

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

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



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

**(Stock code: 00405)**

**Managed by**



## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors (“Board”) of Yuexiu REIT Asset Management Limited (“Manager”) is pleased to announce the audited consolidated results of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) and its subsidiaries for the year ended 31 December 2019 (“Reporting Year”) together with comparative figures for the corresponding period in 2018 as follows:

## FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2019 together with comparative figures for the corresponding period in 2018:

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

	<b>Financial Year ended 31 December 2019</b>	<b>Financial Year ended 31 December 2018</b>	<b>Increase/ (decrease)</b>
Gross income (Note a)	<b>2,058,112,000</b>	2,031,876,000	1.3%
Net property income	<b>1,494,740,000</b>	1,468,590,000	1.8%
Profit after tax	<b>940,408,000</b>	966,519,000	(2.7)%
Earnings per unit - Basic	<b>0.28</b>	0.30	(3.3)%
Portfolio valuation (Note b)	<b>34,961,000,000</b>	33,970,000,000	2.9%
Net assets attributable to Unitholders per Unit	<b>4.55</b>	4.65	(2.2)%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	<b>5.08</b>	5.41	(6.1)%
Units issued (units)	<b>3,205,856,551</b>	3,106,450,427	3.2%
Total borrowings as a percentage of gross assets (Note c)	<b>39.1%</b>	38.7%	0.4 percentage point
Gross liabilities as a percentage of gross assets (Note d)	<b>56.6%</b>	56.4%	0.2 percentage point
<b>Distribution</b>			
Total distribution (including additional items)	<b>761,240,000</b>	849,537,000	(10.4)%
Distribution per Unit (HK\$)	<b>0.2712</b>	0.3203	(15.3)%

*Note a: The revenue of Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces was recorded since 20 November 2019. The revenue of Hangzhou Victory was recorded since 29 December 2018. Due to the disposal of Neo Metropolis, the revenue from Neo Metropolis was recorded up to 21 December 2018.*

*Note b: Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces are newly acquired in November 2019. The valuation of those Carpark Spaces are RMB101,000,000.*

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

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

## **DISTRIBUTION**

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the trust deed. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, surplus disposal proceeds, 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 2019 to 31 December 2019 ("2019 Final Period") will be approximately RMB0.1051 which is equivalent to HK\$0.1172 (2018: RMB0.1371 which is equivalent to HK\$0.1595) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Managers fees) prior to the record date for the 2019 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2019 Final Period.

The final distribution for the 2019 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2019 to 30 June 2019 (“2019 Interim Period”) being approximately RMB0.1355 which is equivalent to HK\$0.1540 (2018: RMB0.1394 which is equivalent to HK\$0.1608) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.2406 which is equivalent to HK\$0.2712 (2018: approximately RMB0.2765 (which is equivalent to HK\$0.3203)).

The total distribution amount for the Reporting Year, being RMB761,240,000 (2018: RMB849,537,000), includes an amount of approximately RMB194,000,000 (2018: RMB219,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB461,760,000) plus a further distribution of approximately RMB299,480,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT’s trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 14 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\$0.2712 (2018: HK\$0.3203), of which approximately HK\$0.0439 (2018: HK\$0.0655) is attributable to capital items, represents a yield of approximately 5.14% (2018: 6.4%) per Unit based on the closing price of HK\$5.28 per Unit as at 31 December 2019 (2018: HK\$5.02).

## **CLOSURE OF REGISTER OF UNITHOLDERS**

The record date for the final distribution will be 16 April 2020. The register of Unitholders will be closed from 16 April 2020 to 17 April 2020, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 April 2020. The final distribution will be paid on 26 May 2020 to the Unitholders whose names appear on the register of Unitholders on 16 April 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **MAINTAINED STABILITY IN OPERATING RESULTS**

The year of 2019 witnessed increased uncertainty in Chinese economy with declining growth. Under such a complex economic background, Yuexiu REIT successfully resolved various operational risks and maintained good development resilience through rapid adjustment of leasing policy. The overall operation income showed a slight increase and the performance result met with expectation. The Manager effectively managed the maturing tenancies. The properties achieved an overall renewal rate of 73.6%, and stable resource of premium tenants was maintained.

## **PROPERTY PORTFOLIO AND VALUATION**

As at 31 December 2019, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou; Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai; Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), which are located in Wuhan; as well as Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory"), which are located in Hangzhou. The aggregate area of ownership of the properties was approximately 973,001.4 sq.m. and the total rentable area was 632,915.2 sq.m. (excluding 1,408.3 sq.m. of parking space of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 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 7,752.5 sq.m. of other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Tower) accounted for 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.

**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>	Number of Lease <sup>(1)</sup>	Unit Rent <sup>(1)</sup> (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100.0%	908	632.4
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2 <sup>(2)</sup>	99.2%	79	158.2
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4 <sup>(3)</sup>	96.3%	85	138.8
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	98.2%	27	271.5
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	97.0%	284	220.1
Including:	Grade A office			267,804.4	183,539.6 <sup>(4)</sup>	96.8%	230	236.6
	Retail shopping mall			46,989.2	46,727.3	98.0%	54	156.0
	Hotel			91,460.9 <sup>(5)</sup>	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Pudong New District, Shanghai	2010	62,139.4	46,026.3 <sup>(6)</sup>	92.2%	108	264.9
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	81.2%	245	82.8
Including:	Grade A office		2016	139,937.1	129,446.7 <sup>(7)</sup>	75.0%	139	95.3
	Retail shopping mall		2015	45,471.4	43,546.6 <sup>(8)</sup>	99.5%	106	54.8
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Jiangan District, Hangzhou	2017	40,148.4	22,484.8 <sup>(9)</sup>	92.1%	35	117.8
Total				<u>973,001.4</u>	<u>632,915.2</u>	92.6%	1,771	214.4

*Notes:*

- (1) As at 31 December 2019;
- (2) Excluding 1,408.3 sq.m. of parking space area;
- (3) Excluding 2,104.3 sq.m. of parking space area;
- (4) Excluding 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area;
- (5) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor;

- (6) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (8) Excluding 1,924.8 sq.m. of common facilities area;
- (9) Excluding 17,663.6 sq.m. of parking space area.

**SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:**

Rental Property	Area of Ownership (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate <sup>(1)</sup>	Percentage point increase as compared to the same period in 2018	Unit Rent (VAT exclusive) <sup>(1)</sup> (RMB/sq.m./month)	Percentage increase / (decrease) as compared to the same period in 2018	Operating Income <sup>(2)</sup> (RMB'000)
Office	597,294.4	465,250.1 <sup>(3)</sup>	90.2%	2.3	183.7	-0.3%	941,682,000
Retail	120,158.7	117,536.1	98.6%	0.3	144.8	2.4%	191,207,000
Wholesale	50,199.3	50,128.9	100.0%	0.0	632.4	0.7%	372,724,000

*Notes:*

- (1) As at 31 December 2019;
- (2) For the year ended 31 December 2019;
- (3) Excluding 1,408.3 sq.m. of parking space area of Fortune Plaza; 2,104.3 sq.m. of parking space area of City Development Plaza; 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor) of Yue Xiu Tower; 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Fortune Centre, and 17,663.6 sq.m. of parking space area of Hangzhou Victory.



Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate <sup>(1)</sup>	Average Daily Rate <sup>(1)</sup> (RMB/yuan)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	83.5%	2,074
Ascott Serviced Apartments GZIFC	High-end serviced apartments	September 2012	51,102.3	314	93.2%	1,052

*Notes:*

- (1) From 1 January 2019 to 31 December 2019;
- (2) Both hotel and serviced apartments are entrusted operation.

## PROPERTY VALUATION

On 31 December 2019, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, and the revalued market value was approximately RMB34.961 billion.

The following table summarizes the valuation of each of the Properties as at 31 December 2019 and 31 December 2018:

Name of Property	Valuation as at	Valuation as at	Increase %
	31 December 2019 RMB million	31 December 2018 RMB million	
White Horse Building	5,165	5,061	2.1%
Fortune Plaza	1,266	1,197	5.8%
City Development Plaza	1,049	975	7.6%
Victory Plaza	961	936	2.7%
GZIFC	18,940	18,366	3.1%
Yue Xiu Tower	3,210	3,149	1.9%
Wuhan Properties	3,761	3,685	2.1%
Hanzhou Victory	609	601	1.3%
<b>Total</b>	<b>34,961</b>	<b>33,970</b>	<b>2.9%</b>

## 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 23.1%, 26.1%, 22.5%, 12.0% and 16.3% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 26.8%, 23.9%, 23.2%, 14.3% and 11.8% respectively.

### Properties of Yuexiu REIT

<b>Year</b>	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Financial year 2020	23.1%	26.8%
Financial year 2021	26.1%	23.9%
Financial year 2022	22.5%	23.2%
Financial year 2023	12.0%	14.3%
Financial year 2024 and beyond	16.3%	11.8%
Total	<u>100.0%</u>	<u>100.0%</u>

### White Horse Building

<b>Year</b>	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Financial year 2020	38.1%	36.0%
Financial year 2021	4.0%	1.2%
Financial year 2022	32.6%	27.9%
Financial year 2023	25.3%	34.9%
Financial year 2024 and beyond	0.0%	0.0%
Total	<u>100.0%</u>	<u>100.0%</u>

## Fortune Plaza

<b>Year</b>	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Financial year 2020	22.0%	23.1%
Financial year 2021	10.1%	10.1%
Financial year 2022	48.2%	46.1%
Financial year 2023	5.4%	7.8%
Financial year 2024 and beyond	14.3%	12.9%
Total	<u>100.0%</u>	<u>100.0%</u>

## City Development Plaza

<b>Year</b>	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Financial year 2020	22.1%	30.0%
Financial year 2021	50.6%	40.9%
Financial year 2022	22.3%	21.9%
Financial year 2023	3.0%	5.2%
Financial year 2024 and beyond	2.0%	2.0%
Total	<u>100.0%</u>	<u>100.0%</u>

## Victory Plaza

Year	Percentage of	
	Percentage of Rental Area	Total Basic Monthly Rental
Financial year 2020	20.5%	24.8%
Financial year 2021	14.2%	21.2%
Financial year 2022	0.8%	3.3%
Financial year 2023	41.7%	13.6%
Financial year 2024 and beyond	22.8%	37.1%
Total	<u>100.0%</u>	<u>100.0%</u>

## GZIFC

Year	Office		Retail	
	Percentage of Rental Area	Percentage of Total Basic Monthly Rental	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Financial year 2020	23.8%	23.9%	6.2%	7.6%
Financial year 2021	39.0%	41.7%	14.8%	18.0%
Financial year 2022	21.8%	20.3%	10.4%	8.8%
Financial year 2023	3.3%	3.3%	4.7%	6.1%
Financial year 2024 and beyond	12.1%	10.8%	63.9%	59.5%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## Yue Xiu Tower

Year	Percentage of	Percentage of
	Rental Area	Total Basic Monthly Rental
Financial year 2020	18.7%	20.3%
Financial year 2021	25.6%	26.9%
Financial year 2022	29.3%	30.6%
Financial year 2023	14.9%	10.3%
Financial year 2024 and beyond	11.5%	11.9%
Total	<u>100.0%</u>	<u>100.0%</u>

## Wuhan Properties

Year	Office		Retail	
	Percentage of Rental Area	Percentage of Total Basic Monthly Rental	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Financial year 2020	26.9%	31.0%	13.2%	23.1%
Financial year 2021	25.5%	23.8%	14.2%	19.2%
Financial year 2022	24.6%	23.7%	14.8%	17.4%
Financial year 2023	17.7%	15.6%	23.7%	22.6%
Financial year 2024 and beyond	5.3%	5.9%	34.1%	17.7%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## Hangzhou Victory

<b>Year</b>	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Financial year 2020	34.8%	35.2%
Financial year 2021	27.0%	29.2%
Financial year 2022	1.9%	1.7%
Financial year 2023	5.2%	4.3%
Financial year 2024 and beyond	31.1%	29.6%
Total	<u>100.0%</u>	<u>100.0%</u>

### REVENUE CONTINUED TO INCREASE

In 2019, the properties of Yuexiu REIT recorded total revenue of approximately RMB2,058,112,000, representing an increase of 1.3% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yuexiu Tower, Wuhan Properties and Hangzhou Victory accounted for approximately 18.1%, 3.7%, 3.2%, 3.7%, 55.1%, 6.4%, 8.2% and 1.6% 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	Revenue	Increase/ (Decrease)	Increase/ (Decrease)
	in 2019 RMB million	in 2018 RMB million	as compared to 2018 RMB million	(Decrease) %
White Horse Building	372.7	367.5	5.2	1.4%
Fortune Plaza <sup>(1)</sup>	75.2	75.5	(0.3)	(0.4)%
City Development Plaza <sup>(1)</sup>	66.4	67.1	(0.7)	(1.0)%
Victory Plaza	76.6	70.8	5.8	8.2%
Neo Metropolis <sup>(2)</sup>	—	69.5	(69.5)	N/A
GZIFC	1,133.0	1,112.1	20.9	1.9%
Yue Xiu Tower	132.5	142.8	(10.3)	(7.2)%
Sub-total of the maturity properties	1,856.4	1,905.3	(48.9)	(2.6)%
Wuhan Properties	169.7	126.4	43.3	34.3%
Hangzhou Victory <sup>(3)</sup>	32.0	0.2	31.8	15,900%
Sub-total of the growth properties	201.7	126.6	75.1	59.3%
Total	2,058.1	2,031.9	26.2	1.3%

Notes:

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019;
- (2) Neo Metropolis was sold in December 2018;
- (3) Hangzhou Victory was acquired on 28 December 2018.

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

Name of Property	Net Property	Net Property	Increase/ (decrease)	Increase/ (decrease)
	Income in 2019 RMB million	Income in 2018 RMB million	as compared to 2018 RMB million	(decrease) %
White Horse Building	313.9	308.4	5.5	1.8%
Fortune Plaza <sup>(1)</sup>	62.5	62.8	(0.3)	(0.5)%
City Development Plaza <sup>(1)</sup>	55.2	55.9	(0.7)	(1.3)%
Victory Plaza	63.8	58.9	4.9	8.3%
Neo Metropolis <sup>(2)</sup>	—	57.8	(57.8)	N/A
GZIFC	705.2	688.1	17.1	2.5%
Yue Xiu Tower	122.1	130.9	(8.8)	(6.7)%
Sub-total of the maturity properties	1,322.7	1,362.8	(39.9)	(2.9)%
Wuhan Properties	145.6	105.6	39.9	37.9%
Hangzhou Victory <sup>(3)</sup>	26.4	0.2	26.2	13,100.0%
Sub-total of the growth properties	172.0	105.8	66.2	62.6%
Total	1,494.7	1,468.6	26.1	1.8%

*Notes:*

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019;
- (2) Neo Metropolis was sold in December 2018;
- (3) Hangzhou Victory was acquired on 28 December 2018.



## **GZIFC - REALIZING STABILITY IN OPERATION OF OFFICE BUILDINGS AND OPTIMIZATION IN TENANTS**

Facing the disadvantageous situation caused by the declined yearly subscription from the Central Business District (“CBD”) in Zhu Jiang New Town and the termination of leases by financial enterprises, the Manager proactively expanded channels for business solicitation, maintained and preserved customer base, significantly enhancing premium customer reserves. The Manager carried out a targeted lease breakthrough, improved customer transformation and obtained newly signed contracts with more favorable premium in the market. The manager also effectively managed expiry of leases, with renewal rate of 81% throughout the year. The Manager continued to build up the service differentiation for urban landmark projects, in addition to continuously deepening the “double supreme service”, GZIFC was also honored with Certificate of Excellence (“COE”) by Building Owners and Managers Association (“BOMA”) China, being the first landmark building of super high-rise complex with an international operation and management system in South China and also the first REIT asset project certified by BOMA in Asia.

“GZIFC Shopping Mall” continued to enrich the retail operational format, achieving the goal that its Basement Level 1 transformed from light-catering brands to retail brands. It introduced seven branded tenants throughout the year, enhanced the overall brand image of catering, and gained favorable rental yields with an increase of 12.6% during the first year of newly signed contracts. In regard to the mall operation, the Manager strengthened the empowerment and business assistance to tenants. Tenants whose operating indicators were at an unhealthy level were given a lot of support, including media publicity, marketing activities, the flow of diverting member activities, and recommendations for business strategies, the promotional effect was prominent. With regard to the marketing, the Manager enhanced the brand image of “GZIFC Shopping Mall” as a cultural and artistic landmark by integrating the excellent artistic resources inside and outside the mall, and hosting multiple high quality cultural events.

In the year of 2019, Four Seasons Hotel Guangzhou and Ascott Serviced Apartments continued to implement high level stable operation. Four Seasons Hotel continued to optimize customer channels and effectively enhanced the channel proportion of high-valued customers. It achieved significant room revenue management with the room revenue reaching a historical high. The occupancy rate of hotel was 83.5%, 6.8 percentage points higher than its competitors, the average rent reached a historical high of RMB2,074 and the RevPAR index was up at 147.1. The customer satisfaction continued to rank first. Four Seasons Hotel Guangzhou was awarded “Forbes Hotel Guide 2019 Five-star Hotel” by Forbes Travel Guide.

Ascott Serviced Apartments optimized the long-term tenants enjoying long-stay preferential rates in the first half of the year, while in the second half of the year timely adjusted strategies to consolidate the long-term customers in response to new competitors entering the market; it realized significant effect in short-term revenue management with its annual income reaching a historical peak. The occupancy rate of apartment was 93.2%, 5.1 percentage points higher than its competitors, with the average rent hitting an all-time high of RMB1,052 and the RevPAR index arriving at 147.0. Ascott Serviced Apartments ranked first both in operating revenue and GOP in Ascott China.

### **WUHAN PROPERTIES - SIMULTANEOUSLY ADOPTING LEASING PROMOTION AND OPERATIONAL CONTROL, ACHIEVING STEADY IMPROVEMENT IN BUSINESS PERFORMANCE**

Yue Xiu Fortune Center effectively increased its customer reserves through continuous expansion of business solicitation, organization of numerous marketing activities, promotion meetings for project investment and marketing activities in full swing, as well as undertaking various essential conferences. There were 70 newly signed customers for the year, including a number of Fortune 500 companies and related partners. The newly signed contract area reached over 36,000 sq.m. with steady increase of the occupancy rate. Given the specific nature of potential customers with intention to rent office buildings and the check-in tenants, multiple activities were organised for tenants in related market segments in the office buildings, which resulted in favorable promotional effect.

With an introduction of 27 brands throughout the year, Starry Victoria Shopping Centre greatly enriched the business category and upgraded the brand level. Meanwhile the Manager effectively provided operational assistance for the merchants, leading to improvement in customer flow and tenants' operating performance, along with a year-on-year rental increase of 19.4% from the turnover rent tenants; as a result of supporting core tenants, over 13 tenants exceeded the best threshold value and the overall contribution from turnover rent steadily increased. Concerning the marketing activities, more than 150 various theme-based activities for targeted tenants were carried out during the year. The Manager also introduced resources from different industries, launching fashion pop-up stores, thereby creating a better overall business atmosphere.

### **WHITE HORSE BUILDING - BREAKING THROUGH THE PREDICAMENT IN INDUSTRY, ACCELERATING TRANSFORMATION AND UPGRADE**

As the apparel business and the industry as a whole were under an economic downturn, the Manager promoted transformation and the upgrading of the market in an all-round manner, which was mainly reflected as follows: Firstly, through the implementation of effective measures in business solicitation, the Manager successfully introduced 170 high quality customers from outside, vigorously supported 100 internal promising tenants, and provided assistance to the most competitive tenants while reducing the least competitive to enhance the overall competitiveness of tenants; secondly, the Manager continued to advance hardware renovation, and successfully completed the project in improving the image of the building's main entrance, its fashionable outlook was well received and well acclaimed; the Manager also adjusted and optimized the second floor of the mall's business line with a new layout to boost sales of apparel; thirdly, the Manager innovated marketing to nurture the physical market, adopted the integration of traditional marketing and theme-based marketing, and proactively collaborated with top domestic fashion designer teams to create a fashion industry carrier with White Horse elements. Due to the efforts of the Manager and the onsite operation team, White Horse continued to be in the leading position in the industry with average rent of RMB632/sq.m..

## **YUEXIU TOWER - HANDLING SLUGGISH DEMAND AND OUTPERFORMING THE MARKET**

Demand for the Shanghai office market shrank sharply during 2019, of which the vacancy rate of Zhuyuan district in Pudong surged. The Manager calmly responded to such a severe situation, rapidly adjusted the leasing policy, refurbished vacant units, enriched office supporting services, and took the lead in implementing multi-tier progressive commission policies in the district. By swiftly responding to market needs, Yuexiu Tower achieved satisfactory results under adverse conditions. As of the end of 2019, major indicators such as occupancy rate and unit price of Yuexiu Tower outperformed the market level in Zhuyuan district.

## **FORTUNE PLAZA, CITY DEVELOPMENT PLAZA - MANAGING EXPIRING CONTRACTS AND MINIMIZING VACANT AREA**

Fortune Plaza successfully renewed contracts with key tenants, smoothly introduced the Fortune 500 companies and growing customers to seamlessly undertake units of terminated lease, thus ensuring stable operation. City Development Plaza curbed the trend of declining tenant stability, quickly filled up vacancies by introduction of well-known enterprises via multiple channels, and resolved operational risks.

## **VICTORY PLAZA - ENHANCING THE BRAND RICHNESS AND PROMOTING SALES FOR KEY TENANTS**

The manager further enhanced the brand image of 「VT101」 through proactive optimization of the brand portfolio, successful introduction of GU, the first flagship store in South China with smooth opening, along with the upgrading of the mall's sunken plaza. Making use of multiple methods continued to help the prominent and key tenant “UNIQLO”, which contributed to a year-on-year increase of 8.3% and 11.5%, in customer flow and sales performance respectively, thereby stimulating the overall growth of project revenue. In March, Victoria Plaza was awarded the “Golden Light Award for Outstanding Visual Effects” that represents the highest honor of China-VMD, therefor the visibility and influence of the project were gradually enhanced.

## **HANGZHOU VICTORY - EXPANDING CUSTOMER RESOURCES AND UNDERTAKING PROPER LEASE MANAGEMENT**

The year of 2019 was the first and complete year for Hangzhou Victory to enter Yuexiu REIT. Based on optimizing product positioning, the Manager continuously expanded channel resources for major tenants and properly managed leases. The area of newly signed contracts for the year exceeded 5,000 sq.m., with rental increased by more than 17%.

## **ACTIVE PROMOTION OF ASSET APPRECIATION PROJECTS TO ACHIEVE VALUE PRESERVATION AND APPRECIATION OF PROPERTIES**

In the year of 2019, the Manager continued to invest in a number of asset renovation and upgrading projects, which included carrying out the upgrading of the visitor access control system of GZIFC office buildings, the video surveillance system of Four Seasons Hotel, renovation and upgrading projects on the image of Ascott Serviced Apartments and the main entrance of White House Building, renovating the air-conditioning terminal on the first floor lobby of Yue Xiu Tower, enlarging capacity of low voltage panels for electricity distribution of Yue Xiu Tower, replacing the major fire alarm controllers on the podium of Guangzhou Victory Plaza, fresh air ventilators of City Development Plaza and Fortune Plaza, and upgrading the public area of City Development Plaza, as well as renovating Unit 57F, an office building in Wuhan Yuexiu Fortune Centre. It was expected that the relevant cost reached approximately RMB22 million, which improved the operating efficiency and business environment of the projects on a continuous basis.

In 2020, the Manager still plans to invest mainly in asset renovation projects for GZIFC, White Horse Building, City Development Plaza, Yue Xiu Tower and Wuhan Fortune Centre in order to achieve value preservation and appreciation of the properties.

## **ACTIVE MANAGEMENT IN FINANCE RISKS AND EFFECTIVE REDUCTION OF FINANCE COST**

In terms of liquidity management, the Manager captured on the advantageous window of the Hong Kong dollar bond market to issue the HK\$1.12 billion 5-year private-placement bonds, coupled with the finance cost rate (3.60%) lower than that of US dollar bonds (4.99%). Long- and short-term finance structure portfolio was optimized and short-term liquidity risks were effectively in control; additionally, a revolving credit line of HK\$700 million non-commitment loan was obtained to improve the resistance of liquidity risk.

Regarding foreign exchange risk management, the Renminbi's exchange rate fluctuated due to China-US trade frictions. Yuexiu REIT's accumulated net exchange loss for the whole year was RMB263 million, the fair value gain of hedging products was RMB72 million, and the net loss for the whole year was RMB191 million (2018 net loss: RMB449 million).

Concerning interest rate management, average one-month HIBOR increased by 0.55 percentage points whereas average one-month LIBOR increased by 0.20 percentage point after the Federal Reserve lowered interest rates three times during 2019. The Manager paid close attention to changes in interest rates at home and abroad, and selected projects with long remaining duration in project financing to implement interest rate hedging, in order to balance the finance cost. The average finance cost rate was approximately 3.82% for the year.

## **OUTLOOK in 2020**

After the signing of the Phase 1 Economic and Trade Agreement between the government of the United States of America (“USA”) and the government of the People’s Republic of China (“PRC”) in January 2020, the market seemed to be more stable for the time being though it still remained uncertain in its future development.

In addition, the outbreak of the Novel Coronavirus Disease 2019 (“COVID-19”) in Wuhan of the PRC, as well as the gradually mounting cases of infection reported in countries worldwide created further threats and anxieties. Although the government of the PRC has continuously implemented various and large-scale contingency measures to mitigate the adverse impact of the COVID-19, it is expected that the business environment in the PRC will remain soft in the near term until the spread of the COVID-19 is effectually contained. To abide by Yuexiu REIT’s corporate social responsibility and strike a balance for the expectation of the stakeholders, rental concessions will be offered and negotiated on a case-by-case basis to the tenants of wholesale mall, retail mall and offices by Yuexiu REIT. Moreover, the hospitality industry in the PRC has been adversely affected by the COVID-19 outbreak. Four Seasons Hotel Guangzhou, being the only hotel in Yuexiu REIT’s property portfolio, is no exception as it recorded a significant drop in both average occupancy and patronage rates in February 2020.

There is uncertainty for when the COVID-19 epidemic disease might end and the PRC economy might fully rebound, the Manager will continue to monitor and assess the situation closely, with respect to leasing, after analyzing the current tenant base and operation situation, the Manager will apply a more flexible and effective leasing strategy to our targeted tenants. Moreover, reasonable and prudent cost control measures, subject to the hotel situation, will be adopted to optimize cost savings.

## FINANCIAL REVIEW

### FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2018. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2019 RMB'000	2018 RMB'000	Increase/ (Decrease) %
<b>Gross income</b>	<b>2,058,112</b>	2,031,876	1.3%
Hotel and serviced apartments direct expenses	(318,226)	(313,447)	1.5%
Leasing agents fees	(47,456)	(47,002)	1.0%
Property related taxes (Note 1)	(194,734)	(194,940)	(0.1)%
Other property expenses (Note 2)	(2,956)	(7,897)	(62.6)%
Total property operating expenses	(563,372)	(563,286)	0.0%
<b>Net property income</b>	<b>1,494,740</b>	1,468,590	1.8%
Withholding tax	(59,174)	(58,277)	1.5%
Depreciation and amortisation	(129,796)	(129,572)	0.2%
Manager's fees	(147,511)	(147,263)	0.2%
Trustee fees	(10,481)	(10,710)	(2.1)%
Other trust expenses (Note 3)	(39,874)	(3,750)	963.3%
Total non-property expenses	(386,836)	(349,572)	10.7%
<b>Net profit before finance expenses, finance income and income tax</b>	<b>1,107,904</b>	1,119,018	(1.0)%
Finance income	33,748	35,517	(5.0)%
Fair value gain on support arrangement asset	32,318	22,736	42.1%
Finance expenses	(777,515)	(1,008,160)	(22.9)%
<b>Profit before tax</b>	<b>396,455</b>	169,111	134.4%
Income tax expense	(441,828)	(458,369)	(3.6)%
<b>Net (loss) after income tax before fair value gain on investment properties, other expenses in relation to the acquisition of subsidiaries and fair value gain on derivative financial instruments</b>	<b>(45,373)</b>	(289,258)	(84.3)%
Fair value gain on investment properties	752,700	905,159	(16.8)%
Other expenses in relation to the acquisition of subsidiaries	(2,858)	(8,799)	(67.5)%
Fair value gain on derivative financial instruments	72,331	56,638	27.7%
Gain on disposal of subsidiaries	—	302,779	N/A
Gain on construction payable adjustment	163,608	—	N/A
<b>Net profit after income tax before transactions with Unitholders</b>	<b>940,408</b>	966,519	(2.7)%



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

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

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

Gross income and net property income during the Reporting Year were approximately RMB2,058,112,000 (2018: RMB2,031,876,000) and RMB1,494,740,000 (2018: RMB1,468,590,000) respectively, which represented an increase of approximately 1.3% and 1.8% respectively while comparing with 2018.

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

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Office	<b>941,682</b>	945,942
Wholesales	<b>372,724</b>	367,445
Retail	<b>191,207</b>	175,970
Hotel and serviced apartments	<b>552,499</b>	542,519
Total	<b><u>2,058,112</u></b>	<u>2,031,876</u>

Net property income amounted to approximately RMB1,494,740,000 (2018: RMB1,468,590,000), representing approximately 72.6% (2018: 72.3%) 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>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Office	<b>802,347</b>	801,568
Wholesales	<b>313,953</b>	308,371
Retail	<b>161,073</b>	147,580
Hotel and serviced apartments	<b>217,367</b>	211,071
Total	<b><u>1,494,740</u></b>	<u>1,468,590</u>

Hotel and serviced apartments direct expenses were approximately RMB318,226,000 (including depreciation expense of RMB830,000 incurred in connection with right-of-use asset and interest expense of RMB118,000 incurred in connection with lease liability), an increase of 1.5% as compared with 2018. It was mainly because of an increase of occupancy rate and rental income of hotel and serviced apartment.

Leasing agent fees increased by approximately 1.0% as compared with 2018. It was mainly because of an increase in rental income.

Property related tax decreased by approximately 0.1% as compared with 2018.

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.

Other trust expenses increased by approximately 963.3%. It was mainly due to the foreign exchange loss from operation. Excluding this foreign exchange loss from operation of approximately RMB18,988,000 (2018: foreign exchange gain of approximately RMB21,282,000), other trust expenses incurred for the reporting year amounted to approximately RMB20,884,000 (2018: RMB25,032,000).

Overall, the Manager's fees increased by approximately 0.2%. The Trustee fees decrease by approximately 2.1%.

As Renminbi depreciated against Hong Kong Dollar and US Dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in Hong Kong Dollar and United States Dollar resulted in an exchange loss of approximately RMB243,580,000 (2018: exchange loss of approximately RMB527,549,000). Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB533,934,000. (2018: RMB480,611,000). The average one-month Hong Kong Interbank Offered Rate ("HIBOR") for 2019 was higher than that of 2018 by more than 50 basis points and led to an increase of interest cost on the floating portion of debt.

Profit after tax before transactions with Unitholders amounted to approximately RMB940,408,000 (2018: RMB966,519,000) which represented an decrease of 2.7%, mainly due to the decrease in fair value gain of revaluation.

### **Net Asset Value**

The net assets attributable to the Unitholders per unit as at 31 December 2019 was approximately RMB4.55 (2018: RMB4.65), which represented a decrease of approximately 2.15%.

### **Deferred Units**

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

On 31 December 2019, Yuexiu REIT issued 74,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Limited. The remaining balance of deferred units were approximately 461,401,000.

### **Financial Performance of Wuhan Properties and the Support Arrangement**

The Wuhan Properties recorded actual net profit of approximately RMB80,529,000 and contributed net distribution of RMB28,109,000 after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB52,420,000), etc. to Yuexiu REIT for the Reporting Year.

Moreover, based on the agreements set forth in the Circular in relation to the Acquisition of Wuhan Properties, the amounts under the Support Arrangement is approximately RMB17,471,000 for the Reporting Year. After deducting the amount of RMB14,630,000 paid by Yuexiu Property on 6 August 2019, the balance amounting to RMB2,841,000 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 15 November 2017 for details.

### **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 13,167,795 and 12,238,329 units at HK\$5.46 and HK\$5.24 on 14 March 2019 and 26 August 2019 respectively. On 31 December 2019, referring to the terms disclosed from the Circular dated 30 June 2012, Yuexiu REIT issued 74,000,000 Units at a price of HK\$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of Yuexiu Property (a significant holder of the Yuexiu REIT)), in part satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2019, a total of 3,205,856,551 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$5.63 and a low of HK\$4.95 during the Reporting Year. The average trading volume amounted to approximately 3,785,000 Units per day during the Reporting Year (2018: 4,239,000 Units).

The closing price of the Units as at 31 December 2019 was HK\$5.28, represented a discount of approximately 5.78% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2019.

## CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Bank borrowings and notes		
Denominated in RMB	1,821,280	2,521,280
Denominated in HKD	9,649,445	8,624,328
Denominated in USD	2,781,674	2,730,120
Total bank borrowings and notes	<u>14,252,399</u>	<u>13,875,728</u>
Maturity analysis		
Within one year	3,217,958	2,276,543
Two to five year	10,555,361	10,420,105
Beyond five year	479,080	1,179,080
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	3.95%	3.65%
USD	4.99%	4.99%

The overall interest rate per annum of the borrowings and notes at the balance sheet is 4.20% (2018: 4.04%). The average interest rate was approximately 3.82% for the year.

In 2019, the Manager adopted a series of liquidity management measures. It managed the annual interest rate at a reasonable level and has been alert of the foreign exchange risk.

As at 31 December 2019, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total hedged loan amount is approximately RMB 3,297,227,000(2018: RMB2,533,823,000).

As at 31 December 2019, Yuexiu REIT held certain hedging financial derivatives with a fair value assets of RMB42,126,000 (2018: fair value liabilities of RMB120,018,000).

Referring to the US\$1,500,000,000 guaranteed medium-term note plan, Yuexiu REIT issued a total principal of HK\$1,120,000,000 guaranteed note at 3.6% in May and June 2019 respectively, which would mature in 2024. The fund was used for partial repayment of HK\$ bank loan facility and for general corporate working capital requirement.

On 31 October 2019, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain lending banks in connection with HK\$5,200,000,000 term loan facilities. The term loan facilities included 1) three-year unsecured and floating rate of HK\$3,100,000,000 ("HK\$3.1Billion Loan Facility") and 2) five-year unsecured and floating rate of HK\$2,100,000,000 (HK\$2.1Billion Loan Facility"). On 7 November 2019, the HK\$3.1Billion Loan Facility was drawn down and used for repayment of certain matured HK\$ bank loan facility. The HK\$2.1Billion Loan Facility will be drawn down for repayment of certain matured HK\$bank Loan Facility in April 2020.

On 13 November 2019, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain bank in connection with a three-year unsecured and floating rate term loan facility of HK\$122,622,390. On 19 November 2019, the loan was drawn down to pay for the acquisition cost of the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces.

As at 31 December 2019, total borrowings of Yuexiu REIT amounted to approximately RMB14,252,400,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 39.1% 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 2019, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB20,620,703,000, representing approximately 56.6% of total assets of Yuexiu REIT.

## **CASH POSITION**

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2019 amounted to approximately RMB1,341,760,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

## **ACCOUNTING TREATMENTS**

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

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

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

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

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

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

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

During the reporting year, Yuexiu REIT carried out the following acquisition:

Acquired the City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces for the consideration of RMB98,000,000. The acquisition was completed on 19 November 2019.

## **REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT**

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

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, Baima BM and GZAM in the amounts of RMB16,719,000, RMB11,182,000 and RMB19,555,000 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 2019, Yuexiu REIT employed 632 and 132 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**

Article A.2.1 of the Corporate Governance Code required that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. At present, Mr. Lin Deliang is also the Chairman and Chief Executive Officer of the Manager. This structure was considered of more efficiency in business planning and decision-making for Yuexiu REIT. The Board also did not believe that the current structure of a single Chairman and Chief Executive Officer will compromise the balance of power and authority between the board and the company's management.

Except for the abovementioned, 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 2020.

## **ANNUAL GENERAL MEETING**

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 27 May 2020. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB'000	2018 RMB'000
Revenue	3	2,058,112	2,031,876
Operating expenses, net		(952,948)	(921,657)
Fair value gain on investment properties		752,700	905,159
Changes in fair value of			
– support arrangement asset		32,318	22,736
– derivative financial instruments		72,331	56,638
Gain on disposal of subsidiaries		—	302,779
Write back of construction payable		163,608	—
Finance income		33,748	35,517
Finance expenses, net		(777,633)	(1,008,160)
Profit before income tax and transactions			
with unitholders		1,382,236	1,424,888
Income tax expense	4	(441,828)	(458,369)
Profit after income tax before transactions			
with unitholders		940,408	966,519
Transactions with unitholders		(876,300)	(876,720)
Income after income tax and transactions			
with unitholders		64,108	89,799
Other comprehensive loss 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		(729)	(49,183)
– Tax		204	13,776
Other comprehensive loss for the year, net of tax		(525)	(35,407)
Total comprehensive income for the year		63,583	54,392

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders RMB'000	Unitholders after transactions with unitholders RMB'000	Non- controlling interests RMB'000	
Profit/(loss) for the year ended 31 December 2018	911,758	(876,720)	35,038	54,761	89,799
Other comprehensive income:					
<u>Items that will not be reclassified</u> <u>to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(35,038)	—	(35,038)	(369)	(35,407)
Total comprehensive income for the year ended 31 December 2018	<u>876,720</u>	<u>(876,720)</u>	<u>—</u>	<u>54,392</u>	<u>54,392</u>
Profit/(loss) for the year ended 31 December 2019	876,819	(876,300)	519	63,589	64,108
Other comprehensive income:					
<u>Items that will not be reclassified</u> <u>to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(519)	—	(519)	(6)	(525)
Total comprehensive income for the year ended 31 December 2019	<u>876,300</u>	<u>(876,300)</u>	<u>—</u>	<u>63,583</u>	<u>63,583</u>

Notes:

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

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		2,270,852	2,340,934
Right-of-use assets		1,359,784	—
Land use rights		—	1,379,969
Investment properties		29,982,000	29,115,000
Deferred assets		205,430	219,847
Goodwill		859,868	859,868
Derivative financial instruments		6,166	—
		<u>34,684,100</u>	<u>33,915,618</u>
<b>Current assets</b>			
Inventories		4,071	4,337
Trade receivables	6	15,887	26,785
Amounts due from related parties		228,082	238,915
Prepayments, deposits and other receivables		85,112	147,852
Derivative financial instruments		37,209	—
Tax recoverable		4,072	8,526
Support arrangement asset		25,163	11,645
Short-term bank deposits		22,750	22,633
Cash and cash equivalents		1,319,010	1,458,755
		<u>1,741,356</u>	<u>1,919,448</u>
<b>Total assets</b>		<u>36,425,456</u>	<u>35,835,066</u>

	Note	2019 RMB'000	2018 RMB'000
<b>Current liabilities</b>			
Trade payables	7	14,205	17,689
Rental deposits, current portion		186,707	172,221
Receipts in advance		80,827	85,625
Accruals and other payables		735,140	998,607
Amounts due to related parties		98,262	103,227
Derivative financial instruments		—	113,745
Borrowings		3,217,958	2,276,543
Lease liabilities		9,164	—
Tax payable		117,750	144,845
		<u>4,460,013</u>	<u>3,912,502</u>
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion		198,816	184,377
Borrowings		11,034,441	11,599,185
Deferred tax liabilities		4,906,156	4,536,795
Derivative financial instruments		1,249	6,273
Lease liabilities		20,026	—
		<u>16,160,688</u>	<u>16,326,630</u>
<b>Total liabilities, other than net assets attributable to unitholders</b>			
		20,620,701	20,239,132
Net assets attributable to unitholders		14,599,360	14,454,122
<b>Total liabilities</b>			
		<u>35,220,061</u>	<u>34,693,254</u>
<b>Net assets</b>			
		<u>1,205,395</u>	<u>1,141,812</u>

	Note	2019 RMB'000	2018 RMB'000
<b>Equity</b>			
Revaluation reserve		419,655	420,174
Retained earnings		(419,655)	(420,174)
		—	—
Non-controlling interests		1,205,395	1,141,812
<b>Total equity</b>		<u>1,205,395</u>	<u>1,141,812</u>
<b>Units in issue ('000)</b>		<u>3,205,856</u>	<u>3,106,450</u>
<b>Net assets attributable to unitholders per unit (RMB)</b>		<u>RMB4.55</u>	<u>RMB4.65</u>

## DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		<b>876,819</b>	911,758
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		<b>(723,188)</b>	(868,555)
– Fair value gain on derivative financial instruments		<b>(72,331)</b>	(56,638)
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		<b>160,296</b>	175,807
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		<b>(383,647)</b>	(355,727)
– Gain on disposal of a subsidiary, after income tax		—	(245,300)
– Fair value gain on support arrangement asset		<b>(32,318)</b>	(7,475)
– Write back of construction payables, net of tax		<b>(116,596)</b>	—
<b>Total distributable loss</b>		<b>(290,965)</b>	(446,130)
<b>Additional items (ii)</b>			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		<b>383,647</b>	355,727
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		<b>128,458</b>	128,215
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		<b>102,281</b>	107,068
– Manager’s fee paid and payable in units in lieu of cash		<b>118,009</b>	117,810
– Foreign exchange loss in financing activities		<b>243,580</b>	527,548
– Expenses incurred in connection with the acquisition of a subsidiary		—	8,799
– Expenses incurred in connection with the acquisition of investment properties		<b>2,859</b>	—
– Received/receivable support arrangement asset		<b>17,471</b>	—
– Discretionary distribution related to the disposal of subsidiaries		<b>55,900</b>	50,500



	Note	2019 RMB'000	2018 RMB'000
<b>Distributable income after additional items</b>		<b>761,240</b>	849,537
Distributable amount at 1 January		<b>425,902</b>	431,127
Distributions paid during the year (iii)		<b>(850,194)</b>	(854,762)
<b>Final distribution declared</b>		<b><u>336,948</u></b>	<u>425,902</u>
<b>Distribution per unit, declared (iv)</b>		<b><u>RMB0.1051</u></b>	<u>RMB0.1371</u>

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 2018 to 31 December 2018 of RMB0.1365 (equivalent to HK\$0.1589) per unit and interim distribution for the period from 1 January 2019 to 30 June 2019 of RMB0.1355 (equivalent to HK\$0.1540) per unit, totaling RMB850,194,000 (2018: RMB854,762,000), were paid to unitholders on 27 May 2019 and 17 October 2019 respectively.
- (iv) A final distribution for the period from 1 July 2019 to 31 December 2019 of RMB0.1051 (equivalent to HK\$0.1172) per unit, totaling RMB336,948,000 (equivalent to HK\$375,726,000) was declared by the Board of the Manager on 5 March 2020.

**CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO  
UNITHOLDERS AND CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units	110,780	—	—	—	110,780
Profit/(loss) for the year ended 31 December 2018 attributable to:					
– Unitholders	876,720	—	—	—	876,720
– Equity holders	—	35,038	—	54,761	89,799
Distributions paid to unitholders	(854,762)	—	—	—	(854,762)
Change in fair value of property, plant and equipment, net of tax	—	—	(35,038)	(369)	(35,407)
At 31 December 2018	<u>14,454,122</u>	<u>(420,174)</u>	<u>420,174</u>	<u>1,141,812</u>	<u>15,595,934</u>
At 1 January 2019	<b>14,454,122</b>	<b>(420,174)</b>	<b>420,174</b>	<b>1,141,812</b>	<b>15,595,934</b>
Issuance of units	<b>119,132</b>	—	—	—	<b>119,132</b>
Profit/(loss) for the year ended 31 December 2019 attributable to:					
– Unitholders	<b>876,300</b>	—	—	—	<b>876,300</b>
– Equity holders	—	<b>519</b>	—	<b>63,589</b>	<b>64,108</b>
Distributions paid to unitholders	<b>(850,194)</b>	—	—	—	<b>(850,194)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>(519)</b>	<b>(6)</b>	<b>(525)</b>
At 31 December 2019	<u><b>14,599,360</b></u>	<u><b>(419,655)</b></u>	<u><b>419,655</b></u>	<u><b>1,205,395</b></u>	<u><b>15,804,755</b></u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	1,369,896	1,288,633
Interest paid		(505,248)	(438,117)
China income tax paid		(94,905)	(86,235)
Support arrangement assets received		18,800	11,091
Net cash generated from operating activities		<u>788,543</u>	<u>775,372</u>
<b>Cash flows from investing activities</b>			
Additions of investment properties		(114,300)	(14,841)
Additions of property, plant and equipment		(11,212)	(19,325)
Disposal of property, plant and equipment		55	
Interest received		33,748	35,517
Increase/(Decrease) in short-term bank deposits with original maturity of more than three months		(117)	4,069
Settlement of deferred payment		—	(822,737)
Acquisition of a subsidiary, net of cash acquired		—	(530,575)
Disposal of a subsidiary		—	995,472
Net cash used in investing activities		<u>(91,826)</u>	<u>(352,420)</u>
<b>Cash flows from financing activities</b>			
Distributions paid		(850,194)	(854,762)
Proceeds from borrowings, net of transaction costs		4,454,458	5,276,630
Repayment of borrowings		(4,351,359)	(4,683,244)
Settlement of derivative financial instruments		(88,508)	(6,725)
Principal elements of lease payments		(859)	—
Net cash used in financing activities		<u>(836,462)</u>	<u>(268,101)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(139,745)</b>	154,851
Cash and cash equivalents at beginning of the year		<u>1,458,755</u>	<u>1,303,904</u>
<b>Cash and cash equivalents at end of the year</b>		<b><u>1,319,010</u></b>	<b><u>1,458,755</u></b>

# 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 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

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

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB2,718,657,000 (31 December 2018: RMB1,993,054,000) mainly as the bank borrowings of RMB3,217,958,000 (31 December 2018: RMB2,276,543,000) fall due within twelve months from the balance sheet date. The Manager has been 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 asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

**(i) New and amended standards effective for the year ended 31 December 2019**

Annual Improvements to HKFRS Amendments to Hong Kong Accounting Standards ("HKAS") 19	Annual Improvements 2015-2017 Cycle Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The adoption of these new and amended standards did not result in any significant impact on the results and financial position of the Group except for HKFRS 16 as set out below.

**HKFRS 16 "Leases"— Impact of adoption**

The Group has adopted the modified retrospective approach to which the reclassifications resulting from the adoption of HKFRS 16 are recognised on the date of initial application, i.e. as at 1st January 2019. The comparative figures as at 31st December 2018 and for the year ended 31st December 2018 have not been restated.

The change in accounting policy affected the following items in the balance sheet on 1st January 2019:

	<b>As at 1 January 2019</b>		
	<b>As previously stated</b>	<b>Effects of adoption</b>	<b>As restated</b>
	<b>RMB million</b>	<b>RMB million</b>	<b>RMB million</b>
Right-of-use assets	—	1,380	1,380
Land use rights	1,380	(1,380)	—

There was no impact on retained earnings on 1st January 2019.

**(ii) New and amended standards have been issued but are not yet effective for the year ended 31 December 2019 and have not been early adopted by the Group:**

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

### 3 Revenue and segment information

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

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

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

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

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

	<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 2019				
Revenue from external customers	<u>552,499</u>	<u>941,682</u>	<u>563,931</u>	<u>2,058,112</u>
Segment results	<u>87,654</u>	<u>1,335,306</u>	<u>694,684</u>	<u>2,117,644</u>
Depreciation and amortisation	<u>129,713</u>	<u>83</u>	<u>—</u>	<u>129,796</u>
Fair value gain on investment properties	<u>—</u>	<u>533,042</u>	<u>219,658</u>	<u>752,700</u>

	<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 2018				
Revenue from external customers	<u>542,519</u>	<u>945,942</u>	<u>543,415</u>	<u>2,031,876</u>
Segment results	<u>81,648</u>	<u>1,366,272</u>	<u>796,258</u>	<u>2,244,178</u>
Depreciation and amortisation	<u>129,425</u>	<u>147</u>	<u>—</u>	<u>129,572</u>
Fair value gain on investment properties	<u>—</u>	<u>564,852</u>	<u>340,307</u>	<u>905,159</u>

	<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>
As at 31 December 2019				
Total reportable segments' assets	<u><b>4,230,914</b></u>	<u><b>20,758,404</b></u>	<u><b>10,541,698</b></u>	<u><b>35,531,016</b></u>
As at 31 December 2018				
Total reportable segments' assets	<u>4,345,379</u>	<u>19,757,166</u>	<u>10,791,248</u>	<u>34,893,793</u>



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

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Segment results	<b>2,117,644</b>	2,244,178
Fair value gain on derivatives financial instruments	<b>72,331</b>	56,638
Unallocated operating costs (Note)	<b>(259,780)</b>	(228,800)
Operating profit	<b>1,930,195</b>	2,072,016
Write back of construction payable	<b>163,608</b>	—
Gain on disposal of a subsidiary	—	302,779
Finance income	<b>33,748</b>	35,517
Finance expenses	<b>(777,633)</b>	(1,008,160)
Change in fair value of support arrangement asset	<b>32,318</b>	22,736
Profit before income tax and transactions with unitholders	<b><u>1,382,236</u></b>	<u>1,424,888</u>

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

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

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Total reportable segments' assets	<b>35,531,016</b>	34,893,793
Corporate assets	<b>894,440</b>	941,273
Total assets	<b><u>36,425,456</u></b>	<u>35,835,066</u>

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
China	<u>2,058,112</u>	<u>2,031,876</u>	<b>35,531,016</b>	34,893,793
Unallocated assets			<u>894,440</u>	<u>941,273</u>
			<u><b>36,425,456</b></u>	<u>35,835,066</u>

The Group's revenue by nature is as follows:

	2019	2018
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	<b>329,840</b>	314,698
Food and beverages	<b>200,877</b>	208,727
Property rentals	<b>1,505,613</b>	1,489,357
Others	<b>21,782</b>	19,094
	<u><b>2,058,112</b></u>	<u>2,031,876</u>

The following is an analysis of the Group's revenue by timing of satisfaction of performance obligations:

	2019	2018
	RMB'000	RMB'000
Revenue recognised at a point in time	<b>218,702</b>	224,840
Revenue recognised over time	<b>329,840</b>	314,698
Other sources	<b>1,509,570</b>	1,492,338
	<u><b>2,058,112</b></u>	<u>2,031,876</u>

#### 4 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.

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

	2019	2018
	RMB'000	RMB'000
Current income tax		
- China corporate income tax	63,839	95,297
- Under-provision in prior years	1,108	1,562
- PRC withholding tax	7,316	15,108
Deferred income tax	369,565	346,402
	<u>441,828</u>	<u>458,369</u>

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

	2019	2018
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	<u>1,382,236</u>	<u>1,424,888</u>
Tax calculated at domestic tax rate of 25%	345,559	356,222
Income not subject to tax	(255,190)	(284,680)
Expenses not deductible for tax purposes	298,765	348,450
Under-provision in prior years	1,108	1,562
Withholding tax on unremitted earnings of subsidiaries	57,260	54,104
Recognition of previously unrecognised tax losses	(3,489)	(14,680)
Utilisation of previously unrecognised tax losses	(2,185)	(2,609)
	<u>441,828</u>	<u>458,369</u>

**5 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.

	<b>2019</b>	2018
Profit after income tax before transactions		
with unitholders attributable to unitholders (RMB'000)	<u><b>876,819</b></u>	<u>911,758</u>
Weighted average number of units in issue ('000)	<u><b>3,121,515</b></u>	<u>3,029,200</u>
Basic earnings per unit (RMB)	<u><b>0.28</b></u>	<u>0.30</u>

**(b) Diluted**

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2019.

	2019	2018
Profit after income tax before transactions		
with unitholders attributable to unitholders (RMB'000)	<u>876,819</u>	<u>911,758</u>
Weighted average number of units in issue ('000)	3,121,515	3,029,200
Adjustments for deferred units ('000)	461,401	535,401
Adjustments for manager's fee in form of units ('000)	<u>12,768</u>	<u>13,984</u>
Weighted average number of units for diluted earnings per unit ('000)	<u>3,595,684</u>	<u>3,578,585</u>
Diluted earnings per unit (RMB)	<u>0.24</u>	<u>0.25</u>

## 6 Trade receivables

	2019	2018
	RMB'000	RMB'000
Trade receivables	<u>15,887</u>	<u>26,785</u>

The fair values of trade receivables approximate their carrying amounts.

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

	2019	2018
	RMB'000	RMB'000
0 - 30 days	14,001	22,405
31 - 90 days	1,278	3,182
91 - 180 days	264	905
181-365 days	<u>344</u>	<u>293</u>
	<u>15,887</u>	<u>26,785</u>

As at 31 December 2019, trade receivables of approximately RMB15,279,000 (2018: RMB25,587,000) were fully performing.

As at 31 December 2019, the Group has insignificant trade receivables which are past due but not impaired.

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

## 7 Trade payables

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Trade payables	<u><b>14,205</b></u>	<u>17,689</u>

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>9,311</b>	10,157
31 - 90 days	<b>3,923</b>	5,896
91 - 180 days	<u><b>971</b></u>	<u>1,636</u>
	<u><b>14,205</b></u>	<u>17,689</u>

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

## 8 Notes to the consolidated statement of cash flows

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

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit before income tax and transactions with unitholders	<b>1,382,236</b>	1,424,888
Adjustments for:		
- Depreciation expenses of property, plant and equipment	<b>80,510</b>	80,287
- Amortisation of land use right	—	49,285
- Depreciation of right-of-assets	<b>50,116</b>	—
- Amortisation of transaction costs for bank borrowings	<b>29,992</b>	24,020
- Foreign exchange loss on financing activities	<b>243,580</b>	527,549
- Fair value gains on investment properties	<b>(752,700)</b>	(905,159)
- Fair value gain on derivative financial instruments	<b>(73,636)</b>	(56,638)
- Fair value gain on support arrangement asset	<b>(32,318)</b>	(22,736)
- Gain on disposal of a subsidiary	—	(302,779)
- Loss on disposal of property, plant and equipment	—	2
- Write back of construction payables	<b>(163,608)</b>	—
- Interest income	<b>(33,748)</b>	(35,517)
- Interest and finance charges paid/payable for lease liabilities	<b>118</b>	—
- Interest expenses	<b>505,248</b>	456,471
Changes in working capital:		
- Deferred assets	<b>14,417</b>	2,455
- Inventories	<b>266</b>	(1,210)
- Trade receivables	<b>10,898</b>	(6,748)
- Amounts due from related parties	<b>10,833</b>	27,442
- Prepayments, deposits and other receivables	<b>62,740</b>	(26,882)
- Trade payables	<b>(3,484)</b>	78
- Rental deposits	<b>28,925</b>	13,640
- Receipts in advance	<b>(4,798)</b>	3,847
- Accruals and other payables	<b>19,274</b>	(83,771)
- Amounts due to related parties	<b>(4,965)</b>	120,109
Cash generated from operations	<b><u>1,369,896</u></b>	<u>1,288,633</u>

(b) Major non-cash transaction:

During the year ended 31 December 2019, 25,406,124 units (2018: 25,164,531 units) amounting to RMB 119,132,000 (2018: RMB110,780,000) were issued for payment of manager's fee.

## 9 Subsequent event

The entire property portfolio of Yuexiu REIT is situated in the PRC, with one property located in Wuhan, which has been affected by the coronavirus outbreak in early 2020. To abide by its corporate social responsibility and to alleviate the operating pressure of tenants whose businesses are adversely affected by the outbreak, the Group will offer certain temporary rental concessions to tenants on a case-by-case basis. Based on the present circumstances, it is estimated that the rental concessions will result in a reduction in the Group's revenue on a cash basis of approximately RMB90 million.

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

**LIN Deliang**

*Chairman*

Hong Kong, 5 March 2020

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

*Executive Directors:* Messrs. LIN Deliang (Chairman) and CHENG Jiuzhou

*Non-executive Directors:* Messrs. LI Feng and LIANG Danqing

*Independent Non-executive Directors:* Messrs. CHAN Chi On, Derek, CHAN Chi Fai, Brian, CHEUNG Yuk Tong and CHEN Xiaoou