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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

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

(Stock code: 00405)

Managed by

越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 ("Reporting Year") together with comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2021 together with comparative figures for the corresponding period in 2020:

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

	Financial Year ended 31 December 2021	**Financial Year ended 31 December 2020**	**Increase/ (decrease)**
Gross income (Note a)	**1,796,686,000**	1,758,732,000	2.2%
Net property income	**1,298,399,000**	1,322,644,000	(1.8)%
Profit after tax	**674,562,000**	587,121,000	14.9%
Earnings per Unit – Basic	**0.19**	0.18	5.6%
Portfolio valuation	**42,395,000,000**	34,488,000,000	22.9%
Net assets attributable to Unitholders per Unit	**4.31**	4.42	(2.5)%
Net assets attributable to Unitholders per Unit – Equivalent to HK$	**5.27**	5.25	0.4%
Units issued (units)	**3,417,224,428**	3,303,113,665	3.5%
Total borrowings as a percentage of gross assets (Note b)	**40.2%**	38.6%	1.6 percentage point
Gross liabilities as a percentage of gross assets (Note c)	**63.7%**	56.5%	7.2 percentage point

Distribution			
Total distribution (including additional items)	**798,212,000**	648,697,000	23.0%
Distribution per Unit (HK$)	**0.2451**	0.2293	6.9%

Note a: The revenue of Guangzhou Yuexiu Financial Tower was recorded since 24 December 2021.

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

Note c: 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 2021 to 31 December 2021 ("2021 Final Period") will be approximately RMB0.0985 which is equivalent to HK$0.1218 (2020: RMB0.0999 which is equivalent to HK$0.1199) 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 2021 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2021 Final Period.

The final distribution for the 2021 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2021 to 30 June 2021 ("2021 Interim Period") being approximately RMB0.1025 which is equivalent to HK$0.1233 (2020: RMB0.0986 which is equivalent to HK$0.1094) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.2010 which is equivalent to HK$0.2451 (2020: approximately RMB0.1985 which is equivalent to HK$0.2293).

The total distribution amount for the Reporting Year, being approximately RMB798,212,000 (2020: RMB648,697,000), includes an amount of approximately RMB298,000,000 (2020: RMB194,000,000), 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 RMB678,212,000) plus a further distribution of approximately RMB120,000,000 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.

The total distribution for the Reporting Year does not include the special distribution of approximately RMB85 million which was HK$0.0312 per unit, declared due to the acquisition of Guangzhou Yuexiu Financial Tower and had been paid on 8 February 2022. For details, please refer to the circular dated 13 November 2021 and the announcement dated 19 January 2022.

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 16 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$0.2451 (2020: HK$0.2293), of which approximately HK$0.0790 (2020: HK$0.0686) is attributable to capital items, represents a yield of approximately 7.59% (2020: 6.07%) per Unit based on the closing price of HK$3.23 per Unit as at 31 December 2021 (2020: HK$3.78).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 13 April 2022. The register of Unitholders will be closed from 13 April 2022 to 14 April 2022, 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 12 April 2022. The final distribution will be paid on 26 May 2022 to the Unitholders whose names appear on the register of Unitholders on 13 April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Successful acquisition of Yuexiu Financial Tower to deepen our overall strategic arrangement in the Greater Bay Area

In 2021, Yuexiu REIT completed the acquisition of Yuexiu Financial Tower located in the core business district of Zhujiang New Town, Guangzhou. Our enlarged portfolio valuation has been the largest among the PRC portfolios owned by Hong Kong and Singapore listed REITs, and Yuexiu REIT will generate more in its income source from the office building projects and be more resilient to cyclical risk. Upon completion of the acquisition, the proportion of assets located in Guangzhou, a core city in the Greater Bay Area, will increase from 79% to 83%, which the Manager believes will more effectively capture the growth opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area market, while fully optimizing the synergy benefits between Guangzhou IFC and Yuexiu Financial Tower.

In 2021, China's economy continued to recover steadily and made new achievements in high-quality development. Under the normalization of the pandemic, the existing projects of Yuexiu REIT in all sectors continued to attain a sustainable recovery trend as a whole. The operation fundamentals of office buildings and retail shopping malls remained stable, and our wholesale market was actively adjusted and reformed to cope with the transformations. The hotel and serviced apartment sector was slow to recover due to the repeated impacts of the pandemic. However, the Manager rose to the challenges and took the initiatives to seek changes. Leveraging on the excellent operating capacity and foundation of the premium assets, the Manager continued to deliver results matching expectations to the unitholders.

PROPERTY PORTFOLIO AND VALUATION

As of 31 December 2021, Yuexiu REIT's portfolio of properties consisted of nine properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units and certain Carpark Spaces ("Fortune Plaza"), City Development Plaza Units and certain Carpark Spaces ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC") and Yuexiu Financial Tower ("Yuexiu Financial Tower"), located in Guangzhou; Yue Xiu Tower ("Yue Xiu Tower"), located in Shanghai; Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), located in Wuhan; and Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory"), located in Hangzhou. The aggregate area of ownership of the properties was approximately 1,183,284.3 sq.m. and the total rentable area was 803,111.9 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; 62,785.7 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; 10,289.1 sq.m of parking space and 29,797.1 sq.m of common facilities area of Yuexiu Financial 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[1]	Number of Lease[1]	Unit Rent[1] (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	91.4%	875	522.3
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2[2]	95.5%	76	153.4
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4[3]	95.1%	77	140.1
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	99.3%	29	224.6
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	95.1%	289	225.1
Including:	Grade A office			267,804.4	183,539.6[4]	94.5%	233	241.0
	Retail shopping mall			46,989.2	46,727.3	97.3%	56	164.2
	Hotel			91,460.9[5]	N/A	N/A	N/A	N/A
	Serviced apartment			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Grade A office	Pudong New District, Shanghai	2010	62,139.4	46,026.3[6]	90.4%	124	238.7
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	80.9%	277	86.1
Including:	Grade A office		2016	139,937.1	129,446.7[7]	75.2%	174	98.0
	Retail shopping mall		2015	45,471.4	43,546.6[8]	98.0%	103	59.1
	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	Jianggan District, Hangzhou	2017	40,148.4	22,484.8[9]	97.4%	28	122.6
Yuexiu Financial Tower	Grade A office	Tianhe District, Guangzhou	2015	210,282.9	170,196.8[10]	96.1%	237	200.3
Total				1,183,284.3	803,111.9	92.0%	2,012	200.9

Notes:

(1) As at 31 December 2021;

(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 area;

(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;

(10) Excluding 10,289.1 sq.m of parking space area and 29,797.1 sq.m. of common facilities area.

Segments of the properties are as follows:

Rental Property	Area of Ownership (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate[1]	Percentage point increase/ (decrease) as compared to the same period in 2020	Unit Rent (VAT exclusive)[1] (RMB/sq.m./ month)	Percentage increase/ (decrease) as compared to the same period in 2020	Operating Income[2] (RMB'000)
Office	870,363.1	635,446.9[3]	90.9%	(0.4)	187.7	5.1%	973,345
Retail							
Shopping Mall	120,158.7	117,536.1[4]	98.0%	0.0	139.4	(6.4)%	160,437
Wholesale	50,199.3	50,128.9[5]	91.4%	(2.6)	522.3	(2.5)%	259,793

Notes:

(1) As at 31 December 2021;

(2) For the year ended 31 December 2021;

(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; 62,785.7 sq.m. of parking space and 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Fortune Centre, 17,663.6 sq.m. of parking space area of Hangzhou Victory and 10,289.1 sq.m of parking space and 29,797.1 sq.m of common facilities area of Yuexiu Financial Tower;

(4) Excluding 435.9 sq.m. of other ancillary facilities area of Victory Plaza, 261.9 sq.m. of other ancillary facilities area of GZIFC Shopping Mall and 1,924.8 sq.m. of other ancillary facilities area of Wuhan Starry Victoria Shopping Centre;

(5) Excluding 70.4 sq.m. of other ancillary facilities area of White Horse Building.

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate[(1)]	Average Daily Rate[(1)] (RMB: yuan)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	62.8%	1,827
Ascott Serviced Apartment GZIFC	High-end serviced apartments	September 2012	51,102.3	314	85.8%	989

Notes:

(1) From 1 January 2021 to 31 December 2021; in December 2021, daily rate and occupancy rate at Four seasons Hotel was RMB1,712 and 59.7%, while room rate and occupancy rate at Ascott Serviced Apartments GZIFC was RMB998 and 87.1%;

(2) Both hotel and serviced apartments were entrusted operation.

PROPERTY VALUATION

On 31 December 2021, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Colliers International (Hong Kong) Limited, an independent professional valuer, and the revalued market value was approximately RMB42.395 billion.

The following table summarizes the valuation of each of the properties as at 31 December 2021 and 31 December 2020:

Name of Property	Valuation as at 31 December 2021 RMB million	Valuation as at 31 December 2020 RMB million	Increase/ (decrease) percentage
White Horse Building	**5,007**	5,089	(1.6)%
Fortune Plaza	**1,253**	1,251	0.2%
City Development Plaza	**1,056**	1,051	0.5%
Victory Plaza	**955**	951	0.4%
GZIFC	**18,786**	18,774	0.1%
Yue Xiu Tower	**3,060**	3,086	(0.8)%
Wuhan Properties	**3,629**	3,674	(1.2)%
Hangzhou Victory	**619**	612	1.1%
Subtotal	**34,365**	34,488	(0.4)%
Yuexiu Financial Tower	**8,030**	N/A	N/A
Total	**42,395**	34,488	22.9%

LEASE EXPIRY OF THE PROPERTIES

In the next five years and beyond, in respect of the rental area, ratios of lease expiry of Yuexiu REIT Properties each year will be 23.3%, 24.6%, 23.9%, 13.2% and 15.0% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 25.4%, 27.3%, 24.4%, 10.6% and 12.3% respectively.

The properties of Yuexiu REIT

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	23.3%	25.4%
FY2023	24.6%	27.3%
FY2024	23.9%	24.4%
FY2025	13.2%	10.6%
FY2026 and beyond	15.0%	12.3%
Total	100.0%	100.0%

White Horse Building

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	35.0%	36.0%
FY2023	41.1%	48.1%
FY2024	19.6%	14.5%
FY2025	0.0%	0.0%
FY2026 and beyond	4.3%	1.4%
Total	100.0%	100.0%

Fortune Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	30.4%	27.2%
FY2023	14.0%	19.1%
FY2024	28.8%	27.7%
FY2025	12.8%	13.0%
FY2026 and beyond	14.0%	13.0%
Total	100.0%	100.0%

City Development Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	33.3%	37.3%
FY2023	17.6%	18.3%
FY2024	6.8%	5.0%
FY2025	8.5%	16.1%
FY2026 and beyond	33.8%	23.3%
Total	100.0%	100.0%

Victory Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	0.8%	2.5%
FY2023	42.2%	38.2%
FY2024	11.8%	11.0%
FY2025	8.1%	10.1%
FY2026 and beyond	37.1%	38.2%
Total	100.0%	100.0%

GZIFC

Year	Office: Percentage of rented area	Office: Percentage of total basic monthly rentals	Retail shopping mall: Percentage of rented area	Retail shopping mall: Percentage of total basic monthly rentals
FY2022	26.2%	26.1%	17.3%	17.7%
FY2023	19.5%	18.9%	6.1%	8.3%
FY2024	32.8%	35.7%	2.8%	5.8%
FY2025	5.2%	4.7%	68.5%	61.8%
FY2026 and beyond	16.3%	14.6%	5.3%	6.4%
Total	100.0%	100.0%	100.0%	100.0%

Yue Xiu Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	33.6%	38.3%
FY2023	30.7%	29.2%
FY2024	24.9%	26.4%
FY2025	8.5%	4.5%
FY2026 and beyond	2.3%	1.6%
Total	100.0%	100.0%

Wuhan Properties

Year	Office		Retail shopping mall	
	Percentage of rented area	Percentage of total basic monthly rentals	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	28.2%	30.0%	26.4%	34.2%
FY2023	34.9%	34.8%	19.2%	23.5%
FY2024	27.4%	25.9%	11.8%	12.9%
FY2025	5.6%	6.0%	11.3%	6.9%
FY2026 and beyond	3.9%	3.3%	31.3%	22.5%
Total	100.0%	100.0%	100.0%	100.0%

Hangzhou Victory

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	15.6%	16.5%
FY2023	24.4%	22.6%
FY2024	46.5%	48.1%
FY2025	13.5%	12.8%
FY2026 and beyond	0.0%	0.0%
Total	100.0%	100.0%

Yuexiu Financial Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2022	13.1%	15.0%
FY2023	25.0%	24.7%
FY2024	25.0%	26.4%
FY2025	17.9%	15.7%
FY2026 and beyond	19.0%	18.2%
Total	100.0%	100.0%

REVENUE REMAINED BASICALLY FLAT

In 2021, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,796,686,000 representing an increase of 2.2% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yue Xiu Tower, Wuhan Properties, Hangzhou Victory and Yuexiu Financial Tower (the revenue was recorded since 24 December 2021) accounted for approximately 14.5%, 4.1%, 3.9%, 3.8%, 53.4%, 6.6%, 10.2%, 1.9% and 1.6% respectively of the total revenue.

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 2021 RMB million**	Revenue in 2020 RMB million	Increase/ (Decrease) Compared to 2020 RMB million	Increase/ (Decrease) %
White Horse Building	**259.8**	287.8	(28.0)	(9.7)%
Fortune Plaza	**73.7**	73.4	0.3	0.4%
City Development Plaza	**70.6**	69.7	0.9	1.3%
Victory Plaza	**67.8**	67.2	0.6	0.9%
GZIFC				
Office	**494.5**	487.3	7.2	1.5%
Retail shopping mall	**64.0**	79.8	(15.8)	(19.8)%
Hotel	**302.9**	267.4	35.5	13.3%
Serviced apartment	**100.2**	96.2	4.0	4.2%
Yue Xiu Tower	**118.1**	118.1	–	–
Wuhan Properties	**183.5**	179.3	4.2	2.3%
Hangzhou Victory	**33.3**	32.5	0.8	2.5%
Sub-total	**1,768.4**	1,758.7	9.7	0.6%
Yuexiu Financial Tower[1]	**28.3**	N/A	28.3	N/A
Total	**1,796.7**	1,758.7	38.0	2.2%

Note:

(1) The revenue of Yuexiu Financial Tower was recorded since 24 December 2021.

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

Name of Property	**Net Property Income in 2021 RMB million**	Net Property Income in 2020 RMB million	Increase/ (Decrease) Compared to 2020 RMB million	Increase/ (Decrease) %
White Horse Building	**218.8**	249.5	(30.7)	(12.3)%
Fortune Plaza	**62.0**	63.5	(1.5)	(2.4)%
City Development Plaza	**58.8**	60.1	(1.3)	(2.2)%
Victory Plaza	**57.4**	57.6	(0.2)	(0.3)%
GZIFC				
Office	**415.6**	424.0	(8.4)	(2.0)%
Retail shopping mall	**55.0**	71.1	(16.1)	(22.6)%
Hotel	**54.9**	45.3	9.6	21.2%
Serviced apartment	**59.4**	57.4	2.0	3.5%
Yue Xiu Tower	**108.5**	108.3	0.2	0.2%
Wuhan Properties	**153.5**	159.2	(5.7)	(3.6)%
Hangzhou Victory	**27.5**	26.6	0.9	3.4%
Sub-total	**1,271.4**	1,322.6	(51.2)	(3.9)%
Yuexiu Financial Tower[1]	**27.0**	N/A	27.0	N/A
Total	**1,298.4**	1,322.6	(24.2)	(1.8)%

Note:

(1) The revenue of Yuexiu Financial Tower was recorded since 24 December 2021.

GZIFC – OFFICE OCCUPANCY RATE ASCENDED STEADILY WITH THE UPGRADED AND OPTIMIZED MALL BRAND

Since the pandemic, GZIFC's office operation team has continuously implemented tenant background investigation and strictly controlled the tenant-access mechanism, seeing the in advance lease termination decreased by 51% year on year, supporting a continued positive net absorption and a steady monthly rebound in occupancy rate. Although there were fewer active quality tenants in the market, the rental affordability of tenants was gradually recovering, the operation team successfully introduced quality clients such as AIA, HK Deacons, Baotong Insurance (保通保險), Isa Education (愛莎教育), First Qianhai (前海開源), and achieved a breakthrough in the long-term vacant units, realising a newly contracted area for the year of about 26,000 sq.m. Facing the pressure of a large number of expiring area for the year, the operation team conducted lease renewal negotiations based on the full understanding of customers' needs, and successfully completed lease renewals with important customers such as China Export & Credit Insurance, BiosTime, China Treasury Wharton and Nanyue Fund, hence, high lease renewal rate for the year reached 88%, preventing the outflow of quality customer resources. In 2021, GZIFC was awarded the first "Super Grade-A Business Office Building" (超甲級商務寫字樓), the "Best Practice Award in Operation & Management • Urban Complex", and the "Outstanding Contribution Award in Commercial Landmark Development of the 2021 PropertyGuru Asia Property Awards".

2021 was the first year for GZIFC to tackle a concentration of expiring contracts. The operation team seized the opportunity to optimize the tenant structure, successfully attracting a number of well-known tenants such as "Tim Hortons" (Canadian National Coffee), "King of the Kings" (the first branded restaurant of the long-established Chinese brands) and the "ARCFOX" of BAIC BJEV, as well as further enhancing the supporting service capability of GZIFC and better meeting the diversified consumption needs of the CBD elites, with the average rental of new contracts increased by 18.9% for the year. At the same time, it successfully renewed the leases of premium clients such as Costa Coffee with renewed leasing area of approximately 3,400 sq.m., and an average rental increase of 30.7%. The "Friendship Store", a key tenant, commenced the base rental and turnover rent policy in 2021, where the landlord made more efforts in supporting and shared the increment from their business growth. GZIFC Shopping Mall expanded scenario-based marketing, created cross-sector flash mob activities, and vigorously collaborating the internal and external resources to create various festivals, launching two series of activities, namely "Blissful Shopping Festival (悦購節)" and "Joyous Gourmet Season (悦食季)", which strongly boosted sales of the mall.

In 2021, due to the recurrence of COVID-19 pandemic in China, Four Seasons Hotel Guangzhou and Ascott Serviced Apartments at GZIFC had faced certain challenges relating to the recovery in operation, but their overall performance remained as the market benchmark.

Four Seasons Hotel Guangzhou adopted an appropriate "price for volume" measure to ensure a sustainable operation in general. In 2021, its average occupancy rate was 62.8%, representing an increase of 5.5 percentage points year-on-year. The average room rate was RMB1,827, representing an increase of 3.3% year-on-year. The RevPAR was RMB1,147, representing an increase of 13.2% year-on-year. Since its opening in August 2012, Four Seasons Hotel Guangzhou has been in full operation for nine years. As its core competitors entered the market successively or completed upgrading and renovation, there was a slight decline in the product competitiveness of Four Seasons Hotel Guangzhou. The annual RevPAR competitive index of the hotel was 143.7, representing a decrease of 2.2 year-on-year. Four Seasons Hotel Guangzhou has been awarded the "2021 Forbes Hotel Guide Five-star Hotel" by Forbes Travel Guide for seven consecutive years.

While facing restrictions on international business travel, Ascott Serviced Apartments actively explored domestic accommodation demand. Meanwhile, the long-term rental business remained stable and the revenue of the short-term rental business increased 36.5% year-on-year, effectively promoting the recovery in the overall operation of the Ascott Serviced Apartments. In 2021, its average occupancy rate was 85.8%, representing an increase of 3.6 percentage points year-on-year. The average room rate was RMB989, representing an increase of 1.1% year-on-year. RevPAR was RMB848, representing an increase of 5.5% year-on-year. Since its opening in September 2012, Ascott Serviced Apartments has been in full operation for nine years. Likewise, with its core competitors entered the market successively, the product competitiveness of Ascott Serviced Apartments has slightly declined. However, thanks to the stabilizing effect of the long-term rental business, the annual RevPAR competitive index of the Ascott Serviced Apartments reached 172.0 again, making a record high. Ascott Serviced Apartments at GZIFC ranked first both in operating revenue and GOP in Ascott China since 2016.

YUEXIU FINANCIAL TOWER – SEIZING THE OPPORTUNITY OF INTERNAL LEASE EXPANSION AND CONTINUING TO OPTIMIZE TENANT STRUCTURE

In 2021, Yuexiu Financial Tower successfully renewed the leasing contracts with major tenants such as Mead Johnson, Everbright, and Liepin (獵聘), facilitated lease expansion for high-quality customers including ZTE and E Fund, and introduced a number of renowned enterprises such as Hyatt International, the newly signed and renewed leased area reached approximately 79,000 sq.m. for the year, which effectively affirmed the fulfilment of the annual goal. In terms of project awards, after obtaining the awards of LEED EBOM v4 platinum certification, platinum WELL mid-term certification, China Construction Engineering Luban Prize (國家建築工程魯班獎) and Sustainable Building Index Verification Symbol, Yuexiu Financial Tower has won the awards of "Best Practice Award in Operation & Management – Green Building", "Super Grade-A Business Office Building", "China Building Economy New Landmark", "Award in Showcasing Value of Commercial Property" and "Outstanding Green Project" in 2021, which demonstrated the commercial value of Yuexiu Financial Tower and its contributions in the fields of energy conservation, environmental protection and sustainable development.

WHITE HORSE BUILDING – ADJUSTING TENANTS STRUCTURE AND OPTIMIZING THEIR POSITIONING, FORMULATING EMPOWERMENT OF MARKETING ENTITIES

In the post-pandemic era, consumption as a whole is undergoing weak recovery. The growth rate of the apparel industry has slowed down. The industry is in the stage of recovery and transformation. Changes have taken place in the consumer group, and suppliers are also transforming to diversification and branding.

White Horse Building focused on adjusting targeted floors. Firstly, taking the opportunity of the lease expiration of the entire second floor, with the new positioning of "Creation of Stylish Fashion by Young Designers, Vitality Camp (時尚青創，活力之營)", it successfully introduced powerful customers such as designer brands, self-operated manufacturers, startup companies with new brands and children's clothing, successfully achieving improvements in both operation and quality; secondly, it completed adjusting the positioning of the men's clothing on the sixth to eighth floor, combined the areas selling trendy accessories and branded bags on the first floor, formed a collection of women's wear, men's wear, children's wear and accessories, accomplished the structural adjustment of women's wear on a low floor and men's wear on a high floor to better meet the one-stop procurement practice and needs of the purchasers. It adhered to the combination of online and offline marketing to support the physical shops in the market, among them, the annual marketing theme for offline marketing was "Make Your Own Fashion Statement – Showcase Cantonese Stylishness (潮流自造•粵有腔調)", and the model marketing activities are "Nationwide Cantonese Trade – Popularity of White Horse Fashion (粵貿全國•白馬時尚行)", continued to carry out a series of wide-ranging and very impactful marketing activities. It established digital marketing system online by combining with all kinds of marketing activities to attain 379 reports in total on national and provincial mainstream media leading to 1,052,000 times of broadcast through TikTok and other new media, effectively expanded the brand recognition of White Horse among high net worth individuals and the crowd of generation Z. In addition, White Horse Building efficiently promoted two capital renovation projects, namely the renovation of the second floor and the façade, significantly enhanced the commercial image and fashionable tone of White Horse.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA – ELIMINATING THE RISK OF LEASE TERMINATION FROM CUSTOMERS ENGAGING IN EDUCATION RELATED BUSINESS, MAKING BREAKTHROUGH IN BUSINESS SOLICITATION FOR A WHOLE FLOOR

Fortune Plaza captured the lease expansion demand of existing tenants in a timely manner, effectively mitigating the negative impact of the loss of customers engaging in education related business on the podium floor, and the occupancy rate of the podium floor rebounded from 93.1% at the beginning of the year to 96.2% at year end, and the tenant structure was also optimized. City Development Plaza adopted an innovative method to integrate and rearrange the unit sources of small-unit tenants, and introduced a well-known Shanghai enterprise to rent a whole floor. The occupancy rate of the building returned from a bottom low of 91.4% to 95.1% at year end, and the overall operation became stable.

VICTORY PLAZA – STEADY LEASE RENEWAL FOR KEY TENANTS AND SEAMLESS INTRODUCTION OF PREMIUM BRANDS

Victory Plaza initiated in advance the lease renewal negotiations with high-quality tenants before lease expiry, and successfully renewed a six-year lease with a key customer, ICBC, which not only secured future rental income, but also achieved a 4.9% rental increase in average. In response to potential operation risks, Victory Plaza took the initiative to negotiate with high-risk customers to terminate their contracts, seamlessly introduced international trendy brands and premium brand merchants, and successfully retained high-quality customers in the Plaza to continue operation through contract restructuring. Affected by the change in market environment and consumption habits, there was a sluggish recovery in sales of Uniqlo, the Plaza's major tenant, and Victory Plaza strengthened the linkage and collaboration among tenants and upgraded the system of members marketing to assist in tenants' business operation. Through the above measures, the occupancy rate of the Plaza reached 99.3% at the end of the rental period, which was close to full occupancy. In 2021, Victoria Plaza was successively given the titles of "Most Popular Commercial Complex of the Year", "Top 10 Most Popular Must-Go-Places in Guangzhou (廣州十大最受歡迎打卡點)" and "The Alliance Member of the YOUNG and YEAH City Night Consumption", which have been fully recognized by the industry.

YUE XIU TOWER – PREMIUM TENANTS ELEVATE QUALITY AND REDEFINE OFFICE ECOLOGY

Yue Xiu Tower effectively managed expiring leases, formulated unique lease renewal plans for high-quality customers, and strived to retain customers by providing packaged products and services of the office building facilities to enrich customers experience. Under the fiercely competitive market environment, eventually it achieved an approximately 70% annual lease renewal rate. It continuously optimized the industry structure of tenant in the building, actively removed high-risk customers, and successfully introduced more than 10 high-quality foreign-funded enterprises, state-owned enterprises, central enterprises and top 500 enterprises throughout the year. At the same time, Yue Xiu Tower carried out renovation and reconstruction for some units with inconvenient location, poor lighting and irregular layouts, more than 3,000 sq.m. were renovated with refined decoration and all units were well received with contracts signed, effectively shortened the average vacancy cycle of units. As one of the landmark office buildings in Pudong Zhuyuan CBD, Yue Xiu Tower is committed to maintaining a comfortable and healthy office environment. In 2021, it spent RMB1.6 million in building a garden landscape and introduced the art and aesthetics sharing platform, "M-SPACE" to continuously escalate the office services experience in the new era.

WUHAN PROPERTIES – RESPONDING TO RISK IMPACTS, STRENGTHENING BUSINESS SOLICITATION AND STABILIZING OPERATION

Yuexiu Fortune Center swiftly responded to critical business risks, efficiently terminated contracts with customers such as Xueersi (學而思), and successfully recovered the rental for the year. Meanwhile, there was a sluggish and stagnant flow in potential tenants taking up rental units due to the pandemic, it established channels of multiple customer sources and successfully introduced high-quality customers such as JD.COM and China Construction First Group (中建一局), achieving a newly contracted area of 26,000 sq.m. for the year, thus effectively stabilizing the building's occupancy rate. For the expiring area of about 33,000 sq.m., Yuexiu Fortune Center successfully renewed contracts with important clients such as Guangdong Guangxin (廣東廣信), Citroen, Gezhouba Group (葛洲壩集團), and renewal rate for the year reached 74.2% with an average rental increase by 10.9%. In the 2021 PropertyGuru Asia Property Awards, Yuexiu Fortune Center was awarded the Gold Award in the Best Office Development Category of the Real Estate Asia Awards 2021, which fully demonstrated the industry's high recognition of the project's excellent asset management and operation capabilities.

Starry Victoria Shopping Centre sustained a sound overall business performance. In the second half of the year, the Manager successfully overcame the adverse impacts of the relapsing pandemic and the restrictive education policies, and through multi-channel customer expansion and adaptive adjustment in the direction of business solicitation, it introduced popular brands with remarkable market reputation, achieving a good performance of the newly contracted area of 7,132 sq.m. for the year with its average rental increased by 28.5%. When facing crisis, it took distinctive measures, formulated adjustment plans for specific business projects, and stabilized the operation of all classified tenants with targeted assistance, and stabilized the occupancy rate at the end of the period at 98.0%. With an unstable and recurring pandemic, it had well managed the expiring contracts and successfully achieved an over 70% renewed area, obtained an average rental increase by 6.9%.

HANGZHOU VICTORY – STEADY GROWTH IN OVERALL OPERATION WITH HIGH OCCUPANCY RATE

Hangzhou Victory has prepared for crises in advance despite of stable and peaceful environment. It monitored tenants' operating risks in multiple dimensions and alarmed the management about customers with potential risk of lease termination, at the same time, it actively maintained customer reserve, reduced loss in vacant units, and conserved an average occupancy rate of over 95% throughout the year and achieved year-on-year improvement in revenue, new contract signing and risk control. In 2021, Hangzhou Victory won the title of the 10th "Guangsha Award (廣廈獎)" jointly awarded by the China Real Estate Association together with the Ministry of Housing and Urban-Rural Development.

ACTIVE PROMOTION OF PROJECTS FOR ASSET APPRECIATION, ACHIEVING VALUE PRESERVATION AND APPRECIATION OF PROPERTIES

In the year of 2021, the Manager continued to invest in a number of asset renovation and upgrading projects, which included installation of fire alarm locks on evacuation and fire escapes on the podium floor of the shopping mall at GZIFC; implementation of domestic hot water system, pipeline safety maintenance project and reconstruction project of the steam heating system in B2F logistics area for Four Seasons Hotel; decoration for units of approximately 8,000 sq.m., fire-fighting exhaust pipe replacement and fire-fighting water supply system modification project, main entrance and exterior wall renovation project for White Horse Building; fire-fighting main engine replacement project for Fortune Plaza; renovation of units with approximately 1,700 sq.m., renovation project on the equipment and facilities for fire and domestic water system, renovation project for switch cabinet in drawer inside the low-voltage power distribution room, catering grease trap renovation project, renovation project on peripheral landscape for Shanghai Yue Xiu Tower; decoration for units of approximately 3,082 sq.m., work adding electric valve to main pipeline of the air-conditioning chilled water system, reconstruction project on interchangeable cold and hot source for Wuhan Yuexiu Fortune Centre etc.. With investment input of approximately RMB38 million, the renovated office units of each projects had effectively shortened the vacancy period and increased the level of rent, which improved the operating efficiency and business environment of the projects on a continuous basis.

In 2022, the Manager is still planning to invest mainly in capital expenditure renovation projects for Four Seasons Hotel, White Horse Building, City Development Plaza, Victory Plaza, Fortune Plaza, Shanghai 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, for the financing cost of a mid-term note due in the first half of 2021, the Manager proactively planned ahead for a refinancing plan and finally in January 2021, Yuexiu REIT issued guaranteed notes at 2.65% due in 2026 with a total principal amount of US$400,000,000 under the revised US$1,500,000,000 guaranteed medium-term note programme, which was used to repay US$400,000,000 guaranteed notes at 4.75% due in April 2021, effective control on short-term liquidity risk was accomplished. Meanwhile, in this financing replacement, the Manager seized the favorable interest rate market window and significantly reduced the overall financing cost. In addition, the Manager obtained a 3-year HK$1.2 billion club loan in December 2021 to refinance the maturing loans so as to ensure effective monitor on the liquidity risk.

With regard to foreign exchange risk management, despite the constant mutation and spreading of the COVID-19 pandemic across the world at the beginning of 2021, Renminbi remained relatively strong as the economy of mainland China was operating efficiently under effective controlling measures. The Manager continued its focus on market dynamics by adopting effective management strategies and foreign exchange hedging tools at reasonable cost to monitor foreign exchange exposure. In 2021, Yuexiu REIT's accumulated exchange gain for the whole year was RMB341 million, the fair value loss of hedging products was RMB115 million, and the net gain for the whole year was RMB226 million (2020 net gain: RMB500 million).

As for the interest rate management, the COVID-19 pandemic suppressed the growth of global economy in 2021, major economies adopted Quantitative Easing monetary policies to support their own economy since the second half of 2020. At the end of 2021, 1-month HIBOR and 1-month LIBOR dropped by 2 and 4 basis points respectively from those at the beginning of year. The Manager enjoyed the benefit of low financing costs by maintaining appropriate floating interest rate exposure. At the end of 2021, benefiting from the continued low interest rate in the market and the Manager's replacement of the above medium-term notes, the average financing cost of Yuexiu REIT was 2.25%, a decrease of 76 basis points from 3.01% at the beginning of the year.

Sustainable Development

We adhere to the concept of sustainable development and strive to create long-term value. During the year, under the guidance of the Board the Manager continued to improve and consolidate the construction and management of the ESG system. Combined with the 14th Five-Year Strategic Plan of Yuexiu REIT, the Manager set a feasible short-term goal for sustainable development by 2025. The mid-term goal of 2030 is to publish an independent Environmental, Social and Governance Report ("ESG Report") on an annual basis to disclose to stakeholders the sustainable development goals and achievements of Yuexiu REIT in multiple directions. In 2021, Yuexiu REIT was awarded the Green "3 Star" rating in the first year it participated in the Global Real Estate Sustainability Assessment Benchmark (GRESB). Meanwhile, it was awarded the "A" rating for public disclosure in 2021, the highest level under this standard.

We integrate climate change and low-carbon concepts into risk management, investment strategies and daily operations. After reviewing the materiality issues, the Manager included ESG risk management for the first time, referring to the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD"), to integrate climate change risks into the risk management framework. During the year, Yuexiu REIT signed a green club loan of fund HK$4.8 billion for the first time to fund the acquisition of Guangzhou Yuexiu Financial Tower. The tower is a "Double Platinum" green building benchmark that has obtained both LEED EBOM V4 Platinum certification and WELL Platinum mid-term certification. This acquisition is an important milestone for Yuexiu REIT to move towards green financing, and it also demonstrates that Yuexiu REIT is committed to promoting sustainable development and implementing innovative environmental protection measures.

Looking forward, the PRC will fully implement the new development concept, and the new pattern of green and low-carbon sustainable development will be expedited. We will continue to deepen our sustainable development policies and goals, focus our efforts on high-quality development, and join hands with stakeholders to create greater economic and social benefits.

FINANCIAL REVIEW

FINANCIAL RESULTS

The impact of the COVID-19 outbreak in 2021 has not subsided, Yuexiu REIT rental income was slightly increased but net property income was slightly decreased. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2021 **RMB'000**	2020 RMB'000	Increase/ (Decrease) %
Gross income	**1,796,686**	1,758,732	2.2%
Hotel and serviced apartment direct expenses	**(277,142)**	(248,335)	11.6%
Leasing agent fees	**(43,861)**	(43,973)	(0.3)%
Property related taxes *(Note 1)*	**(175,141)**	(140,608)	24.6%
Other property expenses *(Note 2)*	**(2,143)**	(3,172)	(32.4)%
Total property operating expenses	**(498,287)**	(436,088)	14.3%
Net property income	**1,298,399**	1,322,644	(1.8)%
Withholding tax	**(47,359)**	(49,889)	(5.1)%
Depreciation and amortisation	**(134,701)**	(132,353)	1.8%
Manager's fees	**(139,733)**	(142,157)	(1.7)%
Trustee fees	**(10,248)**	(10,424)	(1.7)%
Other trust expenses *(Note 3)*	**(17,793)**	(24,346)	(26.9)%
Total non-property expenses	**(349,834)**	(359,169)	(2.6)%

	2021 RMB'000	2020 RMB'000	Increase/ (Decrease) %
Profit before finance expenses, finance income and income tax	**948,565**	963,475	(1.5)%
Finance income	**366,703**	842,885	(56.5)%
Fair value gain on support arrangement asset	**—**	625	N/A
Finance expenses	**(390,086)**	(488,028)	(20.1)%
Profit before tax	**925,182**	1,318,957	(29.9)%
Income tax expense	**(263,608)**	(203,967)	29.2%
Profit after income tax before fair value gain/(loss) on investment properties, fair value loss on derivative financial instruments and the gain on construction payable adjustment	**661,574**	1,114,990	(40.7)%
Fair value gain/(loss) on investment properties	**78,668**	(297,633)	126.4%
Fair value loss on derivative financial instruments	**(65,680)**	(405,118)	(83.8)%
Gain on construction payable adjustment	**—**	174,882	N/A
Net profit after income tax before transactions with Unitholders	**674,562**	587,121	14.9%

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, impairment allowance and other expenses.

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

Gross income and net property income during the Reporting Year were approximately RMB1,796,686,000 (2020: RMB1,758,732,000) and RMB1,298,399,000 (2020: RMB1,322,644,000) respectively, which represented an increase/(decrease) of approximately 2.2% and (1.8)% respectively while comparing with 2020.

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

	2021	2020
	RMB'000	RMB'000
Office	**973,345**	934,975
Wholesales *(Note 1)*	**259,793**	287,775
Retail *(Note 1)*	**160,437**	172,404
Hotel and serviced apartment *(Note 2)*	**403,111**	363,578
Total	**1,796,686**	1,758,732

Note 1 In 2021, the COVID-19 has continued to affect small and medium-size companies. Some tenants early terminated their tenancy agreements, resulting in a drop in occupancy rate and rental income.

Note 2 Despite the relapse of the COVID-19, the room rentals and food and beverage income of Four Seasons Hotel and Ascott Serviced Apartments still recorded a rebound.

Net property income amounted to approximately RMB1,298,399,000 (2020: RMB1,322,644,000) representing approximately 72.3% (2020: 75.2%) 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:

	2021	2020
	RMB'000	RMB'000
Office	**829,530**	819,528
Wholesales	**218,857**	249,591
Retail	**135,780**	150,867
Hotel and serviced apartment	**114,232**	102,658
Total	**1,298,399**	1,322,644

Hotel and serviced apartment direct expenses were approximately RMB277,142,000 (including depreciation expense of approximately RMB9,977,000 incurred in connection with right-of-use asset and interest expense of approximately RMB735,000 incurred in connection with lease liability), an increase of 11.6% as compared with 2020. It was mainly due to the recovery in the occupancy rate of hotels and serviced apartments in 2021.

Leasing agent fees slightly decreased by approximately 0.3% as compared with 2020. It was mainly because of a decrease in rental income.

Property related tax increased by approximately 24.6% as compared with 2020. It was mainly due to the PRC Government had provided tax relief after the rent concession provided by Yuexiu REIT to its tenants in 2020.

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 decreased by approximately 26.9%. It was mainly due to an increase of the foreign exchange gain from operation. Excluding this foreign exchange gain from operation of approximately RMB1,882,000 (2020: foreign exchange loss from operation of approximately RMB7,763,000), other trust expenses incurred for the Reporting Year amounted to approximately RMB19,675,000 (2020: RMB16,583,000).

Overall, the Manager's fees decreased by approximately 1.7%. The Trustee fees decreased by approximately 1.7%.

As Renminbi appreciated against Hong Kong Dollar and United States 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 gain of approximately RMB340,561,000 (2020: RMB810,900,000). Excluding this exchange factor, the finance income received for the Reporting Year amounted to approximately RMB26,142,000 (2020: RMB31,985,000).

The finance expenses incurred for the Reporting Year amounted to approximately RMB390,086,000 (2020: the finance expenses was approximately RMB488,028,000). The average one-month Hong Kong Interbank Offered Rate ("HIBOR") for 2021 was lower than that of 2020 by approximately over 66 basis points and led to a decrease of interest cost on the floating portion of debt.

Profit after tax before transactions with Unitholders amounted to approximately RMB674,562,000 (2020: RMB587,121,000) which represented an increase of 14.9%, mainly due to a fair value gain on Properties valuation and a decrease of fair value loss on derivative financial instruments in the Reporting Year of 2021.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2021 was approximately RMB4.31 (2020: RMB4.42), which represented a decrease of approximately 2.50%.

Deferred Units

According to the offering circular in relation to the acquisition of GZIFC dated 30 June 2012, commencing from 31 December 2016, the Yuexiu 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 YXP (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.

Accordingly, on 31 December 2021, the Yuexiu REIT issued 81,000,000 Units (being the "2021 Deferred Units") at a price of HK$4.00 per Unit to a wholly-owned subsidiary of YXP Property in partial satisfaction of the outstanding consideration from the Yuexiu REIT's investment in Guangzhou International Finance Center in 2012.

As stated in the 2021 Circular, in light of the subscription price of the Rights Issue (being HK$3.20) being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive trading days preceding the date of the 2021 Announcement (being HK$3.67), the Deferred Units Issue Price shall be adjusted by multiplying the current Deferred Units Issue Price (being HK$4.00 per Unit) by the fraction as set out under the Indebtedness Agreement and further described in the 2021 Circular (the "Deferred Units Issue Price Adjustment"). The Deferred Units Issue Price Adjustment has taken effect upon the completion of the Rights Issue, which has taken place on 26 January 2022.

Accordingly, following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as described in the announcement on 31 December 2021), and assuming no other Deferred Units Adjustment Events eventuate, it is expected that the balance of the Assignment consideration will be fully settled by 31 December 2025 by the issue of 329,808,584 Deferred Units (the "Further Deferred Units") in aggregate at HK$3.861652 per Unit.

New Units Issued and Unit Activity

In respect of the partial settlement of the Manager's Fee during the relevant periods, Yuexiu REIT newly issued 16,174,466 and 16,936,297 units at HK$4.004 and HK$4.032 on 7 April 2021 and 26 August 2021 respectively. On 31 December 2021, referring to the terms disclosed in the Circular dated 30 June 2012, Yuexiu REIT issued 81,000,000 Units at a price of HK$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of YXP in partial satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2021, a total of 3,417,224,428 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK$4.20 and a low of HK$3.20 during the Reporting Year. The average trading volume amounted to approximately 2,460,000 Units per day during the Reporting Year (2020: approximately 3,604,000 Units).

The closing price of the Units as at 31 December 2021 was HK$3.23, representing a discount of approximately 33.00% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2021.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 26 January 2022, the Right Issue on the basis of 37 units for every 100 units held on the Rights Issue Record Date was completed, and Yuexiu REIT was issued 1,234,403,038 units, of which 454,547,406 units were issued to independent third parties and 779,855,632 units were issued to YXP and its associates. The fund was used for partial payment of the acquisition cost of Guangzhou Yuexiu Financial Tower.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Bank borrowings and notes		
Denominated in RMB	**1,284,400**	1,552,840
Denominated in HKD	**13,793,799**	9,840,059
Denominated in USD	**2,544,240**	2,607,901
Total bank borrowings and notes	**17,622,439**	14,000,800
Maturity analysis		
Within one year	**2,893,984**	3,307,488
Two to five year	**14,557,455**	10,442,312
Beyond five year	**171,000**	251,000
The effective interest rate (per annum) of the borrowings and notes at the balance sheet day		
RMB	**4.31%**	4.31%
HKD	**1.98%**	2.28%
USD	**2.72%**	4.99%

The overall interest rate per annum of the borrowings and notes at the balance sheet day is 2.25% (2020: 3.01%). The average interest rate was approximately 2.52% (2020: 3.35%) for the year.

In 2021, 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 2021, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total hedged loan amount is approximately RMB2,525,377,000 (2020: RMB5,196,422,000).

As at 31 December 2021, Yuexiu REIT held certain hedging financial derivatives with fair value liabilities of approximately RMB213,933,000 (2020: fair value liabilities of approximately RMB353,502,000).

Referring to the revised US$1,500,000,000 guaranteed medium-term note plan in January 2021, Yuexiu REIT issued a total principal of US$400,000,000 guaranteed note at 2.65% which would mature in 2026. The fund was used for repayment of the US$400,000,000 guaranteed note at 4.75% which matured in April 2021.

On 17 December 2021, Yuexiu REIT, through its SPV's company, entered into a green club loan facility agreement with certain banks in connection with a three-year unsecured and floating rate term loan facility of HK$4,800,000,000. On 23 December 2021, the club loan amounting HK$4,500,000,000 was partially drawn down to pay for partial payment of the acquisition of Guangzhou Yuexiu Financial Tower.

On 21 December 2021, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain banks in connection with a three-year unsecured and floating rate term loan facility of HK$1,200,000,000. On 28 December 2021, the loan was drawn down for repayment of certain matured HK$ bank Loan Facility and general corporate purpose.

As at 31 December 2021, total borrowings of Yuexiu REIT amounted to approximately RMB17,622,439,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 40.2% of total assets. The gearing ratio was below the maximum borrowing limit of 50% as stipulated in the REIT Code (which was amended in December 2020).

As at 31 December 2021, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB27,938,370,000, representing approximately 63.7% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2021 amounted to approximately RMB1,476,880,000. 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 Yuexiu Financial Tower, located in Guangzhou, for the consideration of approximately RMB7.873 billion. The acquisition was completed on 23 December 2021. Referring to the Offering Circular on 13 November 2021, and the announcements on 14 November 2021, 6 and 23 December 2021 and 7, 19 and 27 January 2022 for details.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yuexiu Yicheng Business Operation Management Co., 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 RMB17,156,000, RMB7,810,000 and RMB18,895,000 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 2021, Yuexiu REIT employed 521 and 127 employees in China for hotel operation through its branch company and for serviced apartments operation through its subsidiary respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

Save as disclosed above, Yuexiu REIT is managed by the Manager. Yuexiu REIT does not employ any staff directly.

REVIEW OF FINANCIAL RESULTS

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated distribution statement, consolidated statement of net assets attributable to unitholders and changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 2022.

ANNUAL GENERAL MEETING

The date and 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 2021

	Note	**2021**	2020
		RMB'000	RMB'000
Revenue	5	**1,796,686**	1,758,732
Operating expenses, net	6	**(847,386)**	(794,068)
Fair value gains/(losses) on investment properties	15	**78,668**	(297,633)
Changes in fair value of			
– support arrangement asset	19	**—**	625
– derivative financial instruments	20	**(65,680)**	(405,118)
Write back of construction payable		**—**	174,882
Finance income	9	**366,703**	842,885
Finance expenses	10	**(390,821)**	(489,217)
Profit before income tax and transactions with unitholders		**938,170**	791,088
Income tax expense	11	**(263,608)**	(203,967)
Profit after income tax before transactions with unitholders		**674,562**	587,121
Transactions with unitholders		**(692,023)**	(521,364)
(Loss)/profit after income tax after transactions with unitholders		**(17,461)**	65,757
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified to profit or loss			
Change in fair value of property, plant and equipment			
– Gross	13	**66,002**	(61,944)
– Tax		**(18,485)**	17,349
Other comprehensive income/(loss) for the year, net of tax		**47,517**	(44,595)
Total comprehensive income for the year		**30,056**	21,162

	Attributable to				
	Unitholders before transactions with unitholders RMB'000	**Transactions with unitholders RMB'000**	**Unitholders after transactions with unitholders RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
Profit/(loss) for the year ended 31 December 2020	565,495	(521,364)	44,131	21,626	65,757
Other comprehensive loss:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	(44,131)	—	(44,131)	(464)	(44,595)
Total comprehensive income/(loss) for the year ended 31 December 2020	521,364	(521,364)	—	21,162	21,162
Profit/(loss) for the year ended 31 December 2021	**645,003**	**(692,023)**	**(47,020)**	**29,559**	**(17,461)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	**47,020**	**—**	**47,020**	**497**	**47,517**
Total comprehensive income/(loss) for the year ended 31 December 2021	**692,023**	**(692,023)**	**—**	**30,056**	**30,056**

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, third supplemental deed on 25 July 2012, fourth supplemental deed dated 3 April 2020 and fifth supplemental deed dated 28 May 2021 (the "Trust Deed"), Yuexiu REIT is required to distribute to the 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 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 consolidated distribution statement.

(ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 12.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	13	**2,158,714**	2,157,795
Right-of-use assets	14	**1,241,260**	1,300,522
Investment properties	15	**37,657,000**	29,700,000
Deferred assets, prepayments, deposits and other receivables	17	**259,740**	261,566
Goodwill	18	**859,868**	859,868
		42,176,582	34,279,751
Current assets			
Inventories	22	**3,254**	4,280
Trade and lease receivables	21	**26,147**	16,065
Amounts due from related parties		**62,089**	49,574
Deferred assets, prepayments, deposits and other receivables	17	**113,224**	70,979
Tax recoverable		**4,072**	4,072
Support arrangement asset	19	**—**	9,786
Short-term bank deposits	23	**23,524**	23,135
Cash and cash equivalents	23	**1,453,356**	1,802,495
		1,685,666	1,980,386
Total assets		**43,862,248**	36,260,137

	Note	**2021**	2020
		RMB'000	RMB'000
Equity			
Revaluation reserve		**422,544**	375,524
Retained earnings		**(422,544)**	(375,524)
Non-controlling interests		**1,206,026**	1,188,103
Total equity		**1,206,026**	1,188,103
Current liabilities			
Trade payables	24	**27,561**	19,244
Rental deposits, current portion	25	**181,124**	149,654
Receipts in advance	25	**118,064**	92,935
Accruals and other payables	25	**530,637**	431,360
Amounts due to related parties		**3,643,438**	108,523
Derivative financial instruments	20	**174,942**	174,826
Borrowings	26	**2,893,984**	3,307,488
Lease liabilities	14	**9,993**	10,033
Tax payable		**142,910**	111,792
		7,722,653	4,405,855
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	25	**246,756**	202,956
Borrowings	26	**14,728,455**	10,693,312
Deferred tax liabilities		**5,201,515**	4,996,679
Derivative financial instruments	20	**38,991**	178,676
Lease liabilities	14	**—**	9,993
		20,215,717	16,081,616

	Note	**2021** **RMB'000**	2020 RMB'000
Total liabilities, other than net assets attributable to unitholders		**27,938,370**	20,487,471
Net assets attributable to unitholders		**14,717,852**	14,584,563
Total equity and liabilities		**43,862,248**	36,260,137
Net current liabilities		**(6,036,987)**	(2,425,469)
Units in issue ('000)		**3,417,224**	3,303,113
Net assets attributable to unitholders per unit (RMB)		**RMB4.31**	RMB4.42

CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		**645,003**	565,495
Adjustments for the total distributable income (i)			
– Fair value (gains)/losses on investment properties		**(94,769)**	268,048
– Deferred taxation in respect of fair value (gains)/losses on investment properties charged/(credited) to profit or loss		**59,624**	(53,594)
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")		**(377,870)**	(378,189)
– Foreign exchange gains on financing activities		**(340,561)**	(810,900)
– Fair value gain on support arrangement asset		**—**	(625)
– Write-back of construction payable, net of tax		**—**	(124,631)
		(108,573)	(534,396)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		**377,870**	378,189
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")		**133,325**	130,997
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		**98,123**	100,116
– Manager's fee paid and payable in units in lieu of cash		**111,787**	113,726
– Fair value losses on derivative financial instruments		**65,680**	405,118
– Support arrangement asset receivable		**—**	22,947
– Surplus cash		**120,000**	32,000

	Note	**2021**	2020
		RMB'000	RMB'000
Distributable income after additional items		**798,212**	648,697
Distributable amount at 1 January		**329,990**	336,948
Distributions paid during the year (iii)		**(670,212)**	(655,655)
Final distribution declared		**457,990**	329,990
Distribution per unit, declared (iv)		**RMB0.0985**	RMB0.0999

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 2020 to 31 December 2020 of RMB0.0994 (equivalent to HK$0.1192) per unit and interim distribution for the period from 1 January 2021 to 30 June 2021 of RMB0.1020 (equivalent to HK$0.1227) per unit, totaling RMB670,212,000 (2020: RMB655,655,000), were paid to unitholders on 26 May 2021 and 22 October 2021 respectively.

(iv) A final distribution for the period from 1 July 2021 to 31 December 2021 of RMB0.0985 (equivalent to HK$0.1218) per unit, totaling RMB457,990,000 (equivalent to HK$566,490,000) was declared by the Board of the Manager on 7 March 2022.

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

FOR THE YEAR ENDED 31 DECEMBER 2021

		Equity			
	Net assets attributable to unitholders RMB'000	**Retained earnings RMB'000**	**Revaluation reserve RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2020	14,599,360	(419,655)	419,655	1,205,395	15,804,755
Issuance of units	119,494	—	—	—	119,494
Profit for the year ended 31 December 2020 attributable to:					
– Unitholders	521,364	—	—	—	521,364
– Equity holders	—	44,131	—	21,626	65,757
Distributions paid to					
– Unitholders	(655,655)	—	—	—	(655,655)
– Equity holders	—	—	—	(38,454)	(38,454)
Change in fair value of property, plant and equipment, net of tax	—	—	(44,131)	(464)	(44,595)
At 31 December 2020	14,584,563	(375,524)	375,524	1,188,103	15,772,666
At 1 January 2021	**14,584,563**	**(375,524)**	**375,524**	**1,188,103**	**15,772,666**
Issuance of units	**111,478**	**—**	**—**	**—**	**111,478**
Profit for the year ended 31 December 2021 attributable to:					
– Unitholders	**692,023**	**—**	**—**	**—**	**692,023**
– Equity holders	**—**	**(47,020)**	**—**	**29,559**	**(17,461)**
Distributions paid to					
– Unitholders	**(670,212)**	**—**	**—**	**—**	**(670,212)**
– Equity holders	**—**	**—**	**—**	**(12,133)**	**(12,133)**
Change in fair value of property, plant and equipment, net of tax	**—**	**—**	**47,020**	**497**	**47,517**
At 31 December 2021	**14,717,852**	**(422,544)**	**422,544**	**1,206,026**	**15,923,878**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	27	**1,178,481**	1,224,955
Interest paid		**(326,478)**	(444,077)
Income tax paid		**(87,252)**	(102,053)
Support arrangement asset received		**9,786**	16,002
Net cash generated from operating activities		**774,537**	694,827
Cash flows from investing activities			
Additions of investment properties		**(52,548)**	(15,633)
Additions of property, plant and equipment		**(17,742)**	(28,715)
Acquisition of subsidiaries, net of cash acquired	28	**(4,117,221)**	—
Disposal of property, plant and equipment		**34**	8
Interest received		**26,142**	31,985
Increase in short-term bank deposits with original maturity of more than three months		**(389)**	(385)
Net cash used in investing activities		**(4,161,724)**	(12,740)
Cash flows from financing activities			
Distributions paid		**(682,345)**	(694,109)
Proceeds from borrowings, net of transaction costs		**7,708,228**	4,085,623
Repayment of borrowings		**(3,774,199)**	(3,555,371)
Settlement of derivative financial instruments		**(205,249)**	(24,392)
Principal elements of lease payments		**(10,768)**	(10,353)
Net cash generate from/(used in) financing activities		**3,035,667**	(198,602)
Net (decrease)/increase in cash and cash equivalents		**(351,520)**	483,485
Cash and cash equivalents at beginning of the year		**1,802,495**	1,319,010
Effects of exchange rate changes on cash and cash equivalents		**2,381**	—
Cash and cash equivalents at end of the year	23	**1,453,356**	1,802,495

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, Third supplemental deed dated 25 July 2012, Fourth supplemental deed dated 3 April 2020 and Fifth supplemental deed dated 28 May 2021) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance subject to the applicable conditions imposed by Securities and Futures Commission 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.

The outbreak of the coronavirus disease 2019 ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including the rental revenue and fair value of investment properties and hotel and serviced apartments, allowance for expected credit losses on trade and other receivables and so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

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 basis, as modified by the revaluation of the investment properties and hotel, serviced apartment, support arrangement asset and derivative financial instruments which are carried at fair value.

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

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB6,036,987,000 (31 December 2020: RMB2,425,469,000) mainly due to the borrowings of RMB2,893,984,000 (31 December 2020: RMB3,307,488,000) fall due within twelve months from the balance sheet date and an amount due to Yuexiu Property Company Limited ("YXP") of approximately RMB3,500,000,000 arising from the acquisition of Gain Force Investment Limited (the "Target Company") (the "Deferred Payment"). The Deferred Payment is due for repayment within 10 business days after the completion of Yuexiu REIT's proposed rights issue as announced on 16 December 2021 (the "Rights Issue"). Subsequent to the year end on 26 January 2022, the Rights Issue was completed; the net proceeds received of RMB3,216,000,000, together with other cash resources, were applied to repay the amount due to YXP in full on 27 January 2022.

In respect of the borrowings fall due with twelve months, 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 quality and low gearing ratio. Taking into account other financial resources available including internally generated funds and undrawn bank facilities, the Manager considers the Group has adequate resources to meet its liabilities 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 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform phase 2
Amendments to HKFRS 16	COVID-19-related rent concessions

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

(ii) New and amended standards have been issued but are not yet effective for the year ended 31 December 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Update reference to the conceptual framework	1 January, 2022
Amendments to HKAS 16	Proceeds before intended use	1 January, 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January, 2022
Annual improvements	Annual improvements to HKFRS standards 2018-2020 cycle	1 January, 2022
Amendments to Accounting Guideline 5	Merger accounting for common control combinations	1 January, 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9 and HFRS 4	1 January 2023
HK Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January, 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance contract	1 January, 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
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.

(b) Consolidation

(i) Subsidiaries

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of net assets attributable to unitholders and changes in equity and balance sheet respectively.

(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 and the fair value of any pre-existing equity interest in the subsidiary. 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 HKFRS 9 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 those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(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 at the dates of the transactions. 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 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 on a net basis within "operating expenses, net".

(e) Property, plant and equipment

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

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

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

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

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

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

Building portion of hotel and serviced apartment are depreciated over the shorter of the unexpired term of the legal titles and their estimated useful lives, being no more than 40 years after the date of completion.

Leasehold improvements, furniture and fixtures and office supplies	3-20 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 "other gains/losses" 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.

(g) Goodwill

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

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

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

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The full fair value of the derivative financial instruments is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

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

(i) Impairment of non-financial assets

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

(j) Offsetting financial instruments

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

(k) Inventories

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

(l) Financial assets

(i) Classification

The Group classifies its financial assets in either those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in the profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

A financial asset is initially measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments are subsequently measured depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of the profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/losses, net in the period in which it arise.

Equity investments are subsequently measured at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other operating expenses, net in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(ii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and lease receivables, the Group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 the identified impairment loss was immaterial.

(m) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases of less than twelve months and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statement of comprehensive income.

Lease income from operating leases where the Group as a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

(n) Rental deposits

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

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

(o) Cash and cash equivalents

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

(p) Trade payables

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

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

(q) Provisions

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

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

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

(r) Borrowings

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

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

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

(s) Borrowing costs

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

(t) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

(u) Revenue recognition

(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 in the accounting period in which the services are rendered.

(iii) Interest income

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

(iv) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(v) Distributions to unitholders

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

(w) Employee benefit

(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.

(ii) Termination benefits

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(a) Foreign exchange risk

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

At 31 December 2021 and 2020, if RMB had weakened/strengthened by 1% against HK$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2021 would have been approximately RMB162,580,000 (2020: RMB124,666,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ and USD denominated cash and cash equivalents and short-term bank deposits, derivative financial instruments, borrowings and amount due to the Manager.

(b) Cash flow interest rate risk

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

With regard to cash flow interest rate risk of borrowings and derivatives financial instruments, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for the long term. During the year, the Group has entered into one floating-to-fixed interest rate swap contract. At 31 December 2021 and 2020, if interest rates on borrowings and derivative financial instruments had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB128,790,000 (2020: RMB81,162,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

The exposure of the Group's borrowings to interest rate changes are as follows:

	2021 **RMB'000**	**% of total borrowings**	2020 RMB'000	% of total borrowings
Variable rate borrowings	**12,878,957**	**73%**	8,898,688	64%
Fixed rate borrowings	**4,743,482**	**27%**	5,102,112	36%
Total	**17,622,439**	**100%**	14,000,800	100%

The percentage of total borrowings shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings.

(ii) Credit risk

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

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

	2021 **RMB'000**	2020 RMB'000
DBS Bank Ltd. Hong Kong Branch	**412,275**	321,745
China Construction Bank	**377,629**	720,796
Bank of China	**348,117**	571,911
Chong Hing Bank	**54,060**	52,437
Industrial and Commercial Bank of China	**520**	524
BNP Paribas	**140**	58,446
Other banks	**283,643**	99,274
Short-term bank deposits and cash and cash equivalent	**1,476,384**	1,825,133

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 leasing out made to lessees 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.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB1,476,880,000 as at 31 December 2021 (2020: RMB1,825,630,000). 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 Group also maintains flexibility in funding by maintaining availability under committed credit lines.

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

	Within one year 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 2021					
Rental deposits	**181,124**	**121,992**	**146,324**	**10,709**	**460,149**
Trade payables	**27,561**	**—**	**—**	**—**	**27,561**
Accruals and other payables	**423,214**	**—**	**—**	**—**	**423,214**
Amounts due to related parties	**3,643,438**	**—**	**—**	**—**	**3,643,438**
Bank borrowings					
– Principal to be repaid	**2,893,984**	**4,173,791**	**6,924,582**	**171,000**	**14,163,357**
– Interest payables	**244,928**	**188,250**	**165,297**	**9,747**	**608,222**
Other borrowings					
– Principal to be repaid	**—**	**—**	**3,459,082**	**—**	**3,459,082**
– Interest payables	**100,548**	**100,548**	**155,095**	**—**	**356,191**
Derivative financial instruments	**174,942**	**38,991**	**—**	**—**	**213,933**
Lease liabilities	**9,993**	**—**	**—**	**—**	**9,993**

	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 2020					
Rental deposits	149,654	87,501	132,736	12,037	381,928
Trade payables	19,244	—	—	—	19,244
Accruals and other payables	374,092	—	—	—	374,092
Amounts due to related parties	108,523	—	—	—	108,523
Bank borrowings					
– Principal to be repaid	699,587	2,959,971	6,540,970	251,000	10,451,528
– Interest payables	207,729	184,140	204,083	19,748	615,700
Other borrowings					
– Principal to be repaid	2,607,901	—	941,371	—	3,549,272
– Interest payables	95,922	33,935	50,902	—	180,759
Derivative financial instruments	174,826	178,676	—	—	353,502
Lease liabilities	10,768	10,231	—	—	20,999

(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 2021, the Group's strategy was to maintain a gearing ratio not exceeding 50% (2020: 50%). The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Total borrowings *(note 26)*	**17,622,439**	14,000,800
Total asset value	**43,862,248**	36,260,137
Gearing ratio	**40%**	39%

(c) Fair value estimation

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES

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

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

(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

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 assessment of recoverable amounts calculations requires the use of estimates.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

	Hotel and serviced apartments RMB'000	**Office rental** RMB'000	**Wholesale and shopping mall** RMB'000	**Group** RMB'000
Year ended 31 December 2021				
Revenue from external customers	**403,111**	**973,345**	**420,230**	**1,796,686**
Segment results	**(19,685)**	**978,951**	**283,836**	**1,243,102**
Depreciation	**144,631**	**47**	**—**	**144,678**
Fair value gains/(losses) on investment properties	**—**	**149,469**	**(70,801)**	**78,668**
Year ended 31 December 2020				
Revenue from external customers	363,578	934,975	460,179	1,758,732
Segment results	(39,216)	637,141	284,756	882,681
Depreciation	142,273	57	—	142,330
Fair value losses on investment properties	—	(180,337)	(117,296)	(297,633)

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
As at 31 December 2021				
Total reportable segments' assets	**3,660,669**	**28,923,658**	**10,377,958**	**42,962,285**
As at 31 December 2020				
Total reportable segments' assets	3,891,898	21,009,887	10,423,191	35,324,976

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Segment results	**1,243,102**	882,681
Changes in fair value of derivatives financial instruments	**(65,680)**	(405,118)
Unallocated operating costs *(Note)*	**(215,134)**	(215,650)
Operating profit	**962,288**	261,913
Write back of construction payable	**—**	174,882
Finance income	**366,703**	842,885
Finance expenses	**(390,821)**	(489,217)
Change in fair value of support arrangement asset	**—**	625
Profit before income tax and transactions with unitholders	**938,170**	791,088

Note: Unallocated operating costs include mainly manager's 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	
	2021	2020
	RMB'000	RMB'000
Total reportable segments' assets	**42,962,285**	35,324,976
Corporate assets	**899,963**	935,161
Total assets	**43,862,248**	36,260,137

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
China	**1,796,686**	1,758,732	**42,962,285**	35,324,976
Unallocated assets			**899,963**	935,161
			43,862,248	36,260,137

Note: Unallocated assets include mainly cash and cash equivalents of a holding company and goodwill.

The Group's revenue by nature is as follows:

	2021	2020
	RMB'000	RMB'000
Hotel and serviced apartments operations		
– Room rentals	**241,408**	219,930
– Food and beverages	**149,516**	127,674
Property rentals	**1,393,575**	1,395,154
Others	**12,187**	15,974
	1,796,686	1,758,732

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

	2021	2020
	RMB'000	RMB'000
Revenue recognised at a point in time	**155,046**	140,312
Revenue recognised over time	**247,928**	220,347
Other sources	**1,393,712**	1,398,073
	1,796,686	1,758,732

6 EXPENSES BY NATURE, NET

	2021	2020
	RMB'000	RMB'000
Property management fees (i)	**43,861**	43,973
Employee benefit expenses *(Note 7)*	**116,517**	98,863
Real estate tax	**163,536**	128,215
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**8,852**	9,480
Withholding tax (ii)	**47,359**	49,889
Depreciation of property, plant and equipment *(Note 13)*	**85,416**	83,068
Depreciation of right-of-use assets *(Note 14)*	**59,262**	59,262
Cost of inventories sold or consumed in operation	**89,940**	70,487
Other direct expenses on hotel and serviced apartment	**59,971**	67,459
Manager's fee *(Note 8)*	**139,733**	142,157
Trustee's fee	**10,248**	10,424
Valuation fees	**745**	1,090
Legal and professional fee	**10,996**	7,356
Auditor's remuneration	**3,933**	3,800
Bank charges	**473**	369
Foreign exchange (gains)/losses arising from operating activities	**(1,882)**	7,763
Expenses relating to short-term leases *(Note 14)*	**—**	360
Others	**8,426**	10,053
Total operating expenses, net	**847,386**	794,068

Note:

(i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd. ("Baima BM") and Guangzhou Yuexiu Asset Management Company Limited ("GZ AM").

(ii) Withholding tax on the rental income and interest income derived from properties located in China and held by BVI companies is calculated at a rate of 10%.

7 EMPLOYEE BENEFIT EXPENSES

	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonus	**83,471**	68,146
Pension costs	**2,293**	1,904
Social security costs and staff welfare	**30,753**	28,813
	116,517	98,863

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. The Group has no further obligation 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; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of Real Estate, as defined in the Trust Deed.

	2021	2020
	RMB'000	RMB'000
Manager's fee:		
In the form of units	**111,787**	113,726
In the form of cash	**27,946**	28,431
	139,733	142,157

Pursuant to the circular of Yuexiu REIT dated 30 June 2012 and subsequent announcements dated 15 January 2018, 15 January 2019, 15 January 2020 and 15 January 2021, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019, 1 January 2020 to 31 December 2020 and 1 January 2021 to 31 December 2021 respectively, will be paid in the form of units.

9 FINANCE INCOME

	2021	2020
	RMB'000	RMB'000
Interest income from bank deposits	**22,639**	14,384
Interest income from a related company	**3,503**	17,601
Foreign exchange gains on financing activities	**340,561**	810,900
	366,703	842,885

10 FINANCE EXPENSES

	2021	2020
	RMB'000	RMB'000
Interest expense for bank borrowings	**189,559**	276,182
Interest expense for other borrowings	**135,847**	167,895
Interest and finance charges paid/payable for lease liabilities *(Note 14)*	**735**	1,189
Losses on settlement of derivative financial instruments	**35,437**	14,902
Amortisation of transaction costs for borrowings	**28,171**	29,049
Interest expense due to a related party	**1,072**	—
	390,821	489,217

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 the People's Republic of China (the "China CIT Law").

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.

	2021	2020
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	**81,085**	81,814
– PRC withholding tax	**8,016**	14,281
Deferred income tax	**174,507**	107,872
	263,608	203,967

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:

	2021	2020
	RMB'000	RMB'000
Profit before income tax and transactions with unitholders	**938,170**	791,088
Tax calculated at domestic tax rate of 25%	**234,543**	197,772
Income not subject to tax	**—**	(5,959)
Expenses not deductible for tax purposes	**—**	53,645
Under-provision in prior years	**2,045**	—
Withholding tax on unremitted earnings of subsidiaries *(Note a)*	**41,647**	20,843
Effect of different tax rates	**(14,627)**	(62,334)
	263,608	203,967

Note a:

According to the China CIT Law, starting from 1 January 2008, a withholding tax of 10% or 5% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. Accordingly, deferred income tax liabilities of RMB603,304,000 (31 December 2020: RMB567,689,000) was recognised for the withholding tax that would be payable on the unremitted earnings of the Group's PRC subsidiaries.

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.

	2021	2020
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**645,003**	565,495
Weighted average number of units in issue ('000)	**3,321,105**	3,221,385
Basic earnings per unit (RMB)	**0.19**	0.18

(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 2021.

	2021	2020
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**645,003**	565,495
Weighted average number of units in issue ('000)	**3,321,105**	3,221,385
Adjustments for deferred units ('000)	**403,119**	399,401
Adjustments for manager's fee in form of units ('000)	**21,649**	17,167
Weighted average number of units for diluted earnings per unit ('000)	**3,745,873**	3,637,953
Diluted earnings per unit (RMB)	**0.17**	0.16

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 2020				
Cost	2,354,304	13,083	9,649	2,377,036
Accumulated depreciation	(673,359)	(12,716)	(9,164)	(695,239)
Fair value gain on revaluation	589,055	—	—	589,055
Net book amount	2,270,000	367	485	2,270,852
Year ended 31 December 2020				
Opening net book amount	2,270,000	367	485	2,270,852
Additions	31,963	—	—	31,963
Disposal	(8)	—	—	(8)
Depreciation (Note 6)	(83,011)	(57)	—	(83,068)
Fair value losses on revaluation	(61,944)	—	—	(61,944)
Closing net book amount	2,157,000	310	485	2,157,795
At 31 December 2020				
Cost	2,385,784	13,083	9,649	2,408,516
Accumulated depreciation	(755,895)	(12,773)	(9,164)	(777,832)
Fair value gains on revaluation	527,111	—	—	527,111
Net book amount	2,157,000	310	485	2,157,795
Year ended 31 December 2021				
Opening net book amount	2,157,000	310	485	2,157,795
Additions	20,367	—	—	20,367
Disposal	—	—	(34)	(34)
Depreciation (Note 6)	(85,369)	(47)	—	(85,416)
Fair value gains on revaluation	66,002	—	—	66,002
Closing net book amount	2,158,000	263	451	2,158,714
At 31 December 2021				
Cost	2,406,151	13,083	8,977	2,428,211
Accumulated depreciation	(841,264)	(12,820)	(8,526)	(862,610)
Fair value gains on revaluation	593,113	—	—	593,113
Net book amount	2,158,000	263	451	2,158,714

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 RMB1,551,207,000 (2020: RMB1,655,383,000).

As at 31 December 2021, property, plant and equipment with an aggregate carrying amount of RMB1,921 million (2020: RMB1,883 million) were pledged as collateral for the Group's bank borrowings (Note 26).

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

	2021 **RMB'000**	2020 RMB'000
Opening balance	**2,157,000**	2,270,000
Additions	**20,367**	31,963
Disposal	**—**	(8)
Depreciation	**(85,369)**	(83,011)
Unrealised gains/(losses) recognised in reserve	**66,002**	(61,944)
Closing balance	**2,158,000**	2,157,000
Unrealised gains/(losses) for the year included in other comprehensive income/(loss) at the end of the year	**66,002**	(61,944)

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Colliers International (Hong Kong) Limited being independent qualified valuer not related to the Group as at 31 December 2021 and 2020.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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

The building portion of hotel and serviced apartments in property, plant and equipment are included in Level 3 (2020: Level 3) of the fair value hierarchy.

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

Significant inputs used to determine fair value

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

Discount rates are estimated by Colliers International (Hong Kong) Limited based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

As at 31 December 2020

	Depreciated replacement cost method		
	Building cost (RMB/m^2)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	19,000	4.75	6
Serviced apartments	15,500	4.75	6

As at 31 December 2021

	Depreciated replacement cost method		
	Building cost (RMB/m^2)	**Finance cost (% on construction cost)**	**Professional fee (% on construction cost)**
Hotel	**20,140**	**4.65**	**6**
Serviced apartments	**16,430**	**4.65**	**6**

14 LEASES

The consolidated balance sheet shows the following amounts relating to leases:

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2020	1,330,684	29,100	1,359,784
Depreciation *(Note 6)*	(49,285)	(9,977)	(59,262)
At 31 December 2020	1,281,399	19,123	1,300,522
At 1 January 2021	**1,281,399**	**19,123**	**1,300,522**
Depreciation *(Note 6)*	**(49,285)**	**(9,977)**	**(59,262)**
At 31 December 2021	**1,232,114**	**9,146**	**1,241,260**

	31 December 2021 RMB'000	31 December 2020 RMB'000
Lease liabilities		
Current portion	**9,993**	10,033
Non-current portion	**—**	9,993
	9,993	20,026

As at 31 December 2021, the fair value of land use rights is approximately RMB2,580 million (2020: RMB2,631 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2021, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,214 million (2020: RMB1,213 million) as collateral for the Group's bank borrowings (Note 26).

As at 31 December 2021 and 2020, all of the lease liabilities are due to 廣州越秀星寓公寓管理有限公司, a subsidiary of YXP.

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**49,285**	49,285
Staff quarter	**9,977**	9,977
	59,262	59,262
Interest expense (included in finance cost) *(Note 10)*	**735**	1,189
Expenses relating to short-term leases *(Note 6)*	**—**	360
	735	1,549

The total cash outflows for leases in 2021 was RMB10,768,000 (2020: RMB10,353,000). The Group leases a staff quarter for a fixed period of 36 months.

15 INVESTMENT PROPERTIES

	2021	2020
	RMB'000	RMB'000
At 1 January	**29,700,000**	29,982,000
Addition from acquisition of subsidiaries *(Note 28)*	**7,752,623**	—
Capitalisation of transaction costs for the acquisition of the Target Company (the "Acquisition")	**78,329**	—
Other additions during the year	**47,380**	15,633
Fair value gains/(losses) during the year, included in profit or loss under 'Fair value gains/(losses) on investment properties'	**78,668**	(297,633)
At 31 December	**37,657,000**	29,700,000
Fair value gains/(losses) for the year included in profit or loss for assets held at the end of the year, under 'Fair value gains/(losses) on investment properties'	**78,668**	(297,633)

The investment properties were located in China and 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 RMB344,068,000 (2020: RMB305,914,000). Included in the direct operating expenses, RMB22,170,000 (2020: RMB22,386,000) was related to investment properties that were vacant.

As at 31 December 2021, investment properties with an aggregate carrying value of approximately RMB3,832 million (2020: RMB3,825 million) were pledged as collateral for the Group's bank borrowings (Note 26).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Colliers International (Hong Kong) Limited being independent qualified valuers not related to the Group as at 31 December 2021 and 2020.

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

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

As at 31 December 2021 and 2020, Colliers International (Hong Kong) Limited has relied on the income capitalisation method as the primary approach and cross-checked by the market approach. The use of income capitalisation method is in line with market practice of property valuation for income-producing commercial assets which are the main asset class of the Group.

The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent-free period, ongoing vacancy voils/marketing periods and non-recoverable expenses for the vacant space have been allowed.

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.

The investment properties are included in Level 3 (2020: Level 3) of the fair value hierarchy.

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

Significant inputs used to determine fair value

Capitalisation rates are estimated by Colliers International (Hong Kong) Limited as at 31 December 2021 and 2020 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 valuation assumptions in the income capitalisation method are summarised as follows:

As at 31 December 2021

	Monthly Market Unit Rent (RMB per sq.m.)	**Capitalisation Rate (per annum)**
Office	**90 to 317**	**4.00% to 6.50%**
Wholesale and shopping mall	**65 to 1,040**	**4.00% to 7.25%**

As at 31 December 2020

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	90 to 320	4.00% to 6.75%
Wholesale and shopping mall	75 to 1,045	4.00% to 7.50%

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	1 ordinary share of HK$1	100%
Yuexiu REIT 2012 Company Limited (“REIT 2012”)	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited (“REIT MTN”)	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited (“REIT 2013”)	British Virgin Islands, limited liability company	Investment holding	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%

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 in Hong Kong	1 ordinary share of HK$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	99.99%
Guangzhou Yuecheng Industrial Ltd.	China, Limited liability company	Investment holding in China	Registered capital of HK$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK$300 million	99.99%

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 Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing in China	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management in China	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK$257,614,000	100%
Fully Cheer Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
Wuhan Yuexiu Property Development Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB2,200,000,000	67%
Yuexiu REIT 2017 Company Limited (“REIT 2017”)	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Wealthy Reach Holdings Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

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)
Prime Glory Group Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	100%
Guangzhou Xiujiang Industries Development Co., Limited	China, limited liability company	Investment holding in China	Registered Capital of RMB550,000,000	100%
Hangzhou Yuehui Real Estate Development Co., Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB470,000,000	100%
Yuexiu REIT 2018 Company Limited ("REIT 2018")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
廣州晉耀置業有限公司	Mainland China, limited liability company	Property management and consultancy	Registered Capital of RMB1,000,000	100%
廣州譽耀置業有限公司	Mainland China, limited liability company	Property management and consultancy	Registered Capital of RMB1,000,000	100%
廣州景耀置業有限公司	Mainland China, limited liability company	Property management and consultancy	Registered Capital of RMB1,000,000	100%
廣州佳耀置業有限公司	Mainland China, limited liability company	Property management and consultancy	Registered Capital of RMB1,000,000	100%
廣州匯盛實業投資合夥企業(有限合夥)	Mainland China, limited liability company	Investing holding	Registered Capital of RMB8,100,000,000	100%
廣州駿盛經濟信息諮詢有限公司	Mainland China, limited liability company	Investing holding	Registered Capital of RMB1,000,000	100%
Legend Smart (China) Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HKD1	100%
Gain Force Investments Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT Secure Shell Limited ("Secure Shell")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

Note:

Shares of HoldCo 2005, REIT 2012, REIT 2013, REIT MTN, REIT 2017, REIT 2018 and Secure Shell are held directly by Yuexiu REIT. Shares of all other subsidiaries are held indirectly by Yuexiu REIT.

17 DEFERRED ASSETS, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Rental income is recognised on an accrued 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 within twelve months after the balance sheet date are classified as current assets. The balance of prepayments, deposits and other receivables mainly represents other tax prepayments, deposits for utilities and property maintenance fund. The deferred assets, prepayments, deposits and other receivables are denominated in RMB.

18 GOODWILL

	2021 **RMB'000**	2020 RMB'000
At 1 January		
Cost	**859,868**	859,868
Accumulated impairment	**—**	—
Net book amount	**859,868**	859,868
At 31 December		
Cost	**859,868**	859,868
Accumulated impairment	**—**	—
Net book amount	**859,868**	859,868

Goodwill is monitored by management. The goodwill is presented as below:

	2021 **RMB'000**	2020 RMB'000
China	**859,868**	859,868

Goodwill of the Group mainly represents the deferred income tax liabilities in relation to the investment properties acquired through business combinations. In assessing whether goodwill has suffered any impairment, the carrying value of the respective investment properties as at year end is compared with their fair value as at acquisition completion dates. Key assumption used for goodwill impairment is consistent with those used in the valuation of investment properties. The results of the tests undertaken as at 31 December 2021 and 2020 indicated no impairment charge was necessary.

19 SUPPORT ARRANGEMENT ASSET

On 21 December 2017, through a wholly-owned subsidiary, the Group acquired Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"), from Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP. The Fully Cheer Group holds 67% interest in Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain carpark spaces. Pursuant to the acquisition, YXP agreed to provide a support arrangement to Yuexiu REIT for the period from 1 January 2018 until 31 December 2020. The support arrangement is the shortfall of actual adjusted net income and baseline adjusted net income, and shall be payable semi-annually. Support arrangement asset is denominated in RMB and the fair value of the balance approximated its carrying amount.

Support arrangement asset is initially recognised at fair value. In determining the fair value of the support arrangement asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 January 2018 until 31 December 2020. The adjustment is recognised as fair value change in the consolidated statement of comprehensive income.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2021	2020
	RMB'000	RMB'000
Non-current liabilities		
Capped foreign exchange forward contracts	**—**	90,501
Interest rate swap contracts	**38,991**	88,175
Total	**38,991**	178,676
Current liabilities		
Capped foreign exchange forward contracts	**174,942**	174,826

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2021 were HK$400,000,000 due on 7 November 2022 (2020: HK$400,000,000 due on 7 November 2022), HK$1,000,000,000 due on 3 November 2022 (2020: HK$1,000,000,000 due on 3 November 2022) and HK$1,400,000,000 due on 3 November 2022 (2020: HK$1,400,000,000 due on 3 November 2022). The Group settled the capped foreign exchange forward contracts with notional principal amounts of USD400,000,000 on 27 April 2021 with cash payment of RMB205,248,000.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2021 were HK$3,100,000,000 due on 21 August 2023 (2020: HK$3,100,000,000 due on 21 August 2023).

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

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

21 TRADE AND LEASE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade and lease receivables	**26,797**	16,167
Less: impairment allowance	**(650)**	(102)
Trade and lease receivables, net	**26,147**	16,065

The fair values of trade and lease receivables approximate their carrying amounts.

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

	2021 RMB'000	2020 RMB'000
0–30 days	**13,105**	13,146
31–90 days	**12,406**	2,284
91–180 days	**345**	320
181-365 days	**332**	417
Over 1 year	**609**	—
	26,797	16,167

The Group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial.

All of the Group's trade and lease receivables are denominated in RMB.

22 INVENTORIES

The balance of inventories mainly consists of food, beverage, consumables and operating supplies.

23 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand	**1,433,605**	1,760,001
Short-term bank deposits with original maturity of less than three months	**19,751**	42,494
Cash and cash equivalents	**1,453,356**	1,802,495
Short-term bank deposits with original maturity of more than three months	**23,524**	23,135
Total	**1,476,880**	1,825,630
Maximum exposure to credit risk	**1,476,384**	1,825,133

As at 31 December 2021, included in the short-term bank deposits and cash and cash equivalents of the Group are bank deposits of approximately RMB1,182,502,000 (2020: RMB1,509,933,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

	2021	2020
	RMB'000	RMB'000
RMB	**1,182,998**	1,510,430
HK$	**258,647**	254,675
USD	**35,235**	60,525
	1,476,880	1,825,630

24 TRADE PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	**27,561**	19,244

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables, based on invoice date, is as follows:

	2021	2020
	RMB'000	RMB'000
0–30 days	**16,430**	13,934
31–90 days	**7,734**	4,172
91–180 days	**3,168**	1,063
180–365 days	**77**	75
Over 1 year	**152**	—
	27,561	19,244

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

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

	2021	2020
	RMB'000	RMB'000
Rental deposits		
Current portion	**181,124**	149,654
Non-current portion	**246,756**	202,956
	427,880	352,610
Receipts in advance		
Current portion	**118,064**	92,935
Accrued urban real estate tax	**66,559**	19,807
Accrued withholding tax payable	**14,059**	12,489
Accrued surcharge tax	**16,409**	13,726
Construction payable	**211,232**	243,080
Transaction costs payable for the Acquisition	**78,329**	—
Accruals for operating expenses	**144,049**	142,258
Accruals and other payables	**530,637**	431,360
	1,076,581	876,905

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

	2021 RMB'000	2020 RMB'000
Current portion of long term borrowings		
Bank borrowings		
– Secured *(Note a)*	**268,440**	268,440
– Unsecured	**2,625,544**	431,147
Other borrowings, unsecured *(Note b)*	**—**	2,607,901
	2,893,984	3,307,488
Long-term borrowings		
Bank borrowings		
– Secured *(Note a)*	**1,284,400**	1,552,840
– Unsecured	**12,878,957**	8,898,688
Other borrowings, unsecured *(Note b)*	**3,459,082**	3,549,272
Total long-term borrowings	**17,622,439**	14,000,800
Less: current portion of long-term borrowings	**(2,893,984)**	(3,307,488)
Non-current portion of long-term borrowings	**14,728,455**	10,693,312
Analysed into:		
Unsecured	**16,338,039**	12,447,960
Secured	**1,284,400**	1,552,840
	17,622,439	14,000,800

Note a:

Syndicated and entrustment loans totalling RMB1,284 million (2020: RMB1,553 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB6,966 million (2020: RMB6,921 million).

The Group's borrowings are repayable as follows:

	2021	2020
	RMB'000	RMB'000
Within one year	**2,893,984**	3,307,488
Between one year and five years	**14,557,455**	10,442,312
Over five years	**171,000**	251,000
	17,622,439	14,000,800

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

	2021	2020
RMB	**4.31%**	4.31%
HK$	**1.98%**	2.28%
USD	**2.72%**	4.99%

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

	2021	2020
	RMB'000	RMB'000
RMB	**1,284,400**	1,552,840
HK$	**13,793,799**	9,840,059
USD	**2,544,240**	2,607,901
	17,622,439	14,000,800

The Group has undrawn bank borrowing facility of HK$300 million as at 31 December 2021 (2020: nil).

Note b:

On 2 February 2021, REIT MTN issued and sold a total of USD400 million principal amount of 2.65% notes due in 2026 to investors under the USD1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018 (the "MTN Programme"), which was updated in January 2021.

On 28 May 2019 and 14 June 2019, REIT MTN issued and sold HK$770 million and HK$350 million principal amount of 3.6% notes both due in May 2024 to investors under the MTN Programme.

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2021 RMB'000	2020 RMB'000
Profit before income tax and transactions with unitholders	**938,170**	791,088
Adjustments for:		
– Depreciation expenses of property, plant and equipment	**85,416**	83,068
– Depreciation of right-of-assets	**59,262**	59,262
– Amortisation of transaction costs for bank borrowings	**28,171**	29,049
– Foreign exchange gains on financing activities	**(340,561)**	(810,900)
– Fair value (gains)/losses on investment properties	**(78,668)**	297,633
– Fair value losses on derivative financial instruments	**65,680**	405,118
– Exchange gains on operating activities	**(2,381)**	—
– Fair value gains on support arrangement asset	**—**	(625)
– Write back of construction payables	**—**	(174,882)
– Losses on settlement of derivative financial instruments	**35,437**	14,902
– Impairment allowance for trade and lease receivables	**47**	102
– Interest income	**(26,142)**	(31,985)
– Interest and finance charges paid/payable for lease liabilities	**735**	1,189
– Interest expenses	**326,478**	444,077
Changes in working capital:		
– Deferred assets	**49,203**	(56,136)
– Inventories	**1,026**	(209)
– Trade and lease receivables	**(8,494)**	(280)
– Amounts due from related parties	**(8,309)**	178,508
– Prepayments, deposits and other receivables	**(20,538)**	10,885
– Trade payables	**8,317**	5,039
– Rental deposits	**12,762**	(32,913)
– Receipts in advance	**(27,966)**	12,108
– Accruals and other payables	**83,873**	(9,404)
– Amounts due to related parties	**(3,037)**	10,261
Cash generated from operations	**1,178,481**	1,224,955

(b) Major non-cash transaction:

During the year ended 31 December 2021, 33,110,763 units (2020: 35,257,114 units) amounting to RMB111,478,000 (2020: RMB119,494,000) were issued for payment of manager's fee.

(c) Debt reconciliation

	Liabilities from financing activities				
	Lease liabilities RMB'000	Derivative financial instrument, net RMB'000	Borrowings – repayable within one year RMB'000	Borrowings – repayable after one year RMB'000	Total RMB'000
Debt as at 1 January 2020	(29,190)	42,126	(3,217,958)	(11,034,441)	(14,239,463)
Cash flows	10,353	24,392	—	—	34,745
Proceeds from new borrowings	—	—	(490,140)	(3,595,483)	(4,085,623)
Repayment of borrowings	—	—	3,555,371	—	3,555,371
Other non-cash movements	(1,189)	(420,020)	(3,154,761)	3,936,612	360,642
Debt as at 31 December 2020	(20,026)	(353,502)	(3,307,488)	(10,693,312)	(14,374,328)

	Liabilities from financing activities				
	Lease liabilities RMB'000	**Derivative financial instrument, net RMB'000**	**Borrowings – repayable within one year RMB'000**	**Borrowings – repayable after one year RMB'000**	**Total RMB'000**
Debt as at 1 January 2021	**(20,026)**	**(353,502)**	**(3,307,488)**	**(10,693,312)**	**(14,374,328)**
Cash flows	**10,768**	**205,249**	**—**	**—**	**216,017**
Proceeds from new borrowings	**—**	**—**	**(502,765)**	**(7,205,463)**	**(7,708,228)**
Repayment of borrowings	**—**	**—**	**3,774,199**	**—**	**3,774,199**
Other non-cash movements	**(735)**	**(65,680)**	**(2,857,930)**	**3,170,320**	**245,975**
Debt as at 31 December 2021	**(9,993)**	**(213,933)**	**(2,893,984)**	**(14,728,455)**	**(17,846,365)**

28 ACQUISITION OF SUBSIDIARIES

On 23 December 2021, Yuexiu REIT completed the acquisition of the 100% equity interest in the Target Company and its subsidiaries (the "Target Group") at cash consideration of RMB73 million and procured to repay the amounts due to YXP of RMB7,800 million ("Intercompany Payables"). The Target Group is engaged in the leasing of Yuexiu Financial Tower, an International Grade A office building located in Guangzhou. The Manager applies the optional test to identify concentration of fair value as prescribed by HKFRS 3 "Business Combination" and considers that the acquired set of activities and assets of Target Group is not a business. Accordingly, the Manager accounts for the transaction as an acquisition of assets and the consideration should be attributable to the individual assets acquired and liabilities assumed.

	Target Group RMB'000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Investment properties	7,752,623
Deferred assets, prepayments, deposits and other receivables	69,084
Trade and lease receivables	1,635
Cash and cash equivalents	223,836
Amounts due from related parties	4,206
Deferred tax liabilities	(11,844)
Rental deposit	(94,776)
Amounts due to related parties	(7,805,944)
Receipt in advance	(20,826)
Tax payable	(29,269)
Accruals and other payables	(15,660)
Net assets acquired	73,065
Outflow of cash to acquire the Target Group, net of cash acquired	
Cash consideration for the acquisition of net assets	73,065
Cash consideration for repayment of Intercompany Payables	7,800,000
	7,873,065
Less: cash balance acquired	(223,836)
Less: cash consideration to be paid for the acquisition of net assets	(32,008)
Less: cash consideration to be paid for the repayment of Intercompany Payables	(3,500,000)
Net outflow of cash – investing activities	4,117,221

29 CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	**13,506**	29,856

30 FUTURE MINIMUM RENTAL RECEIVABLE

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

	2021 RMB'000	2020 RMB'000
Within one year	**1,317,906**	1,156,814
Between one year and five years	**2,001,030**	1,583,176
Over five years	**68,295**	60,052
	3,387,231	2,800,042

31 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 26 January 2022, the Rights Issue on the basis of 37 units for every 100 units held on Rights Issue record date for HK$3.20 per unit was completed. Total 1,234,403,038 units were issued with net proceeds of RMB3,216,000,000.

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, 7 March 2022

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

Executive Directors:	*Mr. LIN Deliang (Chairman) and Ms. OU Haijing*
Non-executive Directors:	*Mr. LI Feng and Mr. ZENG Zhizhao*
Independent Non-executive Directors:	*Mr. CHAN Chi On Derek, Mr. CHAN Chi Fai Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaoou*