

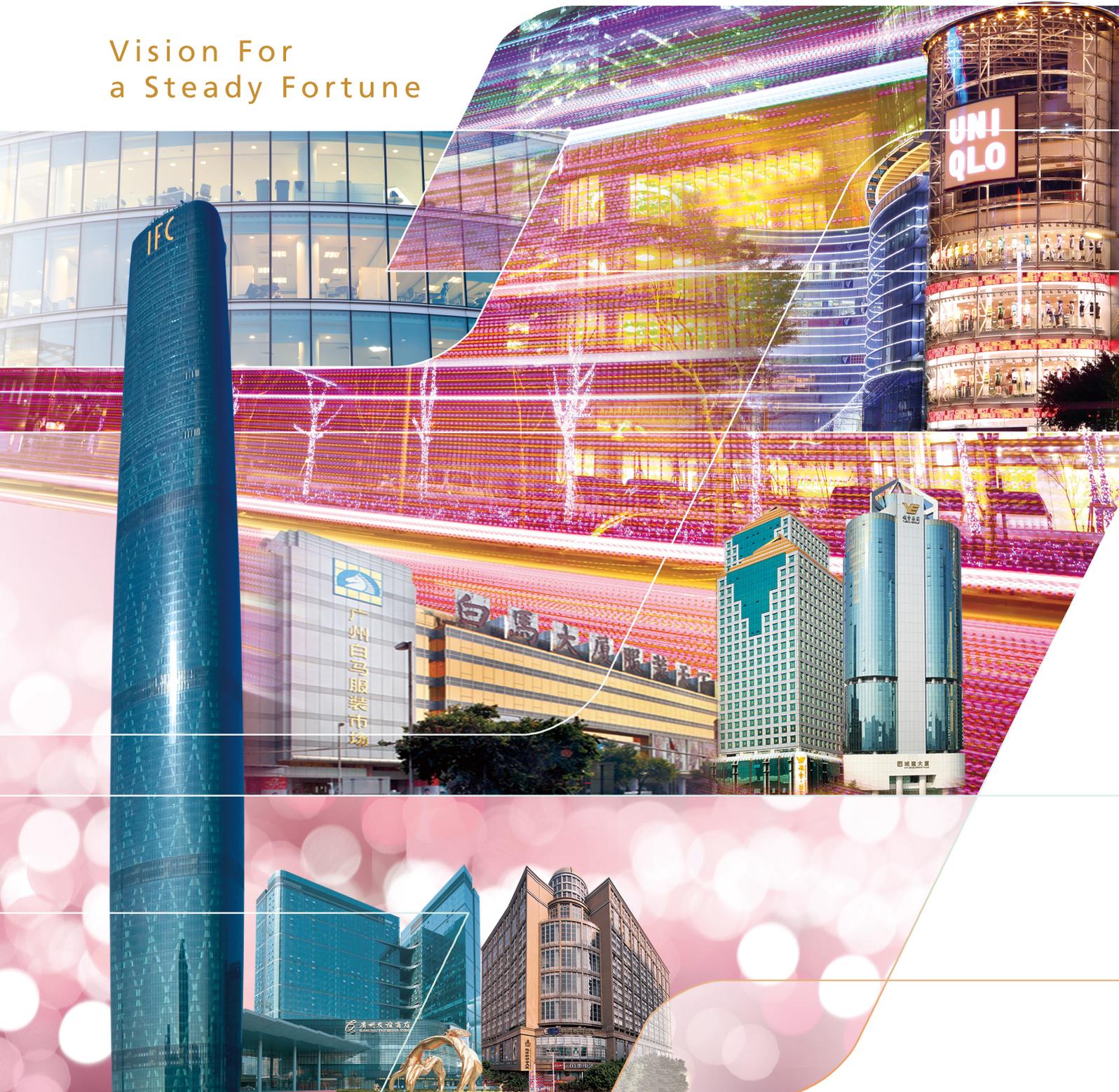


越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

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

Vision For
a Steady Fortune



Manager

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

Annual Report 2014





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Profile of Yuexiu Reit

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

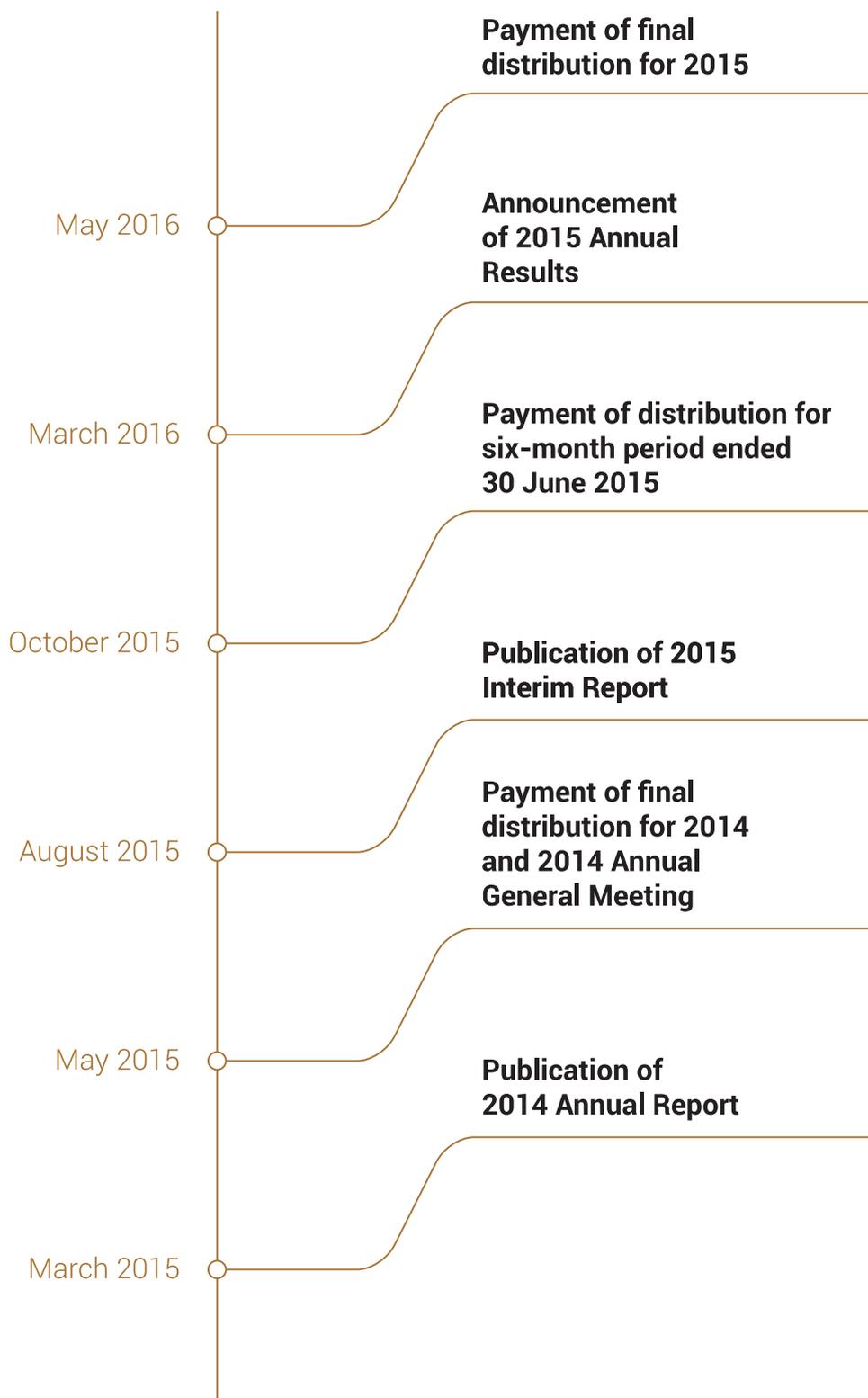
Yuexiu REIT is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 ("Trust Deed") between HSBC Institutional Trust Services (Asia) Limited as the trustee ("Trustee") and Yuexiu REIT Asset Management Limited as the manager of Yuexiu REIT ("Manager") as modified by a First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Trust Deed dated 25 July 2012 and made between the same parties. Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 21 December 2005 ("Listing Date").

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



Unitholders Calendar

UNITHOLDERS CALENDAR 2015-2016



Distribution

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

The final distribution to the Unitholders for the period from 1 July 2014 to 31 December 2014 ("2014 Final Period") will be approximately RMB0.1210 which is equivalent to HK\$0.1530 (2013: RMB0.1149 which was equivalent to HK\$0.1455) per Unit. Such final distribution per Unit, however, is subject to adjustment upon the issuance of new units between 1 January 2015 and the record date. Further announcement will be made to inform Unitholders of the final Distribution per Unit for the six months ended 31 December 2014.

The final distribution, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2014 to 30 June 2014 ("2014 Interim Period") being approximately RMB0.1157 which is equivalent to HK\$0.1456 (2013 : RMB0.1007 which was equivalent to HK\$0.1266) per Unit, represented distribution to each Unitholder for the Reporting Year being approximately RMB0.2367 (which is equivalent to HK\$0.2986) (2013: RMB0.2156 which was equivalent to HK\$0.2721).

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 Distribution for 9 consecutive years after listing in 2005.

The Manager confirms that the distribution amount of the Reporting Year is composed of profit/loss after tax before transactions with the Unitholders and additional items. The distributable income, after additional items, of RMB662,714,000 (2013: RMB598,598,000) include certain profit elements in the capital nature of Yuexiu REIT. The amount of capital nature items is RMB204,827,000 (2013: RMB265,273,000).

The Manager has calculated the Total Distributable Income based on Yuexiu REIT's consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the consolidated statement of comprehensive income for the relevant year or period. At the same time, the additional items are adjusted in accordance with the distribution policy of offering circular dated 30 June 2012.

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

DISTRIBUTION YIELD

Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.2986 (2013: HK\$0.2721) which represents a yield of approximately 7.7% (2013: 7.2%) per Unit based on the closing price of HK\$3.89 per Unit as at 31 December 2014 (2013: HK\$3.78).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 17 April 2015. The register of Unitholders will be closed from 17 April 2015 to 20 April 2015, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 16 April 2015. The final distribution will be paid on 13 May 2015 to the Unitholders whose names appear on the register of Unitholders on 17 April 2015.

Performance Summary

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2014 together with comparative figures for the corresponding period in 2013:

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

| | Financial Year ended 31 December 2014 | Financial Year ended 31 December 2013 | Increase/ (decrease) |
|--|--|--|-------------------------|
| Gross income | 1,571,168,000 | 1,370,653,000 | 14.6% |
| Net property income | 987,512,000 | 860,419,000 | 14.8% |
| Profit after tax | 927,967,000 | 524,067,000 | 77.1% |
| Earnings per unit - Basic | 0.33 | 0.19 | 73.7% |
| Portfolio valuation | 23,569,000,000 | 22,749,000,000 | 3.6% |
| Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit | 4.69 | 4.58 | 2.4% |
| Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit - Equivalent to HK\$ | 5.95 | 5.83 | 2.1% |
| Units issued (units) | 2,799,795,685 | 2,766,698,330 | 1.2% |
| Total borrowings as a percentage of gross assets (Note a) | 32.0% | 31.9% | 0.1 percentage points |
| Gross liabilities as a percentage of gross assets (Note b) | 47.8% | 48.1% | (0.3) percentage points |
| Distribution | | | |
| Total distribution (including additional items) | 662,714,000 | 598,598,000 | 10.7% |
| Distribution per Unit (HK\$) | 0.2986 | 0.2721 | 9.7% |

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

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

Chairman's Statement



Liu Yongjie
Chairman

Dear Unitholders,

On behalf of the Board of Directors of Manager of Yuexiu REIT, I am pleased to present the 2014 annual report of Yuexiu REIT.



Chairman's Statement

RESULTS AND DISTRIBUTIONS

In 2014, with a portfolio of premium properties and the extraordinary efforts of the entire management team, Yuexiu REIT continued to attain good operational results, and all key operational indicators were performing well. As at 31 December 2014, properties of Yuexiu REIT still maintained a relatively high occupancy rate and the overall occupancy rate reached 95.13%, slightly higher than the level for the same period last year. During the Reporting Year, the total turnover revenue of Yuexiu REIT was approximately RMB1,571,168,000, representing an increase of 14.6% as compared to RMB1,370,653,000 for the same period last year. The rent collection ratio remained at 100% with no bad debt. All Properties maintained stable operation and continued to improve steadily.

In 2014, Yuexiu REIT realized a total distribution of approximately RMB662,714,000, representing an increase of approximately RMB64,116,000 or an increase of approximately 10.7% as compared to the total distribution of RMB598,598,000 for the corresponding period last year. The policy of the Manager is to distribute 100% of the entire distribution of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.2986 per Unit, representing an increase of HK\$0.0265 or an increase of approximately 9.7% as compared to the distribution amount of HK\$0.2721 per Unit for the same period last year. Based on the closing price of HK\$3.89 per Unit as at 31 December 2014, the rate of return was approximately 7.7%.

MARKET REVIEW

In 2014, the overall operation of the macroeconomy of China was steady and key indicators were within a reasonable range. In particular, while the economy achieved a steady progress amid a mild slowdown in growth, the effect of structural optimization was reinforced. According to the data released by the National Bureau of Statistics, the gross domestic product (GDP) of the PRC in 2014 amounted to RMB63,646.3 billion, representing a growth of 7.4% year-on-year.

The PRC experienced an economic rebound after a slight go-slow, Guangzhou recorded a significant rebound in its economic growth. In 2014, the GDP of Guangzhou was RMB1,670.687 billion, representing an increase of 8.6% year-on-year, higher than the national and provincial growth rates by 1.2% and 0.8% respectively.

The leasing market of Grade A offices in Guangzhou remained stable. Under the slackened domestic economic growth trend, cost-sensitive leasing demand increased mildly, while overall vacancy ratio was approximately 9.1% and presented a declining trend. Rentals kept stable, which of Tianhe North and Zhujiang New Town were the highest in Guangzhou. The retail sector of the commercial market in Guangzhou remained stable in performance, presenting bright spots in both traditional and new commercial projects, with an increase in the number of projects under construction. On commercial properties for fashion wholesale purpose, there was a rebound in the growth of spending on fashion. Physical shops were closed to cut losses under the impact of e-commerce, branded fashion experienced a winter season collectively. In the high-end hotel market, affected by factors such as streamlined government expenditure on business travelling by officials and the slackened rate of economic growth, the market rates of high-end hotels in Guangzhou declined and relatively more pressure was generated from competition. For high-end service apartments, the market performance was in a stable to progressively upward trend, with declining vacancy ratio and a slightly increase in the overall rental level.

Chairman's Statement

BUSINESS OPERATING STRATEGIES

In response to dynamic changes in the market, the Manager achieved a relatively high occupancy rate coupled with the strengthening and enhancement of property rental value by implementing a proactive asset management and enhancement strategy, ultimately achieved stable rental returns and long-term sustainable business growth. The operating results of Yuexiu REIT's White Horse Building, Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza and Victory Plaza sustained a steady growth trend. Among them, White Horse Building optimized the mall operation layout to introduce and stabilize reserve of quality customer and reinforced its overall market competitiveness by means of information technology. The office building projects, such as Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis Plaza, focused on the effective management of leases expiry and innovation in customer value-added services. While stabilizing core customers, quality customers were attracted to ensure that the occupancy rate was maintained at a high level, rental level was also elevated. Victory Plaza basically completed the adjustment of the commercial positioning of "Fast Fashion Experience Centre" and presented itself with the new "VT101" image. Retail fashion brands and popular food and beverages specialties became the major tenant mix of the mall, significant growth was attained in both project reputation and rental revenue.

Guangzhou International Finance Center continued to put emphasis on increasing the occupancy rate of offices. The Manager fully harnessed the developed business environment of the project through the early renewal of leases and flexibly adjusting the leasing policy, successfully improving the overall service experience, effectively and repeatedly achieving breakthrough in project occupancy rate and rental price. For the retail shopping mall, the Manager also actively paid close attention to the trend of the business district and the industry and took the initiative in designing and optimizing the upgrade plan. Four Seasons Hotel and Ascott Apartments implemented proactive and flexible pricing strategies to effectively seek the optimum mix of occupancy rate, room rate and market conditions to expand income channels for guest rooms. Revenue per available room ranked first among competitors, and leasing business achieved good performance.

INVESTMENT AND FINANCIAL STRATEGIES

Having continuously sought for opportunities of external investment and acquisition for years, the Manager has established diversified channels for collection of project information, and has formulated the standards for investments and acquisitions by thoroughly considering all aspects including the location, industry, scale and operation effectiveness of potential projects. The Manager has implemented an investment strategy of active pursuit and prudent decision-making so as to expand the investment portfolio and enhance the long-term interests of Unitholders.

The Yuexiu REIT implemented stable and sound financial policies. As at 31 December 2014, the gearing ratio (total borrowings to total assets) was maintained at the level of 32%, which was still far from the upper limit of 45% as required under the REIT Code.

The Manager continued its work in maintaining a stable credit rating of the REIT. In 2014, Moody's and Standard & Poor's continued to maintain an investment-grade rating of Baa2 and BBB respectively for the REIT and restated a stable future outlook of the REIT.

Chairman's Statement

ASSET ENHANCEMENT STRATEGIES

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

PROSPECTS

Looking ahead to 2015, the economic growth of the PRC may further slow down but the new normal state of the PRC economy will still continue to lead the world economy to a new recovery. The supply in the Guangzhou office market will usher in a new round of peak in supply. However, benefiting from the steady growth of the economy of the PRC, the tertiary industry will continue to maintain its vitality. The relevant office demand will effectively support office operation. Both the scale and maturity of retail commercial properties in Guangzhou will increase rapidly. "Theme, Focus on Operation, Securitization" become a major development trend in the industry. The overall market is in the ascendant with a huge potential. Nevertheless, with increasing competition, enterprises which have resources, model and experience advantages will get more premium in the future and their leading position is bound to be strengthened and enhanced. For the high-end hotel market, new supply is relatively limited. The room occupancy and price of the competing hotel market will maintain a relatively stable development trend. For high-end serviced apartments, new supply will increase the overall vacancy rate of the market, creating downward pressure on the overall rental level of the market.

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

APPRECIATION

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

Liu Yongjie
Chairman

Hong Kong, 13 February 2015

2014 Business Review and Future Prospects

BUSINESS REVIEW

Continuous Strong Performance of Assets

In 2014, when China's macro-economy entered into a stage of rapid transformation in economic growth and adjustment in structural optimization, Yuexiu REIT continued to implement active leasing and asset management strategies and continuously achieved good performance, with a number of operating indicators striking record high. All these further enhanced the competitiveness of the Properties, laying a solid foundation for the future growth of rental income and long-term development of Yuexiu REIT.

Due to the dedication and effort of the Manager's team, all of Yuexiu REIT, the Manager and the property projects have won a number of social awards, including the "2014 Hong Kong Outstanding Enterprises Award" and "2014 Best Corporate Governance Gold Award" were awarded to Yuexiu REIT, the "Best Business Operation Model in 21st Century China Award (21世紀中國最佳商業運營模式獎)" was conferred on the Manager, the "Tien-Yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎)" was won by Guangzhou International Finance Center, the "Development Base of China Fashion Brand (中國服裝品牌孵化基地)" and "China's Top Hundred Commodity Markets (中國百強商品市場)" were won by White Horse Building, and 2014's "Best Fast Fashion Mall of the Year" award was won by VT101.

Properties Portfolio and Valuation

As at 31 December 2014, Yuexiu REIT's Properties portfolio ("Properties") consisted of six properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis") and Guangzhou International Finance Center ("GZIFC"). The aggregate area of ownership of the Properties was approximately 680,971.1 sq.m. and the total rentable area was 441,297.9 sq.m. (excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

2014 Business Review and Future Prospects

Particulars of the Properties:

| Rental Properties | Type | Location | Year of Completion | Area of Ownership (sq.m.) | Lettable Area (sq.m.) | Property Occupancy Rate ⁽¹⁾ | Number of Contracts ⁽¹⁾ | Unit Rent (RMB/sq.m./month) ⁽¹⁾ |
|------------------------|----------------------|-----------------|--------------------|---------------------------|--------------------------|--|------------------------------------|--|
| White Horse Building | Wholesale | Yuexiu District | 1990 | 50,199.3 | 50,128.9 | 100.0% | 1,109 | 592.8 |
| Fortune Plaza | Grade A office | Tianhe District | 2003 | 41,355.2 | 41,355.2 | 99.6% | 84 | 144.2 |
| City Development Plaza | Grade A office | Tianhe District | 1997 | 42,397.4 | 42,397.4 | 93.6% | 66 | 122.3 |
| Victory Plaza | Retail shopping mall | Tianhe District | 2003 | 27,698.1 | 27,262.3 | 99.4% | 27 | 244.5 |
| Neo Metropolis | Commercial complex | Yuexiu District | 2007 | 61,964.3 | 49,887.3 ⁽²⁾ | 97.3% ⁽²⁾ | 118 | 105.9 |
| GZIFC | Commercial complex | Tianhe District | 2010 | 457,356.8 | 230,266.8 | 92.6% | 199 | 210.2 |
| In which: | Grade A office | | | 267,804.4 | 183,539.5 ⁽³⁾ | 90.8% | 185 | 226.8 |
| | Retails | | | 46,989.2 | 46,727.3 | 99.7% | 14 | 150.6 |
| | Hotel | | | 91,460.9 | N/A | N/A | N/A | N/A |
| | Serviced Apartments | | | 51,102.3 | N/A | N/A | N/A | N/A |
| Total | | | | 680,971.1 | 441,297.9 | 95.1% | 1,603 | 231.2 |

Note:

(1) As at 31 December 2014;

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

(3) Excluding 76,512.3 sq.m. of parking space.

Segment of the Properties:

| Rental Property | Area of Ownership (sq.m.) | Rentable Area (sq.m.) | Occupancy Rate ⁽¹⁾ | Percentage Increase Compared to 31 December 2013 | Unit Rent ⁽¹⁾ (RMB/sq.m./month) | Percentage Increase Compared to 31 December 2013 | Operating Income ⁽²⁾ (RMB' 000) |
|-----------------|---------------------------|--------------------------|-------------------------------|--|--|--|--|
| Office | 413,521.3 | 317,179.4 ⁽³⁾ | 93.3% | 2.7% | 181.5 | 4.3% | 639,548 |
| Retails | 74,687.3 | 73,989.6 | 99.6% | 3.5% | 185.1 | 16.4% | 121,044 |
| Wholesale | 50,199.3 | 50,128.9 | 100.0% | 0.0% | 592.8 | 7.0% | 366,146 |

Note:

(1) As at 31 December 2014;

(2) For the year ended 31 December 2014;

(3) Excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, and 76,512.3 sq.m. of parking space in GZIFC.

2014 Business Review and Future Prospects

| Operational Property | Type | Commencement of operation | Area of Ownership (sq.m.) | Number of Units (units) | Average Occupancy Rate ⁽¹⁾ | Revenue per Available Room ⁽¹⁾ (RMB) |
|---|------------------------------|---------------------------|---------------------------|-------------------------|---------------------------------------|---|
| Four Seasons Hotel Guangzhou ⁽²⁾ | Five-star hotel | August 2012 | 91,460.9 | 344 | 69.4% | 1,242 |
| Ascott Serviced Apartments ⁽²⁾ | High-end serviced apartments | September 2012 | 51,102.3 | 314 | 82.4% | 772 |

Note:

(1) From 1 January 2014 to 31 December 2014;

(2) Both the hotel and serviced apartments are entrusted operation.

Property Valuation

Vigers Appraisal and Consulting Limited ("Vigers"), Yuexiu REIT's new valuer which has been commissioned by the Trustee to take over Savills Valuation and Professional Services Limited ("Savills") which has retired according to the REIT Code Provisions, has performed a valuation on the Properties. The revalued market valuation as at 31 December 2014 was approximately RMB23,569 million, representing an increase of RMB820 million or 3.6% over the valuation as at 31 December 2013.

The following table summarizes the valuation of each of the Properties as at 31 December 2014 and 31 December 2013:

| Name of Property | Valuation as at 31 December 2014 RMB million | Valuation as at 31 December 2013 RMB million | Increase % |
|------------------------|---|---|------------|
| White Horse Building | 4,300 | 3,980 | 8.0% |
| Fortune Plaza | 853 | 806 | 5.8% |
| City Development Plaza | 710 | 672 | 5.7% |
| Victory Plaza | 815 | 804 | 1.4% |
| Neo Metropolis | 825 | 772 | 6.9% |
| GZIFC | 16,066 | 15,715 | 2.2% |
| Total | 23,569 | 22,749 | 3.6% |

2014 Business Review and Future Prospects

Lease Expiry of the Properties

In respect of the rentable area in the next five years and beyond, ratios of lease expiry of Yuexiu REIT Properties each year will be 28.2%, 20.7%, 20.5%, 7.3% and 23.3% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 32.5%, 16.3%, 21.7%, 11.8% and 17.7% respectively.

Lease Expiry of the Properties

Yuexiu REIT Properties

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 28.2% | 32.5% |
| FY2016 | 20.7% | 16.3% |
| FY2017 | 20.5% | 21.7% |
| FY2018 | 7.3% | 11.8% |
| FY2019 and beyond | 23.3% | 17.7% |
| Total | 100.0% | 100.0% |

White Horse Building

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 35.1% | 39.7% |
| FY2016 | 14.4% | 9.3% |
| FY2017 | 34.5% | 28.0% |
| FY2018 | 15.6% | 22.3% |
| FY2019 and beyond | 0.4% | 0.7% |
| Total | 100.0% | 100.0% |

Fortune Plaza

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 26.7% | 26.8% |
| FY2016 | 17.5% | 19.0% |
| FY2017 | 34.3% | 35.6% |
| FY2018 | 0.0% | 0.0% |
| FY2019 and beyond | 21.5% | 18.6% |
| Total | 100.0% | 100.0% |

2014 Business Review and Future Prospects

City Development Plaza

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 27.9% | 26.0% |
| FY2016 | 32.7% | 22.0% |
| FY2017 | 31.9% | 44.7% |
| FY2018 | 7.2% | 7.0% |
| FY2019 and beyond | 0.3% | 0.3% |
| Total | 100.0% | 100.0% |

Neo Metropolis

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 29.4% | 28.5% |
| FY2016 | 46.5% | 49.4% |
| FY2017 | 16.1% | 14.6% |
| FY2018 | 6.9% | 6.4% |
| FY2019 and beyond | 1.1% | 1.1% |
| Total | 100.0% | 100.0% |

Victory Plaza

| Year | By Rental Area | By Rental Income |
|-------------------|----------------|------------------|
| FY2015 | 9.6% | 4.9% |
| FY2016 | 2.7% | 7.3% |
| FY2017 | 9.8% | 8.0% |
| FY2018 | 2.9% | 7.1% |
| FY2019 and beyond | 75.0% | 72.7% |
| Total | 100.0% | 100.0% |

GZIFC

| Year | Overall (including office and retail) | | Office | | Retail | |
|-------------------|--|---------------|-------------|---------------|-------------|---------------|
| | Rental Area | Rental Income | Rental Area | Rental Income | Rental Area | Rental Income |
| FY2015 | 29.0% | 33.6% | 35.2% | 38.3% | 7.2% | 8.4% |
| FY2016 | 17.0% | 17.8% | 21.8% | 21.1% | 0.0% | 0.0% |
| FY2017 | 14.8% | 15.8% | 18.5% | 18.1% | 1.4% | 3.3% |
| FY2018 | 7.5% | 7.8% | 9.6% | 9.3% | 0.0% | 0.0% |
| FY2019 and beyond | 31.7% | 25.0% | 14.9% | 13.2% | 91.4% | 88.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

2014 Business Review and Future Prospects

Revenue Continued to Increase

In 2014, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,571.1 million, representing an increase of 14.6% compared to that of the corresponding period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis and GZIFC accounted for approximately 23.3%, 4.4%, 3.8%, 3.4%, 4.0% and 61.1% respectively of the total revenue.

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

| Name of Property | Revenue in 2014 RMB million | Revenue in 2013 RMB million | Increase in revenue compared to 2013 RMB million | Increase % |
|-------------------------------------|--|-----------------------------------|--|------------|
| White Horse Building | 366.1 | 339.3 | 26.8 | 7.9% |
| Fortune Plaza | 69.6 | 69.2 | 0.4 | 0.6% |
| City Development Plaza | 59.4 | 56.6 | 2.8 | 4.9% |
| Victory Plaza | 53.5 | 37.7 | 15.8 | 41.9% |
| Neo Metropolis | 61.9 | 60.8 | 1.1 | 1.8% |
| Subtotal of the original properties | 610.5 | 563.6 | 46.9 | 8.3% |
| GZIFC | 960.6 | 807.1 | 153.5 | 19.0% |
| Total | 1,571.1 | 1,370.7 | 200.4 | 14.6% |

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

| Name of Property | Net Property Income in 2014 RMB million | Net Property Income in 2013 RMB million | Increase in NPI compared to 2013 RMB million | Increase % |
|-------------------------------------|--|--|---|------------|
| White Horse Building | 288.8 | 268.7 | 20.1 | 7.5% |
| Fortune Plaza | 54.2 | 53.9 | 0.3 | 0.6% |
| City Development Plaza | 46.1 | 43.9 | 2.2 | 5.0% |
| Victory Plaza | 41.5 | 28.9 | 12.6 | 43.6% |
| Neo Metropolis | 48.0 | 47.3 | 0.7 | 1.5% |
| Subtotal of the original properties | 478.6 | 442.7 | 35.9 | 8.1% |
| GZIFC | 508.9 | 417.7 | 91.2 | 21.8% |
| Total | 987.5 | 860.4 | 127.1 | 14.8% |

2014 Business Review and Future Prospects

White Horse Building — accelerated transformation and upgrading, reinforced its benchmark position in the industry

In 2014, White Horse Building accelerated the pace of transformation and upgrading in the areas of hardware reform, image enhancement, adjustment in tenant mix, brand incubation and marketing innovation, its benchmark position in the industry was further reinforced. The first floor of the building has been positioned as the thematic floor for Korean fashion accords with the fast fashion trend, upgrading modification was implemented on passages 11 and 12 together with the commencement of tenant mix optimization, 44 merchants of fashion brands came on board, both the image and ambience of operation were remarkably improved and competitiveness was enhanced significantly. The brand incubation effort of White Horse Building continued to increase, a team was organized to participate in the Beijing Fair of China International Fashion and Accessories Expo 2014 for the first time, 120 White Horse brands were arranged for display in exhibition tours in Kunming, and won the awards of "Incubation Base for Fashion Brands in China" and "Top 10 Professional Markets of Fashion in China" again. The Manager adhered to implementing the marketing strategy of "going out and bringing in" and successfully organized a series of marketing activities, including the 8th White Horse Fashion Procurement Festival and the "bring home warmth" campaign featuring big favours in purchasing. Moreover, efforts were dedicated to marketing innovations by fully utilizing new media power, such as websites and Weixin, to widen marketing channels, develop marketing vision, continue to expand the branding influence of White Horse Building and reinforce its benchmark position in the industry.



2014 Business Review and Future Prospects

Victory Plaza — significant increase in rental value of property, the result of commercial adjustment began to bear fruit

On 28 September 2014, Victory Plaza used the brand new commercial brand image "VT101" to launch its grand opening, the first stage of commercial adjustment was successfully completed, there has been a successful metamorphosis on its commercial image. Reaping the benefits from the adjustment of commercial positioning, and the active and efficient business-soliciting strategies of the Manager, several premium brand tenants such as UNIQLO, the flagship shop in South China, Adidas, Swatch and TanYu(探魚), Genki Sushi and La Cesar Pizzeria were successfully brought into Victory Plaza. Complemented with distinctive marketing and promotion, all of its rentable space were rent out, the rental unit price during the period increased by 27.4%. Cope with the introduction of new tenants, the Manager also refurbished Victory Plaza, and the distinctive brand image of "VT101" has been initially established, which successfully transformed Victory Plaza into an emerging international fast fashion experiencing centre in the CBD of Tianhe District and the property value increased significantly.

Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — customers retention through service innovations, rental increased to new high level

In 2014, the three office projects of Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis Plaza strived to retain customers through service innovations, rental increased to new high level while maintaining a steady occupancy rate. The Manager actively responded to external competition by enhancing customer loyalty through service innovations, including Fortune Plaza's provision of the "EC services" to their tenants enabling them to enjoy Easy and speedy information, Convenient, Comfortable and Comprehensive tenants-related services. City Development Plaza has put in great effort in elevating their tenants management services by providing "6M" services featuring "6 More" delivering More Comfortable, More Efficient, More Convenient, More Tailor-made, More Delicate and More Comprehensive services for their tenants. Yue Xiu Neo Metropolis Plaza has also provided the "Star Service, New Experience" for their tenants. All three service concepts are based on upgrading property service and become the pioneer in the industry. The Manager also



2014 Business Review and Future Prospects

adopted various measures to facilitate lease renewals with core tenants and tenant mix optimization work. Among these projects, City Development Plaza secured lease renewals smoothly with core tenants, such as Taikang Life Insurance Co. Ltd and Ping An Bank, while Yue Xiu Neo Metropolis Plaza had consolidated some small-sized units and successfully brought in quality tenants such as Guangdong Zhonglian Assets Appraisal Co. Ltd and Shanghai Minghang.

Guangzhou International Finance Center - actively formulated leasing strategies to enhance overall service experience and create a new height in commercial image

In 2014, GZIFC's office properties continued to perform well in leasing on the basis of an excellent business solicitation team, flexible leasing strategies and effective customer relationship management. The Manager successfully secured quality tenants and effectively avoided the impact of competition from future new projects through measures such as lease renewal in advance, as well as personalized and customized renewal plans. As a result, the property recorded an annual high renewal rate of 91.2% and realized an approximately 5% increase in unit renewal price. Meanwhile, making use of the matured business environment of GZIFC and the flexible combination of business solicitation strategies, the property has successfully attracted a number of quality tenants such as the British Consulate General Guangzhou, the China-Britain Business Council, the Peru Consulate General Guangzhou, the Congo Consulate General Guangzhou, Youngy Investment Holding Group Co., Ltd. (a BYD Group Company), Bosch and Siemens Household Appliances (a home appliance group ranking third in the world and first in Europe), and Guangzhou Chengfa Capital Co. Ltd. (a State-owned fund). The Manager also endeavoured to enhance customer services and strengthen the soft power of the property by creating a 6S star service system and launching a brand new WeChat interactive platform to increase customer loyalty and consolidate the landmark icon of a high-end business platform.

For the retail mall segment, traditional department stores have experienced the impact of national macroeconomic policies and e-commerce which have unfavourably affected the results of their operations. However, with increasing and maturing retail properties in the vicinity, general development of the retail-commercial area in Pearl River New Town of Guangzhou has become more and more matured. In 2014, the Manager paid close attention to the development of retail-commercial area in the Pearl River New Town of Guangzhou, conducted a wide range of market research, as well as actively planning for optimization and enhancement of the shopping mall in GZIFC.

In 2014, the overall supply in the market of high-end hotels and serviced apartments remained relatively stable in Guangzhou, and the market mainly concentrated in stock consumption with no entrance of new competitors throughout the year. The Manager effectively monitored the operating conditions of Four Seasons Hotel and Ascott Serviced Apartments through positive asset supervision means such as intensive market data benchmark analysis and real-time monitoring of room rate levels. The Manager also adopted measures including customer satisfaction surveys, banquet sites utilization efficiency, customer source and market analysis, strongly propelled hotel/apartments to focus on product quality improvement and service quality enhancement, so as to increase market share and achieve ongoing improvement in business performance. During the Reporting Period, Four Seasons Hotel achieved excellent operating performance, with its average occupancy rate, average room rate and Revenue Per Available Room ("RevPAR") which were 8.0%, 35.0% and 46.0% respectively higher than its direct competitors. Ascott Serviced Apartments recorded an increase in operating earnings as expected, with its average occupancy rate, average room rate and RevPAR which were 1.0% lower, 31.0% higher and 30.0% higher, respectively, than its direct competitors.

2014 Business Review and Future Prospects

Pursued active progress in asset enhancement projects, realized and maintained enhancement of property value

In 2014, the Manager continually invested in various capital nature renovation projects, including the improvement work on the layout of units in the office building at GZIFC, safety upgrade and renovation of oil depot in the generator room at GZIFC, installation of low-voltage switch gear with under-voltage delay devices at GZIFC, renovation work of installation of additional video surveillance devices for the parking lot at GZIFC; replacement of fan coils at White Horse Building; renovation of the public areas of City Development Plaza; installation of additional air conditioners and replacement of cooling tubes at Fortune Plaza; renovation work for adjusting the electrical load and improving the air-conditioning system in the podium at Victory Plaza, renovation work for the range hood system in the podium at Victory Plaza, and refurbishment and renovation work of the rentable space at Victory Plaza, amounted to a total renovation cost of more than RMB30 million. All of these investments have ensured the operation safety of all projects, and effective improvement in the business environment of the properties.

In 2015, the Manager will keep on planning for investment in a number of capital nature renovation projects at GZIFC, White Horse Building, City Development Plaza and Victoria Plaza, so as to further augment the operation efficiency and business environment of the properties.

Actively seeking for investment opportunities

In 2014, the investment department of the Manager continued to implement the investment strategy to seek actively and decide prudently, and continued to identify good quality property projects mainly in the core regions of tier 1 cities such as Beijing and Shanghai in China. Beijing, being the capital city of China and the core city of the Beijing-Tianjin-Hebei Economic Rim, had experienced a blowout surge in its commercial property market, in particular office rental after the Beijing Olympics in 2008, while achieving a steady growth in office rental at present. Shanghai, ranked No. 1 in GDP among the cities of China, is striving to build up itself as an international central city in four aspects, namely, the "economic, financial, shipping and trade" areas, with increasing growth in the commercial property market, such as the office market. The Manager will seek and select projects consistent with the REIT strategy for focus analysis, as well as capturing investment opportunities and optimizing the investment portfolio of the REIT.

Solidly executed rating maintenance to sustain investment-class rating

The Manager has secured a good credit rating for Yuexiu REIT through increasing the income of property portfolio, implementing prudent fiscal policy and controlling financial cost. In 2014, Moody's and Standard & Poor's have retained Baa2 and BBB investment-class rating respectively for Yuexiu REIT in their updated rating reports, they have also restated that Yuexiu REIT is enjoying a steady prospect.

Continuously optimized the debt structure and reduced the financing cost

The Manager optimized debt structure and reduced financing cost while controlling total debt at a basically stable level. In 2014, Yuexiu REIT repaid approximately RMB390 million of relatively high interest domestic loans, as a result, the weighted average ratio of domestic loan dropped from 46.9% to 40.6%, while the average financing cost of Yuexiu REIT decreased from 4.77% in the beginning of the year to 4.46% at year end.

Financial Results

FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2013. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

| | 2014 RMB' 000 | 2013 RMB' 000 | Increase/ (Decrease) |
|--|------------------|------------------|-------------------------|
| Gross income | 1,571,168 | 1,370,653 | 14.6% |
| Hotel and serviced apartments direct expenses | (298,166) | (249,444) | 19.5% |
| Leasing agents fees | (33,122) | (29,649) | 11.7% |
| Property related taxes (Note 1) | (244,299) | (223,493) | 9.3% |
| Other property expenses (Note 2) | (8,069) | (7,648) | 5.5% |
| Total property operating expenses | (583,656) | (510,234) | 14.4% |
| Net property income | 987,512 | 860,419 | 14.8% |
| Withholding tax | (56,132) | (50,728) | 10.7% |
| Depreciation and amortisation | (148,144) | (144,335) | 2.6% |
| Manager's fees | (105,713) | (99,461) | 6.3% |
| Trustee fees | (7,609) | (7,365) | 3.3% |
| Other trust expenses (Note 3) | (21,181) | (11,948) | 77.3% |
| Total non-property expenses | (338,779) | (313,837) | 7.9% |
| Net profit before finance expenses, finance income and income tax | 648,733 | 546,582 | 18.7% |
| Finance income | 165,497 | 234,722 | (29.5)% |
| Finance expenses | (381,203) | (441,431) | (13.6)% |
| Net profit before income tax | 433,027 | 339,873 | 27.4% |
| Income tax expenses | (177,276) | (148,594) | 19.3% |
| Net profit after income tax before fair value gain on investment properties | 255,751 | 191,279 | 33.7% |
| Fair value gain on investment properties | 672,216 | 332,788 | 102.0% |
| Net profit after income tax before transactions with Unitholders | 927,967 | 524,067 | 77.1% |

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

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

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

Financial Results

Gross income and net property income during the Reporting Year were approximately RMB1,571.168 million (2013: RMB1,370.653 million) and RMB987.512 million (2013: RMB860.419 million) respectively, which represented an increase of 14.6% and 14.8% respectively while comparing with 2013.

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

| | 2014 RMB'000 | 2013 RMB'000 |
|-------------------------------|-------------------------------|-----------------|
| Office | 639,548 | 573,101 |
| Wholesales | 366,146 | 339,322 |
| Retail | 121,044 | 123,058 |
| Hotel and serviced apartments | 444,430 | 335,172 |
| Total | 1,571,168 | 1,370,653 |

Net property income amounted to approximately RMB987.512 million (2013: RMB860.419 million), representing approximately 62.9% of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property operating expenses. Net property income analysis is listed in the following table.

| | 2014 RMB'000 | 2013 RMB'000 |
|-------------------------------|-------------------------------|-----------------|
| Office | 501,302 | 441,996 |
| Wholesales | 288,776 | 268,749 |
| Retail | 96,410 | 96,522 |
| Hotel and serviced apartments | 101,024 | 53,152 |
| Total | 987,512 | 860,419 |

Hotel and serviced apartments direct expenses were approximately RMB298,166,000, an increase of 19.5% as compared with 2013. It was mainly because of an increase of 32.6% in operation revenue.

Leasing agent fees increased by approximately 11.7% as compared with 2013. It was mainly because of an increase in rental income of office and wholesales.

Property related tax increased by approximately 9.3% as compared with 2013. It was mainly because of an increase of rental income.

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

Overall, the Manager's fees increased by approximately 6.3% as a result of the increase in total assets and net property income. The Trustee fees increased by approximately 3.3% as a result of the increase in total assets.

Financial Results

As Renminbi depreciated against Hong Kong dollar and US dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB11,047,000. Excluding this exchange factor, the finance expenses actually incurred for the Reporting Year amounted to approximately RMB370,156,000 (2013: RMB441,431,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB927,967,000 (2013: RMB524,067,000), which represented a 77.1% increase, mainly due to the fair value gain on properties valuation for the Reporting Year being approximately RMB672,216,000 (2013: RMB332,788,000).

Top-up Payment

Top-up Payment for the Reporting Year is approximately RMB104,399,000. After deducting the amount RMB66,178,000 paid by Yuexiu Property on 19 August 2014, the balance amounting to RMB38,221,000 should be paid by Yuexiu Property within 7 business days after the announcement of Yuexiu REIT's annual result for the Reporting Year. Please refer to the Offering Circular dated 30 June 2012 for details.

Net Asset Value

The net assets (including net assets attributable to deferred Unitholders) attributable to the existing Unitholders per unit as at 31 December 2014 was approximately RMB4.69 (2013: RMB4.58), which represented an increase of approximately 2.4%.

New Units Issued and Unit Activity

In respect of the full or partial settlement of the Manager's fees during the Reporting Year, Yuexiu REIT newly issued 18,295,934 and 14,801,421 units at HK\$3.764 and HK\$4.013 on 28 March 2014 and 29 August 2014 respectively. As at 31 December 2014, a total of 2,799,795,685 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$4.08 and a low of HK\$3.59 during the Reporting Year. The average trading volume amounted to approximately 3,728,906 Units per day during the Reporting Year (2013: 6,394,388 Units).

The closing price of the Units as at 31 December 2014 was HK\$3.89, represented a discount of approximately 34.6% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2014.

CAPITAL STRUCTURE

Due to the acquisition of GZIFC, the secured loan of approximately RMB4,500,000,000 was transferred under the name of Yuexiu REIT. RMB390,000,000 was repaid through its own funds and internal arrangement in 2014. Part of the loan amounting to RMB1,210,000,000 had already been repaid as of 31 December 2014. On 7 January 2015, Manager had arranged to repay part of the loan amounting to RMB300,000,000.

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

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

Financial Results

On 1 July 2014, Yuexiu REIT, through its SPVs company, entered into a facility agreement with certain lending banks in connection with a three-year floating rate at HIBOR plus 1.83% term loan facility of HK\$600,000,000. The loan was drawn down on 25 September 2014 and for general corporate working capital requirement.

As at 31 December 2014, total borrowings of Yuexiu REIT amounted to approximately RMB8,109,396,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 32% of total assets of Yuexiu REIT. The gearing ratio was below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 31 December 2014, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB12,133,950,000, representing approximately 47.8% of total assets of Yuexiu REIT.

CASH AND NET CURRENT ASSET POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2014 amounted to approximately RMB999,453,000. 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.

Financial Results

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

Yuexiu REIT or any of its subsidiaries did not enter into any real estate sale and purchase during the Reporting Year.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

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

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, White Horse PM and GZAM in the amounts of RMB9,775,000, RMB10,984,000 and RMB12,363,000 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 2014, Yuexiu REIT employed 747 and 138 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

REVIEW OF FINANCIAL RESULTS

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

Foreign Account Tax Compliance Act ("FATCA")

Hong Kong and the United States ("U.S.") have substantially concluded discussions and agreed in substance on a Model 2 inter-governmental agreement ("IGA") that will facilitate compliance with the U.S. FATCA by financial institutions in Hong Kong. Under the IGA, Hong Kong Financial Institutions will need to register with US Internal Revenue Service ("IRS"). Hong Kong and the US signed a Model 2 IGA on 13 November 2014.

As Yuexiu REIT is recognised as a financial institution, the Manager, in the capacity of its Sponsoring Entity, had registered it with the US IRS on 26 June 2014 and the registration was approved on 27 June 2014.

Financial Results

CORPORATE GOVERNANCE

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

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

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

ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2015.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 14 May 2015. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

Sustainable Development and Corporate Social Responsibility

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

CARING FOR EMPLOYEES

Compliance with the labour Law

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

Development and training

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



Sustainable Development and Corporate Social Responsibility

GROWING TOGETHER WITH TENANTS

The sustainable development of tenants is the core to drive performance growth of the REIT. Asset enhancement has continuously added vigour to our properties and also offered a better operating environment. In 2014, we continued to implement a number of measures to support and improve the business environment of our tenants.

Capital renovation

- While adjusting its operational positioning, Victory Plaza had invested funds in implementing capital renovation to upgrade the hardware settings, renovate the public space, carry out the internal decoration of the 2nd and 5th floors of the shopping mall. The shopping mall had been transformed into a brand-new VT101 shopping centre. The average daily traffic flow of the project grew by more than two times as compared to the same period last year;
- White Horse Building continued to step up its efforts in operations with the further optimization of the tenant quality and mix. Two passages on the 1st floor of the building were upgraded in June 2014 and the tenant mix was adjusted simultaneously, which promoted the transformation of the 1st floor to a fast fashion trendsetter centre. Accordingly, the operating image and operating atmosphere were significantly enhanced, which reinforced the market competitiveness of White Horse in the Liuhua business district.



Sustainable Development and Corporate Social Responsibility

Service enhancement`

- GZIFC officially initiated the Guangzhou IFC "6S Star Service System" (Smile, Speedy, Sincerity, Share, Security, Specialty) and implemented the "landmark high-rise building security management" system to further improve the service quality. By conducting the "I Found Change" series activities, GZIFC enhanced interaction with tenants of the building and enhanced the sense of belonging and satisfaction of tenants through a series of relaxed and lively activities;
- Ongoing implementation of plans such as customer satisfaction survey for improving service quality, customer demand survey, customer service business document optimization and customer service standard establishment;
- Each property has established the "WeChat" social platform to increase interaction and contact with tenants. As of December 2014, the number of fans of the White Horse Clothing Market WeChat service account had exceeded 320,000, ranking No.1 in the national professional market WeChat service account.



CARING FOR THE ENVIRONMENT

Health and safety

Properties under our portfolio have adopted a number of modern health and safety measures, including automated fire detection and fire alert systems, standby power systems, etc.

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



Sustainable Development and Corporate Social Responsibility

In 2014, we also invested more than RMB800,000 in upgrading the monitoring systems of buildings such as White Horse and Victory, repaired security equipment such as fire doors and access control of each project and organized the joint drills of all owners and operating entities, including emergency evacuation drills, overflow drills and gas leak drills etc. and established the voluntary fire brigade to strengthen security work.

Environmental protection and energy conservation

We have been encouraging a concept of green and environment-friendly lifestyle and performing our responsibilities for environmental protection through practical actions. We have been closely monitoring and analyzing the energy consumption pattern of the properties under our portfolio and implement energy saving measures based on technological reforms. We have adopted business measures conducive to environmental protection in the course of daily operations. For instance, various energy saving measures have been taken in the properties under our portfolio, recycled and environmentally friendly materials are used in improvement works so far as possible; professional institutions are engaged to conduct ad hoc risk surveys on hotels, apartments and offices, including fire and disaster prevention, flood control, machinery equipment, security and terrorism prevention, etc.

The original five projects went through the formulation of energy consumption management and control documents and relevant rules and were implemented, achieving results in energy consumption management. As of the end of September, total consumption of public water declined by 2.61% as compared to the same period last year. Consumption of public electricity declined by 0.11% as compared to the same period last year.

In addition, we canonize a healthy work and life style. The VT101 mall of Victory Plaza united with ADIDAS and the Guangzhou Vertical Marathon Organizing Committee to conduct the "ADIDAS Night Run" event and the "2014 Vertical Marathon Series of Guangzhou" respectively to advocate the green lifestyle of sports for all.

PAYING ATTENTION TO SOCIAL WELFARE

In 2014, we formulated work plans for poverty alleviation and public welfare and to actively participate in various charity and public welfare activities:

Poverty alleviation activities

- Assisted Suping Village, Baxiangshan Town, Fengshun County, Meizhou City, Guangdong Province in preparations for the construction of a "library" and donated a total of 648 books;
- Implemented the "Relief Fund" for 2014 to 2015 and we invested RMB1.2 million with the completion of ad hoc poverty alleviation tasks such as village road repair, medical and endowment insurance, supporting poor households and field planting of tea;
- Merchants of the White Horse Market and White Horse employees initiated a fundraising activity to donate 1,570 pieces of clothes and a certain number of books to the depressed areas in Tibet.

Sustainable Development and Corporate Social Responsibility

Charity and public welfare

- Organized employees of projects such as Fortune Plaza and Neo Metropolis to participate in “blood donation without compensation”;
- Organized employees to participate in the 12th Terry Fox Run sponsored by Four Seasons Hotel in Guangzhou. The event raised funds of more than RMB10,000 in total for cancer research in the form of “Hopeful Marathon”;
- The VT101 mall of Victory Plaza initiated the “clothes donation and alteration” event and the altered clothes were donated to children in remote mountainous areas in Yunnan and Tibet. The event caught high attention from media such as Guangzhou Daily and Nandu Media;
- The VT101 mall joined hands with the Guangzhou Dream Chasing Angel Troupe (廣州追夢天使藝術團) to organize the “Sounds of Nature Concert for Angels with Broken Wings (折翼天使的天籟音樂會)” to provide an opportunity of displaying dreams and growth to autistic children.



ADHERANCE TO OPERATING PRACTICES

Product liability

We have been endeavouring to provide quality services to clients (that means tenants and customers), the entrusted team of building and property management services have been operating in accordance with ISO 9000 quality management, ISO 14000 environmental management and OHSAS 18000 occupational health and safety management systems, while monitoring the satisfaction level of clients at the same time and active measures are also adopted to enhance the satisfaction level. A third party satisfaction survey showed that in 2014, the overall satisfaction level of all properties was above 90%.

FUTURE PROSPECT

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

Property Portfolio

OVERVIEW OF THE PROPERTIES

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

LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are all located in the core business district of Guangzhou, the PRC. In particular, the White Horse Building is located in Liuhua business and exhibition area, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specializing in apparels, shoes and leatherware in the surrounding areas. Fortune Plaza and City Development Plaza are located in the Tianhe CBD which is located on the new axis of Guangzhou and is one of the top three CBDs in China approved by the State where prime grade A office buildings are concentrated, with highly concentrated metro line networks, convenient transportation, established and comprehensive ancillary facilities. Victory Plaza is located in the Tianhe retail district which is the largest and the top retail district in China with the most thriving commercial atmosphere. Neo Metropolis is located in the intersection of three conventional business areas, being Beijing Road area in central Guangzhou, Shang Xia Jiu Road area and Liuhua business area, it is a property erected above the metro station enjoying enormous geographical advantages. GZIFC is at the core financial business district of the Zhujiang New Town which is located on the new axis of Guangzhou, and enjoys favorable geographical advantages, with well-developed commercial and thriving cultural activities in the surrounding areas integrating natural landscape and arts of the new town center, which has made Guangzhou International Finance Center the new icon of Guangzhou City.

Property Portfolio

Locations Map of Property



PROPERTY

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



天河區 TIANHE DISTRICT



Property Portfolio



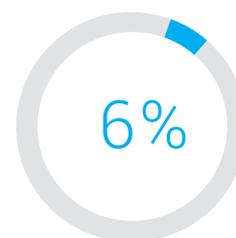
White Horse Building



Fortune Plaza

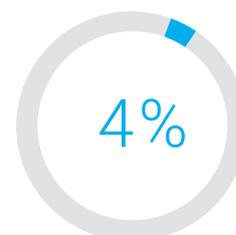
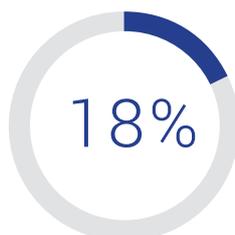
AREA OF PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 680,971.1 sq.m. and a rentable area of 441,297.9 sq.m. As at 31 December 2014, the overall occupancy rate of the portfolio was 95.13%.



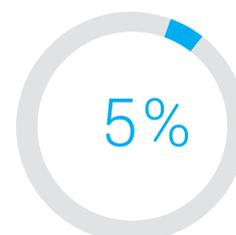
PROPERTY VALUATION

According to the valuation report issued by Vigers, the property portfolio of Yuexiu REIT was valued at a total value of RMB23,569 million as at 31 December 2014.



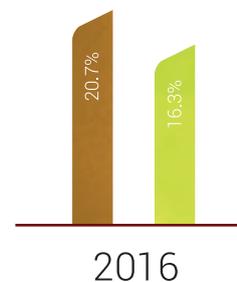
OPERATING INCOME GENERATED BY THE PROPERTIES

In 2014, Yuexiu REIT recorded a total annual operating income of RMB1,571.1 million, representing an increase of 14.6% as compared to the same period last year.



LEASE EXPIRY OF THE PROPERTIES

In terms of rentable area in the next five years and beyond, the proportion of lease expiry of Yuexiu REIT Properties for each year will be 28.2%, 20.7%, 20.5%, 7.3% and 23.3% respectively. In terms of basic monthly rentals, the proportion of lease expiry for each year will be 32.5%, 16.3%, 21.7%, 11.8% and 17.7% respectively.





City Development Plaza



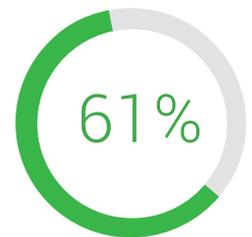
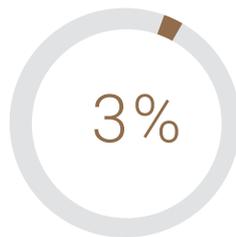
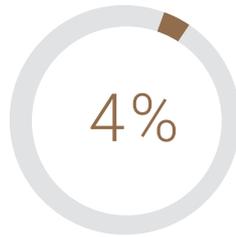
Victory Plaza



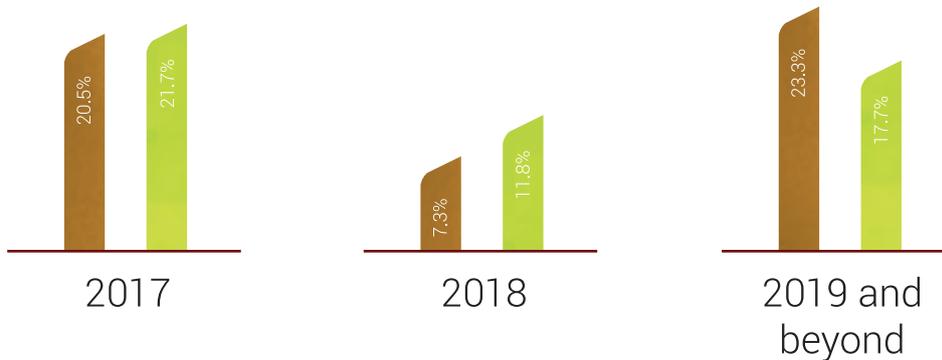
Neo Metropolis



Guangzhou International Finance Center



■ By rental area
■ By basic monthly rentals



Property Portfolio

Guangzhou - Tianhe District

GUANGZHOU IFC

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

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

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

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

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



Property Portfolio

Guangzhou - Tianhe District

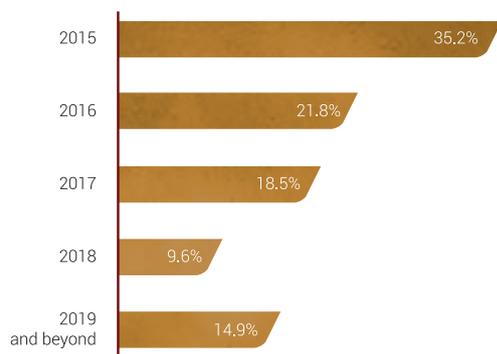
GUANGZHOU IFC - OFFICE



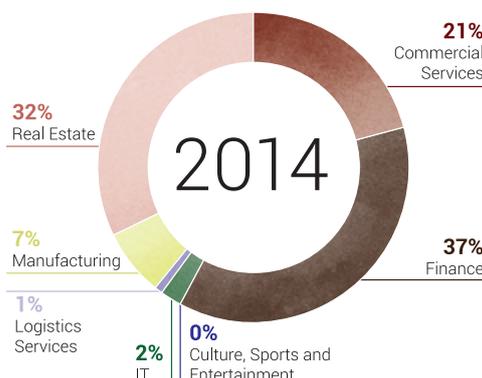
The offices of Guangzhou International Finance Center are on the 4th to 65th floors of the main tower. It has a gross floor area of 184,000 sq.m. and commenced operation in July 2011. As an iconic building and a landmark in southern China, Guangzhou International Finance Center has attracted many multinational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

Property Portfolio

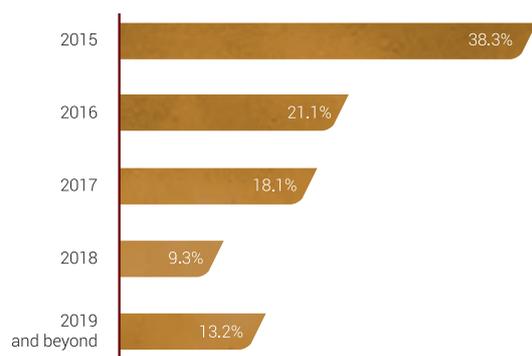
Lease Expiry of the Offices (by rental area)



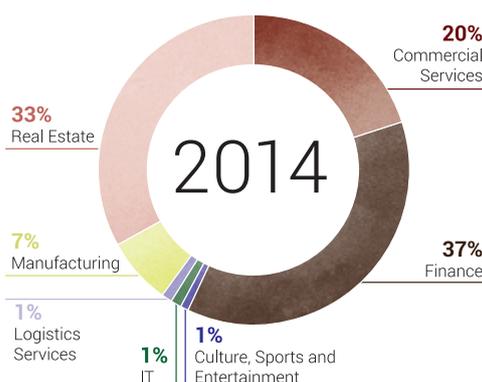
Industry Composition of Offices Tenants by Rental Area



Lease Expiry of the Offices (by basic monthly rentals)



Industry Composition of Offices Tenants by Basic Monthly Rentals



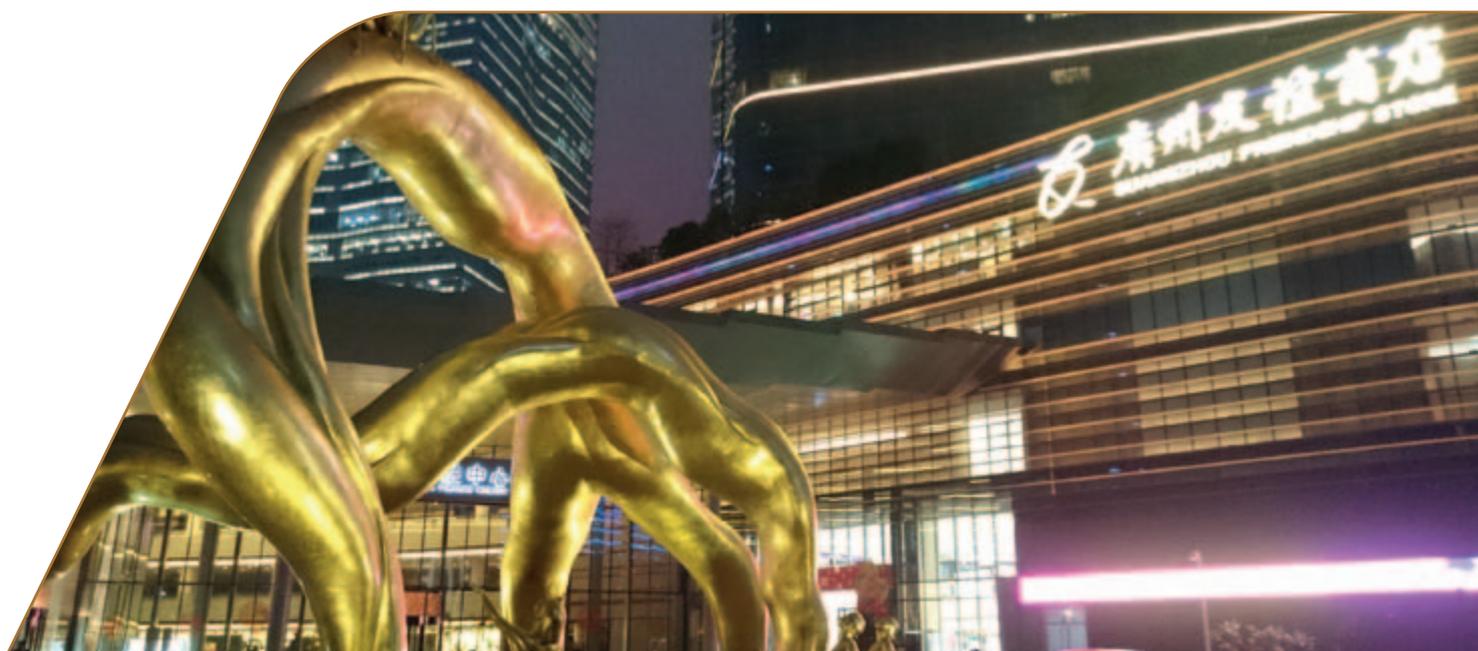
TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of Gross Rental Area | % of Total Monthly Rentals |
|--|---------------------|------------------------|----------------------------|
| Guangzhou Yuexiu and its subsidiaries | Real estate | 23.28% | 29.04% |
| Agile Group and its subsidiaries | Real estate | 7.38% | 7.09% |
| Guangzhou Industrial Investment Fund and its subsidiaries | Finance | 3.45% | 3.66% |
| Guangzhou City Biostime Biological Products Co., Ltd. | Manufacturing | 2.66% | 2.73% |
| Youngy Investment Holding Group | Finance | 1.83% | 1.83% |
| King & Wood (Guangzhou) Law Firm | Commercial services | 1.83% | 1.75% |
| China Export & Credit Insurance Corporation Guangdong Branch | Finance | 1.78% | 1.66% |
| Profit Palace Group and its subsidiaries | Manufacturing | 1.75% | 1.51% |
| Guangzhou Servcorp Business Service Co. Ltd. | Commercial services | 1.25% | 1.35% |
| Ping An Bank Company Limited | Finance | 1.18% | 1.32% |
| Total | | 46.39% | 51.94% |

Property Portfolio

Guangzhou - Tianhe District

GUANGZHOU IFC - SHOPPING MALL

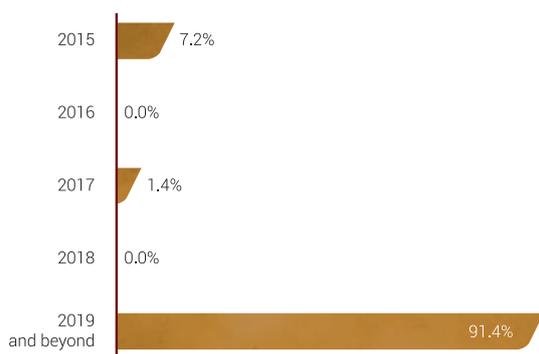


The shopping mall occupies a total of six floors of the podium. It has a gross floor area of 47,000 sq.m. and commenced operation in November 2010.

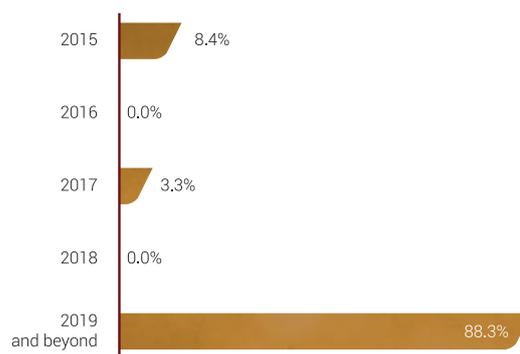
The anchor tenant of the shopping mall is the high-end department store, Guangzhou Friendship Store, which occupies 90% of the area of the shopping mall for a term of 15 years with effect from 2010. As of 31 December 2014, the occupancy of the shopping mall was 99.72%, and the unit rental price was RMB151. In order to better accommodate to changes in the retail market, commercial adjustments will be made to a portion of the shopping mall in 2015 so as to optimize the property structure.

Property Portfolio

Lease Expiry of Shopping Mall (by rental area)



Lease Expiry of Shopping Mall (by basic monthly rentals)



Property Portfolio

Guangzhou - Tianhe District

GUANGZHOU IFC - FOUR SEASONS HOTEL



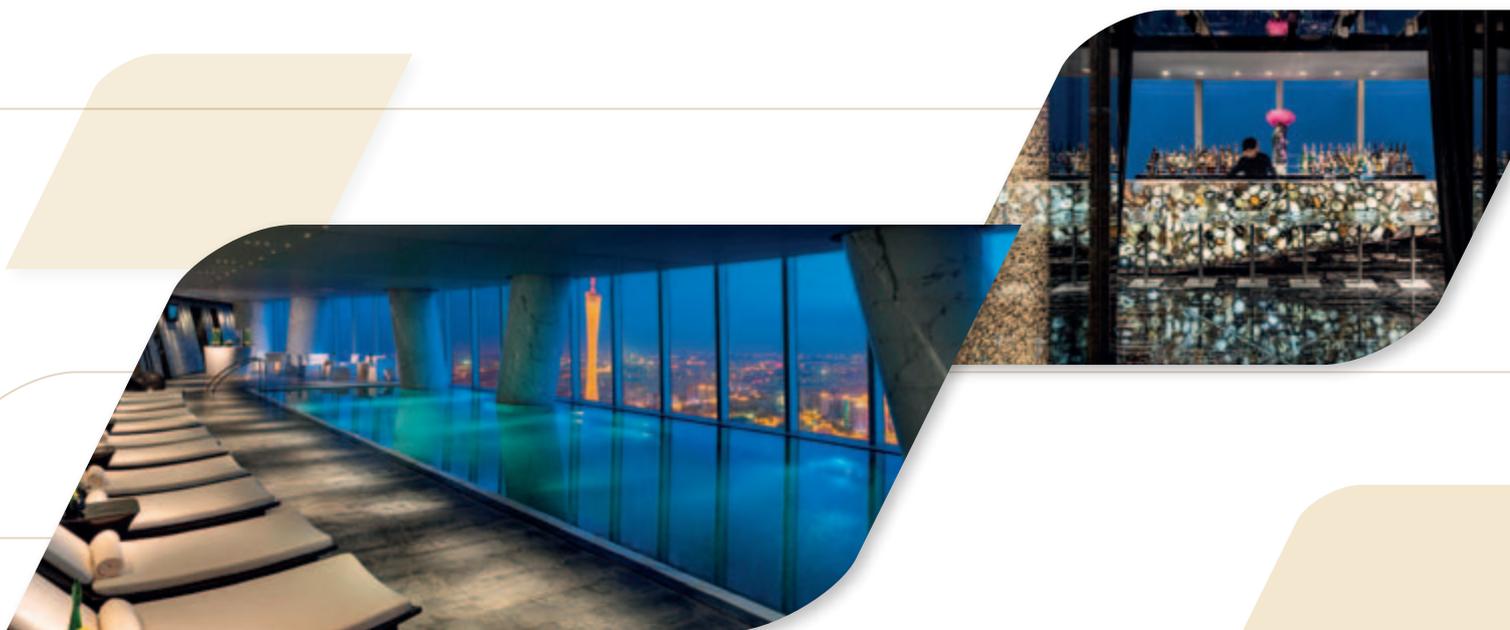
Four Seasons Hotel is entrusted to Four Seasons Group, the world-famous hotel brand management company, for operation and management. The hotel occupies the 68th to 100th floor of the main tower of Guangzhou International Finance Center, and the 1st to 5th floor (partial) of the podium, with a gross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

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

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

Property Portfolio

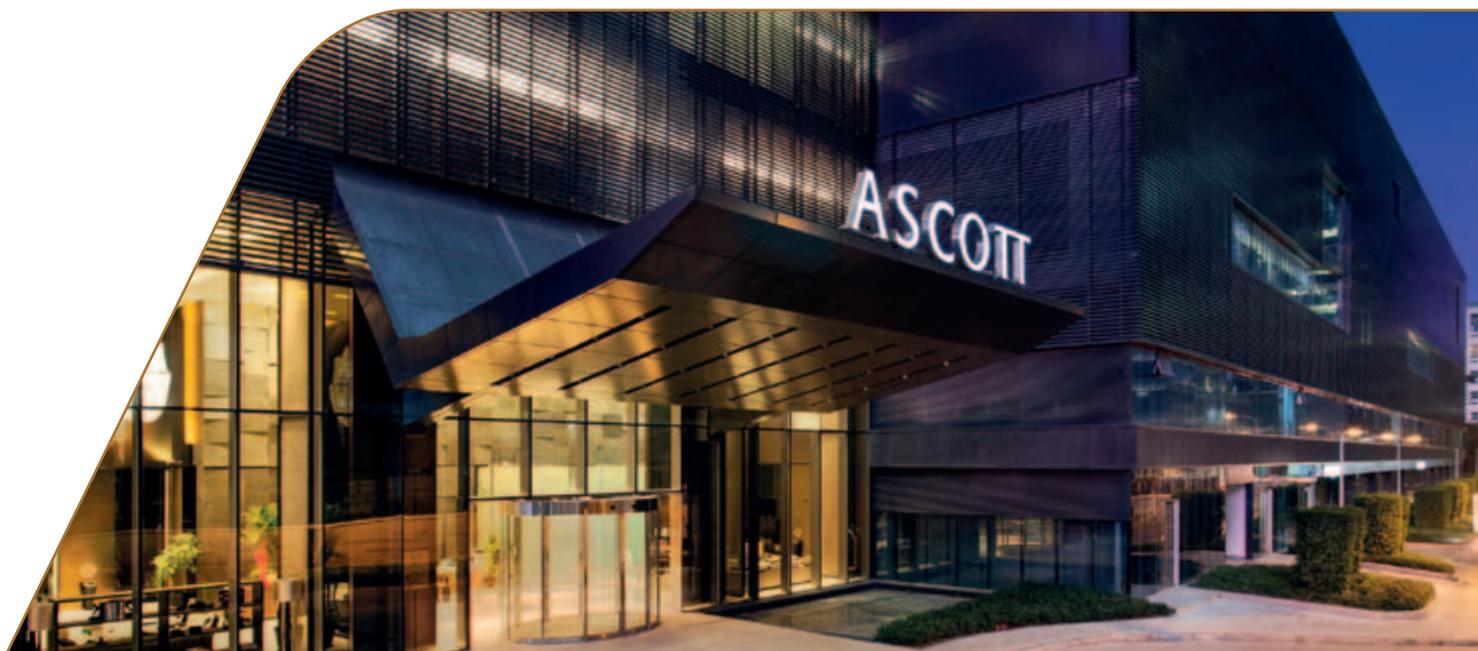
| | Date of inception | Area of ownership (sq.m.) | Number of rooms | Average occupancy rate | Average room rate (RMB/night) |
|---------------------------------|--------------------------|----------------------------------|------------------------|-------------------------------|--------------------------------------|
| Four Seasons Hotel Guangzhou | August 2012 | 91,460.9 | 344 | 69.4% | 1790 |



Property Portfolio

Guangzhou - Tianhe District

GUANGZHOU IFC - ASCOTT IFC



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

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

Property Portfolio

| | Date of inception | Area of ownership (sq.m.) | Number of rooms | Average occupancy rate | Average room rate (RMB/sq.m./month) |
|----------------------|--------------------------|----------------------------------|------------------------|-------------------------------|--|
| Ascott IFC Guangzhou | September 2012 | 51,102.3 | 314 | 82.4% | 189 |



Property Portfolio

Guangzhou - Yuexiu District

WHITE HORSE BUILDING

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

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

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

In recent years, Guangzhou White Horse Apparel Market has implemented the online and offline driven strategy and put great efforts on the development of the e-commerce business by making available free WIFI services across the Market. Its apparel website (www.baima.com) congregates superior brands of more than 1,000 manufactures with an aim to expanding the B2B market. The WeChat of Guangzhou White Horse Apparel Market (Account No: baima_market) concurrently provides purchasers with the latest fashion information and recommendation of superior brands and sources of goods, which creates limitless business opportunities through mobile phones.

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



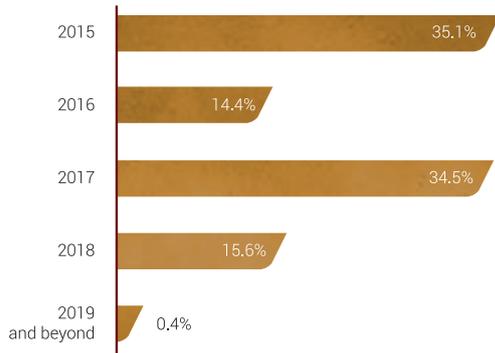
广州白马服装市场

白马大厦

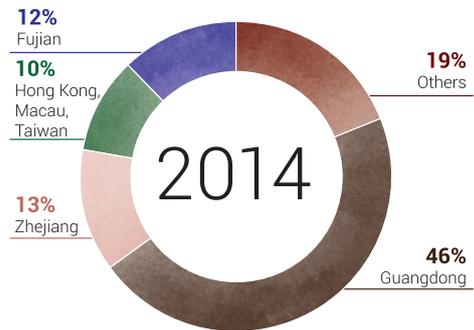


Property Portfolio

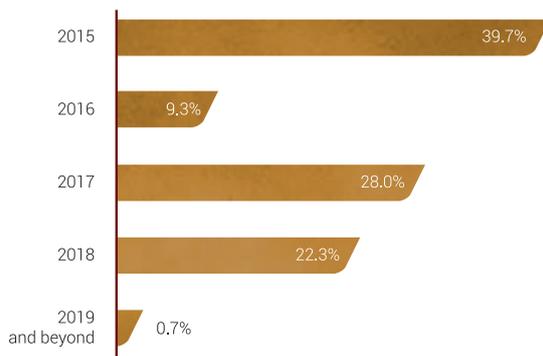
**Lease Expiry
(by rental area)**



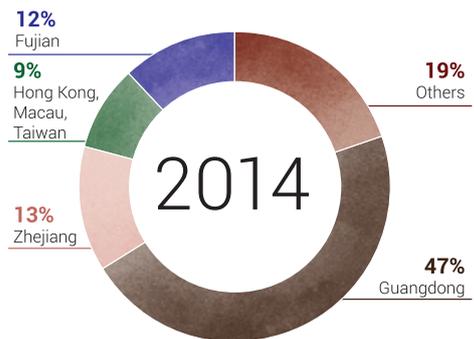
**Geographical Distribution of Tenants
by Rental Area**



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



**Geographical Distribution of Tenants
by Basic Monthly Rentals**



Property Portfolio



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of gross rental area | % of total monthly rentals |
|----------------|------------------|------------------------|----------------------------|
| Zhao Kechun | Wholesale/Retail | 0.68% | 1.35% |
| Jin Yudan | Wholesale/Retail | 0.61% | 1.30% |
| Zhou Fawei | Wholesale/Retail | 0.86% | 1.16% |
| Chen Shaoyang | Wholesale/Retail | 0.61% | 1.16% |
| Shi Shali | Wholesale/Retail | 0.53% | 1.01% |
| Zhu Dixiong | Wholesale/Retail | 0.82% | 0.84% |
| Wang Jiang | Wholesale/Retail | 0.95% | 0.83% |
| Zhu Huifeng | Wholesale/Retail | 0.41% | 0.77% |
| Lin Peifang | Wholesale/Retail | 0.44% | 0.75% |
| Fang Mianfang | Wholesale/Retail | 0.62% | 0.70% |
| Total | | 6.53% | 9.87% |

Property Portfolio

Guangzhou - Tianhe District

FORTUNE PLAZA

CONVERGENCE OF THE GLOBAL TOP 500 COMPANIES AND MODEL OF NATIONAL PROPERTY MANAGEMENT

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

As an iconic building and landmark in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice for many Fortune 500 companies as their regional headquarters as well as the renowned companies in the PRC. It has been recognized as the "Model of National Property Management" and is well received by customers in the industry. The existing tenants of Fortune Plaza include many famous enterprises, such as Chevron, Citibank, AEON Group, LG Chemical, Publicis Advertising, Baleno, Pingan Bank, Nikon, CTRIP, Guoyuan Securities, Wall Street English and Santa Ana.



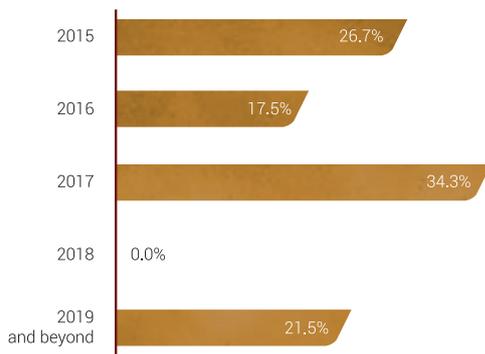

越秀·财富广场
YUESHOU WEALTH PLAZA

 国元证券
GUOYUAN SECURITIES

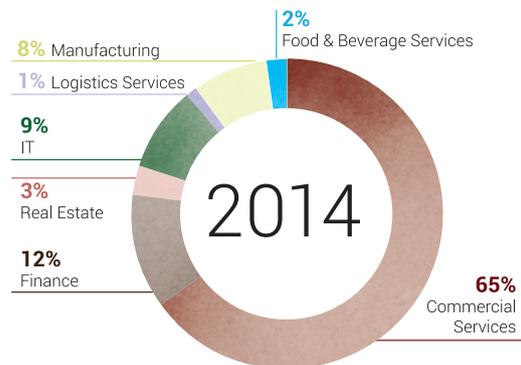
 国元证券
GUOYUAN SECURITIES

Property Portfolio

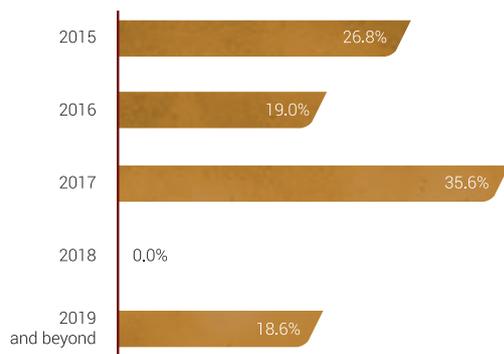
**Lease Expiry
(by rental area)**



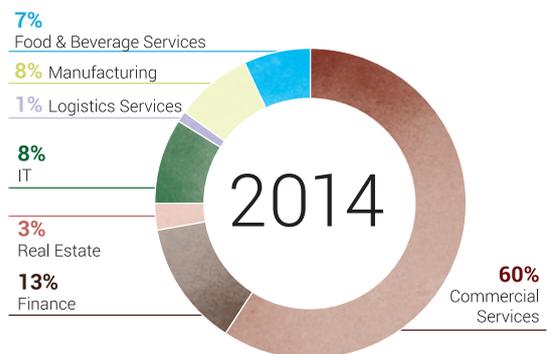
**Industry Composition of Tenants
by Rental Area**



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



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



Property Portfolio



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of gross rental area | % of total monthly rentals |
|---|---------------------|------------------------|----------------------------|
| Guangzhou Friendship Baleno Company Limited | Commercial services | 10.34% | 8.01% |
| Publicis Group and its subsidiaries | Commercial services | 9.51% | 7.84% |
| AEON Group and its subsidiaries | Commercial services | 10.34% | 7.69% |
| CTRIP and its subsidiaries | Commercial services | 5.90% | 5.75% |
| Wall Street English Training Centre (Guangdong) Co., Ltd. | Commercial services | 3.74% | 5.37% |
| Citibank (China) Company Limited, Guangzhou Branch | Finance | 4.38% | 5.04% |
| TravelSky Group and its subsidiaries | Commercial services | 3.85% | 3.67% |
| Mannings Guangdong and its subsidiaries | Commercial services | 0.55% | 3.56% |
| Shinyway Group and its subsidiaries | Commercial services | 3.64% | 3.53% |
| Beijing Qunar Software Technology Company Limited | IT | 3.61% | 3.43% |
| Total | | 55.86% | 53.89% |

Property Portfolio

Guangzhou - Tianhe District

CITY DEVELOPMENT PLAZA

ENTERPRISE HEADQUARTERS IN TIANHE CBD AND MODEL OF NATIONAL PROPERTY MANAGEMENT

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

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



建信大厦
JIANXIN TOWER

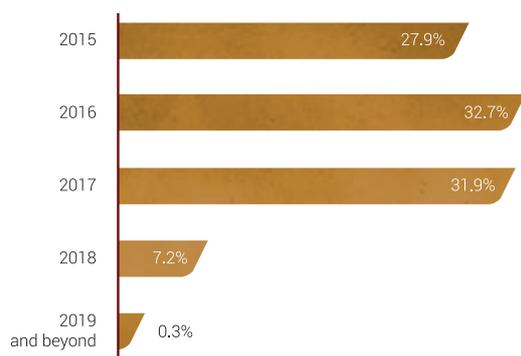
建信大厦
JIANXIN TOWER

浦发银行 SPD BANK

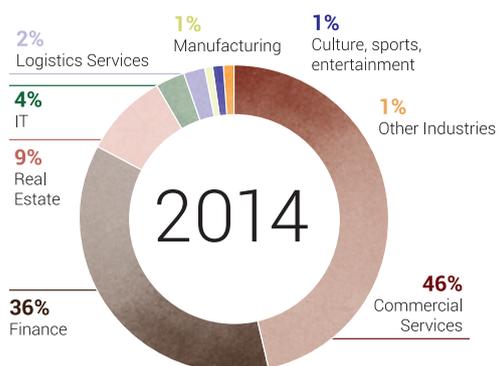
康人壽

Property Portfolio

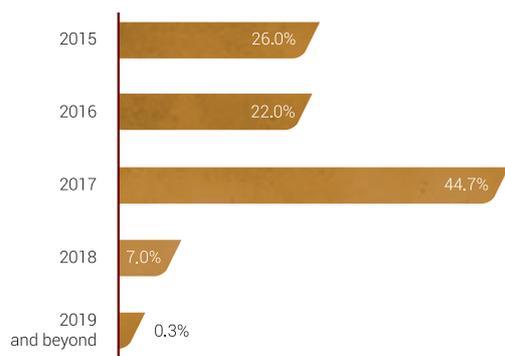
**Lease Expiry
(by rental area)**



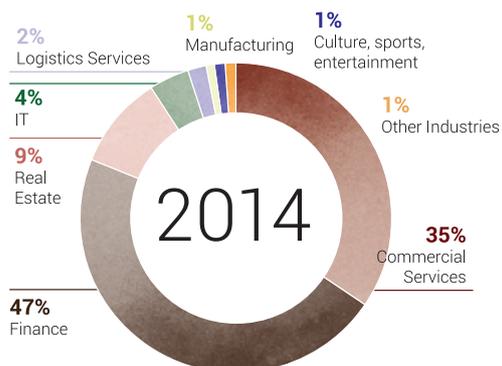
Industry Composition of Office Tenants by Rental Area



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



Industry Composition of Office Tenants by Basic Monthly Rentals



Property Portfolio



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of gross rental area | % of total monthly rentals |
|--|---------------------|------------------------|----------------------------|
| Shanghai Pudong Development Bank, Guangzhou Branch | Finance | 3.59% | 10.46% |
| Guangzhou City Construction & Development Group | Real Estate | 8.70% | 9.50% |
| Guangzhou Wisevalley Development Co., Ltd. | Commercial Services | 18.47% | 9.36% |
| Taikang Insurance and its subsidiaries | Finance | 9.19% | 9.04% |
| Ping An Bank and its subsidiaries | Finance | 2.75% | 8.48% |
| Golden Eagle Asset Management Co., Ltd. | Finance | 8.70% | 8.36% |
| Efund Management Co., Ltd. | Finance | 4.35% | 5.05% |
| Guangzhou Yicheng Property Management Limited | Commercial Services | 4.58% | 4.49% |
| Tian Hong Run (天鴻潤) and its subsidiaries | Commercial Services | 2.42% | 2.54% |
| General Mills Trading (Shanghai) Co., LTD Guangzhou Branch | Commercial Services | 2.17% | 2.19% |
| Total | | 64.92% | 69.47% |

Property Portfolio

Guangzhou - Tianhe District

VICTORY PLAZA

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

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

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



adidas

6F

5F

3F

5F

3F

3F

VTIOI

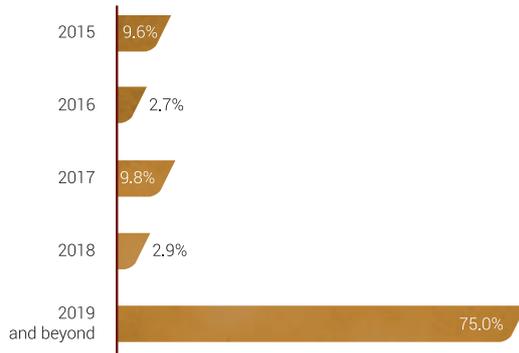
Happy New Year

swatch

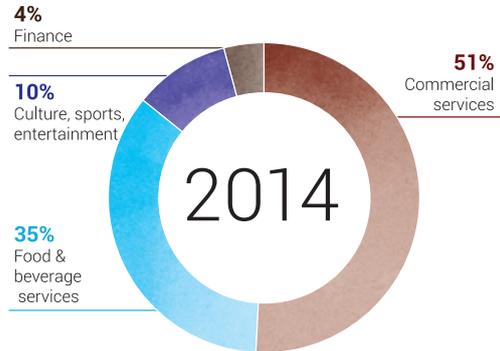
UNIQLO

Property Portfolio

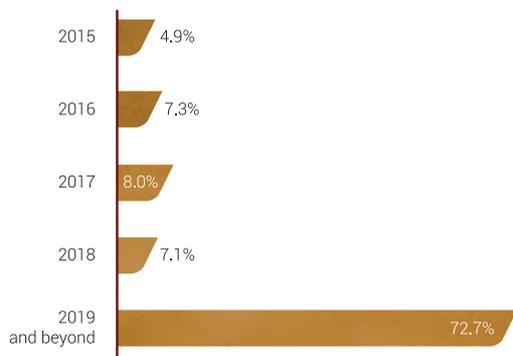
**Lease Expiry
(by rental area)**



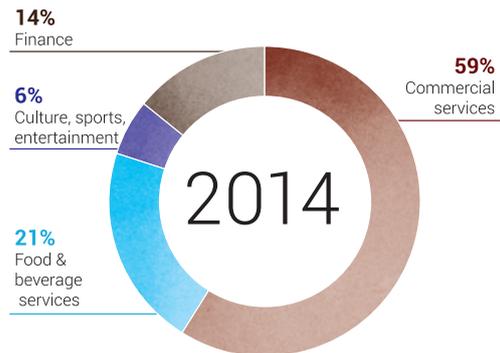
**Industry Composition of Tenants
by Rental Area**



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



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



Property Portfolio



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of gross rental area | % of total monthly rentals |
|--|---------------------|------------------------|----------------------------|
| Fast Retailing Co., Ltd. | Commercial Services | 37.79% | 44.65% |
| Guangzhou GOME Electrical Appliances Co., Ltd. | Commercial Services | 6.18% | 9.26% |
| China Merchants Bank Co., Ltd. Guangzhou Branch | Finance | 2.84% | 7.87% |
| Industry and Commercial Bank of China Limited Guangzhou Dezheng Zhong Road Sub-branch | Finance | 1.53% | 6.61% |
| J.M. Developments | Food & Beverage | 11.07% | 4.93% |
| Guangzhou Tianhe Meten English Center | Commercial Services | 7.32% | 3.24% |
| Hunan Home | Food & Beverage | 5.82% | 2.64% |
| Guangzhou Sanshe Merchant Chain Co., Ltd. | Commercial Services | 4.67% | 2.42% |
| Guangzhou Tianhe Xin Ying Dong Foreign Languages Training Center | Commercial Services | 2.58% | 2.05% |
| Guangzhou Libao Food & Beverage Catering Management Co., Ltd. | Food & Beverage | 2.75% | 1.92% |
| Total | | 82.55% | 85.59% |

Property Portfolio

Guangzhou - Yuexiu District

NEO METROPOLIS

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

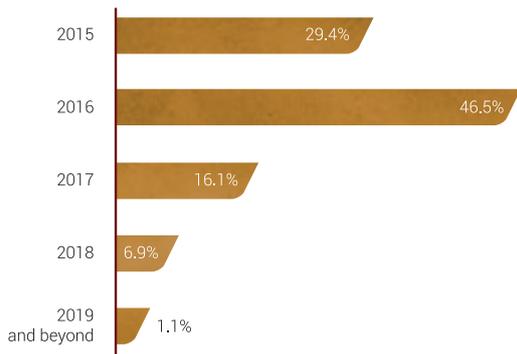
Neo Metropolis, located at the intersection of Zhongshan Six Road and Renmin Road, connects the three major conventional business areas of Beijing Road, Shang Xia Jiu and Liuhua business circle. It is a property erected above the Ximenkou Station of Metro Line No.1 with excellent accessibility. Neo Metropolis commenced operation in 2007, with a total gross floor area of over 80,000 sq.m., comprising a 2-storey underground car park, a single-storey underground shopping mall, a 6-storey shopping podium, a single-storey hanging garden clubhouse and a 23-storey high-end office building. In the shopping mall area, there are large IT retail shops, catering facilities, banks, leisure and fitness, as well as educational and training facilities. In the office building, there is a hanging garden for every three storeys, providing a green leisure space for business people. An affordable and environment-friendly air-conditioning system is also installed in the building to provide a comfortable environment for 24-hour office work. Neo Metropolis is a green eco-friendly complex integrating retail shopping mall, high-end office building, auxiliary commercial facilities and clubhouse functions.

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

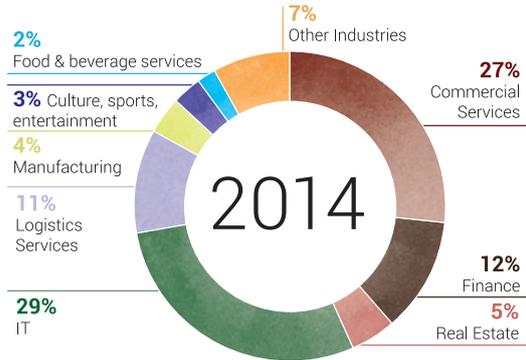


Property Portfolio

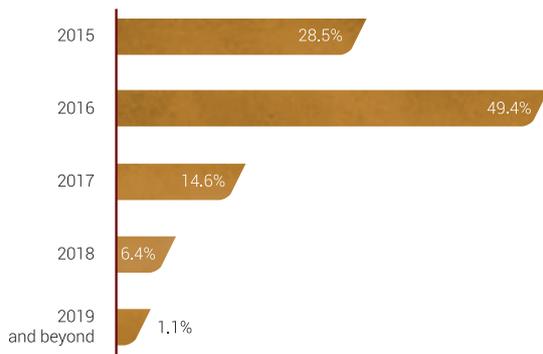
**Lease Expiry
(by rental area)**



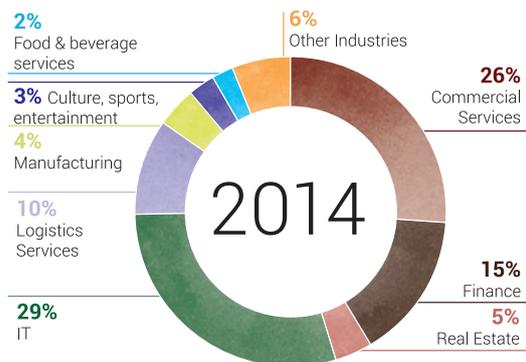
**Industry Composition of Tenants
by Rental Area**



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



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



Property Portfolio



TOP 10 TENANTS BY RENTAL INCOME (As at 31 December 2014)

| Name of Tenant | Industry | % of gross rental area | % of total monthly rentals |
|--|-----------------------------------|------------------------|----------------------------|
| EGO Digital Technology Group (Guangzhou) Co., Ltd. Yuexiu Branch | IT | 16.59% | 18.12% |
| Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch | Finance | 7.45% | 7.14% |
| ALP School | Education | 7.43% | 6.49% |
| TNT Express Worldwide (China) Ltd. | Logistics services | 6.51% | 5.97% |
| Guangzhou GOME Electrical Appliances Co., Ltd. | Commercial services | 4.75% | 4.60% |
| Bank of China Limited Guangzhou Changdi Sub-branch | Finance | 0.57% | 4.47% |
| VF Corporation and its subsidiaries | Commercial services | 3.81% | 4.44% |
| Star Cruises and its subsidiaries | Culture, sports, entertainment | 2.78% | 2.57% |
| China Mobile Group (Guangdong) Co., Ltd. Guangzhou Branch | IT | 2.83% | 2.42% |
| Fairwood (Shenzhen) Fast Food Limited | Food & Beverage | 1.63% | 2.01% |
| Total | | 54.35% | 58.23% |

Report of the Trustee

TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Yuexiu Real Estate Investment Trust has, in all material respects, managed the Yuexiu Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010 and the Third Supplement Deed dated 25 July 2012 for the financial year ended 31 December 2014.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 13 February 2015

Directors' and Senior Executives' Profiles

DIRECTORS

The Directors of the Manager are:

| Name | Age | Position |
|--|-----|--|
| Mr. LIU Yongjie (劉永杰) (appointed as chairman on 7 March 2014) | 57 | Chairman and Executive Director |
| Mr. LIN Deliang (林德良) (appointed on 25 April 2014) | 45 | Executive Director and Chief Executive Officer |
| Mr. LI Feng (李鋒) | 46 | Non-Executive Director |
| Mr. CHAN Chi On, Derek (陳志安) | 51 | Independent Non-Executive Director |
| Mr. CHAN Chi Fai, Brian (陳志輝) | 60 | Independent Non-Executive Director |
| Mr. CHEUNG Yuk Tong (張玉堂) (appointed on 7 October 2014) | 57 | Independent Non-Executive Director |
| Mr. LEE Kwan Hung, Eddie (李均雄) (resigned on 7 October 2014) | 49 | Independent Non-Executive Director |

Chairman and Executive Director

Mr. LIU Yongjie

Mr. Liu is the Chairman and Executive Director of the Manager as well as one of the Manager's Responsible Officers licensed under the SFO and is authorized to carry out type 9 regulated activities. He is concurrently the Deputy General Manager of Guangzhou Yue Xiu Holdings Limited ("GZYX") but has devoted, and expected to continue to devote, 100% of his time in the management of Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

Before joining Yue Xiu, Mr. Liu was a Director and Deputy General Manager of Guangzhou City Construction & Development Co. Ltd. ("GCCD"), and was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr. Liu has more than 20 years of experience in property investment and management. Prior to joining the property department of GCCD, Mr. Liu was an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou.

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

Executive Director and Chief Executive Officer

Mr. LIN Deliang

Mr. Lin is an Executive Director and Chief Executive Officer of the Manager and as one of the Responsible Officers licensed under the SFO and is authorized to carry out type 9 regulated activities.

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

Directors' and Senior Executives' Profiles

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

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

Non-Executive Director

Mr. LI Feng

Mr. Li is the Assistant to General Manager of, as well as the General Manager of the Capital Department of, GZYX and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu Enterprises"), mainly responsible for organizing and implementing the group's major capital operation plans and coordinating investor relations for the group's listed companies. Mr. Li is also an Executive Director of Yue Xiu Property Development Limited (Stock code: 00123), Non-Executive Director of Chong Hing Bank Limited (Stock code: 01111) and Director of GCCD.

Mr. Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in Naval Architecture, and obtained a Master of Business Administration degree from Jinan University. He holds the qualification of a Senior Engineer in China.

Mr. Li joined Yue Xiu Enterprises in December 2001 and has successively held positions including Assistant Manager of Corporate Management Department, Assistant to General Manager of Supervision and Auditing Department, Deputy General Manager of Capital Department and Deputy General Manager of Yue Xiu International Development Limited.

Mr. Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of the Group; before that, he was also involved in the successful listing of Yuexiu REIT, and has extensive practical experience in capital operations.

Independent Non-Executive Directors

Mr. CHAN Chi On Derek

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

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

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

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

Directors' and Senior Executives' Profiles

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

Mr. CHAN Chi Fai Brian

Mr. Brian Chan is an INED of the Manager.

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

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

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

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

Mr. CHEUNG Yuk Tong

Mr. Cheung is an INED of the Manager.

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

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

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

Compensation of Directors of the Manager

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

Directors' and Senior Executives' Profiles

Independence of Directors

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

SENIOR EXECUTIVES OF THE MANAGER

Mr. LIU Yongjie

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

Mr. LIN Deliang

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

Mr. CHENG Jiuzhou

Mr. Cheng is the deputy chief executive officer of the Manager. After joining GCCD in 1996, Mr. Cheng held various managerial positions in GCCD and its subsidiaries. From 2002 to 2008, Mr. Cheng was the head supervisor of asset management and the deputy chief executive officer of the Manager. Mr. Cheng subsequently became the general manager and chairman of White Horse PM and Yicheng and held office from 2008 to April 2014. On 25 April 2014, Mr. Cheng was re-appointed as the deputy chief executive officer of the Manager.

Mr. Cheng has over 18 years of experience in real estate market research and the operation and management of commercial real estate. Mr. Cheng is a China Registered Property Valuer and a China Registered Property Manager.

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

Mr. YU Tat Fung

Mr. Yu is the company secretary and appointed as the Compliance Manager on 1 March 2010 of the Manager. He is also the general manager of the Legal Department (HK) of Yue Xiu Enterprises. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property Company Limited (stock code: 00123) ("YXP") and Yuexiu Transport Infrastructure Limited (stock code: 01052) and, from January 2014, he has also been appointed as the company secretary of Yue Xiu Enterprises. Mr. Yu obtained a Bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining YXP in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

Mr. KWAN Chi Fai

Mr. Kwan is the Chief Financial Officer and one of the Responsible Officers of the Manager. Prior to joining Yue Xiu in January 2007, Mr. Kwan was the financial controller of two companies which are listed on the Stock Exchange. He has over 25 years of experience in finance, accounting and taxation.

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

Directors' and Senior Executives' Profiles

Mr. LIAO Ningjun

Mr. Liao is the assistant to Chief Executive Officer and heads the investment team of the Manager.

Prior to joining Yue Xiu group, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure. Mr. Liao has been working with Yue Xiu group since 1992. He had been the General Manager Assistant of the Finance and Accounts Department of Yue Xiu group and was the director and Deputy General Manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. Before joining the Manager, Mr. Liao is mainly responsible for corporate finance, capital restructuring and M&A and investment projects. He has more than 28 years' experience in investment, financial management and China taxation in real estate, financial and securities industries.

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

Ms. CHEN Huiqing

Ms. Chen heads the asset management team of the Manager. She joined the GCCD group in 1997 and worked in White Horse PM and Yicheng as deputy general manager. In the past 15 years, Ms. Chen was responsible for various major projects on marketing strategies, marketing and management activities. Ms. Chen has over 15 years of experience in commercial property marketing strategy and leasing management.

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

Ms. LI Jing

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

Ms. Li graduated from Tsinghua University with a bachelor degree of Engineering. Ms. Li is the holder of The Royal Institute of Chartered Surveyor's License, Fire Services Designer's License, Plumbing and Drainage Engineer's License and Property Manager's License. Ms. Li has over 21 years engineering experience and published papers in various technical publications of China.

Mr. PO Ping Wah, Alain

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

Directors' and Senior Executives' Profiles

Mr. HUANG Weijun

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

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

Mr. LI Wenzheng

Mr. Li is the general manager of the Investment Management Department, with many years of experience in real estate and M&A investment activities. Mr. Li joined the Manager in 2009 and was responsible for the property investment and acquisitions for the REIT. Before joining the Manager, he had served as the head of the corporate management department of Guangzhou City Construction and Development Group Co., Ltd. (廣州市城建開發集團有限公司), an investment director of the China office of the British Golden Bridge Investment Company (金橋投資公司), and the head of projects of the investment banking department of Guangzhou Securities (廣州證券), overseeing the businesses of property development and management, equity investment and corporate financing.

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

Mr. LIU Bihong

Mr. Liu is the deputy general manager of the compliance department of the Manager. He is mainly responsible for the prevention and management of PRC legal risks, and provides PRC legal support for company business and investment acquisitions. He also assists in compliance work to ensure that corporate events have conformed to the requirements of the regulatory bodies such as the Hong Kong Stock Exchange and the SFC. Mr. Liu has a wide range of professional knowledge and has gained professional qualifications successively in the PRC, including Chinese Lawyer Qualification (1996), Certified Public Accountant (1998), Enterprise Legal Consultant (2000) and the Qualification for Registered Tax Agent (2001).

Mr. Liu obtained a Bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1994 and graduated from the Sun Yat-sen University (中山大學) in 2005 with a Juris Master degree.

The Leasing Agents

THE LEASING AGENTS

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by YXP. It was GB/T19001-2008 and ISO9001:2008 certified in 2012.

White Horse PM was incorporated in the PRC in 1998 to provide leasing, marketing, tenancy management and property management services to White Horse Building and has been exclusively managing the property since 1998. It was GB/T19001-2008 and ISO9001:2008 certified in 2013.

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

CONFLICTS OF INTEREST

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

SEGREGATION OF OPERATIONAL LEASING AND MARKETING FUNCTIONS

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

"CHINESE WALLS"

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

CONTRACTUAL PROTECTION

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

- (i) the Leasing Agents will at all times act in the best interests of Yuexiu REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable leasing agent would use in providing similar services for comparable commercial properties in Guangzhou;
- (ii) the Leasing Agents will adhere to the organisational charts and reporting lines agreed with the Manager and will act in accordance with the directions of the Manager;

The Leasing Agents

- (iii) the Leasing Agents will implement the annual business plan and budget approved by the Manager every year and use its best endeavours to achieve the revenue targets in such approved annual business plan and budget; and
- (iv) if leasing or marketing opportunities in relation to any of the Properties become available to the Leasing Agents which the Leasing Agents, acting reasonably and in good faith, consider are or are likely to be in competition with the YXP Property Manager, the Leasing Agents will either:
 - refer all such business proposals to the Manager for vetting and confirmation before the relevant Leasing Agent proceeds with such proposals or opportunities; or
 - sub-contract to a third party leasing agent independent of the YXP Group, to devise and implement the relevant business proposal.

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

Corporate Governance

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

AUTHORISATION STRUCTURE

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

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

ROLES OF THE TRUSTEE AND MANAGER

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

FUNCTIONS OF THE BOARD

As at 31 December 2014, the board of Directors of the Manager ("Board") currently comprises six members, three of whom are INEDs.

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

Corporate Governance

ROLES OF THE KEY BOARD MEMBERS

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

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

BOARD COMPOSITION

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

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

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

BOARD MEETINGS

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

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

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

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

Corporate Governance

The Manager has held ten full Board meetings, one of which was held by means of written resolution, during the Reporting Year and the attendance of individual directors at such Board meetings is as follows:

| Members of the Board | Number of meetings attended |
|---|------------------------------------|
| Chairman and Executive Director | |
| Mr. Liu Yongjie (appointed as Chairman on 7 March 2014) | 10 |
| Executive Director | |
| Mr. Lin Deliang (appointed on 25 April 2014) | 6 |
| Non-executive Director | |
| Mr. Li Feng | 10 |
| Independent Non-executive Directors | |
| Mr. Chan Chi On, Derek | 10 |
| Mr. Chan Chi Fai, Brian | 10 |
| Mr. Cheung Yuk Tong (appointed on 7 October 2014) | 2 |
| Mr. Lee Kwan Hung, Eddie (resigned on 7 October 2014) | 8 |

BOARD COMMITTEES

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

The committees of the Board are as follows:

AUDIT COMMITTEE

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

The Audit Committee's responsibilities also include:

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

Corporate Governance

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

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

Audit Committee meeting was held during 2014 for considering and reviewing 2013 annual result, 2014 interim result, connected party transactions and other internal controls, risk management and compliance matters of Yuexiu REIT.

The attendance of members at such meetings is as follows:

| Members attended | Number of meetings attended |
|---|------------------------------------|
| Mr. Chan Chi Fai, Brian (Chairman) | 4 |
| Mr. Chan Chi On, Derek | 4 |
| Mr. Cheung Yuk Tong (appointed on 7 October 2014) | 2 |
| Mr. Lee Kwan Hung, Eddie (resigned on 7 October 2014) | 2 |

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

FINANCE AND INVESTMENT COMMITTEE

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

Finance and Investment Committee meeting was held during 2014 for reviewing 2013 annual result, 2014 interim result, Medium Term Note Programme, Bank loan refinancing and capital renovation of Yuexiu REIT.

Corporate Governance

The Finance and Investment Committee has held four meetings, one of which was held by means of written resolution, during the Reporting Year, and the attendance of members at such meetings is as follows:

| Members attended | Number of meetings attended |
|---|------------------------------------|
| Mr. Lin Deliang (Chairman) ⁽¹⁾ | 1 |
| Mr. Li Feng | 4 |
| Mr. Liu Yongjie ⁽¹⁾ | 4 |
| Mr. Chan Chi On, Derek | 4 |
| Mr. Chan Chi Fai, Brian | 4 |

⁽¹⁾ Mr. Liu ceased to be Chairman and Mr. Lin appointed as Chairman on 13 August 2014

DISCLOSURES COMMITTEE

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

The Disclosures Committee's responsibilities also include:

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

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

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

The Disclosures Committee meeting was held during 2014 for considering and reviewing results announcements, interim and annual reports, Issuance of Bond and other corporate disclosure issues of Yuexiu REIT.

Corporate Governance

The attendance of members at such meetings is as follows:

| Members attended | Number of meetings attended |
|-----------------------------------|------------------------------------|
| Mr. Chan Chi On, Derek (Chairman) | 16 |
| Mr. Liu Yongjie ⁽¹⁾ | 11 |
| Mr. Lin Deliang ⁽¹⁾ | 5 |

⁽¹⁾ Mr. Liu ceased to be member and Mr. Lin appointed as member on 13 August 2014

REMUNERATION AND NOMINATION COMMITTEE

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

Remuneration and Nomination Committee held during 2014 for nominating a non-executive director, reviewing the performance management and manpower deployment of the Yuexiu REIT and the Manager and reviewing the structure, size and composition of the board and committees.

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

| Members attended | Number of meetings attended |
|--|------------------------------------|
| Mr. Cheung Yuk Tong (Chairman) (appointed on 7 October 2014) | N/A |
| Mr. Liu Yongjie | 5 |
| Mr. Chan Chi On, Derek | 5 |
| Mr. Chan Chi Fai, Brian | 5 |
| Mr. Lee Kwan Hung, Eddie (resigned on 7 October 2014) | 5 |

INDEPENDENT BOARD COMMITTEE

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

One Independent Board Committee meeting was held for reviewing and recommending the extension of existing continuing connected party transaction waiver and proposed new annual caps for certain continuing connected party transactions during the Reporting Year.

Corporate Governance

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

During the Reporting Year, the Directors have participated in relevant seminars or readings etc. which covered topics relating to the management and related regulations, as well as compliance issues with respect to the Listing Rules and the Securities and Futures Ordinance. Based on the Director's training records, trainings received by each Director during the period from 1 January 2014 to 31 December 2014 are summarized as follows:

| Name of Directors | Readings on publications and newspapers on updated information about economics, commerce, Directors duties, etc. | Participation in trainings/briefings/corporate governance seminars/conferences relevant to Directors' duties |
|---|---|---|
| Executive Directors | | |
| Mr. LIU Yongjie | √ | √ |
| Mr. LIN Deliang (appointed on 25 April 2014) | √ | √ |
| Non-Executive Director | | |
| Mr. LI Feng | √ | √ |
| Independent Non-Executive Directors | | |
| Mr. CHAN Chi On, Derek | √ | √ |
| Mr. CHAN Chi Fai, Brian | √ | √ |
| Mr. CHEUNG Yuk Tong (appointed on 7 October 2014) | √ | √ |
| Mr. LEE Kwan Hung, Eddie (resigned on 7 October 2014) | √ | √ |

APPOINTMENT AND REMOVAL OF DIRECTORS

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

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

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

Corporate Governance

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

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

MANAGEMENT OF BUSINESS RISK

The Board meets quarterly or more frequently, if necessary, to review the financial performance of Yuexiu REIT. The Board has reviewed any risks relating to the assets of Yuexiu REIT, examined liability management and will act upon any comments from the auditors of Yuexiu REIT (where appropriate).

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

CONFLICT OF INTEREST

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

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

GENERAL MEETINGS

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

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

Corporate Governance

REPORTING AND TRANSPARENCY

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

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

DISTRIBUTION PAYMENTS

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

ISSUES OF NEW UNITS POST-LISTING

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

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

Corporate Governance

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

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

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

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

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

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

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

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

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

Corporate Governance

CONFIRMATION OF COMPLIANCE WITH CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS

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

PUBLIC FLOAT

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

COMPLIANCE WITH COMPLIANCE MANUAL

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

AUDITORS

The financial statements of Yuexiu REIT have been audited by PricewaterhouseCoopers. They have been re-appointed for performing the audit for the financial year ending 31 December 2015.

Connected Party Transactions

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

THE MANAGER AND SIGNIFICANT HOLDER GROUP

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

LEASING TRANSACTIONS

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

| Tenant | Location of unit | Relationship with Yuexiu REIT | GFA (sq.m.) | Lease | Monthly rent (RMB) | Monthly rent per sq.m. (RMB) | Rent free period (days) | Term (years) | Rental income |
|--|------------------|-------------------------------|-------------|----------------------------|--------------------|------------------------------|-------------------------|--------------|----------------------------|
| | | | | commencement/ renewal date | | | | | during 2014 Reporting Year |
| City Development Plaza | | | | | | | | | |
| Guangzhou Yicheng Property Management Limited ("Yicheng") | 1/F | an associate of the Manager | 97.00 | 1 May 2013 | 485 | 5 | 0 | 3 | 5,820 |
| Yicheng | 19/F | an associate of the Manager | 1,844.34 | 30 Jan 2013 | 217,632 | 118 | 122 | 5.33 | 2,545,798 |
| Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye") | 27, 28/F | an associate of the Manager | 3,688.68 | 16 Dec 2012 | 461,085 | 125 | 121 | 5.04 | 5,429,696 |
| Golden Eagle Asset Management Co., Ltd (金鷹基金管理有限公司) | 22, 23/F | an associate of the Manager | 3,688.68 | 16 Jan 2011 | 387,311 | 105 | 75 | 5 | 4,549,849 |
| Sub-total: | | | | | | | | | 12,531,163 |

Connected Party Transactions

| Tenant | Location of unit | Relationship with Yuexiu REIT | GFA (sq.m.) | Lease commencement/renewal date | Monthly rent (RMB) | Monthly rent per sq.m. (RMB) | Rent free period (days) | Term (years) | Rental income during 2014 Reporting Year (RMB) |
|--------|------------------|-------------------------------|-------------|---------------------------------|--------------------|------------------------------|-------------------------|--------------|--|
|--------|------------------|-------------------------------|-------------|---------------------------------|--------------------|------------------------------|-------------------------|--------------|--|

Neo Metropolis

| | | | | | | | | | |
|--|-----------------|-----------------------------|----------|------------|---------|----|---|---|-----------|
| Guangzhou White Horse Clothings Market Ltd | Basement 2, 3/F | an associate of the Manager | 7,621.03 | 1 Jan 2013 | 100,000 | 13 | 0 | 3 | 1,200,000 |
| Sub-total: 1,200,000 | | | | | | | | | |

| Tenant | Location of unit | Relationship with Yuexiu REIT | GFA (sq.m.) | Lease commencement/renewal date | Monthly rent (RMB) | Monthly rent per sq.m. (RMB) | Rent free period (days) | Term (years) | Rental income during 2014 Reporting Year (RMB) |
|--------|------------------|-------------------------------|-------------|---------------------------------|--------------------|------------------------------|-------------------------|--------------|--|
|--------|------------------|-------------------------------|-------------|---------------------------------|--------------------|------------------------------|-------------------------|--------------|--|

Fortune Plaza

| | | | | | | | | | |
|---------------------------|----------------|-----------------------------|--------|------------|--------|-----|----|---|---------|
| 廣州越秀小額貸款有限公司 | Podium 303 | an associate of the Manager | 501.05 | 1 Apr 2013 | 55,116 | 110 | 61 | 4 | 663,738 |
| Xingye | East Tower 808 | an associate of the Manager | 188.80 | 1 Apr 2013 | 26,432 | 140 | 0 | 2 | 317,184 |
| Sub-total: 980,922 | | | | | | | | | |

Connected Party Transactions

| Tenant | Location of unit | Relationship with Yuexiu REIT | Lease | | Monthly rent (RMB) | Monthly rent per sq.m. (RMB) | Rent free period (days) | Term (years) | Rental income |
|--|--------------------------|-------------------------------|-------------|---------------------------|--------------------|------------------------------|-------------------------|--------------|---------------|
| | | | GFA (sq.m.) | commencement/renewal date | | | | | during 2014 |
| | | | | | | | | Reporting | |
| | | | | | | | | Year | |
| | | | | | | | | (RMB) | |
| GZIFC | | | | | | | | | |
| Guangzhou Yuexiu Holdings Limited | 0601-A ⁽¹⁾ | an associate of the Manager | 489.11 | 1 Jan 2013 | 97,334 | 199 | 0 | 3 | 1,897,571 |
| Guangzhou Grandcity Development Ltd. | 0601-G, H ⁽²⁾ | an associate of the Manager | 1,612.66 | 1 Jan 2013 | 320,918 | 199 | 0 | 3 | 3,412,864 |
| GCCD | 1501, 1601 | an associate of the Manager | 6,297.82 | 1 Jan 2013 | 1,391,818 | 221 | 0 | 3 | 17,610,684 |
| GCCD | 5801-A, 04, 05, 06, 07 | an associate of the Manager | 2,076.80 | 1 Jun 2013 | 535,814 | 258 | 0 | 3 | 6,750,452 |
| Guangzhou Yuexiu Holdings Limited | 5801-B, 02, 03 | an associate of the Manager | 1,384.53 | 1 Jun 2013 | 357,209 | 258 | 0 | 3 | 4,500,289 |
| Guangzhou Yuexiu Holdings Limited | 6401, 6501 | an associate of the Manager | 6,509.02 | 1 Jan 2013 | 2,089,396 | 321 | 0 | 3 | 26,461,770 |
| GCCD | 0440-E, F | an associate of the Manager | 1,112.51 | 1 Jan 2014 | 196,914 | 177 | 0 | 1 | 2,362,966 |
| Guangzhou Yuexiu Holdings Limited | 0440-H | an associate of the Manager | 476.79 | 1 Jan 2014 | 84,392 | 177 | 0 | 1 | 1,012,703 |
| Guangzhou Guang Zheng Hang Seng Securities Investment Advisory Co., Ltd. (廣州廣證恒生證券投資諮詢有限公司) ⁽¹⁾ | 6301-C | an associate of the Manager | 724.35 | 1 Jun 2012 | 231,792 | 320 | 0 | 3 | 2,817,902 |
| Guangzhou Grandcity Development Ltd. | 1101, 1401 | an associate of the Manager | 6,062.80 | 1 Jan 2013 | 1,339,878 | 221 | 0 | 3 | 16,953,476 |
| Guangzhou Suiqiao Development Co. Ltd. (廣州穗橋發展有限公司) | 1701-D | an associate of the Manager | 201.17 | 1 Jan 2012 | 46,470 | 231 | 0 | 3 | 564,932 |
| Guangzhou Yuexiu Asset Management Company Limited ("GZAM") | 0601-E | an associate of the Manager | 46.25 | 1 Jul 2013 | 9,204 | 199 | 0 | 1.5 | 111,898 |
| GZAM | 0601-D | an associate of the Manager | 138.72 | 1 Sep 2013 | 27,605 | 199 | 0 | 3 | 335,614 |
| GZAM | 1701-E ⁽³⁾ | an associate of the Manager | 856.70 | 1 April 2013 | 196,184 | 229 | 0 | 1.5 | 2,454,432 |
| GZAM | 0440-D | an associate of the Manager | 193.62 | 1 April 2014 | 34,270 | 177 | 0 | 1 | 411,238 |
| Guangzhou Yue Peng Information Ltd. (廣州越鵬信息有限公司) | 1701-C | an associate of the Manager | 267.09 | 1 Jan 2012 | 61,698 | 231 | 0 | 3 | 750,057 |
| Guangzhou Yue Tong Expressway Operations and Management Company Limited (廣州越通公路運營管理有限公司) | 1701-B | an associate of the Manager | 261.52 | 1 Jan 2012 | 60,411 | 231 | 0 | 3 | 734,409 |
| Yuexiu (China) Transport Infrastructure Investment Company Limited | 0440-A | an associate of the Manager | 184.94 | 1 Jan 2014 | 32,734 | 177 | 0 | 1 | 392,809 |
| Guangzhou Yuexiu Industrial Investment Management Co., Ltd. (廣州越秀產業投資管理有限公司) ⁽⁸⁾ | 6301-A, E | an associate of the Manager | 695.58 | 1 Jan 2012 | 222,907 | 320 | 0 | 3 | 2,661,982 |
| Guangzhou Yuexiu Industrial Investment Management Co., Ltd. (廣州越秀產業投資管理有限公司) ⁽⁸⁾ | 0440-C | an associate of the Manager | 72.24 | 1 Jan 2014 | 12,787 | 177 | 0 | 1 | 153,442 |

Connected Party Transactions

| Tenant | Location of unit | Relationship with Yuexiu REIT | Lease | | Monthly rent (RMB) | Monthly rent per sq.m. (RMB) | Rent free period (days) | Term (years) | Rental income |
|---|--|-------------------------------|-------------|---------------------------|--------------------|------------------------------|-------------------------|--------------|---------------|
| | | | GFA (sq.m.) | commencement/renewal date | | | | | during 2014 |
| | | | | | | | | Reporting | Year |
| | | | | | | | | | (RMB) |
| 廣州越秀金融家俱樂部有限公司 | the 27th and 28th floors, North Tower of the annex building ⁽⁵⁾ | an associate of the Manager | 1,865.17 | 25 Feb 2012 | 466,293 | 250 | 0 | 3 | 2,759,890 |
| Guangzhou Yuexiu Finance Holdings Co., Ltd. (廣州越秀金融投資集團有限公司) ⁽¹⁰⁾ | 0601-B | an associate of the Manager | 225.09 | 1 Jan 2012 | 44,793 | 199 | 0 | 3 | 544,584 |
| Guangzhou Yuexiu Finance Holdings Co., Ltd. (廣州越秀金融投資集團有限公司) ⁽¹⁰⁾ | 6301-B | an associate of the Manager | 930.54 | 1 Jan 2012 | 297,771 | 320 | 0 | 3 | 3,556,027 |
| Guangzhou Yuexiu Finance Holdings Co., Ltd. (廣州越秀金融投資集團有限公司) ⁽¹⁰⁾ | 0440-B | an associate of the Manager | 92.47 | 1 Jan 2014 | 16,367 | 177 | 0 | 1 | 196,403 |
| Guangzhou Yuexiu Financial Leasing Co., Ltd. (廣州越秀融資租賃有限公司) ("GZYFL") | 6301-D, F | an associate of the Manager | 860.73 | 1 Jun 2013 | 275,434 | 320 | 0 | 3 | 3,443,297 |
| GZAM | 3801-3803 ⁽⁴⁾ | an associate of the Manager | 842.52 | 1 Nov 2012 | 197,992 | 235 | 0 | 2 | 2,397,985 |
| GZYFL | 5604 | an associate of the Manager | 533.50 | 15 Jul 2013 | 137,643 | 258 | 0 | 2 | 1,651,716 |
| 廣州證券有限責任公司 ⁽⁸⁾ | 0601-C | an associate of the Manager | 245.03 | 1 Jan 2012 | 48,761 | 199 | 0 | 3 | 592,822 |
| 廣州證券有限責任公司 ⁽⁸⁾ | 1901, 2001 | an associate of the Manager | 6,406.78 | 1 Jan 2012 | 1,512,000 | 236 | 0 | 3 | 18,520,512 |
| 廣州證券有限責任公司 ⁽⁸⁾ | 0440-G | an associate of the Manager | 392.99 | 1 Jan 2014 | 69,560 | 177 | 0 | 1 | 834,719 |
| Yuexiu (China) Transport Infrastructure Investment Company Limited | 0601-F | an associate of the Manager | 125.44 | 1 Jan 2012 | 24,963 | 199 | 0 | 3 | 303,490 |
| Yuexiu (China) Transport Infrastructure Investment Company Limited | 1701-A | an associate of the Manager | 1,586.47 | 1 Jan 2012 | 366,475 | 231 | 0 | 3 | 4,455,183 |
| GCCD | 1001-1012 | an associate of the Manager | 2,972.84 | 1 Jun 2013 | 594,572 | 200 | 0 | 3 | 7,247,163 |
| Beijing Jones Lang LaSalle Property Management Services Company Limited, Guangzhou Branch | 2403 | an associate of the Manager | 534.80 | 16 Jan 2013 | 112,308 | 210 | 0 | 3 | 1,248,333 |
| GZYFL | 0440-I | an associate of the Manager | 130.03 | 1 Jan 2014 | 23,015 | 177 | 0 | 1 | 276,181 |
| Guangzhou Guang Zheng Hang Seng Securities Investment Advisory Co., Ltd. (廣州廣證恒生證券投資諮詢有限公司) ⁽¹¹⁾ | 0440-J | an associate of the Manager | 43.34 | 1 Jan 2014 | 7,672 | 177 | 0 | 1 | 92,064 |
| Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZYXJLL") | Carpark ⁽⁵⁾ | an associate of the Manager | 71,082.79 | 1 Jul 2013 | 1,187,000 | 17 | 0 | 1 | 14,157,000 |

Connected Party Transactions

| Tenant | Location of unit | Relationship with Yuexiu REIT | GFA (sq.m.) | Lease | Monthly rent (RMB) | Monthly | Rent free | Term (years) | Rental income |
|---|---------------------------------|-------------------------------|-------------|-------------------------------|--------------------|----------------------|---------------|--------------|-------------------------------------|
| | | | | commencement/ renewal date | | rent per sq.m. (RMB) | period (days) | | during 2014 Reporting Year (RMB) |
| Chong Hing Bank Limited Shantou Branch | podium 103 - 203 ⁽⁷⁾ | an associate of the Manager | 631.28 | 1 Jul 2014 | 233,068 | 369 | 0 | 3 | 1,314,709 |
| Guangzhou Yuexiu Financial Holdings Co., Ltd. (廣州越秀金融投資集團有限公司) ⁽¹⁰⁾ | 3601 | an associate of the Manager | 283.16 | 1 Apr 2014 | 71,356 | 252 | 0 | 1.25 | 623,975 |
| Sub-total: | | | | | | | | | 156,567,543 |
| Total: | | | | | | | | | 171,279,628 |

- (1) On 1 October 2014, Guangzhou Yuexiu Holdings Limited entered into a lease with IFC Company to renew the lease of unit 601A of GZIFC and increased the rentable area from 489.11sq.m. to 1,224.74sq.m. commencing 1 October 2014, and the unit price of rent remain unchanged.
- (2) On 1 October 2014, Guangzhou Grandcity Development Ltd. entered into a lease with IFC Company to renew the lease of unit 601GH of GZIFC and decreased the rentable area from 1,612.6sq.m. to 877.03sq.m. commencing 1 October 2014, and the unit price of rent remain unchanged.
- (3) On 1 October 2014, GZAM entered into a lease with IFC Company in respect of units 1701E of GZIFC, renewing the existing term for 8 months commencing 1 October 2014, at an adjusted rent of RMB249/sq. meter/month.
- (4) On 1 November 2014, GZAM entered into a lease with IFC Company in respect of units 3801-03 of GZIFC, renewing the existing term for 7 months commencing 1 November 2014, at an adjusted rent of RMB247/sq. meter/month.
- (5) On 1 July 2014, GZYXJLL entered into a lease with IFC Company in respect of Carpark of GZIFC, renewing the existing term for 1 year commencing 1 July 2014, and the unit price of rent remain unchanged.
- (6) The tenant of 27th and 28th floors, North Tower of the annex building has been changed from 廣州越秀金融家俱樂部有限公司 to an independent third party on 30 June 2014, as negotiated, with all terms of the tenancy agreement remain unchanged.
- (7) The lease entered into between Chong Hing Bank Limited Shantou Branch and IFC Company in respect of the unit 103, 203 of the Podium has been effective on 1 July 2014, and the unit price of rent is RMB349/sq. meter/month.
- (8) 廣州證券有限責任公司 was renamed to Guangzhou Securities Company Limited(廣州證券股份有限公司) effective from 1 September 2014.
- (9) Guangzhou Yuexiu Industrial Investment Management Co., Ltd. (廣州越秀產業投資管理有限公司) was renamed to Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. (廣州越秀產業投資基金管理有限公司) effective from 1 May 2014.
- (10) Guangzhou Yuexiu Finance Holdings Co., Ltd. (廣州越秀金融投資集團有限公司) was renamed to Guangzhou Yuexiu Financial Holdings Group Co., Ltd (廣州越秀金融控股集團有限公司) effective from 1 May 2014.
- (11) Guangzhou Guang Zheng Hang Seng Securities Investment Advisory Co., Ltd. (廣州廣證恒生證券投資諮詢有限公司) was renamed to Guangzhou Guang Zheng Hang Seng Research Co., Ltd. (廣州廣證恒生證券研究所有限公司) effective from 1 April 2014.

Connected Party Transactions

PROPERTY MANAGEMENT AGREEMENTS

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

| Property Manager | Relationship with Yuexiu REIT | Property | Date of Agreement | Nature of transaction | Amount paid/ payable for 2014 Reporting Year (RMB) |
|--|-------------------------------|------------------------|-------------------|-------------------------------|--|
| Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM") | an associate of the Manager | White Horse Building | 1 Jan 2014 | Property Management Agreement | N/A |
| Yicheng | an associate of the Manager | Fortune Plaza | 1 Jan 2014 | Property Management Agreement | N/A |
| Yicheng | an associate of the Manager | City Development Plaza | 19 July 2013 | Property Management Agreement | N/A |
| Yicheng | an associate of the Manager | Victory Plaza | 7 Dec 2005 | Property Management Agreement | N/A |
| Yicheng | an associate of the Manager | Neo Metropolis | 1 Jan 2014 | Property Management Agreement | N/A |
| GZYXJLL | an associate of the Manager | GZIFC | 1 Sep 2009 | Property Management Agreement | N/A |

TENANCY SERVICES AGREEMENTS

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

| Service provider | Relationship with Yuexiu REIT | Property | Date of Agreement | Nature of transaction | Amount paid/ payable for 2014 Reporting Year (RMB) |
|------------------|-------------------------------|---------------------------------------|-------------------|----------------------------|--|
| White Horse PM | an associate of the Manager | White Horse Building | 15 Aug 2013 | Tenancy Services Agreement | 10,984,000 |
| Yicheng | an associate of the Manager | Fortune Plaza | 15 Aug 2013 | Tenancy Services Agreement | 2,724,000 |
| Yicheng | an associate of the Manager | City Development Plaza | 15 Aug 2013 | Tenancy Services Agreement | 2,377,000 |
| Yicheng | an associate of the Manager | Victory Plaza | 15 Aug 2013 | Tenancy Services Agreement | 2,140,000 |
| Yicheng | an associate of the Manager | Neo Metropolis and Fortune Plaza 1701 | 15 Aug 2013 | Tenancy Services Agreement | 2,534,000 |
| GZAM | an associate of the Manager | GZIFC | 8 Oct 2012 | Tenancy Services Agreement | 12,363,000 |

Connected Party Transactions

TRADE MARK LICENCE AGREEMENTS

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

| Grantor | Relationship with Yuexiu REIT | Property | Nature of Transaction | Amount paid/ payable for 2014 Reporting Year | Licence Period |
|---|-------------------------------|----------------------|----------------------------------|--|--|
| White Horse PM | an associate of the Manager | White Horse Building | Trade Mark Licence Agreement (6) | — | 1 January 2007 to 27 November 2016 and 30 January 2017 |
| Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ⁽¹⁾ | an associate of the Manager | Fortune Plaza | Trade Mark Licence Agreement | — | Perpetuity (subject to early termination terms) |

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

NAMING RIGHTS AGREEMENT

The following table sets forth information for the period in relation to the naming rights granted by Yuexiu REIT to the connected parties:

| Naming Party | Relationship with Yuexiu REIT | Property | Nature of Transaction | Amount paid/ payable for 2014 Reporting Year (RMB) | Naming Rights Period |
|--------------|-------------------------------|----------|-----------------------|--|---------------------------------|
| YXP | Major Unitholder | GZIFC | Naming Rights | 20,000,000 | 1 July 2012 to 31 December 2014 |

CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

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

| Engineering Settlement Agent | Relationship with Yuexiu REIT | Date of the Agreement | Balance of Prepaid Construction Payable for 2014 Reporting Year (RMB) | Nature of Transaction | Amount received/ receivable for 2014 Reporting Year (RMB) |
|------------------------------|-------------------------------|-----------------------|---|---|---|
| GCCD | an associate of the Manager | 4 May 2012 | 508,081,600 | Interest on the balance of construction payable | 52,249,000 |

Connected Party Transactions

GUARANTEE FROM FOUNDING SHAREHOLDERS

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

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of Yuexiu REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with Yuexiu REIT as a result of their connection with the Manager has been granted by the SFC on 20 July 2012, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors ("INED") and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 30 June 2012.

HSBC GROUP*

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

CORPORATE FINANCE TRANSACTIONS AND ORDINARY BANKING SERVICES

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

| Nature of transaction | Date of agreement | Principal amount | Amount of fees paid/payable within the 2014 Reporting Year | Amount of interest paid/payable within the 2014 Reporting Year |
|-----------------------|-------------------|------------------|--|--|
| Loan ⁽¹⁾ | 13 December 2013 | HK\$350,000,000 | — | RMB6,879,000 |

⁽¹⁾ HSBC was one of the lending banks.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, Metrogold Development Ltd ("Metrogold"), Ever Joint Investment International Limited ("Ever Joint"), Long Grace Holdings Limited ("Long Grace"), Profit Link Investment International Limited ("Profit Link"), San Bright Holdings Limited ("San Bright") and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm's length and on commercial terms for deposits during the 2014 Reporting Year.

Connected Party Transactions

WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure requirement and Unitholders' approval under Chapter 8 of the REIT Code in respect of the transactions with connected persons of the Trustee has been granted by the SFC on 11 December 2014 subject to specific caps on fees payable by Yuexiu REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

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

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

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

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2014 Reporting Year.

MANAGER'S FEES

During the 2014 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB105,713,000, 95% of which was settled by the issuance of new Units, and 5% was settled in cash.

TRUSTEE'S FEES

During the 2014 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB7,609,000.

PRINCIPAL VALUER'S FEES

During the 2014 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was RMB791,000.

Connected Party Transactions

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

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

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

Interests and Short Positions in the Units:

| Name of Director | Nature of Interest | As at 1 January 2014 | | As at 31 December 2014 | | % Change in Holdings |
|-------------------------|--------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|----------------------|
| | | Beneficial interests in Units | Approximate % of interest | Beneficial interests in Units | Approximate % of interest | |
| Mr. Liu Yongjie | — | Nil | — | Nil | — | — |
| Mr. Lin Deliang | — | Nil | — | Nil | — | — |
| Mr. Li Feng | — | 1,825 | 0.000066% | 1,825 | 0.000065% | (0.000001) |
| Mr. Chan Chi On, Derek | — | Nil | — | Nil | — | — |
| Mr. Chan Chi Fai, Brian | — | Nil | — | Nil | — | — |
| Mr. Cheung Yuk Tong | — | Nil | — | Nil | — | — |

Holdings of Significant Holders

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

Long position in the Units:

| Name of Substantial Unitholder | Nature of Interest | As at 1 January 2014 | | As at 31 December 2014 | | % Change of interest |
|---|--------------------|------------------------------|---------------------------|------------------------------|---------------------------|----------------------|
| | | Interests in Units | Approximate % of interest | Interests in Units | Approximate % of interest | |
| Guangzhou Yuexiu Holdings Limited ("GZYX") ⁽¹⁾ | Deemed | 1,729,875,904 ⁽³⁾ | 62.52% | 1,762,973,259 ⁽³⁾ | 62.97% ⁽⁴⁾ | 0.45% |
| | Total | 1,729,875,904 ⁽³⁾ | 62.52% | 1,762,973,259 ⁽³⁾ | 62.97% ⁽⁴⁾ | 0.45% |
| Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") | Beneficial | 27,320 | — | 27,320 | — | — |
| | Deemed | 1,729,848,584 ⁽³⁾ | 62.52% | 1,762,945,939 ⁽³⁾ | 62.97% ⁽⁴⁾ | 0.45% |
| | Total | 1,729,875,904 ⁽³⁾ | 62.52% | 1,762,973,259 ⁽³⁾ | 62.97% ⁽⁴⁾ | 0.45% |
| YXP ⁽²⁾ | Beneficial | — | — | — | — | — |
| | Deemed | 1,720,614,319 ⁽³⁾ | 62.19% | 1,753,711,674 ⁽³⁾ | 62.64% ⁽⁴⁾ | 0.45% |
| | Total | 1,720,614,319 ⁽³⁾ | 62.19% | 1,753,711,674 ⁽³⁾ | 62.64% ⁽⁴⁾ | 0.45% |
| Dragon Yield Holding Limited ("Dragon Yield") | Beneficial | 1,697,125,730 ⁽³⁾ | 61.34% | 1,697,125,730 ⁽³⁾ | 60.62% ⁽⁴⁾ | (0.72%) |
| | Deemed | — | — | — | — | — |
| | Total | 1,697,125,730 ⁽³⁾ | 61.34% | 1,697,125,730 ⁽³⁾ | 60.62% ⁽⁴⁾ | (0.72%) |
| Yuexiu International Investment Limited ("YXII") | Beneficial | 23,488,589 | 0.85% | 56,585,944 | 2.02% | 1.17% |
| | Deemed | — | — | — | — | — |
| | Total | 23,488,589 | 0.85% | 56,585,944 | 2.02% | 1.17% |

Connected Party Transactions

⁽¹⁾ Further information in relation to interests of corporations controlled by GZYZ:

| Name of Controlled Corporation | Name of Controlling Shareholder | % Control | Direct interest (Y/N) | Number of Shares | |
|------------------------------------|------------------------------------|-----------|--------------------------|------------------------------|----------------|
| | | | | Long Position | Short Position |
| Yue Xiu | GZYZ | 100.00 | Y | 27,320 | — |
| | GZYZ | 100.00 | N | 1,762,945,939 ⁽³⁾ | — |
| Excellence Enterprises Co., Ltd. | Yue Xiu | 100.00 | N | 1,761,646,709 ⁽³⁾ | — |
| Bosworth International Limited | Excellence Enterprises Co., Ltd. | 100.00 | N | 1,753,711,674 ⁽³⁾ | — |
| Bosworth International Limited | Excellence Enterprises Co., Ltd. | 100.00 | Y | 5,698,282 | — |
| YXP | Bosworth International Limited | 33.89 | N | 1,753,711,674 ⁽³⁾ | — |
| Dragon Yield | YXP | 100.00 | Y | 1,697,125,730 ⁽³⁾ | — |
| Sun Peak Enterprises Ltd. | Excellence Enterprises Co., Ltd. | 100.00 | N | 1,414,207 | — |
| Novena Pacific Limited | Sun Peak Enterprises Ltd. | 100.00 | Y | 1,414,207 | — |
| Shine Wah Worldwide Limited | Excellence Enterprises Co., Ltd. | 100.00 | N | 395,122 | — |
| Morrison Pacific Limited | Shine Wah Worldwide Limited | 100.00 | Y | 395,122 | — |
| Perfect Goal Development Co., Ltd. | Excellence Enterprises Co., Ltd. | 100.00 | N | 339,342 | — |
| Greenwood Pacific Limited | Perfect Goal Development Co., Ltd. | 100.00 | Y | 339,342 | — |
| Seaport Development Limited | Excellence Enterprises Co., Ltd. | 100.00 | N | 88,082 | — |
| Goldstock International Limited | Seaport Development Limited | 100.00 | Y | 88,082 | — |
| Yue Xiu Finance Company Limited | Yue Xiu | 100.00 | Y | 1,299,230 | — |
| YXII | YXP | 100.00 | Y | 56,585,944 | — |

⁽²⁾ The deemed interest in 1,753,711,674 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of YXP.

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

⁽⁴⁾ After deducting the unissued deferred units, the approximate interest held by GZYZ and Yue Xiu will be approximately 36.78%, while the approximate interest in Yuexiu REIT held by YXP, Dragon Yield and YXII will be approximately 36.45%.

Connected Party Transactions

Holdings of Senior Executives of the Manager

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

| Name of Senior Executive | Nature of interest | As at 1 January 2014 | | As at 31 December 2014 | | % Change of interest |
|--------------------------|-------------------------|----------------------|---------------------------|------------------------|---------------------------|----------------------|
| | | Interests in Units | Approximate % of interest | Interests in Units | Approximate % of interest | |
| Mr. Cheng Jiuzhou | Personal | 480 | 0.000017% | 480 | 0.000017% | — |
| Mr. Liao Ningjun | Personal | 1,250 | 0.000045% | 1,250 | 0.000045% | — |
| Ms. Chen Huiqing | Personal ⁽¹⁾ | 510 | 0.000018% | 510 | 0.000018% | — |
| Ms. Ou Haijing | Personal | 1,000 | 0.000036% | 1,000 | 0.000036% | — |
| Mr. Liu Bihong | Personal | 225 | 0.000008% | 225 | 0.000008% | — |

⁽¹⁾ 255 units held by spouse

Holdings of Other Connected Person

| Name | Nature of interest | As at 1 January 2014 | | As at 31 December 2014 | | % Change of interest |
|---------|-----------------------|----------------------|---------------------------|------------------------|---------------------------|----------------------|
| | | Interests in Units | Approximate % of interest | Interests in Units | Approximate % of interest | |
| Trustee | Deemed ⁽¹⁾ | — | — | 437,040 | 0.0156% | 0.0156% |

⁽¹⁾ Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 31 December 2014.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Savills and Vigers holding any Units as at 31 December 2014.

Investor Relations

The Manager highly values investor relations management and fully recognizes the importance of maintaining the smooth and timely communication with investors. Over the years, the manager has been endeavouring to enhance the quality and standard of investor relations by strengthening communication between the Yuexiu REIT and investors to elevate the investing public's in-depth understanding of the Yuexiu REIT, and establish the Yuexiu REIT's good market image.

COMMUNICATION ACTIVITIES WITH UNITHOLDERS AND INVESTORS

With the gradual maturity of GZIFC during this year, attention of capital markets on the Yuexiu REIT was raised continuously while we also significantly strengthened our efforts in investor relations by fully utilizing various investor communication channels, such as analysts' meetings and press conferences for interim and annual results, annual general meeting of unitholders, roadshows and promotional activities, investment seminars held by investment banks, conference calls, on-site visits to investment projects by investors and media and continuous updating website contents, to enhance the investing public's understanding of the Yuexiu REIT. During the year, the Manager's management and the investor relations team participated in a total of 59 meetings in 14 large-scale investment seminars held by investment banks, 34 roadshows for investors and 13 on-site visits to our projects.

MAJOR ROAD SHOWS AND INVESTORS' MEETINGS IN 2014

| Month | Place | Activities |
|-------|-----------|---|
| March | Hong Kong | Held the analyst meeting and press conference for the 2013 annual results announcement |
| | Singapore | Participated in the 2013 annual results road show conference organized by Goldman Sachs |
| | Hong Kong | Participated in the 2013 annual results road show conference organized by Citibank |
| | Shanghai | Participated in the 2013 annual results road show conference organized by BOC International |
| | Beijing | Participated in the 2013 annual results road show conference organized by BOC International |
| April | Hong Kong | Participated in the Asia Pacific Property Corporate Day (APREA Investor Day) organized by Macquarie |
| May | Hong Kong | Participated in the Greater China Conference organized by Macquarie |
| | Hong Kong | Participated in the Fifth Annual HK Summit organized by Morgan Stanley |
| June | Beijing | Participated in the Global China Summit 2014 organized by JP Morgan |
| | Hong Kong | Participated in the Asia-Pacific Property Conference organized by Citibank |
| | Singapore | Participated in the China Property Corporate Day organized by Credit Suisse |

Investor Relations

| Month | Place | Activities |
|-----------|-----------|--|
| August | Hong Kong | Held the analyst meeting and press conference for the 2014 interim results announcement |
| | Hong Kong | Participated in the 2014 interim results road show conference organized by Goldman Sachs |
| | Singapore | Participated in the 2014 interim results road show conference organized by DBS |
| | Beijing | Participated in the 2014 interim results road show conference organized by CICC |
| September | Shanghai | Participated in the 2014 interim results road show conference organized by CICC |
| | Tokyo | Participated in the Pan-Asia REIT Day organized by Daiwa Capital |
| | Hong Kong | Participated in the Fifth Daiwa REIT Day organized by Daiwa Capital |
| October | Hong Kong | Participated in the Bond Investors conference organized by Standard Chartered |
| | London | Participated in the Great China Corporate Day organized by Macquarie |
| November | Macau | Participated in the China Investor Conference 2014 organized by Citibank |
| | Singapore | Participated in the Thirteenth Annual Asia Pacific Summit organized by Morgan Stanley |
| | Hong Kong | Participated in the Greater China CEO Summit 2014 organized by Goldman Sachs |
| | Shenzhen | Participated in the Overseas Market Investors Conference organized by Industrial Securities(Hong Kong) |

ANALYSIS COVERAGE

With continuous and steady growth of the Yuexiu REIT's business, in particular the continuous excellent results performance of the portfolio of properties after the injection of GZIFC, the capital market was increasingly interested in the performance of the REIT in 2014. A number of securities institutions published a number of research reports on the Yuexiu REIT during the year. A total of 7 securities institutions (including Morgan Stanley, BOC International, Citibank, Goldman Sachs, Bank of America Merrill Lynch, Macquarie and Daiwa Capital) had published research reports during the year, and most of the research reports recommended the rating of "Buy in", indicating that the analysts were optimistic about the future development prospects of the Yuexiu REIT.

Investor Relations

AWARDS

Yuexiu REIT is the first Hong Kong listed real estate investment trust with properties all located in the PRC. By leveraging on its good corporate governance, bright development prospects and professional efforts in investor relations, it had won the award of "Hong Kong Outstanding Enterprises 2014" by "Economic Digest" and the gold award of "Corporate Governance 2014" by "The Asset". These awards demonstrated that the Yuexiu REIT has won the confirmation and recognition of capital markets in Hong Kong, which is favourable for the Yuexiu REIT to enhance its brand image.

PROSPECT

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

Property Valuation Report

Yuexiu REIT Asset Management Limited

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

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



AND

HSBC Institutional Trust Services (Asia) Limited

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

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

13 February 2015

Our Ref.: DC/FW/SN/WW/VA21112-2014

Dear Sirs,

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

We refer to the joint instruction from the Manager and the Trustee of "Yuexiu Real Estate Investment Trust" ("Yuexiu REIT") for us to assess the market values of various properties (individually referred to as the "Subject Property" and collectively referred to as the "Subject Properties") located in the People's Republic of China (the "PRC") as listed in the attached Summary of Values in existing state and physical condition as at 31st December 2014 ("Valuation Date") for accounting purpose. We confirm that we have inspected the Subject Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of values of the Subject Properties as at the Valuation Date.

BASIS OF VALUE

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

Property Valuation Report

VALUATION APPROACHES

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

Income Capitalization Method

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

Discount Cash Flow Analysis

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

Supportive Method – Comparison Method of Valuation

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

Approach to Value

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

Property Valuation Report

TITLE INVESTIGATIONS

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

VALUATION CONSIDERATION

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

On-site inspections to the Subject Properties were carried out by Mr. David W. I. Cheung *MRICS MHKIS RPS(GP) CREA*, Mr. Franky C. H. Wong *MSc(RealEst) MCIM MRICS MHKIS RPS(GP)*, Mr. Stephen C. H. Ng *BSc(Hons)* and Ms. Wendy Y. X. Wu *BCom(Finance)* on 16th January 2015 and 17th January 2015 but we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Subject Properties is free from any structural or non-structural defect.

MARKET COMMENTARY

Overview

Growth of gross domestic product ("GDP") in Guangzhou was estimated to above 8% per annum in Year-2014 compared to 11.6% in Year-2013, against the national level of 7.7% and 7.4% over the same period respectively. Guangzhou consumer price index ("CPI") rose 2.3% year-on-year in 2014, down 30 basis points against 2013, ranking 11th among the 36 major cities in China, according to the National Bureau of Statistics. The CPI growth was driven mainly by food and beverage sector, whilst the contribution from residential sector dropped as the market sentiment managed to stabilize tracking favourable housing policies announced by the Government in the 4th quarter of 2014. Guangzhou unemployment rate stood at 5.22% in September 2014, up 0.31% year-on-year, according to Guangzhou Municipal Labour Employment Service Administration Centre. The data has reflected lower labour demand in residential property sector resulting from unfavourable residential market sentiment, and a declining labour demand as high-end service consumption retreated considering the recent anti-corruption policies in China. On mortgage front, second home buyers without outstanding mortgage loans can now enjoy the same mortgage loan rate as first home buyers do. Additionally, home-buyers have been benefiting from lower mortgage cost upon the adjustment of one-year benchmark loan interest rate to 5.6% from 6% by the central bank; and the loan rate for terms above five years has been lowered to 4.25% from 4.5% by the Guangzhou Housing Provident Fund Department. Meanwhile, the establishment of Free Trade Zone in Nansha, Guangzhou has been approved by the Government, leading to a boost in housing and warehouse market in Nansha.

Property Valuation Report

Retail

Riding on the traditional shopping season, retail sales in Guangzhou improved in the second half of 2014. Shopping centres' vacancy rate estimated to stand at above 12% in Year-2014 compared to 12.7% in Year-2013 and five-year average of 12.1%, since most landlords have already taken rental or rent free period concessions for their projects located in emerging areas like Panyu District and Baiyun Districts. District-wise, Yuexiu District posted the lowest vacancy of just 5% only; whilst Panyu District saw an astonishing high vacancy rate of close to 29% at present. Anyhow, successful soft opening in new projects, especially in emerging areas, has capped the further upside risk in vacancy of these districts. The average rental in Tianhe District has ranked the top at around RMB1,100 per square metre per month. In contrast, Panyu, Baiyun and Haizhu Districts have stayed at the lower range of RMB200 to RMB500 per square metre per month on continued high supply. Competition among shopping centres remained fierce amid the surging sales through the internet. In fact, some landlords were reviewing and fine-tuning their tenant mix in the last few years. On the other hand, driven by the increase in population and consumption capacity in non-core areas, a couple of developers have already planned to build large shopping centres in emerging districts to tap the market, leading to a healthy development of the overall Guangzhou retail property market.

Office

During 2012 to 2014, the growing trend of Guangzhou office in terms of number of new supplies launched and rent have been slowed down. Grade A office supply remained at about 3.4 million square metres. In the 3rd quarter of 2014, the vacancy rate was 11.5% compared to 12.6% in Year-2012, reflecting a 1.1 percentage point decline in two years, reflecting the promotions for pre-leased projects were effective for tenants. The leasing market of Guangzhou Grade A office tended to be moderate in Year-2012 to Year-2014. Average rental of Grade A office was RMB153 per square metre per month in the 3rd quarter of 2014 against RMB148.3 per square metre per month in the same quarter in Year-2012, up 2.3% year-on-year and 3.17% within two years. Tenants from overseas education, finance, insurance, and information technology communication sectors were the main drivers for the leasing market, reflecting that the demand from domestic economy is growing up. Looking ahead, most Grade A office in Guangzhou such as Yue Xiu Fortune Building and CTF Finance Centre will be available for pre-lease in Year-2015 and Year-2016 respectively. More than 400,000 square metres of new office supply in the core commercial district are expected in Year-2015; and about 70% will be located in Zhujiang New Town.

Serviced Apartment

From 2012 to 2014, serviced apartments market in Guangzhou remained active. Both occupancy performance and monthly rent of serviced apartments went on an upward trend. Vacancy rate of serviced apartments was seen to stay at 18.2% and the monthly rent per square metre was RMB186 on average. The vacancy rate continued to fell throughout these two years despite the occasional rises attributed to new supply and traditional low season. In the third quarter of Year-2014, average vacancy of serviced apartments in Guangzhou dropped to 15.2%, down 2.5% year-on-year and the monthly rent rose to RMB207 per square metre per month. Demand for serviced apartments in Guangzhou is mainly contributed by foreign manufacturers, retailers and consulates who stay in Guangzhou for longer term. Nonetheless, as the domestic trade market and manufacturing industry continued to expand in China, rental demand from domestic business executives planning to stay in Guangzhou is expected to rise. Share of domestic tenants in serviced apartment market gradually increased. The market sentiment for serviced apartment market remains optimistic. As Guangzhou Free Trade Zone has been confirmed to launch in December 2014, more foreign investors and business executives would be attracted to develop their business in Guangzhou, leading to a rising demand for serviced apartments in Guangzhou.

Property Valuation Report

Hotel

Within 2012 to 2014, luxury hotels continue to be the major new hotel supply in Guangzhou, 5-star rating hotels rooms rose by 1,500 to 13,331 rooms from the end of 2012 to mid-2014. Meanwhile, due to uncertainties in economic growth, surging supply and other unfavourable factors, the occupancy rate of hotels in Guangzhou started to drop since Year-2012. At the end of Year-2011, occupancy rate increased to 65% and started its downward trend afterwards. By the end of Year-2014, average occupancy rate moved down to 60%. Nonetheless the average daily rate ("ADR") of high-end hotels in Guangzhou rose despite the falling demand from RMB800 in Year-2012 to RMB837 in Year-2014, up 4.6% during the period. Increasing new supply of top-tier hotels suggested that investors remain confident at the growing purchasing power and Guangzhou's position as one of the important exhibition centres in China. For the demand side, Guangzhou hosts Canton Fair twice a year which attracts over 400,000 visitors to join. Hotel demand from the meetings, incentives, conferencing and exhibition ("MICE") and corporate sectors rose steadily, accounted for around 80% of total hotel demand from Year 2012 to Year-2014. Hosting Canton Fair generates sustainable MICE demand, nonetheless reliance on Canton Fair also brings uncertainties, number of participants dropped in Year-2013 and Year-2014 with a 7.2% year-on-year decrease recorded in Year-2014, leading to a downward trend for MICE hotel demand. Along with the anti-corruption policies in China, pressure on MICE hotel demand in Guangzhou could remain strong in 2015, demand from tourism may become the new focus with the Guangzhou government working on infrastructure and transport development to attract tourists.

VALUATION ASSUMPTIONS

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

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

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

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

Property Valuation Report

REMARKS

We hereby confirm that:

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

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

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

Yours faithfully,
For and on behalf of

VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. CHEUNG

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

Franky C. H. WONG

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

Note: Mr. David W. I. Cheung is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong"), and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 31 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom, Canada and the United States of America.

Graduated from the University of Hong Kong with a Master of Science in Real Estate, Mr. Franky C. H. Wong is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 14 years' valuation experience on property in various regions including Hong Kong, Macao, the PRC, Japan, the United Kingdom and the United States of America.

Property Valuation Report

SUMMARY OF VALUES

| No. | Property | Market Value in Existing State as at the Valuation Date |
|------------------------|--|---|
| 1. | Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | RMB16,066,000,000 |
| 2. | Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuxiu District, Guangzhou, Guangdong Province, the PRC | RMB4,299,500,000 |
| 3. | Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | RMB853,000,000 |
| 4. | Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | RMB710,500,000 |
| 5. | Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | RMB815,000,000 |
| 6. | Various Units in Yue Xiu Neo Metropolis Plaza, Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshan Six Road, Yuxiu District, Guangzhou, Guangdong Province, the PRC | RMB825,000,000 |
| GRAND TOTAL | | RMB23,569,000,000 |

Property Valuation Report

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date |
|-----|--|--|---|---|
| 1. | Guangzhou International Finance Centre, No. 5 Zhu Jiang West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | <p>Completed in 2010 and 2011 in stages, the Subject Property, named "Guangzhou International Finance Centre" ("GZ-IFC") comprises a comprehensive mix-user development ("main building") with a 103-storey above the ground, a 4-storey underground and a 28-storey annex building erected over a site of about 27,508 square metres consisting of a shopping mall, office, serviced apartment, a luxury hotel and 1,679 below ground car parking spaces having a total gross floor area of about 457,356.68 square metres.</p> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 23rd June 2008 for commercial, tourism and entertainment uses; and a term of 50 years from 23rd June 2008 for office use.</p> <p>Retail</p> <p>The retail portion of the Subject Property comprises the 6-storey shopping mall podium from Basement 1 to Level 5 of GZ-IFC with a total gross floor area of about 46,989.16 square metres including a staff canteen of about 2,698.93 square metres on Level 4.</p> <p>Office</p> <p>The office portion of the Subject Property is provided on Levels 4 to Level 65 of GZ-IFC as well as Levels 27 and 28 of annex building having a total gross floor area of about 183,539.65 square metres.</p> <p>Serviced Apartment</p> <p>The serviced apartment portion of the Subject Property is currently operated as a serviced apartment under the tradename of "Ascott IFC Guangzhou" at Levels 6 to 28 of the annex building of GZ-IFC with 314 apartment units having a total gross floor area of about 51,102.26 square metres, including a clubhouse on Level 6 of about 2,866.96 square metres.</p> | <p>According to the tenancy schedule provided by the Manager, majority of the retail, office, carpark and other portions of the Subject Property having the occupancy rates of 99.72%, 90.75% and 100% respectively is let to various tenants at an aggregate monthly rent of about RMB43,037,590 exclusive of management fees and utility charges with the last expiry date on 31st December 2025; whilst the serviced apartment and hotel portions of the Subject Property are operated by the 3rd-party under respective management agreements and consultancy agreements.</p> | RMB16,066,000,000 |

Property Valuation Report

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date |
|-----|----------|---|------------------|---|
| | | <p>Hotel</p> <p>The hotel portion of the Subject Property is currently operated as a luxury hotel under the tradename of "Four Seasons Hotel Guangzhou" providing 344 hotel guestrooms at Levels 68 to 100 of GZ-IFC with ancillary facilities such as food and beverage, conference rooms, fitness centre, SPA, swimming pool and so on provided therein having a gross floor area of about 89,198.83 square metres.</p> | | |
| | | <p>Carpark and Ancillary Areas</p> <p>The Subject Property also includes a total of 1,679 below ground car parking spaces as well as ancillary areas for refuge floor, machine and facilities' room having a gross floor area of about 71,082.79 square metres and 15,443.99 square metres respectively.</p> | | |

Note:

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

Property Valuation Report

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

| Uses | Total Lettable Area (square metres) | Leased Lettable Area (square metres) | Annual Rental Income (Approximately) |
|--------------|---|--|--|
| Retail | 46,727.27 | 46,595.81 | RMB87,430,000 |
| Office | 183,539.66 | 166,565.18 | RMB412,790,000 |
| Carpark | 71,082.79 | 71,082.79 | RMB14,070,000 |
| Total | 301,349.72 | 284,243.78 | RMB514,290,000 |

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

| Uses | Gross Floor Area (square metres) | No. of Unit/Guestroom | Annual Net Property Income (Approximately) |
|--------------------|--|------------------------------|--|
| Serviced Apartment | 51,102.26 | 314 | RMB48,550,000 |
| Hotel | 89,198.83 | 344 | RMB72,300,000 |
| Total | 140,301.09 | 658 | RMB120,850,000 |

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|---------------------------------------|--|-------------------------------------|
| 0 | 1 | 5.8% |
| 1 | 2 | 0.0% |
| 2 | 3 | 1.7% |
| 3 | 4 | 1.1% |
| 4 | 5 | 0.0% |
| 5 | 6 | 1.3% |
| 6 | Or More | 90.1% |
| Total | = | 100.0% |

Property Valuation Report

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

| Year of Expiry | Proportion by Floor Area |
|----------------|-----------------------------|
| In 2015 | 7.2% |
| In 2016 | 0.0% |
| In 2017 | 1.4% |
| In 2018 | 0.0% |
| In 2019 | 1.3% |
| In 2020 | 0.0% |
| In 2021 | 0.0% |
| In 2022 | 0.0% |
| In 2023 | 0.0% |
| In 2024 | 0.0% |
| In 2025 | 90.1% |
| Total | = 100.0% |

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|--------------------------------|--|-----------------------------|
| 0 | 1 | 13.4% |
| 1 | 2 | 4.2% |
| 2 | 3 | 41.6% |
| 3 | 4 | 2.4% |
| 4 | 5 | 32.6% |
| 5 | 6 | 4.6% |
| 6 | 7 | 0.0% |
| 7 | 8 | 0.7% |
| 8 | 9 | 0.0% |
| 9 | 10 | 0.5% |
| Total | = | 100.0% |

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

| Year of Expiry | Proportion by Floor Area |
|----------------|-----------------------------|
| In 2015 | 35.2% |
| In 2016 | 21.8% |
| In 2017 | 18.5% |
| In 2018 | 9.6% |
| In 2019 | 14.4% |
| In 2020 | 0.0% |
| In 2021 | 0.5% |
| Total | = 100.0% |

Property Valuation Report

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

| Portion | Valuation Method | Parametres | Assumption |
|--------------------|------------------------------|--------------------|--------------------------------|
| Retail | Income Capitalization Method | Term Yield | 4.75% per annum |
| | Income Capitalization Method | Reversionary Yield | 5.25% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 7.50% per annum |
| Office | Income Capitalization Method | Term Yield | 4.50% per annum |
| | Income Capitalization Method | Reversionary Yield | 5.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 7.25% per annum |
| Serviced Apartment | Discount Cash Flow Analysis | Average Daily Rate | RMB984 per room per night |
| | Discount Cash Flow Analysis | Occupancy Rate | 90.00% in Year-1 of Projection |
| | Discount Cash Flow Analysis | Discount Rate | 7.50% per annum |
| Hotel | Discount Cash Flow Analysis | Average Daily Rate | RMB1,965 per room per night |
| | Discount Cash Flow Analysis | Occupancy Rate | 70.00% in Year-1 of Projection |
| | Discount Cash Flow Analysis | Discount Rate | 8.00% per annum |
| Carpark | Income Capitalization Method | Term Yield | 4.50% per annum |
| | Income Capitalization Method | Reversionary Yield | 5.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 7.25% per annum |

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

| Portion | Income Capitalization Method | Discount Cash Flow Analysis | Market Value |
|--------------------|------------------------------|-----------------------------|-------------------|
| Retail | RMB2,519,000,000 | RMB2,504,000,000 | RMB2,511,500,000 |
| Office | RMB8,768,000,000 | RMB8,783,000,000 | RMB8,775,500,000 |
| Serviced Apartment | Not Applicable | RMB2,020,000,000 | RMB2,020,000,000 |
| Hotel | Not Applicable | RMB2,250,000,000 | RMB2,250,000,000 |
| Carpark | RMB509,000,000 | RMB509,000,000 | RMB509,000,000 |
| Total | = | | RMB16,066,000,000 |

15. The estimated net yield of the Subject Property is 3.95% which is derived from the estimated rental received for the retail, office, carpark and other portions as well as annual net property income from the serviced apartment and hotel portions in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

Property Valuation Report

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date | | | | | | | | | | | | | | | | | | | | | | |
|------------------------|--|--|------------------|---|------------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|--------------|------------------|--|------------------|
| 2. | Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC | <p>The Subject Property comprises large majority portion in White Horse Building which is a 10-storey (including a lower ground floor mainly for management office and storage uses and a basement carpark) commercial wholesale centre completed in or about 1990 with two extensions furnished in between 1995 to 1997 and 1998 to 2000 respectively.</p> <p>The Subject Property has a total gross floor area of approximately 50,199.35 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Lower Ground (Storage)</td> <td>1,121.68</td> </tr> <tr> <td>Level 1 (Commercial)</td> <td>7,667.04</td> </tr> <tr> <td>Level 2 (Commercial)</td> <td>7,199.80</td> </tr> <tr> <td>Level 3 (Commercial)</td> <td>7,684.91</td> </tr> <tr> <td>Level 4 (Commercial)</td> <td>7,695.56</td> </tr> <tr> <td>Level 5 (Commercial)</td> <td>7,466.39</td> </tr> <tr> <td>Level 6 (Commercial)</td> <td>7,443.90</td> </tr> <tr> <td>Level 7 (Commercial)</td> <td>2,003.54</td> </tr> <tr> <td>Level 8 (Commercial)</td> <td>1,916.53</td> </tr> <tr> <td>Total</td> <td>50,199.35</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 7th June 2005 for commercial use on Level 1 to Level 3 (with aggregate gross floor area of about 22,551.75 square metres and portion of Level 4 with aggregate gross floor area of about 7,164.20 square metres; and a term of 50 years from 7th June 2005 for office and storage use on Lower Ground Floor with aggregate gross floor area of about 1,121.68 square metres, portion of Level 4 with aggregate gross floor area of about 531.36 square metres, and Level 5 to Level 8 with aggregate gross floor area of about 18,830.36 square metres.</p> | Level (Use) | Gross Floor Area (square metres) | Lower Ground (Storage) | 1,121.68 | Level 1 (Commercial) | 7,667.04 | Level 2 (Commercial) | 7,199.80 | Level 3 (Commercial) | 7,684.91 | Level 4 (Commercial) | 7,695.56 | Level 5 (Commercial) | 7,466.39 | Level 6 (Commercial) | 7,443.90 | Level 7 (Commercial) | 2,003.54 | Level 8 (Commercial) | 1,916.53 | Total | 50,199.35 | According to the tenancy schedule provided by the Manager, the Subject Property having an occupancy rate of 100% is let to various tenants at an aggregate monthly rent of about RMB29,764,198 exclusive of management fees and utility charges with the last expiry date on 30th June 2019. | RMB4,299,500,000 |
| Level (Use) | Gross Floor Area (square metres) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lower Ground (Storage) | 1,121.68 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 1 (Commercial) | 7,667.04 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 2 (Commercial) | 7,199.80 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 3 (Commercial) | 7,684.91 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 4 (Commercial) | 7,695.56 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 5 (Commercial) | 7,466.39 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 6 (Commercial) | 7,443.90 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 7 (Commercial) | 2,003.54 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 8 (Commercial) | 1,916.53 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 50,199.35 | | | | | | | | | | | | | | | | | | | | | | | | | |

Property Valuation Report

Note:

1. Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of "柏达投资有限公司".
2. Annual rental income as at the Valuation Date and lettable area breakdown of the Subject Property are tabulated as follows.

| Uses | Total Lettable Area (square metres) | Leased Lettable Area (square metres) | Annual Rental Income (Approximately) |
|-------------|---|--|--|
| Commercial | 50,128.90 | 50,128.90 | RMB356,610,000 |
| Total | 50,128.90 | 50,128.90 | RMB356,610,000 |

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|---------------------------------------|--|---------------------------------|
| 0 | 1 | 5.2% |
| 1 | 2 | 5.1% |
| 2 | 3 | 21.8% |
| 3 | 4 | 36.8% |
| 4 | 5 | 19.3% |
| 5 | Or More | 11.8% |
| Total | = | 100.0% |

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

| Year of Expiry | Proportion by Floor Area |
|-----------------------|---------------------------------|
| In 2015 | 35.1% |
| In 2016 | 14.4% |
| In 2017 | 34.5% |
| In 2018 | 15.6% |
| In 2019 and Afterward | 0.4% |
| Total | = 100.0% |

Property Valuation Report

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

| Portion | Valuation Method | Parametres | Assumption |
|------------|------------------------------|--------------------|-----------------|
| Commercial | Income Capitalization Method | Term Yield | 7.75% per annum |
| | Income Capitalization Method | Reversionary Yield | 8.25% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 9.45% per annum |

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

| | |
|-------------------------------------|------------------|
| Income Capitalization Method | RMB4,310,000,000 |
| Discount Cash Flow Analysis | RMB4,289,000,000 |
| Market Value (Average of the Above) | RMB4,299,500,000 |

9. The estimated net yield of the Subject Property is 8.29% which is derived from the estimated rental received in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

Property Valuation Report

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date | | | | | | | | |
|------------|---|--|------------------|---|------------|----------|--------|-----------|-------|-----------|---|---|
| 3. | Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | <p>Completed in or about 2003, the Subject Property comprises large majority portion in Fortune Plaza which consists of a 30-storey office tower ("East Tower") and a 20-storey office tower ("West Tower") erected over a 6-storey retail commercial podium and a 2-storey basement carpark.</p> <p>The Subject Property has a total gross floor area of approximately 41,355.20 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>3,853.07</td> </tr> <tr> <td>Office</td> <td>37,502.13</td> </tr> <tr> <td>Total</td> <td>41,355.20</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 26th November 2002 for commercial use; and a term of 50 years from 26th November 2002 for office use.</p> | Use | Gross Floor Area (square metres) | Commercial | 3,853.07 | Office | 37,502.13 | Total | 41,355.20 | <p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 99.64% is let to various tenants at an aggregate monthly rent of about RMB5,761,792 exclusive of management fees and utility charges with the last expiry date on 31st July 2022; whilst the remaining portion of the Subject Property is left vacant.</p> | <p>RMB853,000,000</p> <p><i>(Please also refer to Note 8. below for further details.)</i></p> |
| Use | Gross Floor Area (square metres) | | | | | | | | | | | |
| Commercial | 3,853.07 | | | | | | | | | | | |
| Office | 37,502.13 | | | | | | | | | | | |
| Total | 41,355.20 | | | | | | | | | | | |

Note:

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

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

Property Valuation Report

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

| Uses | Total Lettable Area (square metres) | Leased Lettable Area (square metres) | Annual Rental Income (Approximately) |
|--------------|---|--|--|
| Retail | 3,853.07 | 3,853.07 | RMB14,110,000 |
| Office | 37,502.13 | 37,352.13 | RMB55,030,000 |
| Total | 41,355.20 | 41,205.20 | RMB69,140,000 |

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|---------------------------------------|--|---------------------------------|
| 0 | 1 | 0.0% |
| 1 | 2 | 14.0% |
| 2 | 3 | 19.6% |
| 3 | 4 | 18.3% |
| 4 | 5 | 29.1% |
| 5 | 6 | 6.5% |
| 6 | 7 | 0.2% |
| 7 | 8 | 1.9% |
| 8 | 9 | 0.0% |
| 9 | 10 | 10.4% |
| Total | = | 100.0% |

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

| Year of Expiry | Proportion by Floor Area |
|-----------------------|---------------------------------|
| In 2015 | 26.7% |
| In 2016 | 17.5% |
| In 2017 | 34.3% |
| In 2018 | 0.0% |
| In 2019 | 9.2% |
| In 2020 | 1.9% |
| In 2021 | 0.0% |
| In 2022 | 10.4% |
| Total | = 100.0% |

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

Property Valuation Report

9. In the course of our valuation, we have adopted the following key assumptions.

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

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

| | |
|-------------------------------------|----------------|
| Income Capitalization Method | RMB860,000,000 |
| Discount Cash Flow Analysis | RMB846,000,000 |
| Market Value (Average of the Above) | RMB853,000,000 |

11. The estimated net yield of the Subject Property is 8.11% which is derived from the estimated rental received in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

12. We are of the opinion that the market value of the Subject Property which is vested in the name of “广州捷雅城房地产开发有限公司” (i.e. Unit 1701 of East Tower) as at the Valuation Date is RMB21,550,000 only.

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date | | | | | | | | |
|------------|---|---|------------------|---|------------|-----------|--------|-----------|-------|-----------|--|----------------|
| 4. | Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | <p>Completed in or about 1997, the Subject Property comprises large majority portion in City Development Plaza which consists of a 28-storey office commercial building erected over a 2-storey basement carpark.</p> <p>The Subject Property has a total gross floor area of approximately 42,397.36 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>11,757.54</td> </tr> <tr> <td>Office</td> <td>30,639.82</td> </tr> <tr> <td>Total</td> <td>42,397.36</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 27th January 1997 for commercial use; and a term of 50 years from 27th January 1997 for office use.</p> | Use | Gross Floor Area (square metres) | Commercial | 11,757.54 | Office | 30,639.82 | Total | 42,397.36 | <p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 93.58% is let to various tenants at an aggregate monthly rent of about RMB4,815,945 exclusive of management fees and utility charges with the last expiry date on 31st May 2019; whilst the remaining portion of the Subject Property is left vacant.</p> | RMB710,500,000 |
| Use | Gross Floor Area (square metres) | | | | | | | | | | | |
| Commercial | 11,757.54 | | | | | | | | | | | |
| Office | 30,639.82 | | | | | | | | | | | |
| Total | 42,397.36 | | | | | | | | | | | |

Note:

1. Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of “福达地产投资有限公司”.

Property Valuation Report

2. Yuexiu REIT holds the following units in City Development Plaza as of the Valuation Date.

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

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

| Uses | Total Lettable Area (square metres) | Leased Lettable Areas (square metres) | Annual Rental Income (Approximately) |
|------------|--|--|---|
| Commercial | 11,757.54 | 10,777.88 | RMB16,370,000 |
| Office | 30,639.82 | 28,899.58 | RMB41,430,000 |
| Total | 42,397.36 | 39,677.46 | RMB57,800,000 |

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|--------------------------------|---|-----------------------------|
| 0 | 1 | 2.7% |
| 1 | 2 | 8.8% |
| 2 | 3 | 18.8% |
| 3 | 4 | 10.7% |
| 4 | 5 | 20.9% |
| 5 | 6 | 38.1% |
| Total | = | 100.0% |

Property Valuation Report

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

| Year of Expiry | Proportion by Floor Area |
|----------------|--------------------------|
| In 2015 | 27.9% |
| In 2016 | 32.7% |
| In 2017 | 31.9% |
| In 2018 | 7.2% |
| In 2019 | 0.3% |
| Total | = 100.0% |

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

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

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

| | |
|-------------------------------------|----------------|
| Income Capitalization Method | RMB719,000,000 |
| Discount Cash Flow Analysis | RMB702,000,000 |
| Market Value (Average of the Above) | RMB710,500,000 |

Property Valuation Report

9. The estimated net yield of the Subject Property is 8.14% which is derived from the estimated rental received in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date | | | | | | | | | | | | | | | | | | | | | | |
|-------------------|--|--|------------------|---|-------------------|----------|---------------|--------|---------------|----------|------------------|----------|---------|----------|---------|----------|---------|----------|---------|----------|---------|----------|-------|-----------|---|----------------|
| 5. | Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC | <p>Completed in or about 2003, the Subject Property comprises the commercial retail podium named "Victory Plaza" from portion of Basement 1 to Level 6.</p> <p>The Subject Property has a total gross floor area of approximately 41,355.20 square metres with breakdown as follows.</p> <table border="1"> <thead> <tr> <th>Level/Unit</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Basement 1 (Part)</td> <td>1,809.21</td> </tr> <tr> <td>Level 1 (101)</td> <td>473.71</td> </tr> <tr> <td>Level 1 (102)</td> <td>1,553.52</td> </tr> <tr> <td>Level 1 (Others)</td> <td>1,006.22</td> </tr> <tr> <td>Level 2</td> <td>3,968.92</td> </tr> <tr> <td>Level 3</td> <td>4,756.74</td> </tr> <tr> <td>Level 4</td> <td>4,756.74</td> </tr> <tr> <td>Level 5</td> <td>4,769.85</td> </tr> <tr> <td>Level 6</td> <td>4,603.23</td> </tr> <tr> <td>Total</td> <td>27,698.14</td> </tr> </tbody> </table> <p>The Subject Property is held under granted land-use rights for a term of 40 years from 8th March 2004 for commercial use.</p> | Level/Unit | Gross Floor Area (square metres) | Basement 1 (Part) | 1,809.21 | Level 1 (101) | 473.71 | Level 1 (102) | 1,553.52 | Level 1 (Others) | 1,006.22 | Level 2 | 3,968.92 | Level 3 | 4,756.74 | Level 4 | 4,756.74 | Level 5 | 4,769.85 | Level 6 | 4,603.23 | Total | 27,698.14 | <p>According to the tenancy schedule provided by the Manager, large majority of the Subject Property having an occupancy rate of 99.37% is let to various tenants at an aggregate monthly rent of about RMB6,771,202 exclusive of management fees and utility charges with the last expiry date on 31st December 2023; whilst the remaining portion of the Subject Property is left vacant.</p> | RMB815,000,000 |
| Level/Unit | Gross Floor Area (square metres) | | | | | | | | | | | | | | | | | | | | | | | | | |
| Basement 1 (Part) | 1,809.21 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 1 (101) | 473.71 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 1 (102) | 1,553.52 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 1 (Others) | 1,006.22 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 2 | 3,968.92 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 3 | 4,756.74 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 4 | 4,756.74 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 5 | 4,769.85 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Level 6 | 4,603.23 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 27,698.14 | | | | | | | | | | | | | | | | | | | | | | | | | |

Note:

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

| Uses | Total Lettable Areas (square metres) | Leased Lettable Areas (square metres) | Annual Rental Income (Approximately) |
|------------|---|--|---|
| Commercial | 27,262.27 | 27,090.04 | RMB80,160,000 |
| Total | 27,262.27 | 27,090.04 | RMB80,160,000 |

Property Valuation Report

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|---------------------------------------|--|---------------------------------|
| 0 | 1 | 2.8% |
| 1 | 2 | 0.0% |
| 2 | 3 | 8.7% |
| 3 | 4 | 7.3% |
| 4 | 5 | 4.1% |
| 5 | 6 | 11.9% |
| 6 | 7 | 16.1% |
| 7 | 8 | 11.1% |
| 8 | 9 | 0.0% |
| 9 | 10 | 0.0% |
| 10 | 11 | 38.0% |
| Total | = | 100.0% |

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

| Year of Expiry | Proportion by Floor Area |
|-----------------------|---------------------------------|
| In 2015 | 9.6% |
| In 2016 | 2.7% |
| In 2017 | 9.8% |
| In 2018 | 2.9% |
| In 2019 | 18.6% |
| In 2020 | 7.3% |
| In 2021 | 11.1% |
| In 2022 | 0.0% |
| In 2023 | 38.0% |
| Total | = 100.0% |

Property Valuation Report

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

| Portion | Valuation Method | Parametres | Assumption |
|------------|------------------------------|--------------------|-----------------|
| Commercial | Income Capitalization Method | Term Yield | 7.50% per annum |
| | Income Capitalization Method | Reversionary Yield | 8.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 9.43% per annum |

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

| | |
|-------------------------------------|----------------|
| Income Capitalization Method | RMB816,000,000 |
| Discount Cash Flow Analysis | RMB814,000,000 |
| Market Value (Average of the Above) | RMB815,000,000 |

Property Valuation Report

9. The estimated net yield of the Subject Property is 9.84% which is derived from the estimated rental received in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

| No. | Property | Description and Tenure | Occupancy Status | Market Value in Existing State as at the Valuation Date | | | | | | | | | | | | |
|--|--|--|------------------|---|-----------|----------|------------|-----------|--|----------|--------|-----------|--------------|------------------|--|----------------|
| 6. | Various Units in Yue Xiu Neo Metropolis Plaza, Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshan Six Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC | <p>Completed in or about 2005, the Subject Property comprises large majority portion in Yue Xiu Neo Metropolis Plaza which is a 26-storey (including a 3-level basement) commercial tower.</p> <p>The Subject Property has a total gross floor area of approximately 61,964.30 square metres.</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Gross Floor Area (square metres)</th> </tr> </thead> <tbody> <tr> <td>Carpark *</td> <td>7,549.03</td> </tr> <tr> <td>Commercial</td> <td>15,445.51</td> </tr> <tr> <td>Clubhouse, Common Facilities and Others</td> <td>4,527.96</td> </tr> <tr> <td>Office</td> <td>34,441.75</td> </tr> <tr> <td>Total</td> <td>61,964.25</td> </tr> </tbody> </table> | Use | Gross Floor Area (square metres) | Carpark * | 7,549.03 | Commercial | 15,445.51 | Clubhouse, Common Facilities and Others | 4,527.96 | Office | 34,441.75 | Total | 61,964.25 | <p>According to the tenancy schedule provided by the Manager, large majority of the commercial and office portions, and the carpark portion of the Subject Property having the occupancy rate of 97.34% and 100% respectively are let to various tenants at an aggregate monthly rent of about RMB5,204,325 exclusive of management fees and utility charges with the last expiry date on 30th November 2019; whilst the remaining portion of the Subject Property is left vacant.</p> | RMB825,000,000 |
| Use | Gross Floor Area (square metres) | | | | | | | | | | | | | | | |
| Carpark * | 7,549.03 | | | | | | | | | | | | | | | |
| Commercial | 15,445.51 | | | | | | | | | | | | | | | |
| Clubhouse, Common Facilities and Others | 4,527.96 | | | | | | | | | | | | | | | |
| Office | 34,441.75 | | | | | | | | | | | | | | | |
| Total | 61,964.25 | | | | | | | | | | | | | | | |

* Note: Exclusive of an area of about 72.0 square metres to be distributed to the predecessor of the Domestic Joint-venture Partner

The Subject Property is held under granted land-use rights for a term of 40 years from 22nd November 2005 for commercial and restaurant uses; and a term of 50 years from 22nd November 2005 for office use.

Note:

1. Pursuant to a set copy of various Certificates of Real Estate Ownership, the Subject Property is vested in the name of "广州捷雅城房地产开发有限公司".

Property Valuation Report

2. Yuexiu REIT holds the following units in Yue Xiu Neo Metropolis Plaza as of the Valuation Date.

| Tower | Use | Level |
|--------|---|---|
| Podium | Carpark | Basement 2 and Basement 3 |
| Podium | Common Facilities | Basement 1 and Basement 2 |
| Podium | Commercial | Basement 1 and Level 1 to Level 4 |
| Podium | Clubhouse, Common Facilities and Others | Level 1 to Level 6 |
| East | Office | Unit 501, Unit 502, Unit 503, Unit 504, Unit 505, Unit 506, Unit 507, Unit 508, Unit 509, Unit 701, Unit 702, Unit 703, Unit 705 Unit 706, Unit 1104, Unit 1304, Unit 1402, Unit 1404, Unit 1405, Unit 1406, Unit 1408, Unit 1504, Unit 1508, Unit 1601, Unit 1602, Unit 1603, Unit 1604, Unit 1605, Unit 1606, Unit 1607, Unit 1608, Unit 1609, Unit 1610, Unit 1701, Unit 1702, Unit 1703, Unit 1704, Unit 1705, Unit 1706, Unit 1707, Unit 1708, Unit 1709, Unit 1710, Unit 1801, Unit 1802, Unit 1803, Unit 1804, Unit 1805, Unit 1806, Unit 1807, Unit 1808, Unit 1809, Unit 1810, Unit 1901, Unit 1902, Unit 1903, Unit 1904, Unit 1905, Unit 1906, Unit 1907, Unit 1908, Unit 1909, Unit 1910, Unit 2001, Unit 2002, Unit 2003, Unit 2004, Unit 2005, Unit 2006, Unit 2007, Unit 2008, Unit 2009, Unit 2010, Unit 2101, Unit 2102, Unit 2103, Unit 2104, Unit 2105, Unit 2106, Unit 2107, Unit 2108, Unit 2109, Unit 2110, Unit 2201, Unit 2202, Unit 2203, Unit 2204, Unit 2205, Unit 2206, Unit 2207, Unit 2208, Unit 2209, Unit 2210, Unit 2301, Unit , 302,Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310, Unit 2311 |
| Centre | Office | Unit 501, Unit 502, Unit 503, Unit 805, Unit 904, Unit 905, Unit 1005, Unit 1105, Unit 1304, Unit 1305, Unit 1401, Unit 1403, Unit 1404, Unit 1405, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1601, Unit 1604, Unit 1605, Unit 1704, Unit 170 |
| West | Office | Unit 501, Unit 502, Unit 503, Unit 504, Unit 505, Unit 506, Unit 706, Unit 707, Unit 709, Unit 801, Unit 1001, Unit 1101, Unit 1109, Unit 1201, Unit 1401, Unit 1408, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1506, Unit 1507, Unit 1508, Unit 1509, Unit 1601, Unit 1608, Unit 1609, Unit 1701, Unit 1801, Unit 1809, Unit 1901, Unit 1902, Unit 1903, Unit 1904, Unit 1905, Unit 1906, Unit 1907, Unit 1908, Unit 1909, Unit 2001, Unit 2002, Unit 2003, Unit 2004, Unit 2005, Unit 2006, Unit 2007, Unit 2008, Unit 2009, Unit 2101, Unit 2102, Unit 2103, Unit 2104, Unit 2105, Unit 2106, Unit 2107, Unit 2108, Unit 2109, Unit 2201, Unit 2202, Unit 2203, Unit 2204, Unit 2205, Unit 2206, Unit 2207, Unit 2208, Unit 2209, Unit 2301, Unit 2302, Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310 |

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

| Uses | Total Lettable Areas (square metres) | Leased Lettable Areas (square metres) | Annual Rental Income (Approximately) |
|------------|---|--|---|
| Commercial | 15,445.51 | 15,445.51 | RMB22,030,000 |
| Office | 34,441.79 | 33,113.21 | RMB39,230,000 |
| Carpark | 7,549.03 | 7,549.03 | RMB1,200,000 |
| Total | 57,436.33 | 56,107.75 | RMB62,460,000 |

Property Valuation Report

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

| Lease Term Greater Than (Year) | Lease Term Less Than or Equal To (Year) | Proportion by Floor Area |
|---------------------------------------|--|---------------------------------|
| 0 | 1 | 1.7% |
| 1 | 2 | 14.7% |
| 2 | 3 | 34.0% |
| 3 | 4 | 19.6% |
| 4 | 5 | 8.9% |
| 5 | 6 | 1.9% |
| 6 | 7 | 17.5% |
| 7 | 8 | 1.7% |
| Total | = | 100.0% |

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

| Year of Expiry | Proportion by Floor Area |
|-----------------------|---------------------------------|
| In 2015 | 29.4% |
| In 2016 | 46.5% |
| In 2017 | 16.1% |
| In 2018 | 6.9% |
| In 2019 | 1.1% |
| Total | = 100.0% |

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

Property Valuation Report

8. In the course of our valuation, we have adopted the following key assumptions.

| Portion | Valuation Method | Parametres | Assumption |
|------------|------------------------------|--------------------|------------------|
| Commercial | Income Capitalization Method | Term Yield | 6.50% per annum |
| | Income Capitalization Method | Reversionary Yield | 7.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 9.18% per annum |
| Office | Income Capitalization Method | Term Yield | 7.50% per annum |
| | Income Capitalization Method | Reversionary Yield | 8.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 9.18% per annum |
| Carpark | Income Capitalization Method | Term Yield | 10.00% per annum |
| | Income Capitalization Method | Reversionary Yield | 10.00% per annum |
| | Discount Cash Flow Analysis | Discount Rate | 9.18% per annum |

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

| | |
|-------------------------------------|----------------|
| Income Capitalization Method | RMB831,000,000 |
| Discount Cash Flow Analysis | RMB819,000,000 |
| <hr/> | |
| Market Value (Average of the Above) | RMB825,000,000 |

10. The estimated net yield of the Subject Property is 7.57% which is derived from the estimated rental received in Year-2014 divided by the market value of the Subject Property as at the Valuation Date.

Independent Auditor's Report



羅兵咸永道

TO THE UNITHOLDERS OF YUEXIU REAL ESTATE INVESTMENT TRUST

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

We have audited the consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (together, the "Group") set out on pages 130 to 183, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of comprehensive income, distribution statement, consolidated statement of net asset attributable to unitholders and changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

The Manager of Yuexiu REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and is responsible for ensuring that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trust established by the Securities and Futures Commission of Hong Kong (the "REIT Code"), and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report



羅兵咸永道

Auditor's Responsibility (continued)

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in the REIT Code.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 February 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|------|-----------------|-----------------|
| Revenue | 5 | 1,571,168 | 1,370,653 |
| Operating expenses | 6 | (922,435) | (824,071) |
| Fair value gain on investment properties | 15 | 672,216 | 332,788 |
| Finance income | 9 | 165,497 | 234,722 |
| Finance expenses | 10 | (381,203) | (441,431) |
| Profit before income tax and transactions with unitholders | | 1,105,243 | 672,661 |
| Income tax expense | 11 | (177,276) | (148,594) |
| Profit after income tax before transactions with unitholders | | 927,967 | 524,067 |
| Transactions with unitholders | 27 | (1,014,632) | (631,117) |
| Loss after income tax and transactions with unitholders | | (86,665) | (107,050) |
| Other comprehensive income for the year : | | | |
| <u>Items that will not be reclassified to profit or loss</u> | | | |
| Change in fair value of property, plant and equipment, net of tax | | | |
| – Gross | | 125,089 | 149,656 |
| – Tax | | (35,024) | (41,925) |
| Other comprehensive income for the year, net of tax | | 90,065 | 107,731 |
| Total comprehensive income for the year | | 3,400 | 681 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

| | Attributable to | | | | Total RMB' 000 |
|---|---|---|---|--|-------------------|
| | Unitholders before transactions with unitholders RMB' 000 | Transactions with unitholders (Note 27) RMB' 000 | Unitholders after transactions with unitholders RMB' 000 | Non - controlling interests RMB' 000 | |
| Profit/(loss) for the year ended 31 December 2013 | 524,553 | (631,117) | (106,564) | (486) | (107,050) |
| Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u> | | | | | |
| Change in fair value of property, plant and equipment, net of tax | 106,564 | — | 106,564 | 1,167 | 107,731 |
| Total comprehensive income for the year ended 31 December 2013 | 631,117 | (631,117) | — | 681 | 681 |
| Profit/(loss) for the year ended 31 December 2014 | 925,506 | (1,014,632) | (89,126) | 2,461 | (86,665) |
| Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u> | | | | | |
| Change in fair value of property, plant and equipment, net of tax | 89,126 | — | 89,126 | 939 | 90,065 |
| Total comprehensive income for the year ended 31 December 2014 | 1,014,632 | (1,014,632) | — | 3,400 | 3,400 |

Notes:

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

The notes on page 138 to 183 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

| | Note | 2014 RMB' 000 | 2013 RMB' 000 |
|---|------|-------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 13 | 2,369,494 | 2,342,284 |
| Land use rights | 14 | 1,577,109 | 1,626,394 |
| Investment properties | 15 | 19,299,000 | 18,605,000 |
| Deferred assets | 17 | 175,670 | 142,487 |
| Goodwill | 18 | 160,324 | 160,324 |
| Top-up payment asset, non-current portion | 19 | 118,448 | 109,959 |
| | | 23,700,045 | 22,986,448 |
| Current assets | | | |
| Inventories | | 4,438 | 3,607 |
| Trade receivables | 20 | 11,564 | 10,971 |
| Amounts due from related parties | 29 | 531,855 | 766,523 |
| Tax recoverable | | 1,160 | 1,360 |
| Prepayments, deposits and other receivables | 21 | 31,368 | 27,001 |
| Top-up payment asset, current portion | 19 | 82,721 | 113,844 |
| Short-term bank deposits | 22 | 13,153 | — |
| Cash and cash equivalents | 22 | 986,300 | 639,786 |
| | | 1,662,559 | 1,563,092 |
| Total assets | | 25,362,604 | 24,549,540 |
| Current liabilities | | | |
| Trade payables | 24 | 14,518 | 12,935 |
| Rental deposits, current portion | 25 | 131,172 | 102,049 |
| Receipts in advance | 25 | 59,674 | 48,681 |
| Accruals and other payables | 25 | 1,003,370 | 1,201,283 |
| Amounts due to related parties | 29 | 69,371 | 68,141 |
| Borrowings | 26 | 300,000 | 300,000 |
| | | 1,578,105 | 1,733,089 |

Consolidated Balance Sheet

As at 31 December 2014

| | Note | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------|-------------------|------------------|
| Non-current liabilities, other than net assets attributable to unitholders | | | |
| Rental deposits, non-current portion | 25 | 113,281 | 115,456 |
| Receipt in advance | 25 | 25,638 | — |
| Borrowings | 26 | 7,809,396 | 7,541,894 |
| Deferred tax liabilities | 23 | 2,607,530 | 2,406,333 |
| | | 10,555,845 | 10,063,683 |
| Total liabilities, other than net assets attributable to unitholders | | 12,133,950 | 11,796,772 |
| Net assets attributable to unitholders | 27 | 13,141,954 | 12,669,468 |
| Total liabilities | | 25,275,904 | 24,466,240 |
| Net assets | | 86,700 | 83,300 |
| Equity | | | |
| Revaluation reserve | | 201,529 | 112,403 |
| Retained earnings | | (201,529) | (112,403) |
| | | — | — |
| Non-controlling interests | | 86,700 | 83,300 |
| Total equity | | 86,700 | 83,300 |
| Net current assets/(liabilities) | | 84,454 | (169,997) |
| Total assets less current liabilities | | 23,784,499 | 22,816,451 |
| Units in issue (' 000) | 27 | 2,799,796 | 2,766,698 |
| Net assets (including net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB) | | RMB 4.69 | RMB 4.58 |
| Net assets (excluding net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB) | | RMB 3.93 | RMB 3.81 |

On behalf of the Board of Directors of the Manager

Director

Director

The notes on page 138 to 183 are an integral part of these consolidated financial statements.

Distribution Statement

For the year ended 31 December 2014

| | Note | 2014 RMB' 000 | 2013 RMB' 000 |
|---|------|------------------|------------------|
| Profit after income tax before transactions with unitholders attributable to unitholders | | 925,506 | 524,553 |
| Adjustments for the total distributable income (i) | | | |
| – Fair value gains on investment properties | | (672,216) | (332,788) |
| – Deferred taxation in respect of fair value gain on investment property charged to profit or loss | | 78,559 | 41,688 |
| – Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”) | | (256,532) | (276,134) |
| – Foreign exchange gain on financing activities | | — | (130,498) |
| Total distributable income | | 75,317 | (173,179) |
| Additional items (ii) | | | |
| – Cash received and/or receivable according to the Deed of Top-up Payments | | 104,399 | 165,812 |
| – Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS | | 256,532 | 276,134 |
| – Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”) | | 148,144 | 144,335 |
| – Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights | | 72,235 | 77,803 |
| – Manager’s fee paid and payable in units in lieu of cash | | 100,428 | 99,461 |
| – Amortisation of loan transaction costs due to early repayment of borrowings | | — | 24,055 |
| – Interest income and fair value gain from top-up payment asset | | (105,388) | (15,823) |
| – Foreign exchange loss in financing activities | | 11,047 | — |
| Distributable income after additional items | | 662,714 | 598,598 |
| Distributable amount at 1 January | | 320,053 | 284,658 |
| Distributions paid during the year (iii) | 27 | (643,932) | (563,203) |
| Final distribution declared | | 338,835 | 320,053 |
| Distribution per unit, declared (iv) | | RMB0.1210 | RMB0.1157 |

Distribution Statement

For the year ended 31 December 2014

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 2013 to 31 December 2013 of RMB0.1149 (equivalent to HK\$0.1455) per unit and interim distribution for the period from 1 January 2014 to 30 June 2014 of RMB0.1157 (equivalent to HK\$0.1456) per unit, totalling RMB643,932,000 (2013: RMB563,203,000 equivalent to HK\$702,019,000), were paid to unitholders on 13 May 2014 and 28 October 2014 respectively.
- (iv) A final distribution for the period from 1 July 2014 to 31 December 2014 of RMB0.1210 (equivalent to HK\$0.1530) per unit, totaling RMB338,835,000 (equivalent to HK\$428,369,000) was declared by the Board of the Manager on 13 February 2015.

The notes on page 138 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Net Assets Attributable to Unitholders and Changes In Equity

For the year ended 31 December 2014

| | 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 2013 | 12,524,083 | (5,839) | 5,839 | 82,619 |
| Issuance of units | 77,471 | — | — | — | 77,471 |
| Profit/(loss) for the year ended 31 December 2013 attributable to: | | | | | |
| – Unitholders | 631,117 | — | — | — | 631,117 |
| – Equity holders | — | (106,564) | — | (486) | (107,050) |
| Distributions paid to unitholders | (563,203) | — | — | — | (563,203) |
| Change in fair value of property, plant and equipment, net of tax | — | — | 106,564 | 1,167 | 107,731 |
| At 31 December 2013 | 12,669,468 | (112,403) | 112,403 | 83,300 | 12,752,768 |
| At 1 January 2014 | 12,669,468 | (112,403) | 112,403 | 83,300 | 12,752,768 |
| Issuance of units | 101,786 | — | — | — | 101,786 |
| Profit/(loss) for the year ended 31 December 2014 attributable to: | | | | | |
| – Unitholders | 1,014,632 | — | — | — | 1,014,632 |
| – Equity holders | — | (89,126) | — | 2,461 | (86,665) |
| Distributions paid to unitholders | (643,932) | — | — | — | (643,932) |
| Change in fair value of property, plant and equipment, net of tax | — | — | 89,126 | 939 | 90,065 |
| At 31 December 2014 | 13,141,954 | (201,529) | 201,529 | 86,700 | 13,228,654 |

The notes on page 138 to 183 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Note | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 28 | 861,050 | 749,721 |
| Interest paid | | (352,733) | (405,648) |
| Corporate income tax paid | | (10,903) | (10,039) |
| Top-up payment received | | 128,022 | 233,668 |
| Net cash generated from operating activities | | 625,436 | 567,702 |
| Cash flows from investing activities | | | |
| Additions of investment properties | | (21,784) | (8,212) |
| Additions of property, plant and equipment | | (980) | (367) |
| Interest received | | 60,109 | 88,401 |
| (Increase)/decrease in short-term bank deposits with original maturity of more than three months | | (13,153) | 125,000 |
| Net cash generated from investing activities | | 24,192 | 204,822 |
| Cash flows from financing activities | | | |
| Distributions paid | | (643,932) | (563,203) |
| Proceeds from borrowings, net of transaction costs | | 629,032 | 4,202,491 |
| Repayment of bank borrowings | | (390,000) | (4,623,518) |
| Issuance of units | | 101,786 | 77,471 |
| Net cash used in financing activities | | (303,114) | (906,759) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 639,786 | 774,021 |
| Cash and cash equivalents at end of the year | 22 | 986,300 | 639,786 |

The notes on page 138 to 183 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) New and amended standards effective for the year ended 31 December 2014

| | |
|--|---|
| HKAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities |
| HKAS 36 (Amendment) | Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement - Novation of Derivatives and continuation of Hedge Accounting |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) | Investment Entities |
| HK(IFRIC) — Interpretation 21 | Levies |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- (ii) New standards and amendments, revisions and interpretation to existing standards have been issued but are not yet effective for the year ended 31 December 2014 and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|---|--|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements | 1st January 2016 |
| HKAS 19 (Amendment) | Employee benefits | 1st July 2014 |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortisation | 1st January 2016 |
| HKAS 16 and HKAS 41 (Amendment) | Agriculture: Bearer Plants | 1st January 2016 |
| HKAS 27 (Amendment) | Equity Method in Separate Financial Statements | 1st January 2016 |
| HKFRS 9 | Financial Instruments | 1st January 2018 |
| HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments) | Investment Entities: Applying the Consolidation Exception | 1st January 2016 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1st January 2016 |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations | 1st January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1st January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1st January 2017 |
| Annual improvements 2010-2012 cycle | Improvements to HKFRSs | 1st July 2014 |
| Annual improvements 2011-2013 cycle | Improvements to HKFRSs | 1st July 2014 |
| Annual improvements 2012-2014 cycle | Improvements to HKFRSs | 1st January 2016 |

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2014.

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

(ii) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(e) Property, plant and equipment

- (i) Hotel and serviced apartments comprise mainly buildings, leasehold improvements and fixtures and furniture of hotel and serviced apartment, and are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

(f) Investment properties

Investment property, principally comprising leasehold land, office buildings and shopping mall, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

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 cashflows 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Goodwill

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

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

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

(h) Impairment of non-financial assets

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

(i) Offsetting financial instruments

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

(j) Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Loan and other receivables

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

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

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

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

(l) Land use rights

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

(m) Rental deposits

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

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

(n) Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade payables

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

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

(p) Provisions

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

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

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

(q) Borrowings

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

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

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

(r) Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Current and deferred income tax

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

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition

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

(i) Rental income

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

(ii) Hotel and serviced apartment income

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

(iii) Interest income

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

(u) Distributions to unitholders

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

(v) Employee benefits

(i) Pension obligations

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits (continued)

(ii) Termination benefits

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(a) Foreign exchange risk

The Group operates in China with most of the transactions denominated in RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits, accruals and other payables, amount due to a related party and bank borrowings, denominated primarily in Hong Kong dollar ("HK\$") and United States dollar ("USD"). The Group has not specifically hedged this exposure considering that the foreign exchange risk is not significant at the moment.

At 31 December 2014 and 2013, 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 2014 would have been approximately RMB22,214,000 (2013: RMB39,875,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits, accruals and other payables, amount due to a related party and borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(b) Cash flow interest rate risk

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

Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future. The Group did not enter into any swaps for its floating-rate borrowing as at 31 December 2014 and 2013. At 31 December 2014 and 2013, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB80,306,000 (2013: RMB93,190,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk

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

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------------------|------------------|
| Counterparty | | |
| The Hongkong and Shanghai Banking Corporation Ltd. | 16,710 | 4,884 |
| Bank of China | 786,822 | 557,640 |
| DBS Bank Ltd. Hong Kong Branch | 187,160 | 49,788 |
| | 990,692 | 612,312 |

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB999,453,000 as at 31 December 2014 (2013: RMB639,786,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

| | Within one year RMB' 000 | Between one and two years RMB' 000 | Between two and five years RMB' 000 | Over five years RMB' 000 | Total RMB' 000 |
|--------------------------------|--------------------------------|---|--|--------------------------------|-------------------|
| As at 31 December 2014 | | | | | |
| Rental deposits | 131,172 | 25,212 | 77,066 | 11,003 | 244,453 |
| Trade payables | 14,518 | — | — | — | 14,518 |
| Accruals and other payables | 1,003,370 | — | — | — | 1,003,370 |
| Amounts due to related parties | 69,371 | — | — | — | 69,371 |
| Bank borrowings | | | | | |
| – Principal to be repaid | 300,000 | 2,601,733 | 1,663,755 | 1,420,000 | 5,985,488 |
| – Interest payables | 406,035 | 382,379 | 426,720 | 191,135 | 1,406,269 |
| Other borrowings, unsecured | | | | | |
| – Principal to be repaid | — | — | 2,123,908 | — | 2,123,908 |
| – Interest payables | 65,841 | 65,841 | 27,434 | — | 159,116 |
| As at 31 December 2013 | | | | | |
| Rental deposits | 102,049 | 64,819 | 48,746 | 21,804 | 237,418 |
| Trade payables | 12,935 | — | — | — | 12,935 |
| Accruals and other payables | 1,201,283 | — | — | — | 1,201,283 |
| Amounts due to related parties | 68,141 | — | — | — | 68,141 |
| Bank borrowings, secured | | | | | |
| – Principal to be repaid | 300,000 | 300,000 | 3,208,510 | 1,955,000 | 5,763,510 |
| – Interest payables | 297,057 | 276,747 | 586,016 | 360,503 | 1,520,323 |
| Other borrowings, unsecured | | | | | |
| – Principal to be repaid | — | — | 2,171,225 | — | 2,171,225 |
| – Interest payables | 67,308 | 67,308 | 28,045 | — | 162,661 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management

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

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

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio not exceeding 45%. The gearing ratio at 31 December 2014 and 2013 were as follows:

| | 2014 RMB'000 | 2013 RMB'000 |
|----------------------------|-----------------|-----------------|
| Total borrowings (Note 26) | 8,109,396 | 7,841,894 |
| Total asset value | 25,362,604 | 24,549,540 |
| Gearing ratio | 32% | 32% |

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

(c) Fair value estimation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4 CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

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

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

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

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

(b) Estimate of impairment of goodwill

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

| | Hotel and serviced apartments RMB' 000 | Office rental RMB' 000 | Wholesale and shopping mall RMB' 000 | Group RMB' 000 |
|--|--|----------------------------------|--|--------------------------|
| Year ended 31 December 2014 | | | | |
| Revenue from external customers | 444,430 | 639,548 | 487,190 | 1,571,168 |
| Segment results | 340,377 | 510,755 | 592,629 | 1,443,761 |
| Depreciation and amortisation | 146,137 | 2,007 | — | 148,144 |
| Fair value gain on investment properties | — | 376,300 | 295,916 | 672,216 |
| Year ended 31 December 2013 | | | | |
| Revenue from external customers | 335,172 | 573,101 | 462,380 | 1,370,653 |
| Segment results | 255,093 | 344,149 | 344,989 | 944,231 |
| Depreciation and amortisation | 142,308 | 2,027 | — | 144,335 |
| Fair value gain on investment properties | — | 162,242 | 170,546 | 332,788 |
| As at 31 December 2014 | | | | |
| Total reportable segments' assets | 4,667,646 | 11,728,693 | 8,781,354 | 25,177,693 |
| As at 31 December 2013 | | | | |
| Total reportable segments' assets | 4,615,293 | 14,529,027 | 5,231,764 | 24,376,084 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5 REVENUE AND SEGMENT INFORMATION (continued)

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

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2014 RMB' 000 | 2013 RMB' 000 |
| Segment results | 1,443,761 | 944,231 |
| Unallocated operating costs (Note) | (122,812) | (64,861) |
| Operating profit | 1,320,949 | 879,370 |
| Finance income | 165,497 | 234,722 |
| Finance expenses | (381,203) | (441,431) |
| Profit before income tax and transactions with unitholders | 1,105,243 | 672,661 |

Note:

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

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

| | As at 31 December | |
|-----------------------------------|-------------------|------------------|
| | 2014 RMB' 000 | 2013 RMB' 000 |
| Total reportable segments' assets | 25,177,693 | 24,376,084 |
| Tax recoverable | 1,160 | 1,360 |
| Corporate assets | 183,751 | 172,096 |
| Total assets | 25,362,604 | 24,549,540 |

| | Revenue | | Total assets | |
|--------------------|------------------------|------------------|-------------------|------------------|
| | Year ended 31 December | | As at 31 December | |
| | 2014 RMB' 000 | 2013 RMB' 000 | 2014 RMB' 000 | 2013 RMB' 000 |
| China | 1,571,168 | 1,370,653 | 25,177,693 | 24,376,084 |
| Unallocated assets | | | 184,911 | 173,456 |
| | | | 25,362,604 | 24,549,540 |

There has been no material change in total liabilities from the amount disclosed in the last annual financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5 REVENUE AND SEGMENT INFORMATION (continued)

The Group's revenue by nature is as follows:

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------------------|------------------|
| Hotel and serviced apartments operations | | |
| Room Rentals | 244,496 | 170,102 |
| Food and beverages | 183,317 | 154,276 |
| Property rentals | 1,108,421 | 1,015,481 |
| Others | 34,934 | 30,794 |
| | 1,571,168 | 1,370,653 |

6 EXPENSES BY NATURE

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|------------------|------------------|
| Property management fees (i) | 33,122 | 29,649 |
| Employee benefit expenses (Note 7) | 117,709 | 102,584 |
| Real estate tax | 149,336 | 137,367 |
| Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge | 92,409 | 84,068 |
| Withholding tax (ii) | 56,132 | 50,728 |
| Depreciation of property, plant and equipment (Note 13) | 98,859 | 95,050 |
| Amortisation of land use rights (Note 14) | 49,285 | 49,285 |
| Cost of inventories sold or consumed in operation | 47,273 | 52,100 |
| Other direct expenses on hotel and serviced apartments | 133,184 | 94,760 |
| Manager's fee (Note 8) | 105,713 | 99,461 |
| Trustee's fee | 7,609 | 7,365 |
| Valuation fees | 791 | 908 |
| Legal and professional fee | 8,796 | 3,038 |
| Auditor's remuneration | 3,192 | 3,100 |
| Bank charges | 701 | 926 |
| Others | 18,324 | 13,682 |
| Total operating expenses | 922,435 | 824,071 |

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou White Horse Property Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 29).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7 EMPLOYEE BENEFIT EXPENSES

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---------------------------|------------------|------------------|
| Wages, salaries and bonus | 83,374 | 62,039 |
| Pension costs | 4,541 | 4,313 |
| Medical benefits costs | 3,454 | 2,574 |
| Social security costs | 5,679 | 4,820 |
| Staff welfare | 20,661 | 28,377 |
| Others | — | 461 |
| | 117,709 | 102,584 |

Pension scheme arrangements

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

8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property and a service fee of 3% per annum of net property income, as defined in the Trust Deed.

| | 2014 RMB' 000 | 2013 RMB' 000 |
|----------------------|------------------|------------------|
| Manager's fee: | | |
| In the form of units | 100,428 | 99,461 |
| In the form of cash | 5,285 | — |
| | 105,713 | 99,461 |

Pursuant to the circular of Yuexiu REIT dated 30 June 2012, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2014 are expected to be issued on 9 March 2015. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 9 March 2015 and (ii) the average closing price of the units in the 10 trading days immediately preceding 9 March 2015.

Notes to the Consolidated Financial Statements

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9 FINANCE INCOME

| | 2014 | 2013 |
|---|-----------------|----------|
| | RMB' 000 | RMB' 000 |
| Interest income from bank deposits | 7,860 | 13,194 |
| Interest income from a related company | 52,249 | 75,207 |
| Interest income from top-up payment asset | 7,121 | 9,011 |
| Fair value gain on top-up payment asset | 98,267 | 6,812 |
| Foreign exchange gain on financing activities | — | 130,498 |
| | 165,497 | 234,722 |

10 FINANCE EXPENSES

| | 2014 | 2013 |
|--|-----------------|----------|
| | RMB' 000 | RMB' 000 |
| Interest expense for bank borrowings | 286,076 | 363,017 |
| Interest expense for other borrowings | 66,657 | 42,631 |
| Amortisation of transaction costs for borrowings | 17,423 | 35,783 |
| Foreign exchange loss on financing activities | 11,047 | — |
| | 381,203 | 441,431 |

11 INCOME TAX EXPENSE

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

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

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

| | 2014 | 2013 |
|----------------------------------|-----------------|----------|
| | RMB' 000 | RMB' 000 |
| Current income tax | | |
| – China corporate income tax | 10,770 | 10,380 |
| – Under-provision in prior years | 333 | 234 |
| Deferred income tax (Note 23) | 166,173 | 137,980 |
| | 177,276 | 148,594 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11 INCOME TAX EXPENSE (continued)

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

| | 2014 RMB'000 | 2013 RMB'000 |
|--|-----------------|-----------------|
| Profit before income tax and transactions with unitholders | 1,105,243 | 672,661 |
| Tax calculated at domestic tax rate of 25% | 276,311 | 168,165 |
| Income not subject to tax | (219,539) | (147,034) |
| Expenses not deductible for tax purposes | 103,724 | 102,786 |
| Under-provision in prior years | 333 | 234 |
| Withholding tax on unremitted earnings of subsidiaries | 16,447 | 24,443 |
| | 177,276 | 148,594 |

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.

| | 2014 | 2013 |
|---|-----------|-----------|
| Profit after income tax before transactions with unitholders attributable to unitholders (RMB' 000) | 925,506 | 524,553 |
| Weighted average number of units in issue (' 000) | 2,785,752 | 2,755,126 |
| Basic earnings per unit (RMB) | 0.33 | 0.19 |

Notes to the Consolidated Financial Statements

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

(b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. 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 2014.

| | 2014 | 2013 |
|---|-----------|-----------|
| Profit after income tax before transactions with unitholders attributable to unitholders (RMB' 000) | 925,506 | 524,553 |
| Weighted average number of units in issue (' 000) | 2,785,752 | 2,755,126 |
| Adjustments for deferred units (' 000) | 733,280 | 733,280 |
| Adjustments for manager's fee in form of units (' 000) | 16,364 | 9,178 |
| Weighted average number of units for diluted earnings per unit (' 000) | 3,535,396 | 3,497,584 |
| Diluted earnings per unit (RMB) | 0.26 | 0.15 |

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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 2013 | | | | |
| Cost | 2,292,000 | 12,692 | 9,503 | 2,314,195 |
| Accumulated depreciation | (22,139) | (12,259) | (625) | (35,023) |
| Fair value gain on revaluation | 8,139 | — | — | 8,139 |
| Net book amount | 2,278,000 | 433 | 8,878 | 2,287,311 |
| Year ended 31 December 2013 | | | | |
| Opening net book amount | 2,278,000 | 433 | 8,878 | 2,287,311 |
| Additions | 367 | — | — | 367 |
| Depreciation (Note 6) | (93,023) | (153) | (1,874) | (95,050) |
| Fair value gain on revaluation | 149,656 | — | — | 149,656 |
| Closing net book amount | 2,335,000 | 280 | 7,004 | 2,342,284 |
| At 31 December 2013 | | | | |
| Cost | 2,292,367 | 12,692 | 9,503 | 2,314,562 |
| Accumulated depreciation | (115,162) | (12,412) | (2,499) | (130,073) |
| Fair value gain on revaluation | 157,795 | — | — | 157,795 |
| Net book amount | 2,335,000 | 280 | 7,004 | 2,342,284 |
| Year ended 31 December 2014 | | | | |
| Opening net book amount | 2,335,000 | 280 | 7,004 | 2,342,284 |
| Additions | 980 | — | — | 980 |
| Depreciation (Note 6) | (96,852) | (132) | (1,875) | (98,859) |
| Fair value gain on revaluation | 125,089 | — | — | 125,089 |
| Closing net book amount | 2,364,217 | 148 | 5,129 | 2,369,494 |
| At 31 December 2014 | | | | |
| Cost | 2,293,347 | 12,692 | 9,503 | 2,315,542 |
| Accumulated depreciation | (212,014) | (12,544) | (4,374) | (228,932) |
| Fair value gain on revaluation | 282,884 | — | — | 282,884 |
| Net book amount | 2,364,217 | 148 | 5,129 | 2,369,494 |

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 RMB2,083,962,000 (2013: RMB2,176,522,000).

As at 31 December 2014, property, plant and equipment with an aggregate carrying amount of RMB 2,364 million (2013: RMB2,335 million) were pledged as collateral for the Group's bank borrowings (Note 26).

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|------------------|------------------|
| Opening balance | 2,335,000 | 2,278,000 |
| Additions | 980 | 367 |
| Depreciation | (96,852) | (93,023) |
| Unrealised gains recognised in reserve | 125,089 | 149,656 |
| Closing balance | 2,364,217 | 2,335,000 |
| Changes in unrealised gains or losses for the year included in other comprehensive income at the end of the year | 125,089 | 149,656 |

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and service apartments were revalued by Vigers Appraisal and Consulting Limited and Savills Valuation and Professional Services Limited, both being independent qualified valuer not related to the Group at 31 December 2014 and 2013 respectively.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Significant inputs used to determine fair value

Capitalisation and discount rates are estimated by Vigers Appraisal and Consulting Limited for 2014 and Savills Valuation and Professional Services Limited for 2013 based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value.

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

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

As at 31 December 2013

| | Unit Rate/day (RMB) | Discount Rate (%) | Stabilised Occupancy Rate (%) |
|---------------------|------------------------|----------------------|--|
| Hotel | 2,000 | 7.0 | 75.0 |
| Serviced apartments | 984 | 7.5 | 85.0 |

As at 31 December 2014

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14 LAND USE RIGHTS

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|-----------------------|--------------------------------|------------------|
| At 1 January | 1,626,394 | 1,675,679 |
| Amortisation (Note 6) | (49,285) | (49,285) |
| At 31 December | 1,577,109 | 1,626,394 |

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

| | 31 December 2014 RMB' 000 | 31 December 2013 RMB' 000 |
|--|--|---------------------------------|
| In China: | | |
| Land use rights of between 10 and 50 years | 1,577,109 | 1,626,394 |

As at 31 December 2014, the fair value of land use rights is approximately RMB1,906 million (2013: RMB1,809 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2014, land use rights were pledged with an aggregate net book amount of approximately RMB1,577 million (2013: RMB1,626 million) as collateral for the Group's bank borrowings (Note 26).

15 INVESTMENT PROPERTIES

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|--------------------------------|------------------|
| At 1 January | 18,605,000 | 18,264,000 |
| Additions during the year | 21,784 | 8,212 |
| Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties' | 672,216 | 332,788 |
| At 31 December | 19,299,000 | 18,605,000 |
| Total gains or losses for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties' | 672,216 | 332,788 |

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

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB185,072,000 (2013: RMB169,903,000). Included in the direct operating expenses, RMB5,115,000 (2013: RMB7,743,000) was relating to investment properties that were vacant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15 INVESTMENT PROPERTIES (continued)

Yuexiu REIT acquired Guangzhou IFC on 8 October 2012. In accordance with the REIT code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholder have passed a special resolution consenting to the proposed disposal.

As at 31 December 2014, investment properties with an aggregate net book value of approximately RMB5,911 million (2013: RMB5,812 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 Vigers Appraisal and Consulting Limited and Savills Valuation and Professional Services Limited, both being independent qualified valuer not related to the Group at 31 December 2014 and 2013 respectively.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15 INVESTMENT PROPERTIES (continued)

Significant inputs used to determine fair value

Capitalisation and discount rates are estimated by Vigers Appraisal and Consultancy Limited for 2014 and Savills Valuation and Professional Services Limited for 2013 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

As at 31 December 2013

| | Monthly Market Unit Rent (RMB per sq.m.) | Capitalisation Rate (per annum) |
|--------|--|---------------------------------------|
| Office | 81 to 265 | 5.00% to 8.00% |
| Retail | 86 to 1,096 | 5.25% to 8.50% |

As at 31 December 2014

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

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

As at 31 December 2013

| | Monthly Market Unit Rent (RMB per sq.m.) | Discount Rate | Stabilised Occupancy Rate |
|--------|--|----------------|------------------------------|
| Office | 81 to 265 | 7.00% to 9.50% | 90.00% to 99.00% |
| Retail | 86 to 1,096 | 7.25% to 9.80% | 95.00% to 99.50% |

As at 31 December 2014

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

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16 SUBSIDIARIES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16 SUBSIDIARIES (continued)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16 SUBSIDIARIES (continued)

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operations | Particulars of issued share capital/ registered capital | Interest held (Note) |
|---|--|--|---|----------------------|
| Guangzhou Yuehui Industrial Ltd. | China, limited liability company | Investment holding | Registered capital of HK\$300 million | 99.99% |
| Guangzhou Yueli Industrial Ltd. | China, limited liability company | Investment holding | Registered capital of HK\$300 million | 99.99% |
| Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd | China, limited liability company | Property management and property leasing | Registered capital of RMB2,650 million | 98.99% |
| Guangzhou IFC Hospitality Management Co. Ltd | China, limited liability company | Hospitality management | Registered capital of RMB5 million | 98.99% |

Note:

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

17 DEFERRED ASSETS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18 GOODWILL

| | RMB' 000 |
|------------------------|----------|
| At 31 December 2014 | |
| Cost | 160,324 |
| Accumulated impairment | — |
| | 160,324 |
| 31 December 2014 | |
| Net book amount | 160,324 |
| At 31 December 2013 | |
| Cost | 160,324 |
| Accumulated impairment | — |
| | 160,324 |
| 31 December 2013 | |
| Net book amount | 160,324 |

Impairment test for goodwill

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

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

| | 2014 | 2013 |
|-------------------------|-------|-------|
| Growth rate per annum | 3.40% | 4% |
| Discount rate per annum | 6.87% | 8.62% |

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

Notes to the Consolidated Financial Statements

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19 TOP-UP PAYMENT ASSET

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

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

It is initially recognised at fair value. In determining the fair value of the top-up payment asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the market interest rate of 2.970% (2013: 3.575%) per annum. Top-up payment asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of top-up payment asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income".

The top-up payment for the year ended 31 December 2014 was RMB104,399,000 (2013: RMB165,812,000).

20 TRADE RECEIVABLES

| | 2014 RMB' 000 | 2013 RMB' 000 |
|-------------------|------------------|------------------|
| Trade receivables | 11,564 | 10,971 |

The fair values of trade receivables approximate their carrying amounts.

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---------------|------------------|------------------|
| 0 - 30 days | 10,031 | 2,004 |
| 31 - 90 days | 967 | 8,211 |
| 91 - 180 days | 566 | 267 |
| 181-365 days | — | — |
| Over 1 year | — | 489 |
| | 11,564 | 10,971 |

As at 31 December 2014, trade receivables of approximately RMB11,564,000 (2013: RMB10,971,000) were fully performing.

As at 31 December 2014, no trade receivables (2013: nil) were past due.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

22 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|------------------|------------------|
| Cash at bank and on hand | 804,850 | 615,130 |
| Short-term bank deposits with original maturity of less than three months | 181,450 | 24,656 |
| Cash and cash equivalents | 986,300 | 639,786 |
| Short-term bank deposits with original maturity of more than three months | 13,153 | — |
| Total | 999,453 | 639,786 |
| Maximum exposure to credit risk | 999,049 | 639,375 |

As at 31 December 2014, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB 786,480,000 (2013: RMB575,072,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of the China is subject to exchange control restrictions imposed by the Chinese government.

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

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|------|------------------|------------------|
| HK\$ | 212,200 | 63,353 |
| RMB | 786,884 | 575,483 |
| USD | 369 | 950 |
| | 999,453 | 639,786 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

23 DEFERRED TAX LIABILITIES

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|--------------------------------|------------------|
| Deferred tax liabilities: | | |
| – Deferred tax liabilities to be recovered after more than 12 months | 2,607,530 | 2,406,333 |

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|--------------------------------|------------------|
| Beginning of the year | 2,406,333 | 2,226,428 |
| Deferred taxation charged to profit or loss (Note 11) | 166,173 | 137,980 |
| Deferred taxation charged to reserve | 35,024 | 41,925 |
| End of the year | 2,607,530 | 2,406,333 |

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

| | Tax losses RMB' 000 |
|----------------------------|--------------------------------------|
| At 1 January 2013 | — |
| Credited to profit or loss | 35,937 |
| At 31 December 2013 | 35,937 |
| At 1 January 2014 | 35,937 |
| Credited to profit or loss | 36,071 |
| At 31 December 2014 | 72,008 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

23 DEFERRED TAX LIABILITIES (continued)

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

| | Fair value gains RMB' 000 | Withholding tax in respect of unremitted earnings of subsidiaries RMB' 000 | Accelerated depreciation allowance and others RMB' 000 | Total RMB' 000 |
|-----------------------------|------------------------------|---|--|-------------------|
| Year ended 31 December 2013 | | | | |
| At 1 January 2013 | 1,952,613 | 238,970 | 34,845 | 2,226,428 |
| Charged to profit or loss | 41,688 | 16,566 | 115,663 | 173,917 |
| Charged to reserve | 41,925 | — | — | 41,925 |
| At 31 December 2013 | 2,036,226 | 255,536 | 150,508 | 2,442,270 |
| Year ended 31 December 2014 | | | | |
| At 1 January 2014 | 2,036,226 | 255,536 | 150,508 | 2,442,270 |
| Charged to profit or loss | 78,559 | 5,702 | 117,983 | 202,244 |
| Charged to reserve | 35,024 | — | — | 35,024 |
| At 31 December 2014 | 2,149,809 | 261,238 | 268,491 | 2,679,538 |

There is no significant unprovided deferred taxation as at 31 December 2014 (2013: nil).

24 TRADE PAYABLES

| | 2014 RMB' 000 | 2013 RMB' 000 |
|----------------|------------------|------------------|
| Trade payables | 14,518 | 12,935 |

The fair values of trade payables approximate their carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

24 TRADE PAYABLES (continued)

The ageing analysis of the trade payables is as follows:

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---------------|--------------------------------|------------------|
| 0 - 30 days | 10,991 | 8,571 |
| 31 - 90 days | 2,680 | 4,189 |
| 91 - 180 days | 844 | 117 |
| 181-365 days | 3 | 58 |
| | 14,518 | 12,935 |

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

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

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|--------------------------------|------------------|
| Rental Deposits | | |
| Current portion | 131,172 | 102,049 |
| Non-current portion | 113,281 | 115,456 |
| | 244,453 | 217,505 |
| Receipts in advance | | |
| Current portion | 59,674 | 48,681 |
| Non-current portion | 25,638 | — |
| | 85,312 | 48,681 |
| Provision for withholding tax payable | 6,801 | 7,903 |
| Provision for business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge | 5,362 | 5,887 |
| Construction fee payable | 873,161 | 1,097,022 |
| Accruals for operating expenses | 118,046 | 90,471 |
| Accruals and other payables | 1,003,370 | 1,201,283 |
| | 1,333,135 | 1,467,469 |

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26 BORROWINGS

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------------------|------------------|
| Current portion of long term borrowings, secured | 300,000 | 300,000 |
| Long-term borrowings | | |
| Bank borrowings | | |
| – Secured | 3,290,000 | 3,680,000 |
| – Unsecured | 2,695,488 | 2,050,832 |
| Other borrowings, unsecured (Note) | 2,123,908 | 2,111,062 |
| | 8,109,396 | 7,841,894 |
| Less: current portion of long-term borrowings | (300,000) | (300,000) |
| Total long-term borrowings | 7,809,396 | 7,541,894 |
| Analysed into: | | |
| Unsecured | 4,819,396 | 4,161,894 |
| Secured | 3,290,000 | 3,680,000 |
| | 8,109,396 | 7,841,894 |

Bank borrowings of the Group are guaranteed on a joint and several basis¹ and also secured by the following:

- certain parts of Guangzhou IFC amounting to RMB9,852 million;
- present and future assets (including but not limited to: (a) a charge over any interest-bearing accounts (the "Charged Accounts"), (b) a floating charge over all assets, (c) an assignment of dividends and all other revenue generated) of Yuexiu REIT 2012 Company Limited ("Yuexiu REIT 2012"), Tower Top Development Ltd. ("Tower Top"), BVI Holdcos² and HK Holdcos³, subsidiaries of the Group;
- all right, title and interest in all present and future loans of Yuexiu REIT 2012, Tower Top, BVI Holdcos² and HK Holdcos³;

¹ A syndicated loan amounting to RMB3,290 million is jointly and severally guaranteed by Guangzhou City Construction and Development Co., Ltd., Guangzhou Charcon Real Estate Co., Ltd. and Guangzhou City Construction and Development Group Co., Ltd. with an effective period expiring on the date two years after full repayment of the syndicated loan. A syndicated loan amounting to RMB2,227 million is jointly and severally guaranteed by Tower Top, BVI Holdcos² and HK Holdcos³.

² "BVI Holdcos" include Bliss Town Holdings Ltd., Hoover Star International Ltd., Miller Win Group Ltd. and Shinning Opal Management Ltd.

³ "HK Holdcos" include Ever Joint Investment International Limited, Long Grace Holdings Limited, Profit Link Investment International Limited and San Bright Holdings Limited.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26 BORROWINGS (continued)

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

| | 2014 | 2013 |
|---------------------------------|------------------|-----------|
| | RMB' 000 | RMB' 000 |
| Within one year | 300,000 | 300,000 |
| Between one year and five years | 6,389,396 | 5,676,894 |
| Over five years | 1,420,000 | 1,865,000 |

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

| | 2014 | 2013 |
|------|--------------|-------|
| RMB | 6.50% | 6.92% |
| HK\$ | 2.00% | 2.55% |
| USD | 3.15% | 3.10% |

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

| | 2014 | 2013 |
|------|------------------|-----------|
| | RMB' 000 | RMB' 000 |
| RMB | 3,290,000 | 3,680,000 |
| HK\$ | 2,695,488 | 2,050,832 |
| USD | 2,123,908 | 2,111,062 |
| | 8,109,396 | 7,841,894 |

The Group has no undrawn borrowing facilities as at 31 December 2014 (2013: HK\$ 200 million).

Note:

On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due 2018 (the "USD Bond") to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. All of the USD Bond remained outstanding at 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|--------------------------------|------------------|
| At 1 January | 12,669,468 | 12,524,083 |
| Issuance of units | 101,786 | 77,471 |
| Transfer from the consolidated statement of comprehensive income | 1,014,632 | 631,117 |
| Distributions paid during the year | (643,932) | (563,203) |
| At 31 December | 13,141,954 | 12,669,468 |

| | 2014 RMB' 000 | 2013 RMB' 000 |
|---|--------------------------------|------------------|
| Net assets attributable to existing unitholders | 11,012,373 | 10,539,887 |
| Net assets attributable to deferred unitholder (Note) | 2,129,581 | 2,129,581 |
| | 13,141,954 | 12,669,468 |

Note

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. The outstanding deferred units at 31 December 2014 was 733,280,000 units (31 December 2013: 733,280,000 units).

The movement of units is as below:

| | 2014 ' 000 | 2013 ' 000 |
|-------------------------------------|-----------------------------|---------------|
| At 1 January | 2,766,698 | 2,743,210 |
| Units issued during the year (Note) | 33,098 | 23,488 |
| At 31 December | 2,799,796 | 2,766,698 |

Note

During 2014, 33,098,000 units were issued for the payment of manager's fee (2013: 23,488,000 units).

Notes to the Consolidated Financial Statements

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28 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------------------|------------------|
| Profit before income tax and transactions with unitholders | 1,105,243 | 672,661 |
| Adjustments for: | | |
| – Depreciation expenses | 98,859 | 95,050 |
| – Amortisation of land use right | 49,285 | 49,285 |
| – Amortisation of transaction costs for bank borrowings | 17,423 | 35,783 |
| – Foreign exchange losses/(gains) on financing activities | 11,047 | (130,498) |
| – Fair value gains on investment properties | (672,216) | (332,788) |
| – Fair value gains on top-up payment asset | (98,267) | (6,812) |
| – Interest income | (60,109) | (88,401) |
| – Interest income from top-up payment asset | (7,121) | (9,011) |
| – Interest expenses | 352,733 | 405,648 |
| Changes in working capital: | | |
| – Deferred assets | (33,183) | (25,990) |
| – Inventories | (831) | 364 |
| – Trade receivables | (593) | 320 |
| – Amounts due from related companies | 234,668 | 221,156 |
| – Prepayments, deposits and other receivables | (4,367) | (2,245) |
| – Trade payables | 1,583 | 4,258 |
| – Rental deposits | 26,948 | 22,785 |
| – Receipts in advance | 36,631 | 23,842 |
| – Accruals and other payables | (197,913) | (207,537) |
| – Amounts due to related parties | 1,230 | 21,851 |
| Cash generated from operations | 861,050 | 749,721 |

29 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2014, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 36% (2013: 36%) of Yuexiu REIT's units. The remaining 64% (2013: 64%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2014:

| Connected/related companies | Relationship with Yuexiu REIT |
|---|-----------------------------------|
| Yuexiu Property Company Limited ("YXP") ¹ | A major unitholder of Yuexiu REIT |
| Yuexiu REIT Asset Management Limited (the "Manager") ¹ | A subsidiary of YXP |
| Guangzhou Yuexiu Asset Management Company Limited ("GZAM") ¹ | A subsidiary of YXP |
| Guangzhou Yicheng Property Management Limited ("Yicheng") ¹ | A subsidiary of YXP |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

| Connected/related companies | Relationship with Yuexiu REIT |
|--|--------------------------------------|
| Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") ¹ | A subsidiary of YXP |
| Guangzhou White Horse Property Management Co., Ltd. ("White Horse PM") ¹ | A subsidiary of YXP |
| Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") ¹ | A subsidiary of YXP |
| Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹ | A subsidiary of YXP |
| Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹ | A major shareholder of YXP |
| Guangzhou Yuexiu Holdings Limited ("GZYX") ¹ | Immediate holding company of Yue Xiu |
| Guangzhou City Construction and Development Group Co., Ltd. ¹ | A subsidiary of GZYX |
| Golden Eagle Asset Management Co. Ltd. ("Golden Eagle") ¹ | A subsidiary of GZYX |
| Guangzhou Grandcity Development Ltd. ¹ | A subsidiary of YXP |
| Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") ¹ | A subsidiary of YXP |
| Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") (previously known as Guangzhou Guang Zheng Hang Seng Securities Investment Advisory Co., Ltd.) ¹ | A subsidiary of GZYX |
| Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") ¹ | A subsidiary of GZYX |
| Guangzhou Securites Company Limited (previously known as 廣州證券有限責任公司) ¹ | A subsidiary of GZYX |
| Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. (previously known as Guangzhou Yuexiu Industrial Investment Management Co., Ltd.) ¹ | A subsidiary of GZYX |
| Guangzhou Yuexiu Financial Leasing Co., Ltd. ¹ | A subsidiary of GZYX |
| 廣州越秀金融家俱樂部有限公司 ¹ | A subsidiary of YXP |
| Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (previously known as Guangzhou Yuexiu Finance Holdings Co., Ltd.) ¹ | A subsidiary of GZYX |
| Guangzhou Yue Tong Expressway Operations and Management Company Limited ¹ | A subsidiary of GZYX |
| 廣州越秀小額貸款有限公司 ¹ | A subsidiary of GZYX |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

Connected/related companies Relationship with Yuexiu REIT

| | |
|---|---|
| Beijing Jones Lang La Salle Property Management Services Company Limited, Guangzhou Branch ("Beijing JLL") ¹ | A subsidiary of GZYZ |
| Guangzhou Yue Peng Information Ltd. ¹ | A subsidiary of GZYZ |
| Yuexiu (China) Transport Infrastructure Investment Company Limited ¹ | A subsidiary of GZYZ |
| Chong Hing Bank Limited Shantou Branch ("Chong Hing Shantou") ¹ | A subsidiary of GZYZ |
| HSBC Institutional Trust Services (Asia) Limited (the "Trustee") | The Trustee of Yuexiu REIT |
| Vigers Appraisal and Consulting Limited (the "Incumbent Valuer") | The current principal valuer of Yuexiu REIT |
| Savills Valuation and Professional Services Limited (the "Former Valuer") | The former principal valuer of Yuexiu REIT |
| The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group") | Associates of the Trustee |

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

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

(a) Transactions with connected/related companies

| | 2014 RMB' 000 | 2013 RMB' 000 |
|--|------------------|------------------|
| Manager's fee paid/payable to the Manager (ii) | (105,713) | (99,461) |
| Management fee paid/payable to Yicheng | (9,775) | (8,971) |
| Management fee paid/payable to White Horse PM | (10,984) | (10,180) |
| Management fee paid/payable to GZAM | (12,363) | (10,498) |
| Rental income received/receivable from Xingye | 5,747 | 5,744 |
| Rental income received/receivable from Yicheng | 2,552 | 3,114 |
| Rental income received/receivable from GCCD | 33,971 | 36,162 |
| Rental income received/receivable from White Horse JV | 1,200 | 1,200 |
| Rental income received/receivable from Golden Eagle | 4,550 | 4,550 |
| Rental income received/receivable from GZYZ | 33,872 | 31,288 |
| Rental income received/receivable from Guangzhou Grandcity Development Ltd. | 20,366 | 20,970 |
| Rental income received/receivable from Guang Zheng | 2,910 | 3,009 |
| Rental income received/receivable from Suiqiao | 565 | 565 |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(a) Transactions with connected/related parties (continued)

| | 2014 RMB'000 | 2013 RMB'000 |
|--|-----------------|-----------------|
| Rental income received/receivable from Guangzhou Securities Company Limited | 19,948 | 19,924 |
| Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. | 2,815 | 2,802 |
| Rental income received/receivable from GZ JLL | 14,157 | 13,622 |
| Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd. | 5,371 | 4,258 |
| Rental income received/receivable from GZAM | 5,711 | 4,482 |
| Rental income received/receivable from 廣州越秀金融家俱樂部有限公司 | 2,760 | 5,635 |
| Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd. | 4,921 | 4,247 |
| Rental income received/receivable from Guangzhou Yue Tong Expressway Operations and Management Company Limited | 734 | 1,130 |
| Rental income received/receivable from Guangzhou Yue Peng Information Ltd. | 750 | 750 |
| Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited | 5,151 | 4,759 |
| Rental income received/receivable from 廣州越秀小額貸款有限公司 | 664 | 500 |
| Rental income received/receivable from Beijing JLL | 1,248 | 1,197 |
| Rental income received/receivable from Chong Hing Shantou | 1,315 | — |
| Naming right income received/receivable from YXP | 20,000 | 20,000 |
| Interest income received/receivable from GCCD | 52,249 | 75,207 |
| Trustee's fee paid/payable to the Trustee | (7,609) | (7,365) |
| Valuation fee paid/payable to the Incumbent Valuer | (395) | — |
| Valuation fee paid/payable to the Former Valuer | (396) | (908) |
| Transactions with the HSBC Group | | |
| – Interest expense paid/payable to the HSBC Group | (6,879) | (6,314) |
| – Interest income from the HSBC Group | — | 15 |
| – Advisory fee paid to the HSBC Group | — | (4,342) |

Note:

- (i) All transactions with connected related companies were carried out in accordance with the terms of the relevant agreement governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, as defined in the Trust Deed and a service fee of 3% per annum of net property income, as defined in the Trust Deed (Note 8).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

(b) Balances with related companies

| | 2014 RMB'000 | 2013 RMB'000 |
|--|-----------------|-----------------|
| Amount due from GCCD (i) | 531,855 | 766,523 |
| Amount due to Yicheng | (941) | (812) |
| Amount due to White Horse PM | (1,344) | (1,863) |
| Amount due to the Manager | (55,983) | (54,540) |
| Amount due to GZAM | (1,103) | (926) |
| Amount due to Guangzhou City Construction and Development Group Co., Ltd. | (10,000) | (10,000) |
| Rental deposits from related companies (ii) | (29,252) | (29,035) |

Except for an amount due from GCCD of approximately RMB508 million (2013: RMB729 million) is unsecured and interest bearing of 9% per annum all other balances with related companies are unsecured, interest-free, repayable on demand and approximate to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB532 million (2013: RMB767 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2014 (2013: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30 CAPITAL COMMITMENTS

| | 2014 | 2013 |
|---|----------------|---------|
| | RMB'000 | RMB'000 |
| Capital commitments in respect of property, plant and equipment and investment properties | | |
| Contracted but not provided for | 15,137 | 8,336 |
| Authorised but not contracted for | 40,841 | 51,810 |
| | 55,978 | 60,146 |

31 FUTURE MINIMUM RENTAL RECEIVABLE

At 31 December 2014, the Group had future minimum rental receivable under non-cancellable leases as follows:

| | 2014 | 2013 |
|---------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Within one year | 1,001,602 | 933,480 |
| Between one year and five years | 1,816,774 | 1,334,683 |
| Over five years | 502,293 | 598,874 |
| | 3,320,669 | 2,867,037 |

Performance Table

As at 31 December 2014

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------------------------|-----------------------|----------------|---------------|---------------|
| Net assets attributable to unitholders (RMB) | 13,141,954,000 | 12,669,468,000 | 12,524,083,000 | 5,095,264,000 | 3,980,990,000 |
| Net asset attributable to unitholders per unit (including net assets attributable to deferred unitholder) (RMB) | 4.69 | 4.58 | 4.57 | 4.78 | 3.73 |
| (Equivalent to HK\$) | 5.95 | 5.83 | 5.63 | 5.90 | 4.38 |
| The highest premium of the traded price to net asset value (HK\$) | N/A⁽ⁱ⁾ | N/A ⁽ⁱ⁾ | N/A | N/A | N/A |
| The highest discount of the traded price to net asset value (HK\$) | 2.36⁽ⁱ⁾ | 2.15 ⁽ⁱ⁾ | 2.27 | 2.80 | 1.44 |
| Net yield per unit | 10.76%⁽ⁱⁱ⁾ | 6.39% ⁽ⁱⁱ⁾ | 16.04% | 44.01% | 15.85% |
| Number of units in issue (units) | 2,799,795,685 | 2,766,698,330 | 2,743,209,741 | 1,065,972,687 | 1,065,972,687 |

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.08 (2013: HK\$4.91) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2014. The highest discount is calculated based on the lowest traded price of HK\$3.59 (2013: HK\$3.68) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2014.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2014 over the closing price of HK\$3.89 (2013: HK\$3.78) as at 31 December 2014.

Five Year Financial Summary

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

| | Year ended 31 December | | | | |
|--|-------------------------------|------------|------------|-----------|-----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| Results | | | | | |
| Profit after tax before transactions with Unitholders | 927,967 | 524,067 | 687,802 | 1,337,275 | 635,635 |
| | | | | | |
| | As at 31 December | | | | |
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| Assets and Liabilities | | | | | |
| Total assets | 25,362,604 | 24,549,540 | 24,874,112 | 7,375,278 | 6,024,293 |
| Total Liabilities, other than net assets attributable to Unitholders | 12,133,950 | 11,796,772 | 12,267,410 | 2,280,014 | 2,043,303 |
| Net assets attributable to Unitholders | 13,141,954 | 12,669,468 | 12,524,083 | 5,095,264 | 3,980,990 |

Corporate and Investor Relations Information

BOARD OF DIRECTORS OF THE MANAGER

Executive directors

Mr. Liu Yongjie (*Chairman*)

Mr. Lin Deliang (appointed on 25 April 2014)

Non-executive director

Mr. Li Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS & AUDIT COMMITTEE MEMBERS

Mr. Chan Chi On, Derek

Mr. Lee Kwan Hung, Eddie (resigned on 7 October 2014)

Mr. Chan Chi Fai, Brian

Mr. Cheung Yuk Tong (appointed on 7 October 2014)

RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Liu Yongjie

Mr. Lin Deliang

Mr. Kwan Chi Fai (appointed on 9 July 2014)

COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr. Kwan Chi Fai

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers

Certified Public Accountants

Corporate and Investor Relations Information

PRINCIPAL VALUER

Vigers Appraisal and Consulting Limited

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS OF YUEXIU REIT

DBS Bank Ltd., Hong Kong Branch

Malayan Banking Berhad Group

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Wing Hang Bank, Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>

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

REGISTERED OFFICE OF THE MANAGER

24th Floor

Yue Xiu Building

160 Lockhart Road

Wanchai, Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

Corporate and Investor Relations Information

LISTING EXCHANGE

UNITS:

The Stock Exchange of Hong Kong Limited-00405

BOND:

The Stock Exchange of Hong Kong Limited

US\$350,000,000 3.10 per cent. Notes due 2018

(Stock code: 05943)

INVESTOR RELATIONS

For further information about
Yuexiu REIT, please contact:

Mr. Ha Hang Leung, Alan

Telephone: (852) 2593 2326

Facsimile: (852) 2519 6473

Email: alan.ha@yuexiu.com



www.yuexiureit.com

24/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong

Manager

