu REIT 2012”), Tower Top Development Ltd. (“Tower Top”), BVI Holdcos<sup>2</sup> and HK Holdcos<sup>3</sup>, subsidiaries of the Group;
- all right, title and interest in all present and future loans of Yuexiu REIT 2012, Tower Top, BVI Holdcos<sup>2</sup> and HK Holdcos<sup>3</sup>;

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

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

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

**26 BORROWINGS** (continued)

The Group's borrowings are payable as follow:

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

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

	<b>2015</b>	2014
RMB	<b>6.34%</b>	6.50%
HK\$	<b>2.56%</b>	2.00%
USD	<b>2.97%</b>	3.15%

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

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

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

Note b

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

## 27 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2015 RMB' 000	2014 RMB' 000
At 1 January	13,141,954	12,669,468
Issuance of units	100,754	101,786
Transfer from the consolidated statement of comprehensive income	838,171	1,014,632
Distributions paid during the year	(680,407)	(643,932)
At 31 December	<b>13,400,472</b>	13,141,954

	2015 RMB' 000	2014 RMB' 000
Net assets attributable to existing unitholders	<b>11,270,891</b>	11,012,373
Net assets attributable to deferred unitholder (Note)	<b>2,129,581</b>	2,129,581
	<b>13,400,472</b>	13,141,954

## Note

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. The outstanding deferred units at 31 December 2015 was 733,280,000 units (31 December 2014: 733,280,000 units).

The movement of units is as below:

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

## Note:

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

## 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

- (b) Major non-cash transaction:

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



## 29 BUSINESS COMBINATIONS

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

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

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

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

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

**29 BUSINESS COMBINATIONS (continued)**

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

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

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

**30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

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

### 30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

### 30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

### 30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

	2015 RMB' 000	2014 RMB' 000
Manager's fee paid/payable to the Manager (ii)	<b>(139,555)</b>	(105,713)
Management fee paid/payable to Yicheng	<b>(10,406)</b>	(9,775)
Management fee paid/payable to White Horse PM	<b>(12,206)</b>	(10,984)
Management fee paid/payable to GZAM	<b>(14,861)</b>	(12,363)
Rental income received/receivable from Xingye	<b>5,509</b>	5,747
Rental income received/receivable from Yicheng	<b>2,552</b>	2,552
Rental income received/receivable from GCCD	<b>31,138</b>	33,971
Rental income received/receivable from White Horse JV	<b>1,200</b>	1,200
Rental income received/receivable from Golden Eagle	<b>4,550</b>	4,550
Rental income received/receivable from GZYX	—	33,872
Rental income received/receivable from 廣州越秀企業集團有限公司	<b>32,142</b>	—
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	<b>19,207</b>	20,366
Rental income received/receivable from Guang Zheng	<b>3,474</b>	2,910
Rental income received/receivable from Suiqiao	<b>622</b>	565
Rental income received/receivable from Guangzhou Securities Company Limited	<b>27,717</b>	19,948
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	<b>3,077</b>	2,815
Rental income received/receivable from GZ JLL	<b>14,480</b>	14,157
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	<b>6,322</b>	5,371
Rental income received/receivable from GZAM	<b>9,976</b>	5,711
Rental income received/receivable from 廣州越秀金融家俱樂部有限公司	—	2,760

### 30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

Note:

- (i) All transactions with connected related companies were carried out in accordance with the terms of the relevant agreement governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate, as defined in the Trust Deed (Note 8).



### 30 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (b) Balances with related companies

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

Except for an amount due from GCCD of approximately RMB278 million (2014: RMB508 million) is unsecured and interest bearing of 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and approximate to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

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

#### (c) Key management compensation

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

**31 CAPITAL COMMITMENTS**

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

**32 FUTURE MINIMUM RENTAL RECEIVABLE**

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

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

**33 COMPARATIVE FIGURES**

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

# PERFORMANCE TABLE

As at 31 December 2015

	2015	2014	2013	2012	2011
Net assets attributable to unitholders (RMB)	<b>13,400,472,000</b>	13,141,954,000	12,669,468,000	12,524,083,000	5,095,264,000
Net asset attributable to unitholders per unit (including net assets attributable to deferred unitholder) (RMB)	<b>4.74</b>	4.69	4.58	4.57	4.78
(Equivalent to HK\$)	<b>5.66</b>	5.95	5.83	5.63	5.90
The highest premium of the traded price to net asset value (HK\$)	<b>N/A<sup>(i)</sup></b>	N/A <sup>(i)</sup>	N/A	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	<b>1.79<sup>(i)</sup></b>	2.36 <sup>(i)</sup>	2.15	2.27	2.80
Net yield per unit	<b>7.68%<sup>(ii)</sup></b>	10.76% <sup>(ii)</sup>	6.39%	16.04%	44.01%
Number of units in issue (units)	<b>2,828,887,374</b>	2,799,795,685	2,766,698,330	2,743,209,741	1,065,972,687

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.57 (2014: HK\$4.08) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2015. The highest discount is calculated based on the lowest traded price of HK\$3.87 (2014: HK\$3.59) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2015.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2015 over the closing price of HK\$4.16 (2014: HK\$3.89) as at 31 December 2015.

## 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				
	2015 RMB' 000	2014 RMB' 000	2013 RMB' 000	2012 RMB' 000	2011 RMB' 000
<b>Results</b>					
Profit after tax before transactions with Unitholders	740,683	927,967	524,067	687,802	1,337,275
<b>As at 31 December</b>					
	2015 RMB' 000	2014 RMB' 000	2013 RMB' 000	2012 RMB' 000	2011 RMB' 000
<b>Assets and Liabilities</b>					
Total assets	29,335,052	25,362,604	24,549,540	24,874,112	7,375,278
Total Liabilities, other than net assets attributable to Unitholders	15,841,936	12,133,950	11,796,772	12,267,410	2,280,014
Net assets attributable to Unitholders	13,400,472	13,141,954	12,669,468	12,524,083	5,095,264

# CORPORATE AND INVESTOR RELATIONS INFORMATION

## BOARD OF DIRECTORS OF THE MANAGER

### Executive directors

Mr. Liu Yongjie (*Chairman*) (resigned on 1 April 2016)

Mr. Lin Deliang

### Non-executive director

Mr. Lin Zhaoyuan (appointed as Chairman on 1 April 2016)

Mr. Li Feng

## INDEPENDENT NON-EXECUTIVE DIRECTORS & AUDIT COMMITTEE MEMBERS

Mr. Chan Chi On, Derek

Mr. Chan Chi Fai, Brian

Mr. Cheung Yuk Tong

## RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Liu Yongjie

Mr. Lin Deliang

Mr. Kwan Chi Fai

## COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

## CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr. Kwan Chi Fai

## TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

## AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers

Certified Public Accountants

### PRINCIPAL VALUER

Vigers Appraisal and Consulting Limited

### HONG KONG LEGAL ADVISER

Baker & McKenzie

### PRINCIPAL BANKERS OF YUEXIU REIT

DBS Bank Ltd., Hong Kong Branch

Malayan Banking Berhad Group

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

OCBC Wing Hang Bank Limited

### 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

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong



## LISTING EXCHANGE

UNITS:

The Stock Exchange of Hong Kong Limited-00405

BOND:

The Stock Exchange of Hong Kong Limited

US\$350,000,000 3.10 per cent. Notes due 2018

(Stock code: 05943)

## INVESTOR RELATIONS

For further information about

Yuexiu REIT, please contact:

Mr. Patrick CHENG

Telephone: (852) 3607 1882

Facsimile: (852) 2519 6473

Email: [cheng.patrick@yuexiureit.com](mailto:cheng.patrick@yuexiureit.com)



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

[www.yuexiureit.com](http://www.yuexiureit.com)

24/F, Yue Xiu Building, 160 Lockhart Road, Wanchi, Hong Kong

Manager



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