



# 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 Futures Ordinance <chapter 571 of the Laws of Hong Kong>  
Stock Code : 00405

*VISION FOR A  
STEADY FORTUNE*

ANNUAL REPORT 2017



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## PROFILE OF YUEXIU REIT

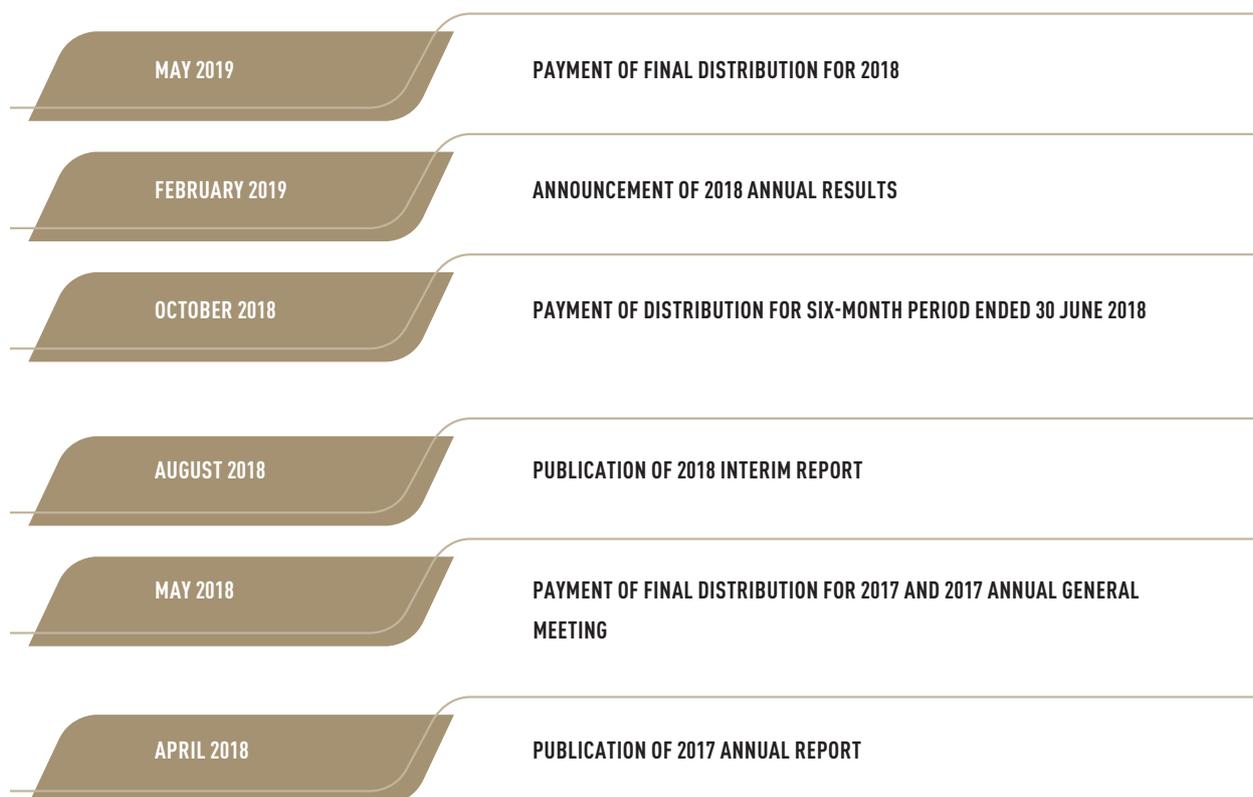
### PROFILE OF YUEXIU REAL ESTATE INVESTMENT TRUST (“YUEXIU REIT”)

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, one commercial property located in Shanghai and one commercial property located in Wuhan. 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 2018-2019



The diagram consists of six horizontal lines, each representing a timeline entry. On the left side of each line is a brown, rounded rectangular box containing a date. A thin line connects the right side of each box to the corresponding event text on the right. The events are listed in chronological order from bottom to top.

MAY 2019	PAYMENT OF FINAL DISTRIBUTION FOR 2018
FEBRUARY 2019	ANNOUNCEMENT OF 2018 ANNUAL RESULTS
OCTOBER 2018	PAYMENT OF DISTRIBUTION FOR SIX-MONTH PERIOD ENDED 30 JUNE 2018
AUGUST 2018	PUBLICATION OF 2018 INTERIM REPORT
MAY 2018	PAYMENT OF FINAL DISTRIBUTION FOR 2017 AND 2017 ANNUAL GENERAL MEETING
APRIL 2018	PUBLICATION OF 2017 ANNUAL REPORT

## DISTRIBUTION

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the trust deed. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2017 to 31 December 2017 ("2017 Final Period") will be approximately RMB0.1430 which is equivalent to HK\$0.1775 (2016: RMB0.1499 which was equivalent to HK\$0.1691) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Manager's fees) prior to the record date for the 2017 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2017 Final Period.

The final distribution for the 2017 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2017 to 30 June 2017 ("2017 Interim Period") being approximately RMB0.1341 which is equivalent to HK\$0.1560 (2016: RMB0.1346 which was equivalent to HK\$0.1570) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.2771 (which is equivalent to HK\$0.3335) (2016: approximately RMB0.2845 which was equivalent to HK\$0.3261).

The total distribution amount for the Reporting Year, being RMB826,381,000 (2016: RMB824,717,000), includes an amount of approximately RMB171,000,000 (2016: RMB483,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB568,373,000) plus a further distribution of approximately RMB258,008,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 12 consecutive years after listing in 2005.

### DISTRIBUTION YIELD

Disregarding new units to be issued prior to the relevant record date with respect to the Manager's fees, Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.3335 (2016: HK\$0.3261), of which approximately HK\$0.0704 (2016: HK\$0.1865) is attributable to capital items, represents a yield of approximately 6.5% (2016: 8.0%) per Unit based on the closing price of HK\$5.12 per Unit as at 31 December 2017 (2016: HK\$4.09).

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 12 April 2018. The register of Unitholders will be closed from 12 April 2018 to 13 April 2018, 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 11 April 2018. The final distribution will be paid on 16 May 2018 to the Unitholders whose names appear on the register of Unitholders on 12 April 2018.

## PERFORMANCE SUMMARY

The following is a summary of Yuexiu REIT's audited consolidated results (Note a) for the year ended 31 December 2017 together with comparative figures for the corresponding period in 2016:

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

	Financial Year ended 31 December 2017	Financial Year ended 31 December 2016	Increase/ (decrease)
Gross income (Note a)	1,853,899,000	1,837,579,000	0.9%
Net property income	1,314,104,000	1,268,104,000	3.6%
Profit after tax	1,437,095,000	712,144,000	101.8%
Earnings per unit - Basic	0.49	0.25	96.0%
Portfolio valuation (Note b)	33,356,000,000	28,658,000,000	16.4%
Net assets attributable to Unitholders per Unit	4.75	4.63	2.6%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	5.68	5.18	9.7%
Units issued (units)	3,014,285,896	2,921,780,484	3.2%
Total borrowings as a percentage of gross assets (Note c)	36.0%	38.9%	(2.9) percentage points
Gross liabilities as a percentage of gross assets (Note d)	56.4%	55.5%	0.9 percentage points
<b>Distribution</b>			
Total distribution (including additional items)	826,381,000	824,717,000	0.2%
Distribution per Unit (HK\$)	0.3335	0.3261	2.3%

Note a: Revenue of Wuhan Properties was recorded since 22 December 2017.

Note b: Wuhan Properties including "Wuhan Yuexiu Fortune Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces were newly acquired in 2017. Referring to the Circular dated 15 November 2017 for details. As at 31 December 2017, the valuation of Wuhan Properties was RMB3,587,000,000.

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

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

## CHAIRMAN'S STATEMENT



### Dear Unitholders of Yuexiu REIT,

On behalf of the management team of Yuexiu REIT Asset Management Limited (“Manager”), the Manager of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), I am very pleased to present to you the 2017 annual report of Yuexiu REIT.

**LIN ZHAOYUAN**  
Chairman

### RESULTS AND DISTRIBUTION

In 2017, the trend of steadily improving economy in China continued, and the overall situation coincided with expectation. Yuexiu REIT continued to record good operating results with the portfolio of premium properties and excellent efforts made by all members of the management team, and all key operating indicators presented outstanding performance.

Since Yuexiu REIT had successfully acquired Yuexiu Fortune Center, a landmark building in Wuhan in late 2017, its existing portfolio of properties and geographic coverage has become more diversified. The eight properties currently owned by Yuexiu REIT include White Horse Building Units (“White Horse Building”), Fortune Plaza Units (“Fortune Plaza”), City Development Plaza Units (“City Development Plaza”), Victory Plaza Units (“Victory Plaza”), Yue Xiu Neo Metropolis Plaza Units (“Neo Metropolis”), Guangzhou International Finance Center (“GZIFC”) which are located in Guangzhou, Yue Xiu Tower (“Yue Xiu Tower”) which is located in Shanghai, and Wuhan Properties which is located in Wuhan, with a total rentable area of 660,317.6 sq.m..



As at 31 December 2017, the occupancy rate of properties under Yuexiu REIT was satisfactory. The occupancy rate of the original five properties was 98.7%, the occupancy rate of Guangzhou International Finance Center (“GZIFC”) offices was 98.3%, the occupancy rate of the GZIFC Shopping Mall was 96.7%, the occupancy rate of Yue Xiu Tower was 97.5%, the occupancy rate of Yuexiu Fortune Center was 40.5% and the occupancy rate of Starry Victoria Shopping Center was 82.1%. During the Reporting Year, the total revenue of Yuexiu REIT was approximately RMB1,853,899,000, representing an increase of 0.9% as compared to RMB1,837,579,000 for the same period last year. All properties maintained stable operation and continued to improve steadily.

In 2017, Yuexiu REIT realized a total distributable income of approximately RMB826,381,000, representing an increase of approximately RMB1,664,000 or an increase of approximately 0.2% as compared to the total distributable income of RMB824,717,000 for the corresponding period last year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.3335 per Unit, representing an increase of HK\$0.0074 or an increase of approximately 2.3% as compared to the distribution amount of HK\$0.3261 for the same period last year. Based on the closing price of HK\$5.12 per Unit as at 31 December 2017, the rate of return was approximately 6.5%.

## MARKET REVIEW

In 2017, the global economy was gradually improving. It was expected that the global economy would grow in a faster pace and with a higher growth rate. The momentum of economic growth in developed economies continued to remain good, and there was a steady uplift in the growth rate of emerging markets and developing economies. In particular, the PRC achieved the most outstanding performance, its annual GDP growth rate continued to rank at the top among other major economies in the world. Adherence to the principle of “Steadiness”, the PRC had shifted its focus from achieving rapid growth to high-quality development with an aim to build a more resilient economy. According to the data released by the National Bureau of Statistics of China, the GDP of the PRC grew by 6.9% in 2017 on a year-on-year basis and the overall economy remained stable.

In March 2017, the construction of the Guangdong-Hong Kong-Macao Bay Area was first written into the China’s government work report, which has been upgraded to a national strategy. The Guangdong-Hong Kong-Macao Bay Area consisting of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, will be built into the fourth largest bay area in the world following the New York Bay Area, the San Francisco Bay Area in the United States and the Tokyo Bay Area in Japan. The economic and social development of Guangzhou improved with stability. After its GDP exceeded RMB1 trillion in 2010, Guangzhou is heading to enter the “Two Trillion Yuan Club”. In terms of economic aggregate, Guangzhou ranked top 20 among other cities in the world. In 2017, the regional GDP of Guangzhou was approximately RMB2,150,315 million, representing an increase of 7.0% on a year-on-year basis, and was 0.1 percentage points higher than the national economic growth rates 6.9%, respectively.

As the first pilot free trade zone in the PRC, Shanghai Pilot Free Trade Zone has become a significant base for the export-oriented economic growth in Shanghai since its establishment four years ago, driving Shanghai to become one of the cities with the highest level of trade facilitation in the world. The economic development of Shanghai was overall steady and was improving, achieved a better-than-expected proactive condition. The regional GDP of Shanghai was approximately RMB3,013,386 million, representing an increase of 6.9% on a year-on-year basis, and was in line with national GDP growth. Total fixed asset investments completed by Shanghai amounted to RMB724.66 billion, representing an increase of 7.3% as compared to the corresponding period of the previous year, the growth rate was 1.0 percentage point higher on a year-on-year basis.

Wuhan is the only city among the six cities in the central provinces of the PRC being selected as a 1.5-tier city. In the past five years, it has achieved remarkable results in implementing the "One Million College Students Staying in Wuhan to Start Undertakings and Obtain Employment Plan (百萬大學生留漢創業就業計劃)" and the "One Million Alumni Contributing their Capital and Intelligence to Wuhan Project (百萬校友資智回漢工程)", with its economy maintaining sustainable and healthy development. Various key economic data reached a dominant position in the PRC. The added value of the financial industry exceeded RMB100 billion for the first time, ranking the first among cities in the central region of the PRC. The tertiary industry dominated by the service industry has gradually become the new core momentum for economic growth in Wuhan. Up to the end of 2017, the tertiary industry represented 53.25% of the total GDP of Wuhan. In 2017, the GDP of the city was approximately RMB1,341.034 billion, representing an increase of 8.0% on a year-on-year basis. The total and growth of the key economic indicators achieved "double lead" in Hubei Province.

The supply of Grade A offices in Guangzhou temporarily declined in 2017. The total new supply office of Guangzhou's four core business districts was approximately 165,000 sq.m., which pushed up the inventory of the Grade A offices to 5.336 million sq.m. at the end of the year. TMT, professional services and finance industries were the major tenants of high-quality offices in Guangzhou; however, the percentage of tenants from the finance sector declined slightly as compared with 2016. The market expansion was mainly driven by domestic enterprises, and its share of contribution continued to increase as compared with 2016. Among the major business districts, Zhujiang New Town continued to be the first choice of enterprises for relocating and expanding their business. Meanwhile, business centers and coworking offices were also rapidly increasing in the business districts of Guangzhou.

In 2017, the supply of offices in Shanghai reached a record high, with more than 2.2 million sq.m. in new supply, most of which located in non-central business districts. The net absorption rate also continued to increase throughout the year, which was double than that of 2016. The substantial increase in the new supply in offices pushed up the vacancy rate to 10.6% (in the case of central business districts) and 26.8% (in the case of non-central business districts). The largest demand for offices in central business districts was generated from companies from the financial services (from domestic enterprises), retail and technology and new media industries. Coworking office operators were actively expanding their businesses during the year, and had become an important source of demand in the office market.

2017 was a year for Wuhan's Grade A office market to digest the substantial new supply of offices accumulated in the previous period. The rental level tended to remain flat for the year. The finance industry was still the main source of demand in the market; however, demand from trading, real estate, TMT, manufacturing and professional services industries significantly increased and, in particular, domestic companies had played a supportive role in the market.

With respect to the specialized apparel market, the entire apparel industry was facing varying degrees of difficulties resulted from the serious overcapacity problem and the gradual decline of the traditional wholesale industry and the weakening of distribution functions and market competitive advantages. Accordingly, there was an imminent need for the market to accelerate its pace to transform, upgrade and promote innovative development. Affected by the current e-commerce and retail sales, the specialized apparel market is strengthening its efforts in the construction of brand incubation system and uplifting brand incubation capabilities, thereby exploring its own path for development.

Looking back at Guangzhou's retail market in 2017, the brand and business model adjustment and property upgrade work of the major shopping centers in the core districts continued to proceed. In the context of consumption upgrade, shopping malls were constantly enhancing their leisure, entertainment and social functions, and the proportion of tenants from industries such as child services, leisure and entertainment, catering with special features and theme restaurants was increasing. Meanwhile, big data is applied to implement precise marketing to effectively increase customer traffic and enhance operation area efficiency in shopping malls. Benefiting from the proactive adjustment and upgrading of business model, the average monthly rent for the first floor of the premium shopping center located in the core business district of Guangzhou was RMB749 per sq.m., representing an increase of 0.1% on a month-on-month basis. With the commencement of new business projects, the inventory of premium business projects in the core business districts increased to 1.932 million sq.m. at the end of the year.

In the high-end hotel market, average occupancy rate of the high-end hotel market in Guangzhou region increased significantly and effectively drove the rise of RevPAR. Meanwhile, additional supply in projects competed for same sources of customers, resulting in intensified regional competition. As of December 2017, the average occupancy rate of high-end hotels market was 79.2%, an increase of 4.9 percentage points year-on-year, and the average daily room rate increased by 4.7% on a year-on-year basis to RMB1,109.87 per room. For high-end serviced apartments, the high-end serviced apartments in Guangzhou recorded a slight increase in average room rate and occupancy rate, however, a decrease in high-quality long-lease tenants amidst fierce competition. As of December 2017, average occupancy rate of high-end serviced apartments in Guangzhou was 85.5%, increased by 0.5 percentage point on a year-on-year basis, and a decrease of 2.8% in average rental on a year-on-year basis.



**BUSINESS OPERATING STRATEGIES**

In response to the dynamic changes in the market, the Manager implemented proactive and flexible tenancy strategies to deeply tap into the commercial value of the properties, aiming at achieving long-term sustained business growth and stable rental returns.

The operating performance of GZIFC offices, Fortune Plaza, City Development Plaza, Neo Metropolis and Yue Xiu Tower under Yuexiu REIT have all maintained steady growth. In particular, GZIFC offices has leverage on its unique advantages of high-rise building to create a premium working environment, and has attracted the world's leading enterprises to make their debut. Fortune Plaza, City Development Plaza and Neo Metropolis have strived for effective management of matured leases and stabilization of core customers. Yue Xiu Tower has focused on nurturing cornerstone customers, tapping into demand for leases from thriving customers and enhancing lease renewal management, and Yuexiu Fortune Center has made greater efforts in promotion and marketing as well as attracting business and customers and expanding customer base, so as to achieve the objective of increasing the occupancy rate of properties.

With respect to retail shopping malls, the "GZIFC Shopping Mall" of the Guangzhou International Finance Center actively offered new retail experiences, continued to optimize its business structure, enriched product offerings, and made efforts in enhancing operational efficiency of its tenants and building brand awareness by providing innovative marketing services, establishing a platform for members and improving the public environment. The "VT101" mall of Victory Plaza continued to optimize its band portfolio by securing popular brands as tenants and launched programs targeting young and fashionable niche group, which contributed to a rise in rental revenue and brand image. Starry Victoria Shopping Center secured its target brands as tenants to satisfy the demands of its customers in the surrounding areas, its initiatives also effectively increased customer flow and created a strong business atmosphere at the mall.

With respect to the specialized apparel market, the Manager had been endeavoring to expand sales channels and enrich product offerings for White Horse. By proactively attracting quality tenants, the Manager could maintain tenants with solid strengths while weep out the weak ones for White Horse. In addition, the Manager made efforts in strengthening the transaction platform functions of White Horse and realized market transformation and upgrade, and, in turn, to further consolidate the leading position of White Horse in the apparel industry.

For hotel and serviced apartments, the Manager focused on elevating the competitiveness of guest rooms, consolidating core customers and expanding high net worth customers, while promoting collaboration on resources. As well as attracting new customer sources on the basis of stabilizing original sources of customers, effectively realizing a "double lead" in both room rate and occupancy rate, meanwhile, through the implementation of multiple effective policies in sustaining enhancement in the overall operating revenue in dining, banquets, hotel and serviced apartments, and continued to maintain their leading positions in the hotel and serviced apartments industries. Furthermore, the Manager reduced energy consumption expenses and quantified cost control benchmark for the hotel and the serviced apartments, effectively reduce operating cost and enhance operating profit. On the product aspect, the launch of new products was directed to effectively attract target customers, and technologically advanced products were added to effectively enhance the competitiveness of hotel and serviced apartments. With regard to the aspect of services, operational management and control were strengthened, in-depth analysis of customer satisfaction was carried out to target at enhancing supervision and improving service standard of the hotel and serviced apartments.

## INVESTMENT AND FINANCIAL STRATEGIES

In 2017, the Manager continued to implement proactive and prudent investment strategies. The Manager was carrying out follow up works for the acquisition of Wahan Properties completed in the second half of 2017. The Manager also continued to seek quality projects that were in line with the investment strategies of the REIT and seized investment opportunities with growth potential.

Yuexiu REIT implemented stable and prudent financial policies, the ratio of total borrowings to total assets of the REIT as at 31 December 2017 was maintained at the level of 36.0%, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager paid close attention to the changes in interest rates and exchange rates, actively expanded the capital channels, made reasonable planning for overseas loans which fall due in future and sought to obtain an appropriate average finance cost rate.

The Manager continued its work in maintaining a stable credit rating of the REIT. Based on the confidence in Yuexiu REIT's relatively strong operating capability and stable cash flow expectations, the rating agency granted Yuexiu REIT an investment-grade rating with a stable outlook.

## ASSET ENHANCEMENT STRATEGIES

The Manager continued to implement strategic asset enhancement plan and explore opportunities for asset enhancement by reviewing the property portfolio of the REIT on a regular basis, thereby maintaining market competitive advantages and increasing returns of the projects. Meanwhile, the Manager was also committed to optimizing the tenant mix, improving and maintaining good customer relationship continuously, increasing business solicitation by developing multi-channels for solicitation of business resources, and achieving a continuous enhancement in the rental value of properties of Yuexiu REIT.

## PROSPECTS

Looking forward to 2018, the global economy is expected to grow at a faster pace, while risks posing threats to economic growth still linger on. As the PRC macro-economy is entering into a new-normal phase, some of its policies for stabilizing growth are fine-tuned and various reform measures are progressively introduced, therefore, the PRC's macro-economy will grow steadily in 2018.

Benefiting from the stable growth of the domestic macro-economy, Guangzhou, as one of the central cities of the PRC, will play an important part in contributing to the economic growth of the Guangdong-Hong Kong-Macau Bay Area, and will make great efforts to become a city characterized with state-of-the-art technology and innovation which offer ample opportunities. Looking forward, as the new supply of Grade A offices in Zhujiang New Town will gradually come to a halt, the market will shift its focus to Pazhou and Financial City (金融城), by then, a "One River and Three Zones (一江三带)" commercial district will gradually be formed in Guangzhou's Grade A office market. The market demand for Grade A offices will remain high and the vacancy rate will remain stable, and there will be rooms for a steady increase in rental.

As Guangzhou's retail market continues to develop, it is progressively expanding from the core business districts to the surrounding areas. Districts with a transportation hub, large residential population and considerable business activities are gradually developed into newly emerging business districts. We anticipate that as urbanization continues and adjustments are made in respect to the operation of quality business projects, the retail area available in Guangzhou will be quickly absorbed by the market, and the rental level will gradually be stabilized.

## CHAIRMAN'S STATEMENT

New supply in high-end hotels will further segmentalize high-end business clients, market competition among high-end hotels in the region will intensify particularly in the premium banquet market. For high-end serviced apartments, under the impact of factors such as the depressed international economic conditions and geopolitical instability, the sources of quality long-term tenants will reduce and the occupancy rate may decline.

Looking forward, Shanghai will be committed to comprehensively enhancing its core functions, speeding up the establishment of "five centers ( 五 個 中 心 )": an international economic center, a financial center, a trade center, a transport center and a technology innovation center, and effectively deploying global resources and stimulating regional economic development like radiation to deepen the reform of the pilot free trade zone. By 2050, Shanghai is aimed to be built into an excellent world-class city, a desirable City of Innovation, City of Humanities, City of Ecology, and Socialist Modern International Metropolis with world influence. By the end of 2021, the construction of Grade A office building with approximately 6 million sq.m. will be completed and delivered for use in Shanghai. Affected by the large supply in the market, the vacancy rate of offices will continue to rise. Although demand for offices from cross-border enterprises will gradually rebound, the market will still be affected by the cost-driven leasing policy. In future, the office market of Shanghai will tend to offer differentiated and multi-functional buildings, and the introduction of advanced technology will change ordinary offices into efficient collaborative workplaces.

With the rapid economic development and the progression of urban construction, Wuhan is getting more and more attractive and its number of net inflow of population has leapt to the top among major cities in the PRC. In the future, Wuhan will enhance its function as a national central city to promote the prosperous economy in Central China. we expect that demand for Grade A offices in Wuhan will remain strong in future. However, the large new supply in market may impose certain pressure on the overall rental of the Grade A offices in the core business districts of Wuhu in the short term, and in turn may further push up the vacancy rate.

We are cautiously optimistic in our belief that we are benefiting from the steady growth of the PRC economy, on the basis of our premium portfolio of properties coupled with the professional management team of Yuexiu REIT, through implementing proactive and prudent leasing strategies complemented with effective property appreciation measures to proactively plan debt restructuring, and opening up financing opportunities of capital markets to effectively reduce finance costs, aiming at continuously generating stable returns for the Unitholders.

## APPRECIATION

We would like to take this opportunity to express our sincere gratitude to the Board of Directors, senior management and all staff for their hard work in the development of Yuexiu REIT, and our heartfelt thanks to the Unitholders, tenants and business partners for their strong support for Yuexiu REIT.

**LIN Zhaoyuan**

*Chairman*

Hong Kong, 13 February 2018

# 2017 BUSINESS REVIEW AND FUTURE PROSPECTS

## BUSINESS REVIEW

### SUCCESSFUL ACQUISITION OF A LANDMARK BUILDING IN WUHAN, STEADY GROWTH IN ASSET PERFORMANCE

In 2017, Yuexiu REIT completed the acquisition of Wuhan Properties, which is located in Hankou Riverside Business District in Wuhan. Hankou Riverside Business District, as an emerging business district with its advantage of the core location of Wuhan and unique riverside landscape resources, will become a large-scale business cluster similar to the Lujiazui Riverside Business District in Shanghai. Yuexiu Fortune Centre is the tallest building among the existing office buildings in Wuhan, with top quality hardware, excellent landscape, convenient traffic and good growth potential. Such transaction is the second ex-Guangzhou acquisition following the acquisition of Shanghai Yue Xiu Tower by Yuexiu REIT in 2015, and it is an important measure of Yuexiu REIT for achieving the national layout of assets. In the future, Yuexiu REIT will continue to share the potential growth in major cities of China and diversify the portfolio of properties.

In 2017, the macro-economy of China continued its development trend of stable growth, Yuexiu REIT continued to implement active leasing and asset management strategies, its properties kept on achieving excellent results in performance, many operation indicators increased against unfavorable trend, competitiveness of properties increased further, establishing a solid foundation for income growth and sustainable development in the future for Yuexiu REIT.

Under the concerted efforts of the Manager's team, the REIT and the Manager were presented with a number of community awards in 2017. Among the awards, Yuexiu REIT was the winner of Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2017" presented by Economic Digest, "2017 Business Performance Award" and "2017 China Real Estate Developers TOP100" granted by Guandian.cn; Enterprise Award under "Outstanding Listed Company Tours 2017" selected by Hong Kong Economic Journal. The Manager will continue to improve the internal management mechanism, enhance the corporate governance standard persistently, with a view to bring more benefits to investors and unitholders.

## PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2017, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai, and Wuhan Properties including "Wuhan Yuexiu Fortune Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces ("Wuhan Properties"), which is located in Wuhan. The aggregate area of ownership of the properties was approximately 991,300.4 sq.m. and the total rentable area was 660,317.6 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

## PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable Area (sq.m.)	Property Occupancy Rate <sup>(1)</sup>	Number of Lease <sup>(1)</sup>	Unit Rent (VAT exclusive) <sup>(1)</sup> (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District	1990	50,199.3	50,128.9	99.9%	907	625.8
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.6%	78	151.1
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	94.8%	73	129.3
Victory Plaza	Retail shopping mall	Tianhe District	2003	27,698.1	27,262.3	100%	30	240.3
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,960.0	49,887.3 <sup>(2)</sup>	99.2% <sup>(2)</sup>	185	113.4
GZIFC	Commercial complex	Tianhe District	2010	457,356.8	230,266.9	98.0%	278	207.9
Including:	Grade A office			267,804.4	183,539.6 <sup>(3)</sup>	98.3%	228	227.3
	Retail shopping mall			46,989.2	46,727.3	96.7%	50	130.3
	Hotel			91,460.9 <sup>(4)</sup>	N/A <sup>(4)</sup>	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3 <sup>(5)</sup>	97.5%	116	266.1
Wuhan Properties	Commercial complex	Wuhan Qiaokou District		248,194.2	172,993.3	51.0%	132	74.5
Including:	Grade A office		2016	139,937.1	129,446.7 <sup>(6)</sup>	40.5%	42	91.4
	Retail shopping mall		2015	45,471.4	43,546.6 <sup>(7)</sup>	82.1%	90	49.7
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
				991,300.4	660,317.6	85.9%	1,799	212.3

## Notes:

- (1) As at 31 December 2017;
- (2) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area;
- (3) Excluding 76,512.3 sq.m. of parking space area;
- (4) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor area;
- (5) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor).
- (6) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area.
- (7) Actual gross leasable area decreased by 10.98 sq.m. than that set out in the acquisition Offer Circular according to the certificate of real estate ownership; excluding 1,924.8 sq.m. of common facilities area.

## 2017 BUSINESS REVIEW AND FUTURE PROSPECTS

## SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

Rental Property	Area of Ownership	Rentable Area	Occupancy Rate <sup>(1)</sup>	Percentage Point increase/ (decrease)	Unit Rent (VAT exclusive) <sup>(1)</sup> (RMB/sq.m./ month)	Percentage as compared to the same period of 2016	Operating Income <sup>(2)</sup> (RMB'000)
	(sq.m.)	(sq.m.)					
Office	615,593.4	492,652.5 <sup>(3)</sup>	83.0%	(15.0)	183.0	(5.0)%	824,005
Retail	120,158.7	117,536.1 <sup>(4)</sup>	92.1%	(4.3)	131.4	(10.7)%	136,511
Wholesale	50,199.3	50,128.9	99.9%	(0.1)	625.8	0.1%	366,130

Note:

(1) As at 31 December 2017;

(2) For the year ended 31 December 2017;

(3) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis, 76,512.3 sq.m. of parking space area of GZIFC, 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge) of Yue Xiu Tower, and 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Properties;

(4) Excluding 1,924.8 sq.m. of common facility area.

Operational Property	Type	Commencement of Operation	Area of Ownership	No. of Units	Average Occupancy Rate <sup>(1)</sup>	RevPAR <sup>(1)</sup>
			(sq.m.)	(units)		(RMB)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	81.4%	1,548.84
Ascott Serviced Apartments GZIFC	High-end serviced apartments	September 2012	51,102.3	314	94.2%	918.20

Note:

(1) From 1 January 2017 to 31 December 2017;

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

## PROPERTY VALUATION

On 31 December 2017, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited (“Savills”), an independent professional valuer, and the revalued market value was approximately RMB33,356 million, representing an increase of RMB4,698 million or 16.4% over the valuation as at 31 December 2016. Without considering the impact from new acquisition of Wuhan Properties, the Properties value, was increased by 3.9%.

The following table summarizes the valuation of each of the Properties as at 31 December 2017 and 31 December 2016:

Name of Property	Valuation as at 31 December 2017 RMB million	Valuation as at 31 December 2016 RMB million	Increase/ [Decrease] %
White Horse Building	4,906	4,885	0.4%
Fortune Plaza	1,150	980	17.3%
City Development Plaza	935	811	15.3%
Victory Plaza	904	880	2.7%
Neo Metropolis	1,110	912	21.7%
GZIFC	17,734	17,190	3.2%
Yue Xiu Tower	3,030	3,000	1.0%
Wuhan Properties	3,587	— <sup>(1)</sup>	N/A
Total	<b>33,356</b>	28,658	16.4%

Note:

(1) According to the transaction circular, as of 31 August 2017, the property valuation of Wuhan Properties was RMB 3,587,000,000.

## 2017 BUSINESS REVIEW AND FUTURE PROSPECTS

### LEASE EXPIRY OF THE PROPERTIES

In respect of the rental area in the next five years and beyond, ratios of lease expiry of Yuexiu REIT Properties each year will be 22.9%, 22.5%, 18.0%, 10.4% and 26.2% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 22.6%, 32.9%, 16.2%, 6.9% and 21.4% respectively.

### REVENUE CONTINUED TO INCREASE

In 2017, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,853,899,000, representing an increase of 0.9% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC, Yue Xiu Tower and Yuexiu Fortune Centre accounted for approximately 19.7%, 3.9%, 3.5%, 3.6%, 3.8%, 57.9%, 7.5% and 0.1% 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 2017 RMB million	Revenue in 2016 RMB million	Increase/ (Decrease) as compared to 2016 RMB million	Increase/ (Decrease) %
White Horse Building	366.1	401.8	(35.7)	(8.9)%
Fortune Plaza	71.7	70.7	1.0	1.4%
City Development Plaza	64.4	62.9	1.5	2.4%
Victory Plaza	66.8	64.5	2.3	3.6%
Neo Metropolis	70.2	63.8	6.4	10.0%
Sub-total of the original properties	639.2	663.7	(24.5)	(3.7)%
GZIFC	1,073.5	1,037.8	35.7	3.4%
Yue Xiu Tower	139.2	136.1	3.1	2.3%
Wuhan Properties	2.0 <sup>(1)</sup>	—	2.0	N/A
Total	1,853.9	1,837.6	16.3	0.9%

Note:

(1) Revenue from Wuhan Properties was recorded since 22 December 2017.

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

Name of Property	Net Property Income in 2017 RMB million	Net Property Income in 2016 RMB million	Increase/ (decrease) as compared to 2015 RMB million	Increase /(decrease) %
White Horse Building	307.8	329.9	(22.1)	(6.7)%
Fortune Plaza	59.4	57.3	2.1	3.7%
City Development Plaza	53.4	50.6	2.8	5.5%
Victory Plaza	55.4	51.9	3.5	6.7%
Neo Metropolis	57.4	51.1	6.3	12.3%
Sub-total of the original properties	533.4	540.8	(7.4)	(1.4)%
GZIFC	652.5	607.3	45.2	7.4%
Yue Xiu Tower	126.4	120.0	6.4	5.3%
Wuhan Properties	1.8 <sup>(1)</sup>	–	1.8	N/A
Total	1,314.1	1,268.1	46.0	3.6%

Note:

(1) Net Property Income from Wuhan Properties was recorded since 22 December 2017.

#### WHITE HORSE BUILDING — IMPLEMENTED TRANSFORMATION IN BRAND WHOLESALING, STRENGTHENED CORE COMPETITIVENESS

In 2017, the Manager took the initiative to adapt to changes in the market, continued to accelerate the process of product elevation and channel development, focused on building core competitiveness for White Horse Apparel Market, attracted more superb suppliers to enter and operate in White Horse. The Manager focused on product improvement projects of rental renewals for shops on 1/F, 4/F and 5/F and adjustment of rental increment terms for the remaining floors, strengthened tenants' confidence in operation and devoted efforts in quality brands introduction and inferior brands removal, the effect for which was significant. Specifically, the branding rate of the overall market increased to 61% through introducing some merchants with stronger production, design competence and brand influence to base in White Horse; successfully completed the image enhancement project of common area on the 4/F which brought a fresh look to the operating environment; organized clients to appear in China International Fashion Fair in Shanghai in the form of "Brand Collection House" for the first time and showed the brand style and glamour of White Horse; for lease management, the Manager implemented sound mid-and-long-term leasing policy, and continued to maintain the leading position of White Horse in market competitiveness.

#### VICTORY PLAZA — DEEPENED THE POSITIONING OF MALL, FURTHER UPGRADED BRAND PORTFOLIO

Victory Plaza gradually deepened the positioning of focusing on the young generation through replacing merchant brands. It successfully introduced certain quality brands such as "Hey Tea(喜茶)", "McDonalds" and "Nine house" in 2017 and entered into lease renewal arrangements with the original powerful merchants. Both new and renewed contracts recorded satisfactory rental performance. Victory Plaza continued to optimize consumer experience, cleanliness in mall and atmosphere based on customers' various accesses, to enhance shopping experience of the consumers. It attracted massive flow of visitors and significantly expanded the popularity and influence of "VT101" through integrating high quality external and internal resources, connecting merchants on the site and conducting diversified marketing activities. Among those in nearly 100 marketing campaigns, the campaign of "50% off for Apple Pay (Apple Pay 5折活動)" held in July 2017 generated the most remarkable result in yielding significant increase in both customer traffic and revenue for all of the participating merchants. Specifically, the sales for "UNIQLO" and "Adidas" increased by 165% and 156% on year-on-year basis respectively. The highest customer traffic hit 42,000, marking a new high for the year.

## 2017 BUSINESS REVIEW AND FUTURE PROSPECTS

### FORTUNE PLAZA, CITY DEVELOPMENT PLAZA, YUE XIU NEO METROPOLIS PLAZA — ACTIVELY MANAGED EXPIRING LEASES TO STABILIZE OPERATION OF CUSTOMERS

In 2017, the three office projects of Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza successfully mitigated material risk in expiring leases by way of actively expanding channels for attracting business, holding joint promotional events, adjusting intermediary commission policy and improving market research system, and completed lease renewals with anchor tenants such as “AEON Group”, “General Mills”, “Wall Street English” by virtue of flexible rental conditions and well-established customer relationship base to stabilize the operation. Specifically, the renewal rate for Yue Xiu Neo Metropolis Plaza was over 90% and the renewal rate for Fortune Plaza and City Development Plaza was around 70%.

### GZIFC — ATTRACTED QUALITY CUSTOMERS FOR OFFICE BUILDINGS, CONTINUOUSLY ENRICHED MALL OPERATION FORMAT

GZIFC office proactively mitigated the impact from newly delivered projects and consolidation of finance industry, provided lease renewal plans targeted at customers’ needs and avoided losing key customers. The renewal rate for the year was high at 82.4%. In the meantime, it adopted aggressive business solicitation policy and took the initiative to expand its market share. It has successfully brought in notable tenants such as “Dow Chemical Company( 陶氏化工 )”, “Zhenai.com( 珍愛網 )” and the Portuguese Consulate, its quality customer base continues to expand. Also, it continued to optimize its business lobbying model and integrate resources, which enabled internal customers to expand leasing. In 2017, Guangzhou International Finance Center became the super high-rise landmark and by scoring 88 marks, being the highest score in China, it obtained the Standard Platinum Certification for Operating Phase LEED V4 ( 運營階段 LEED V4標準鉑金級認證). This fully demonstrated GZIFC’s outstanding performance in energy saving and environmental protection and sustainable development as a green building model. It also exhibited the project’s excellence in design and operation management.

The Manager further improved business structure for GZIFC’s mall “GZIFC Shopping Mall” and introduced a new retail experience format — “NIO House” ( 蔚來 ), an auto flagship store, which was of high market potential and highly intelligent and environmentally friendly. This has created substantial rental income, enriched the operation of the first two floors of GZIFC Shopping Mall and further consolidated the image of GZIFC as the city landmark. In addition, the Manager successfully introduced brand merchants such as “Taotaolujia( 陶陶居 )”, “Will’s”, “Jinlong Culture( 錦龍文化 )” by the overall rehabilitation on the fifth floor of GZIFC Shopping Mall, which enriched the retail brand portfolio and was in line with the targeted consumers’ needs.

Driven by the overall recovery of the hotel market in China, both average room rate and occupancy rate for high-end international brand hotels in Guangzhou increased. For serviced apartments, there was no new supply during the whole year, the performance of the leasing market was stable. Through the implementation of a “5 in 1” cooperative and mutually beneficial owner supervision system, the Manager supervised and managed the operations of Four Seasons Hotel and the Ascott Serviced Apartments effectively. Moreover, the Manager continued to strengthen operation supervision and cost control, and changed from analysis of operation indicators to analysis of asset efficiency indicators, focused on details of customer service quality, monitored Four Seasons Hotel and the Ascott Serviced Apartments to improve service standards and enhance operating income. During the Reporting Year, Four Seasons Hotel and the Ascott Serviced Apartments continued to be leaders with benchmark positions in the industry in Guangzhou area, the average room rate, revenue per available room and customer satisfaction were all in top ranking among competitors. The average room rate in Four Seasons Hotel increased by 3.84% and revenue per available room increased by 14.65% on a year-on-year basis; the average room rate of the Ascott Serviced Apartments increased by 1.60% and revenue per available room increased by 1.96% on a year-on-year basis, with good performance in operating results.

#### **YUE XIU TOWER —TAPPED INTO INTERNAL POTENTIAL, SUPPORTED OPERATION OF GROWING CUSTOMERS**

The Manager was unperturbed at dealing with huge supply in Pudong core area in 2017 and conducted lease renewal management in an orderly manner. The renewal area amounted to approximately 13,000 square meters with a renewal rate of 74%, reaching a historical high. Besides, the Manager tapped into internal customer potential and supported growing customers like “Huashe Assets Management” and “American Baby International English( 愛貝少兒英語 )”; gradually expanded vacant units leasing and promoted external business solicitation by virtue of the brand effect of cornerstone customers. Meanwhile, the Manager leveraged advantage of the platform and consolidated financial customer resources of the Tower, to improve business contacts among the customers.

#### **WUHAN PROPERTIES — STRENGTHENED BUSINESS SOLICITATION MANAGEMENT, CREATED NEW COMMERCIAL LANDMARK IN WUHAN**

Yuexiu Fortune Centre has overcome difficulties such as insufficient absorbability in office building market in Wuhan and traffic jam around the project. It took various effective measures to complete rental area of 43,000 square meters, equivalent to two thirds of total quantity of absorbability of office building market in Wuhan in 2017. As of 31 December 2017, Wuhan Yuexiu Fortune Centre recorded a contracted leasing rate of 46.11%, which was in line with expectation.

Starry Victoria Shopping Centre introduced brand merchants matching our targeted position and optimized the overall business mix based on the targeted consumption demand in surrounding area.

#### **ACTIVELY PURSUED ASSET ENHANCEMENT PROJECTS TO REALIZE PROPERTY VALUE PRESERVATION AND APPRECIATION IN PROPERTIES**

In 2017, the Manager continued to implement a number of capital-intensive renovation and enhancement projects, including upgrading and renovation of the safety and preventive system of Guangzhou International Finance Center’s office buildings, renovation of first two floors of GZIFC Shopping Mall, renovation of used clothes trough, elevator machine room and air-conditioning system on 1/F lobby and addition of air valve of exhaust pipe in kitchen on 103/F of Four Seasons Hotel, renovation of weak electricity engine room on 6/F and addition of access control system, monitor system, pool, water supply, elevators, ventilation, public lighting to the clubhouse and upgrading and renovation of logistics office, lobby in 1/F, golf course in 6/F, meeting room, the clubhouse, public corridor, bathroom in guestrooms of the apartment, door closer, air-conditioner outlet of Ascott Serviced Apartments, image enhancement project of common area on the 4/F of White Horse Building, renovation of bathrooms in common area and pantries and waterproof renovation on roof of Shanghai Yue Xiu Tower. The total amount invested was over RMB20 million. The Manager will continue to enhance operating efficiency and environment for these projects.

In 2018, the Manager also plans to invest in a number of capital-intensive modification projects at GZIFC, White Horse Building, Fortune Plaza, City Development Plaza and Yue Xiu Tower to continuously enhance operation efficiency and business environment of these projects.

#### **CONTINUOUSLY OPTIMIZED THE DEBT STRUCTURE, PROACTIVELY MANAGED FOREIGN EXCHANGE RISK**

As at the end of 2017, balance of borrowings from financial institutions was approximately RMB 12.7 billion, representing an increase of RMB0.8 billion as compared to the beginning of the year. The increase was mainly due to an increase in bank loan arising from acquisition of projects in Wuhan. The Manager optimized financing structure and lower finance costs through effective financing replacement measures. The average financing cost rate as at the end of 2017 was 3.16%, representing a decrease of 0.13 percentage point as compared to 3.29% at the beginning of the year. For foreign exchange management, the accumulated exchange gains for the year was RMB543 million. The hedging products recorded a loss of RMB258 million in fair value. The net exchange gain for the year was approximately RMB285 million.

# FINANCIAL REVIEW

## FINANCIAL RESULTS

Both rental income and net property income of Yuexiu REIT were higher than those in 2016. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2017 RMB'000	2016 RMB'000	Increase/ [Decrease]
<b>Gross income</b>	<b>1,853,899</b>	1,837,579	0.9%
Hotel and serviced apartments direct expenses	(311,233)	(293,317)	6.1%
Leasing agents fees	(40,471)	(40,977)	(1.2)%
Property related taxes (Note 1)	(177,669)	(221,873)	(19.9)%
Other property expenses (Note 2)	(10,422)	(13,308)	(21.7)%
Total property operating expenses	(539,795)	(569,475)	(5.2)%
<b>Net property income</b>	<b>1,314,104</b>	1,268,104	3.6%
Withholding tax	(56,581)	(80,501)	(29.7)%
Depreciation and amortisation	(145,776)	(156,878)	(7.1)%
Manager's fees	(133,836)	(129,907)	3.0%
Trustee fees	(10,230)	(9,186)	11.4%
Other trust expenses (Note 3)	(22,445)	(9,297)	141.4%
Total non-property expenses	(368,868)	(385,769)	(4.4)%
<b>Net profit before finance expenses, finance income and income tax</b>	<b>945,236</b>	882,335	7.1%
Finance income	573,527	26,243	2,085.5%
Finance expenses	(366,987)	(938,299)	(60.9)%
Net profit/(loss) before income tax	1,151,776	(29,721)	3,975.3%
Income tax expense	(277,544)	(285,183)	(2.7)%
<b>Net profit/(loss) after income tax before fair value gain on investment properties, other expenses in relation to the acquisition of a subsidiary and fair value (loss)/gain on derivative financial instruments</b>	<b>874,232</b>	(314,904)	377.6%
Fair value gain on investment properties	885,792	952,422	(7.0)%
Other expenses in relation to the acquisition of a subsidiary	(64,921)	—	N/A
Fair value (loss)/gain on derivative financial instruments	(258,008)	74,626	445.7%
Net profit after income tax before transactions with Unitholders	1,437,095	712,144	101.8%

Note 1 Property related tax included urban real estate tax, land use right tax, business tax (from 1 May 2016 onward, the business tax was replaced by value-added tax (VAT)), urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties.

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

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

Gross income and net property income during the Reporting Year were approximately RMB1,853,899,000 (2016: RMB1,837,579,000) and RMB1,314,104,000 (2016: RMB1,268,104,000) respectively, which represented an increase of approximately 0.9% and 3.6% respectively while comparing with 2016.

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

	2017 RMB'000	2016 RMB'000
Office	824,005	815,300
Wholesales	366,130	401,752
Retail	136,511	136,606
Hotel and serviced apartments	527,253	483,921
<b>Total</b>	<b>1,853,899</b>	<b>1,837,579</b>

Net property income amounted to approximately RMB1,314,104,000 (2016: RMB1,268,104,000), representing approximately 70.9% 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:

	2017 RMB'000	2016 RMB'000
Office	695,834	667,423
Wholesales	307,780	329,879
Retail	114,852	112,494
Hotel and serviced apartments	195,638	158,308
<b>Total</b>	<b>1,314,104</b>	<b>1,268,104</b>

Upon the implementation of the VAT reform, and separation of price and tax, our revenue decreased but the costs and expenses were adjusted accordingly. For example, payment for business tax was no longer required, property tax, leasing agent fees and withholding tax decreased in proportion to the decrease in revenue. At the same time, the adjustment of the business structure for the shopping podium of GZIFC, a one-off non-cash rental had incurred in the first half of 2017. Upon the completion of this adjustment, the rental income of retails in GZIFC is increased.

Hotel and serviced apartments direct expenses were approximately RMB311,233,000, an increase of 6.1% as compared with 2016. It was mainly because of an increase of occupancy rate and rental income of hotel and serviced apartment.

Leasing agent fees decreased by approximately 1.2% as compared with 2016. It was mainly because of a decrease in rental income of White Horse Building.

Property related tax decreased by approximately 19.9% as compared with 2016. It was mainly because of the replacing of business tax with value-added tax (VAT) and from 1 May 2016 onward, no business tax is required to pay and a decrease in rental income of White Horse Building.

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

Overall, the Manager's fees increased by approximately 3.0% as a result of the increase in total assets and net property income. The Trustee fees increased by approximately 11.4% as a result of the increase in total assets.

As Renminbi appreciated against Hong Kong dollar and US dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange gain of approximately RMB542,552,000 (2016: exchange loss of approximately RMB544,074,000). Excluding this exchange factor, the finance expenses incurred for the Reporting Year amounted to approximately RMB366,987,000 (2016: RMB379,031,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB1,437,095,000 (2016: RMB712,144,000), which represented a 101.8% increase, mainly due to an exchange gain and fair value gain on investment properties incurred for the Reporting Year.

#### NET ASSET VALUE

The net assets attributable to the Unitholders per unit as at 31 December 2017 was approximately RMB4.75 (2016: RMB4.63), which represented an increase of approximately 2.6%.

#### DEFERRED UNITS

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

On 31 December 2017, Yuexiu REIT issued 66,000,000 Units to a wholly – owned subsidiary of Yuexiu Property Company Limited. The remaining balance of deferred units were approximately 602,401,000.

#### NEW UNITS ISSUED AND UNIT ACTIVITY

In respect of the full settlement of the Manager's fees during the Reporting Year, Yuexiu REIT newly issued 14,401,158 and 12,104,254 units at HK\$4.624 and HK\$5.037 on 10 March 2017 and 24 August 2017 respectively. On 31 December 2017, referring to the terms disclosed from the Circular dated 30 June 2012, Yuexiu REIT issued 66,000,000 Units at a price of HK\$4.00 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of Yuexiu Property (a significant holder of the Yuexiu REIT)), in part satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2017, a total of 3,014,285,896 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$5.30 and a low of HK\$4.08 during the Reporting Year. The average trading volume amounted to approximately 5,676,000 Units per day during the Reporting Year (2016: 4,350,650 Units).

The closing price of the Units as at 31 December 2017 was HK\$5.12, represented a discount of approximately 21.0% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2017.

## CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Bank borrowings and notes		
Denominated in RMB	3,021,280	4,165,500
Denominated in HKD	5,569,459	3,370,740
Denominated in USD	4,140,034	4,388,746
Total bank borrowings and notes	<b>12,730,773</b>	11,924,986
Maturity analysis		
Within one year	4,408,474	1,503,357
Two to five year	6,643,219	8,408,329
Beyond five year	1,679,080	2,013,300
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.34%
HKD	2.47%	2.52%
USD	3.26%	2.90%

In 2017, Manager adopted the following financial arrangement to manage the foreign exchange risk.

- 1) On 2 September 2016, Capped Forward hedging was applied to US\$177million bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.
- 2) From December 2016 to June 2017, Capped Forward hedging was fully applied to HKD2.3billion bank loan facility to fix the RMB exchange rate and manage the foreign exchange risk.
- 3) In May 2017, Yuexiu REIT entered into a HK\$2.95 billion loan facility with certain banks to repay the matured HKD loan facility.

On 31 December 2017, Yuexiu REIT held certain hedging financial derivatives with a fair value liabilities of RMB183,381,000.

As at 31 December 2017, total borrowings of Yuexiu REIT amounted to approximately RMB12,730,773,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 36.0% 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 2017, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB19,926,920,000, representing approximately 56.4% of total assets of Yuexiu REIT.

## CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2017 amounted to approximately RMB1,330,606,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

## ACCOUNTING TREATMENTS

### UNITS RECORDED AS FINANCIAL LIABILITIES; DISTRIBUTIONS TO UNITHOLDERS AS FINANCE COSTS

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

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

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

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

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

## SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

During the reporting year, Yuexiu REIT acquired 67% of Wuhan Properties at adjusted final acquisition price of RMB2,009,508,000. The total GFA of Wuhan Properties is approximately 248,000 sq.m.. For details please refer to the circular dated 15 November 2017 and the announcements dated 21 December 2017 and 13 February 2018 respectively.

## REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yicheng Property Management Ltd ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") 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, Baima BM and GZAM in the amounts of RMB10,840,000, RMB10,964,000 and RMB18,667,000 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 2017, Yuexiu REIT employed 685 and 134 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

## REVIEW OF FINANCIAL RESULTS

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

## CORPORATE GOVERNANCE

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

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

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

## ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2018.

## ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 17 May 2018. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT SUMMARY

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT SUMMARY

Yuexiu REIT is managed by the Manager who in turn has delegated the functions of leasing and marketing all properties to Baima BM, Yicheng Ltd. and GZAM (Yuexiu REIT, the Manager and parties who have been delegated functions are collectively referred to as “we” hereinafter, as and when the context requires). While maintaining a leading position in the capabilities of asset appreciation, business operation and capital operation, we adhere to the concept of sustainable development and establish the Corporate Social Responsibility (CSR) Working Committee to integrate environmental protection and social responsibility into our development strategy, actively addressing the expectation of stakeholders in aspects of environmental, social and governance to achieve quality, efficient and sustainable growth.

In order to realize the strategies for win-win, green and shared interests, the three major areas of sustainable development, we repay our clients and rebate the society through a series of initiatives, which include implementing capital technical alteration of properties and service innovation to enhance satisfaction and trust of customers; improving policies for caring employees to create a safe, fair, inclusive and open working environment; taking effective measures for energy conservation and waste disposal to reduce the adverse effects of property operation on social environment; and advocating charity and poverty alleviation activities to offer help to the needy in the community.

For ensuring reasonable disclosure of various initiatives on ESG work, we have conducted multi-faceted risk assessment and analysis. We have identified important issues as the basis of preparing the ESG Independent Report through tasks such as regulatory requirement analysis, media research, industrial benchmarking, stakeholder research and property field visits. We consider government agencies, media, shareholders and potential investors, tenants, employees, suppliers, etc. as our key stakeholders. During the year, we have conducted special researches on nearly 100 stakeholders in respect of environmental, social and governance issues. The results of the researches provide important reference for ESG disclosure and the sustainable development of Yuexiu REIT in the future.

For further information on the performance of Yuexiu REIT in areas of environmental, social and governance during this financial year, please refer to the forthcoming first ESG Independent Report. After the report is published, it can be viewed in or downloaded from Yuexiu REIT’s website.

# PROPERTY PORTFOLIO

## OVERVIEW OF THE PROPERTIES

The property portfolio of Yuexiu REIT comprises eight high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC, Yue Xiu Tower, Wuhan Properties.

## LOCATION OF THE PROPERTIES

The Properties of Yuexiu REIT are located in the core business districts ("CBD") of Guangzhou, Shanghai and Wuhan, the PRC. In particular, the White Horse Building is located in the Liuhua business and exhibition area of Guangzhou, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specializing in apparels, shoes and leatherware in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the north end of the Guangzhou Tianhe CBD, which is located on the new axis of Guangzhou and being one of the top three CBDs in China approved by the State where prime grade-A office buildings are concentrated, with highly concentrated metro line networks, convenient transportation, established and sound ancillary facilities. Neo Metropolis is located at the intersection of three conventional business areas, being Beijing Road area in central Guangzhou, Shang Xia Jiu Road area and Liuhua business area, and is a property erected above the metro station enjoying enormous geographical advantages. GZIFC is located at the core financial business district of the Zhujiang New Town which is located on the new axis of Guangzhou, and enjoys favorable geographical advantages, with well-developed commercial and thriving cultural activities in the surrounding areas integrating natural landscape and arts of the new town center, which will make GZIFC the new icon of Guangzhou City. Yue Xiu Tower is located at 388 Fushan Road, Pudong New District, Shanghai Municipality, PRC and only 2 kilometres away from the Little Lujiazui central district. Due to its convenient traffic conditions, Yue Xiu Tower can be reached by various rail transit lines in the vicinity and is adjacent to the intersection of metro lines 2, 4, 6 and 9. Wuhan Properties, located in Hankou Riverside Business District in Wuhan, the capital of Hubei Province, Central China, enjoy high transport accessibility as they are directly connected to Metro Line 1 and the planned Metro Line 10.

# PROPERTY PORTFOLIO

Locations Map Of Property



武漢 WUHAN  
上海 SHANGHAI  
廣州 GUANGZHOU

## PROPERTY

- GUANGZHOU IFC
- WHITE HORSE BUILDING
- NEO METROPOLIS
- CITY DEVELOPMENT PLAZA
- VICTORY PLAZA
- FORTUNE PLAZA
- SHANGHAI YUE XIU TOWER
- YUE XIU FORTUNE CENTRE AND STARRY VICTORIA SHOPPING CENTRE

2號線 LINE 2  
廣東省汽車站 GUANGDONG BUS STATION

## 越秀區 YUEXIU DISTRICT

廣州火車站 GUANGZHOU RAILWAY STATION



白馬大廈 WHITE HORSE BUILDING

火車站商貿會展區 RAILWAY STATION BUSINESS EXHIBITION

站南路 ZHANNAN ROAD

廣州火車站 GUANGZHOU RAILWAY STATION



越秀新都會大廈 YUE XIU NEO METROPOLIS

北京路商圈 BEIJING LU SHOPPING DISTRICT

★ 廣東省人民政府 GUANGDONG PROVINCIAL PEOPLE'S GOVERNMENT

★ 廣州市人民政府 GUANGZHOU MUNICIPAL PEOPLE'S GOVERNMENT

人民路 RENMIN ROAD

西門口 XIMENKOU

公園前 GONG YUAN QIAN

○ 地鐵站點    ● 地鐵交換站點

## 上海 SHANGHAI

浦東新區 PUDONG NEW DISTRICT



上海越秀大廈 SHANGHAI YUE XIU TOWER



## 武漢 WUHAN

礄口區 QIAOKOU DISTRICT



武漢越秀財富中心及星匯維港購物中心 WUHAN YUE XIU FORTUNE CENTRE AND STARRY VICTORIA SHOPPING CENTRE



# 廣州 GUANGZHOU

## 天河區 TIANHE DISTRICT



## 海珠區 HAIZHU DISTRICT

## PROPERTY PORTFOLIO



WHITE HORSE BUILDING



FORTUNE PLAZA



CITY DEVELOPMENT PLAZA

### AREA OF PROPERTIES

The property portfolio of Yuexiu REIT has an area of ownership of 991,300.4 sq.m. and a rental area of 660,317.6 sq.m. As at 31 December 2017, the overall occupancy rate of the property portfolio was 85.9%.

5%

4%

4%

### PROPERTY VALUATION

According to the valuation report issued by Savills, the property portfolio of Yuexiu REIT was valued at a total value of RMB33,356 million as at 31 December 2017.

15%

3%

3%

### OPERATING INCOME GENERATED BY THE PROPERTIES

In 2017, Yuexiu REIT recorded a total annual operating income of RMB1,853.9 million, representing an increase of 0.9% as compared to the same period last year.

20%

3.9%

3%

### LEASE EXPIRY OF THE PROPERTIES

In terms of rental area in the next five years and beyond, the proportion of lease expiry of Yuexiu REIT Properties for each year will be 22.9%, 22.5%, 18.0%, 10.4% and 26.2% respectively. In terms of basic monthly rentals, the proportion of lease expiry for each year will be 22.6%, 32.9%, 16.2%, 6.9% and 21.4% respectively.

2018

2019

22.9%

22.6%

22.5%

32.9%



VICTORY PLAZA

NEO METROPOLIS

GUANGZHOU INTERNATIONAL FINANCE CENTER

SHANGHAI YUE XIU TOWER

WUHAN PROPERTIES

3%

6%

46%

6%

26%

3%

3%

53%

9%

11%

4%

4%

58%

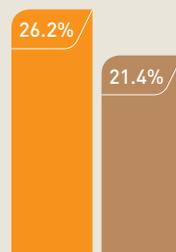
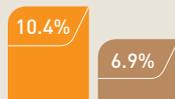
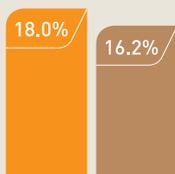
7%

0.1%

2020

2021

2022 and beyond



By rental area  
By basic monthly rentals

GUANGZHOU TIANHE DISTRICT

# GUANGZHOU IFC

**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 East 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 floors of Grade A offices, 6 floors 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 European Union" awarded by the Lubetkin Prize granted by the Royal Institute of British Architects (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. In 2017, it became a super high-rise landmark building granted the LEED V4 standard platinum level certification for the operation stage by scoring 88 marks, the highest in China.





## PROPERTY PORTFOLIO

### GUANGZHOU TIANHE DISTRICT

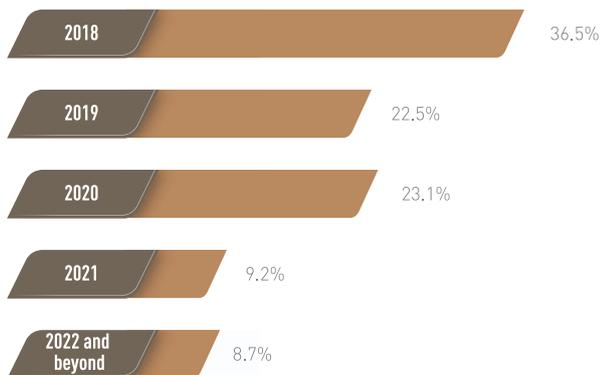
## GUANGZHOU IFC - OFFICE

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 268,000 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 space. Currently its tenants include renowned companies such as Zurich General Insurance, FAW-Volkswagen, SFund, China Export & Credit Insurance, Qunhao Real Estate, Guangzhou Southern Finance and Economics Omnimedia, Beijing Momo, Bank of America, Société Générale, Allianz Insurance, Bank of Taiwan, Wing Lung Bank, Ping An Bank, The British Consulate, China Britain Business CEFC Petroleum, Nokia-Sbel, Biostime, CEFC Petroleum Italian Foreign Trade Association, The Portuguese Consulate, BSH Home Appliances and Mitsubishi Electric.



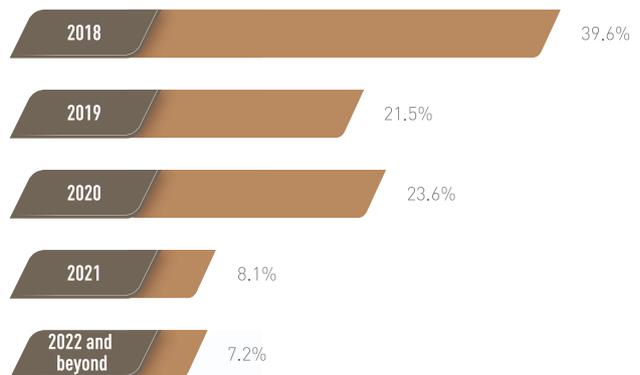
### LEASE EXPIRY OF THE OFFICES

(by rental area)



### LEASE EXPIRY OF THE OFFICES

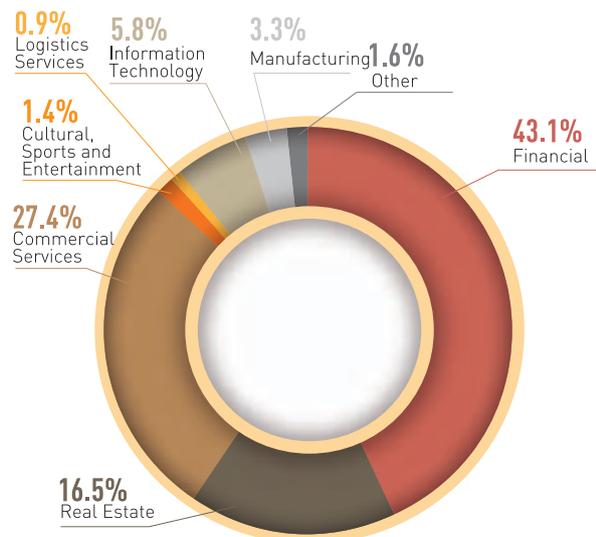
(by basic monthly rentals)



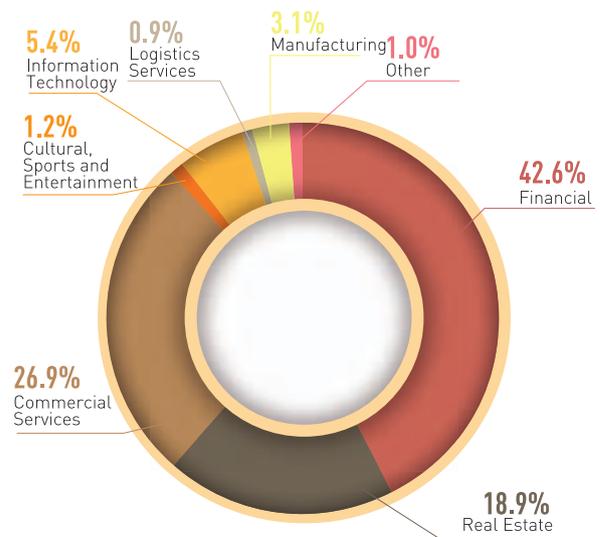
### TOP 10 OFFICE TENANTS BY RENTAL INCOME (As at 31 December 2017)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Yuexiu Group and its subsidiaries	Mixed	25.5%	28.3%
Guangzhou Industrial Investment Fund Management Co	Finance	7.4%	7.4%
Cedar Holdings Group Limited	Real Estate	1.9%	2.2%
China Export Credit Insurance Corporation Guangdong Branch	Finance	2.4%	2.1%
Youngy Investment Holding Group Co., Ltd.	Finance	1.9%	1.9%
Biostime Inc. Guangzhou	Manufacturing	1.8%	1.7%
Guangzhou Rich GuoJin Clinic Co., Ltd	Commercial Services	1.6%	1.6%
Bee+ IFC Guangzhou	Commercial Services	1.7%	1.3%
Guangzhou Servcorp Business Serviced Co. Ltd.	Commercial Services	1.3%	1.2%
Allianz China General Insurance Company Ltd.	Finance	1.2%	1.1%
<b>Total</b>		<b>46.7%</b>	<b>48.8%</b>

### INDUSTRY COMPOSITION OF OFFICES TENANTS BY RENTAL AREA



### INDUSTRY COMPOSITION OF OFFICES TENANTS BY BASIC MONTHLY RENTALS



## GUANGZHOU TIANHE DISTRICT

## GUANGZHOU IFC - SHOPPING MALL

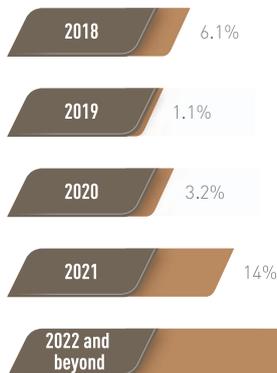
The shopping mall occupies a total of six floors of the podium. It has a gross floor area of 47,000 sq.m. and commenced operation in November 2010.

As of 31 December 2017, the occupancy of the shopping mall was 96.7%, and the unit rental price was RMB130.3 per sq.m. per month.



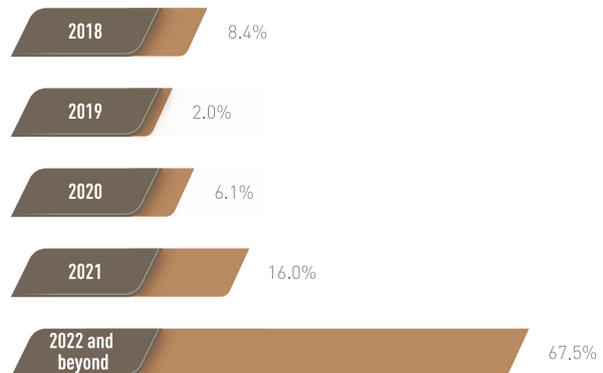
## LEASE EXPIRY OF SHOPPING MALL

(By rental area)



## LEASE EXPIRY OF SHOPPING MALL

(By basic monthly rental)



**TOP 10 SHOPPING MALL TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)**

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Group Co., Ltd.	Commercial Services	56.8%	33.6%
Shanghai NIO Co., Ltd.	Commercial Services	3.6%	20.8%
Yuexiu Group and its subsidiaries	Food & Beverage	5.8%	8.1%
Weikang fitness management consulting (Shanghai) Co., Ltd.	Culture, Sports and Entertainment	3.4%	4.7%
Chong Hing Bank Limited Guangzhou Tianhe Sub-branch	Finance	1.4%	4.2%
Guangzhou Jinlong Culture Internet Technology Co., Ltd.	Culture, Sports and Entertainment	2.9%	3.0%
Guangzhou Guojin TaoTaoJu Catering Management Limited	Food & Beverage	4.2%	2.7%
Youyue Restaurant of Zhujiang New Town, Tianhe District, Guangzhou	Food & Beverage	2.3%	2.6%
Guangzhou Backstreet Tangchu catering Co., Ltd., Zhujiang New Town Branch	Food & Beverage	1.7%	1.5%
Guangzhou Chunyi Catering Management Co., Ltd., First Branch	Food & Beverage	1.8%	1.5%
<b>Total</b>		<b>83.9%</b>	<b>82.7%</b>



GUANGZHOU TIANHE DISTRICT

## GUANGZHOU IFC - FOUR SEASONS HOTEL

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

Four Seasons Hotel Guangzhou provides comprehensive service support, including conference and banquet facilities with a gross floor area of approximately about 14,000 sq.m., CATCH Restaurant on the 100th floor, Tian Bar on the 99th floor, Kumoi (Japanese restaurant) and Caffe Mondo (Western restaurant) on the 72nd floor, the Yu Yue Heen (Chinese restaurant) on the 71st floor, the Atrium on the 70th floor, and a SPA clubhouse, a sky swimming pool and a



fitness center on the 69th floor. There is a grand tapering atrium rising from 70th through 100th floor. There is also a reception hall on the 1st floor of the hotel lobby to provide guests with convenient and efficient concierge services.

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

	Date of inception	Area of ownership	Number of rooms	Average occupancy rate	Average roomrate (RMB/night)
Four Seasons Hotel Guangzhou	August 2012	91,460.9	344	81.4%	1,903.78



## 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 about 51,000 sq.m..

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



	Date of inception	Area of ownership	Number of rooms	Average occupancy rate	Average room rate (RMB/Square/month)
Ascott IFC Guangzhou	September 2012	51,102.3	314	94.2%	192.0



GUANGZHOU - YUEXIU DISTRICT

# WHITE HORSE BUILDING

**WHITE HORSE BUILDING-  
TOP 10 CHINA GARMENT  
WHOLESALE MARKET AND  
THE INCUBATION BASE OF  
CHINA FASHION BRANDS**

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

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

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

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

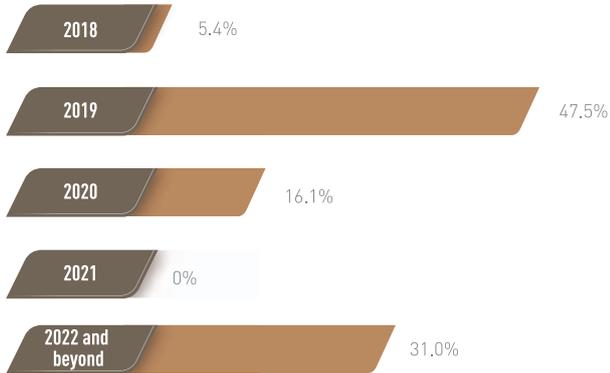




# PROPERTY PORTFOLIO

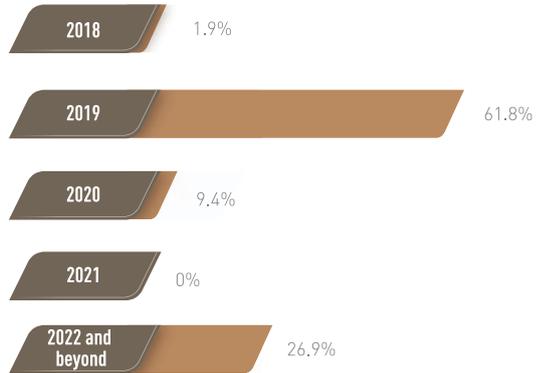
## LEASE EXPIRY

(By Rental Area)

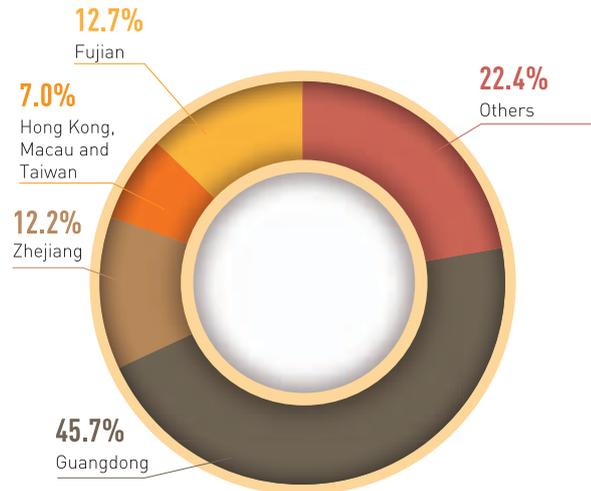


## LEASE EXPIRY

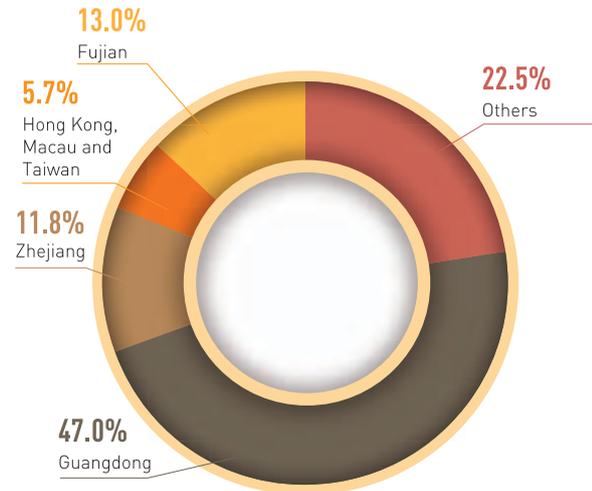
(By Basic Monthly Rentals)



## GEOGRAPHICAL DISTRIBUTION OF TENANTS BY RENTAL AREA



## GEOGRAPHICAL DISTRIBUTION OF TENANTS BY BASIC MONTHLY RENTAL



### TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Lin Mingguang	Wholesale/Retail	1.1%	1.6%
Chen Yufang	Wholesale/Retail	1.2%	1.4%
Jin Yudan	Wholesale/Retail	0.6%	1.3%
Wang Jiang	Wholesale/Retail	0.9%	0.9%
Liu Qingyun	Wholesale/Retail	0.7%	0.8%
Zhou Fawei	Wholesale/Retail	0.6%	0.8%
Lin Zixiang	Wholesale/Retail	0.6%	0.7%
Zhu Huifeng	Wholesale/Retail	0.4%	0.7%
Chen Jiaquan	Wholesale/Retail	0.8%	0.7%
Lin Peifang	Wholesale/Retail	0.4%	0.7%
<b>Total</b>		<b>7.3%</b>	<b>9.6%</b>



GUANGZHOU TIANHE DISTRICT

# FORTUNE PLAZA

**FORTUNE PLAZA-  
CONVERGENCE OF THE  
GLOBAL LARGE RENOWNED  
COMPANIES AND MODEL  
OF NATIONAL PROPERTY  
MANAGEMENT**

Located on Ti Yu Dong Road which is known as the “Guangzhou Wall Street”, and also at the heart of the Tianhe CBD, Fortune Plaza is a property erected above the Tianhe Sports Center Station, which is the interchange of metro lines Nos 1 and 3 with various public transport stations. It is easily accessible and adjacent to two important business districts, being Zhujiang New Town in the south and Tianhe North in the north, benefiting greatly from its geographical advantages. This project has a total gross floor area of over 80,000 sq.m. comprising a 2-storey underground carpark, a 6-storey commercial podium, a single-storey hanging garden clubhouse and 2 grade-A office towers with 26 storeys and 36 storeys respectively, which are among the few intelligent 5A Grade-A office buildings purely for office use in the Tianhe CBD business circle in Guangzhou. Inside the building, there are banks, a business center, a large conference center, convenience stores and a grand clubhouse, which provide all-round and convenient ancillary business services for business people in the building.

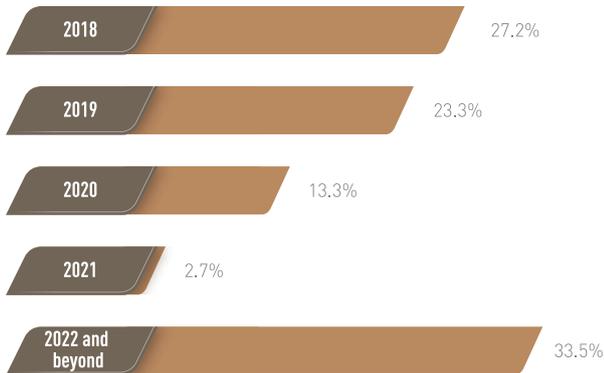
As an iconic building and landmark in the Tianhe CBD of Guangzhou, Fortune Plaza is the top choice for large renowned companies in the world. It has been recognized as the “Model of National Property Management” and is well received by customers in the industry. The existing tenants of Fortune Plaza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



# PROPERTY PORTFOLIO

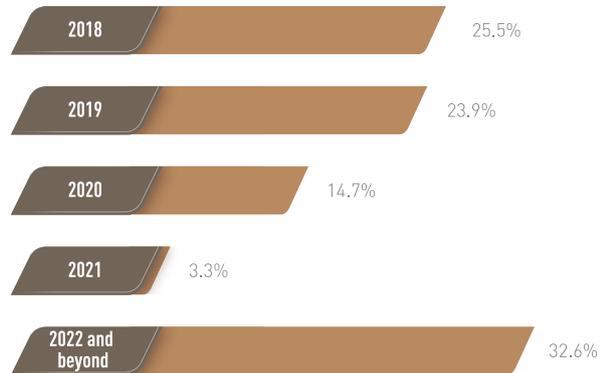
## LEASE EXPIRY

(By Rental Area)

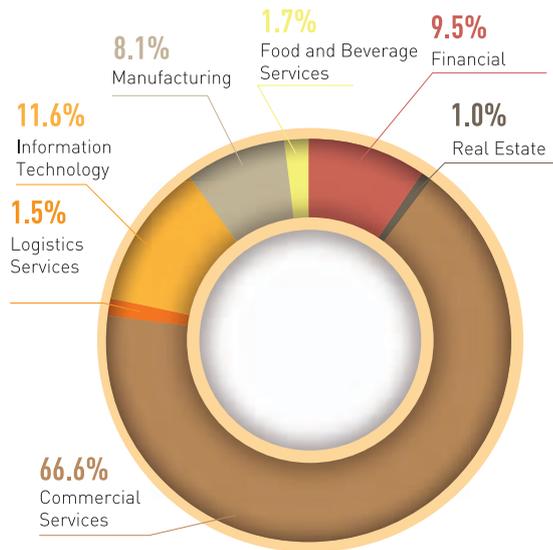


## LEASE EXPIRY

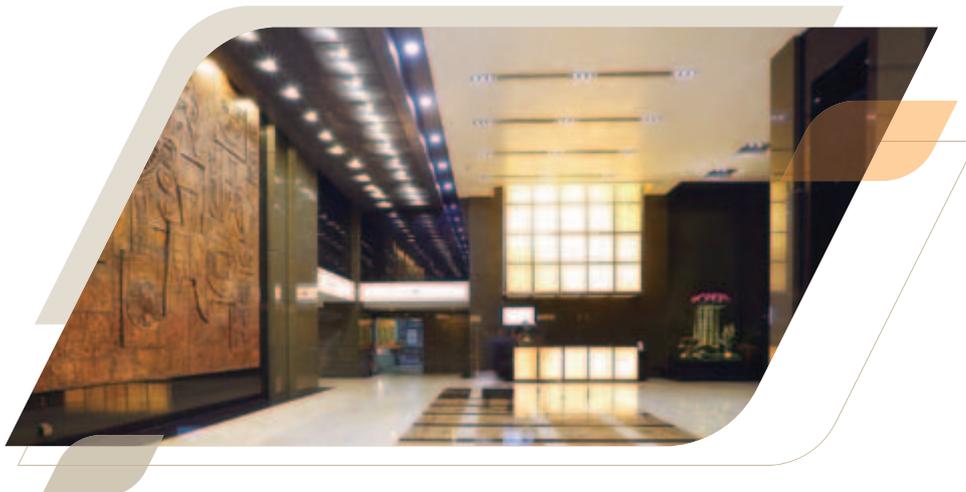
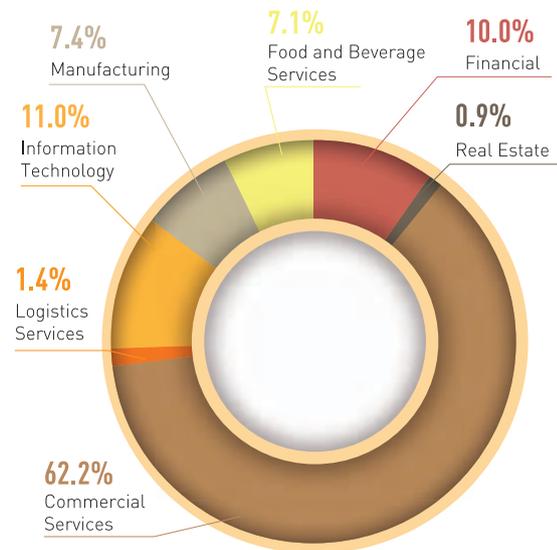
(By Basic Monthly Rentals)



## INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



## INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



### TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Friendship Baleno Company Limited	Commercial Services	10.4%	8.8%
Guangdong AEON Teem Co., Ltd	Commercial Services	10.4%	7.2%
Wall Street English Training Centre (Guangdong) Co., Ltd.	Commercial Services	3.8%	6.2%
CTRIP and its subsidiaries	Commercial Services and IT	5.9%	5.5%
Publicis Group and its subsidiaries	Commercial Services	4.2%	3.6%
Kungfu Catering Management Co., Ltd.	Food & Beverage	1.0%	3.5%
Guangzhou Shenshenfu Catering Management Co., Ltd. (廣州坤坤府餐飲管理有限責任公司)	Commercial Services	0.6%	3.5%
Citibank (China) Company Limited, Guangzhou Branch	Finance	3.1%	3.5%
Shinyway Group and its subsidiaries	Commercial Services	2.9%	2.7%
Ping An Bank Co., Ltd. Guangzhou Branch	Finance	1.9%	2.3%
<b>Total</b>		<b>44.2%</b>	<b>46.8%</b>



GUANGZHOU - TIANHE DISTRICT

# CITY DEVELOPMENT PLAZA

**CITY DEVELOPMENT PLAZA-  
ENTERPRISE HEADQUARTERS  
IN TIANHE CBD AND MODEL  
OF NATIONAL PROPERTY  
MANAGEMENT**

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

Existing tenants of City Development Plaza include many famous enterprises, such as Efund Management Company, Ping An Bank, SPD Bank, Taikang Life, General Mills, LY.com, Wangsu Science & Technology, Qfang.com, and a visa centre for several countries such as the U.K., Canada and Spain was set up in its podium.

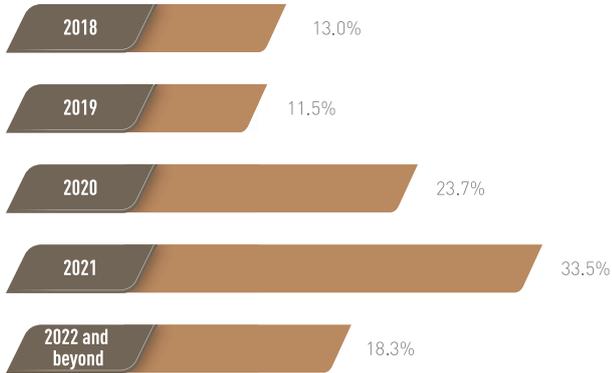




# PROPERTY PORTFOLIO

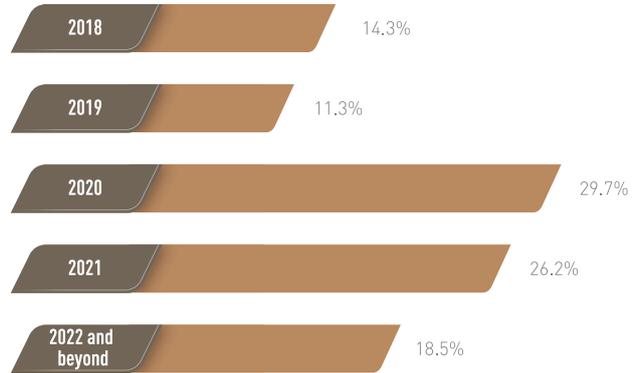
## LEASE EXPIRY

(By Rental Area)

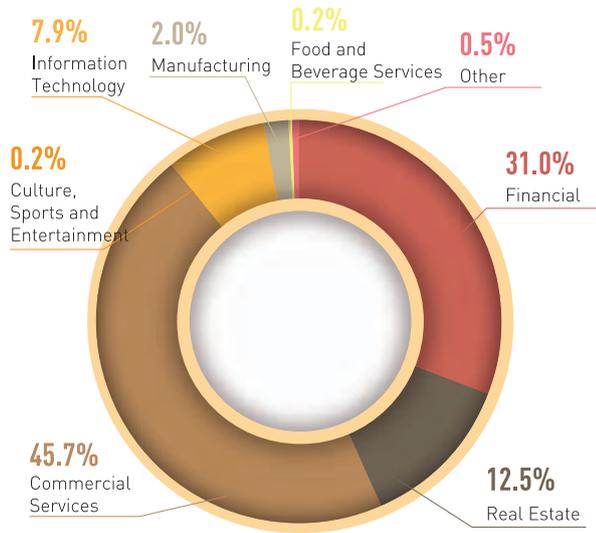


## LEASE EXPIRY

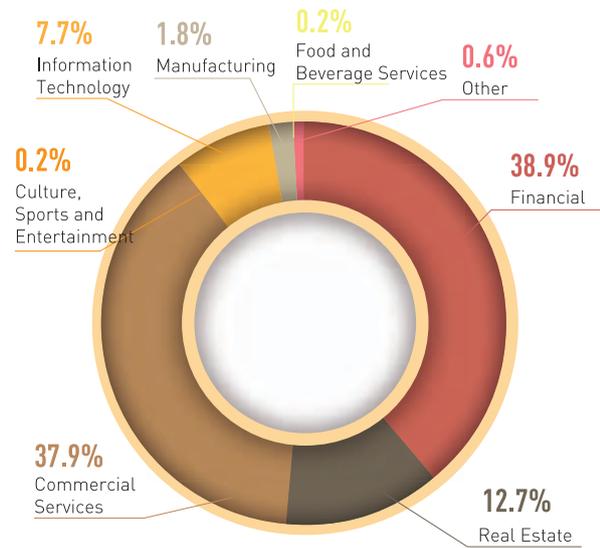
(By Basic Monthly Rentals)



## INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



## INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



**TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)**

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Wisevalley Development Co., Ltd.	Commercial Services	19.5%	11.5%
Guangzhou City Construction & Development Xingye Property Agent Co., Ltd.	Real Estate	9.2%	9.5%
Efund Management Co., Ltd.	Finance	9.2%	9.2%
Shanghai Pudong Development Bank, Guangzhou Branch	Finance	2.0%	8.3%
Taikang Life Insurance Co., Ltd. Guangdong Branch	Finance	5.5%	6.4%
Shenzhen PPMoney Financial Services Co., Ltd. (深圳萬惠金融服務有限公司)	Finance	4.6%	4.7%
Guangzhou Caijue Clothing Co., Ltd. (廣州市才爵服裝有限公司)	Commercial Services	4.6%	4.4%
Greatwall Life Insurance Co., Ltd. Guangdong Branch	Finance	3.2%	3.3%
Wangsu Science & Technology Co., Ltd. Guangzhou Branch	Information Technology	2.9%	2.6%
General Mills Trading (Shanghai) Co., Ltd. Guangzhou Branch	Commercial Services	2.3%	2.4%
<b>Total</b>		<b>63.0%</b>	<b>62.3%</b>



GUANGZHOU - TIANHE DISTRICT

# VICTORY PLAZA

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

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

Its shopping mall is positioned as an “international fast fashion experience shopping mall” and was renamed as “VT101” on 28 September 2014. It features fashionable, young, healthy, sustainable and trendy lifestyle. It has introduced tenants including the largest flagship store of Uniqlo in south China, a super large store of swatch, a fashionable watch brand in Guangzhou, HEYTEA (喜茶), an online-hit brand, and Tanyu (探魚), the most fashionable roasted 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.

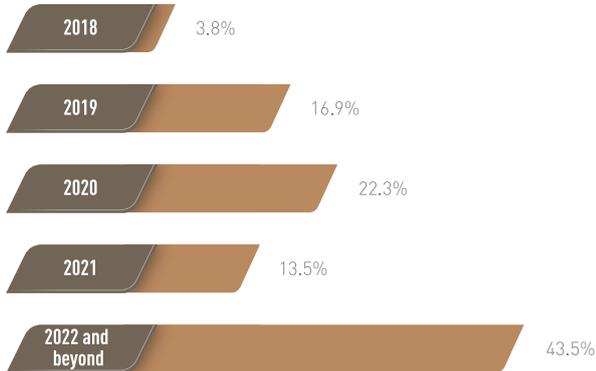




# PROPERTY PORTFOLIO

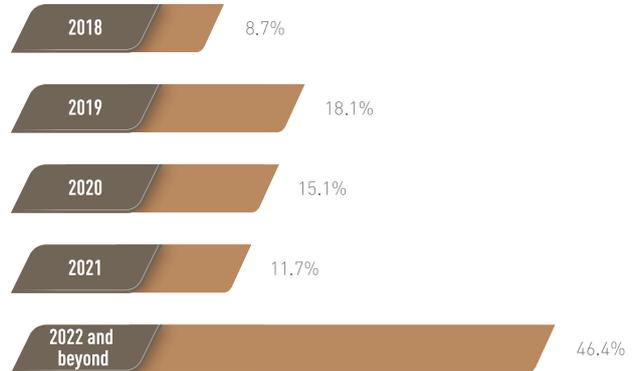
## LEASE EXPIRY

(By Rental Area)

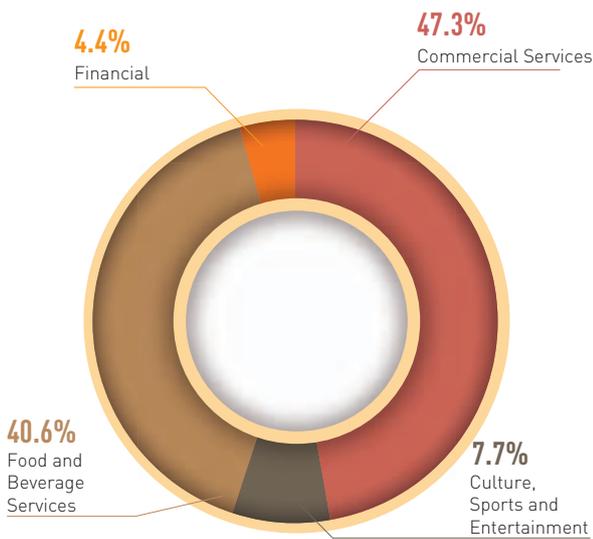


## LEASE EXPIRY

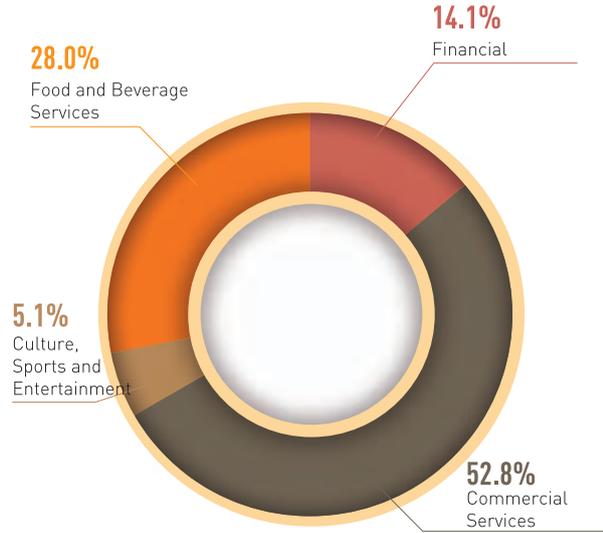
(By Basic Monthly Rentals)



## INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



## INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



**TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)**

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Fast Retailing Co., Ltd.	Commercial Services	38.1%	39.1%
Guangzhou GOME Electrical Appliances Co. Ltd.	Commercial Services	6.2%	9.6%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.8%	7.7%
Industrial and Commercial Bank of China Limited, Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.5%	6.4%
Guangdong San Yuan McDonald's Food Company Limited	Food & Beverage	4.7%	5.5%
J.M. Developments	Food & Beverage	11.1%	4.5%
Guangzhou Meten Education and Technology Co., Ltd. (廣州市美聯教育科技有限公司)	Culture, Sports, Entertainment	5.2%	2.9%
Guangzhou Xin Ying Dong Education Consultancy Co., Ltd.	Culture, Sports, Entertainment	2.6%	2.1%
Guangzhou Libao Food & Beverage Catering Management Co., Ltd.	Food & Beverage	2.8%	2.0%
Guangdong Starbucks Coffee Co., Ltd. (廣東星巴克咖啡有限公司)	Food & Beverage	0.6%	2.0%
<b>Total</b>		<b>75.6%</b>	<b>81.8%</b>



GUANGZHOU - YUEXIU DISTRICT

# NEO METROPOLIS

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

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

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

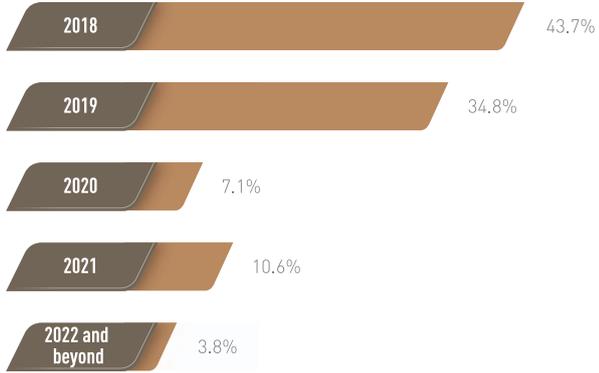




# PROPERTY PORTFOLIO

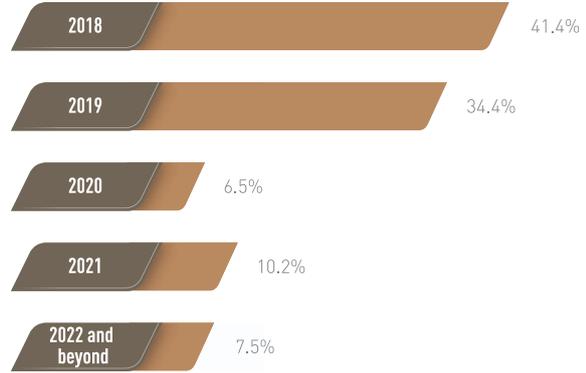
## LEASE EXPIRY

(By Rental Area)

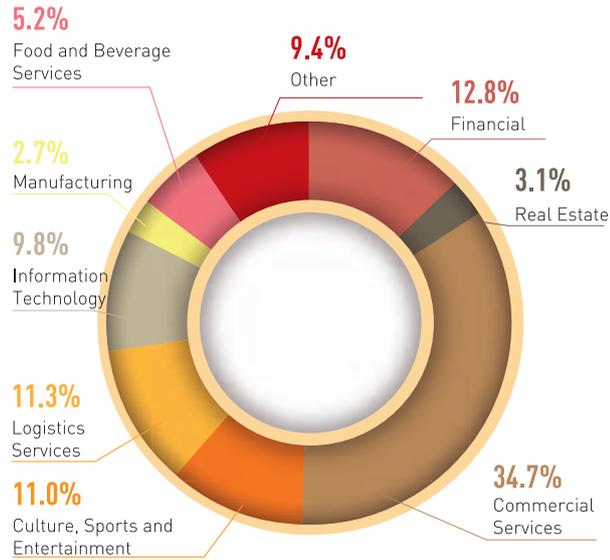


## LEASE EXPIRY

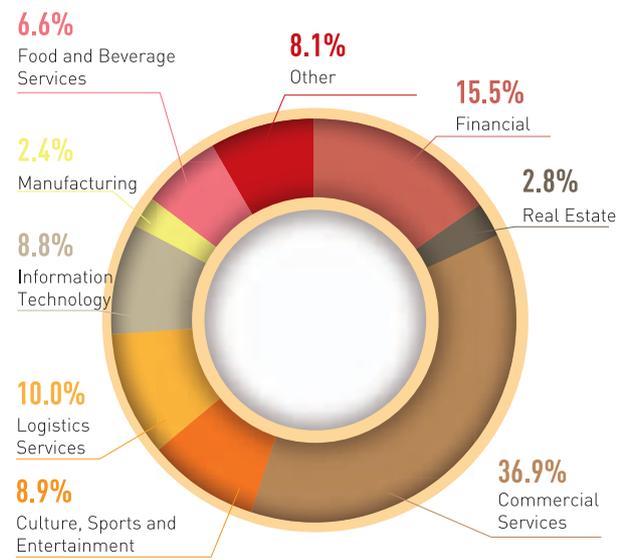
(By Basic Monthly Rentals)



## INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



## INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



**TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)**

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch	Finance	9.3%	8.1%
ALP School	Commercial Services	7.5%	6.3%
TNT Express Worldwide (China) Ltd.	Logistics Services	6.6%	5.8%
Guangzhou TOTAL FITNESS New Metropolis Co., Ltd. (廣州力美健新都會健身有限公司)	Culture, Sports, Entertainment	6.3%	4.8%
Bank of China Limited, Guangzhou Yuexiu Sub-branch	Finance	0.6%	4.6%
Guangzhou GOME Electrical Appliances Co., Ltd.	Commercial Services	4.8%	4.4%
Guangzhou Baifeng Communication Equipment Co., Ltd. (廣州市百豐通信設備有限公司)	Commercial Services	1.3%	4.2%
Genting Hongkong	Culture, Sports, Entertainment	4.7%	4.1%
VF Corporation and its subsidiaries	Commercial Services	2.9%	2.9%
Vision-X Enterprise Management, Ltd. Guangzhou Branch	Commercial Services	3.5%	2.7%
<b>Total</b>		<b>47.5%</b>	<b>47.9%</b>



SHANGHAI - PUDONG NEW DISTRICT

# YUE XIU TOWER

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

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

Existing tenants of Yue Xiu Tower are a number of renowned enterprises, including Huashe Assets Management, Tebon Innovation Capital, Suning Investment, Nabtesco and Sulzer Pumps Equipment.

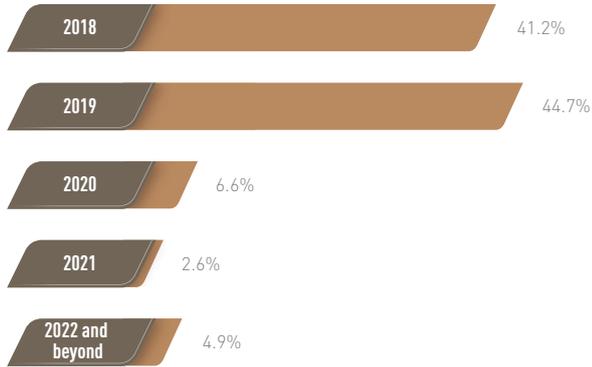




# PROPERTY PORTFOLIO

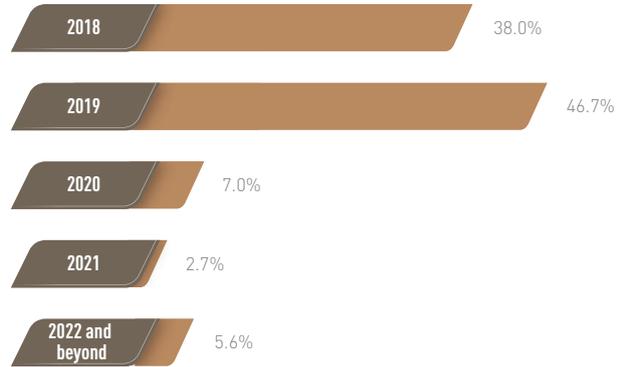
## LEASE EXPIRY

(By Rental Area)

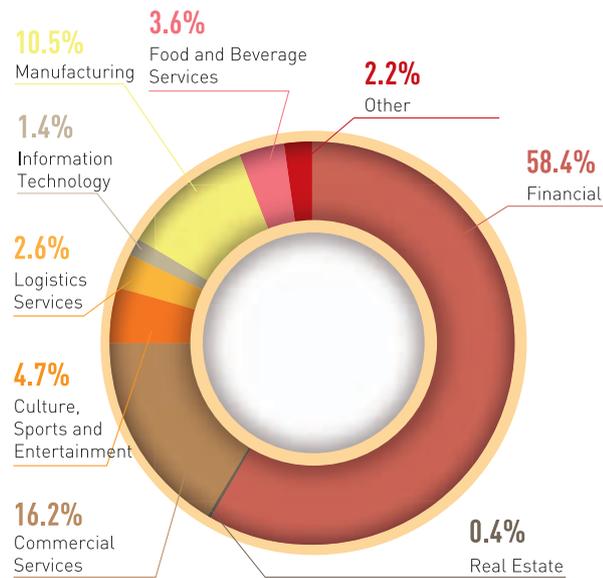


## LEASE EXPIRY

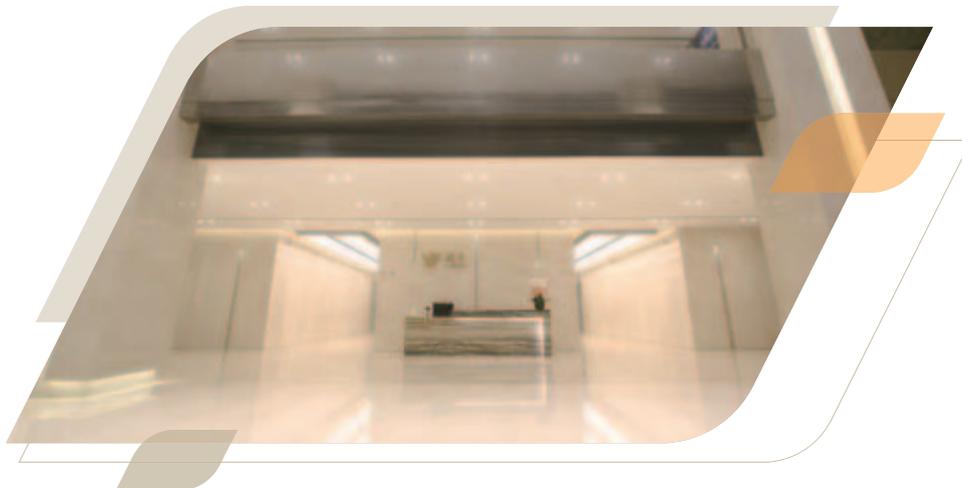
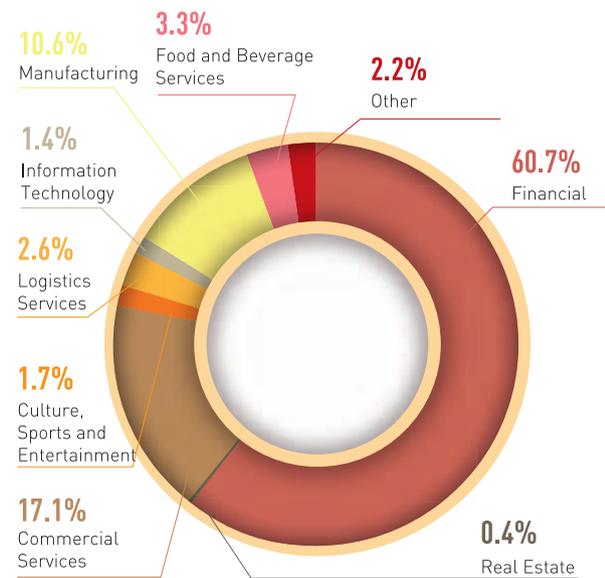
(By Basic Monthly Rentals)



## INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



## INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTAL



### TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Huashe Assets Management (Shanghai) Co., Ltd.	Finance	5.4%	5.6%
Golden Brick International Investment Co., Ltd. Shanghai Branch	Finance	4.0%	4.4%
American Baby International Education Ltd.	Commercial Services	4.0%	4.2%
Kuaikuai Financial Information Service (Shanghai) Co., Ltd.	Finance	4.0%	3.9%
Markor International Furniture Co., Ltd.	Commercial Services	2.8%	3.4%
Tebon Innovation Capital Co., Ltd.	Finance	3.2%	3.3%
Shanghai Nabtesco Business Management Co., Ltd.	Manufacturing	3.0%	2.9%
Shanghai Yuexiu Finance Leasing Co., Ltd. (上海越秀融資租賃有限公司)	Finance	2.2%	2.6%
Shanghai Puyu Asset Management Co., Ltd. (上海浦渝資產管理有限公司)	Finance	2.2%	2.4%
Tecan (Shanghai) Trading Co., Ltd.	Commercial Services	2.3%	2.4%
<b>Total</b>		<b>33.1%</b>	<b>35.1%</b>



WUHAN - QIAOKOU DISTRICT

# WUHAN PROPERTIES

**YUEXIU FORTUNE CENTRE -  
WORLD COMMERCE PORTAL,  
A RIVERSIDE BUSINESS  
LANDMARK IN QIAOKOU**

Yuexiu Fortune Centre (越秀財富中心), located in Hankou Riverside Business District which is an emerging business district in Wuhan, is currently the tallest International Grade A office building completed in Wuhan. As the only International Grade A office building in Hankou and in the riverside area of Hankou, Yuexiu Fortune Centre owns excellent riverside views in 3 directions. The property is located within the second ring of Wuhan. Public transportation is convenient and people can easily access Wuchang, Hankou and Hanyang. It is connected to Hanyang by Yuehu Bridge on the south side. Two metro lines meet at Qiaokou Road station (Metro Line 1 is in operation and Metro Line 10 is under planning).





## WUHAN - QIAOKOU DISTRICT

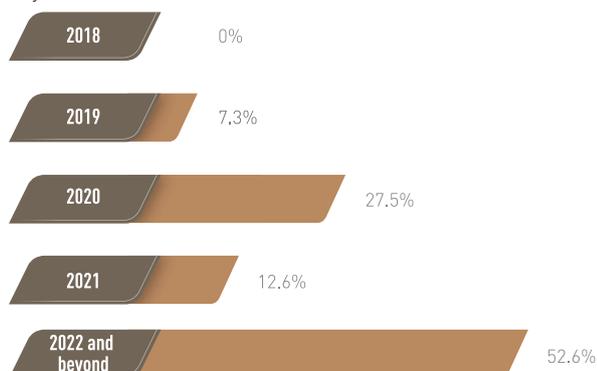
## WUHAN PROPERTIES - YUEXIU FORTUNE CENTRE

The property was completed in August 2016, with a height of 330 metres and a total gross floor area of 139,937.1 sq.m., comprising a 68-storey office building. The majority of the tenants of Yuexiu Fortune Centre are high-quality domestic companies and foreign companies. Yuexiu Fortune Centre has attracted several Fortune 500 companies, such as Hitachi and PSA, and a number of renowned enterprises, including Midea, Mengniu, COFCO Property, Focus Media, CCSEB, 51Talk and CPIC.



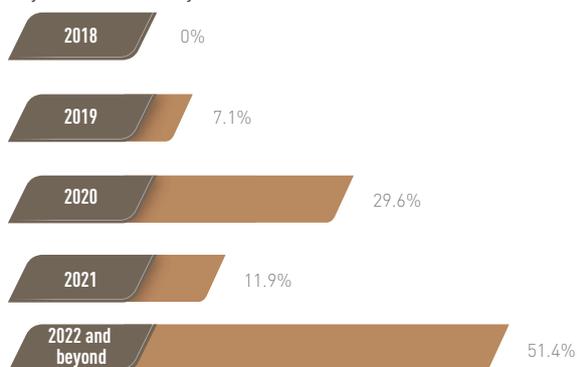
## LEASE EXPIRY

[By Rental Area]



## LEASE EXPIRY

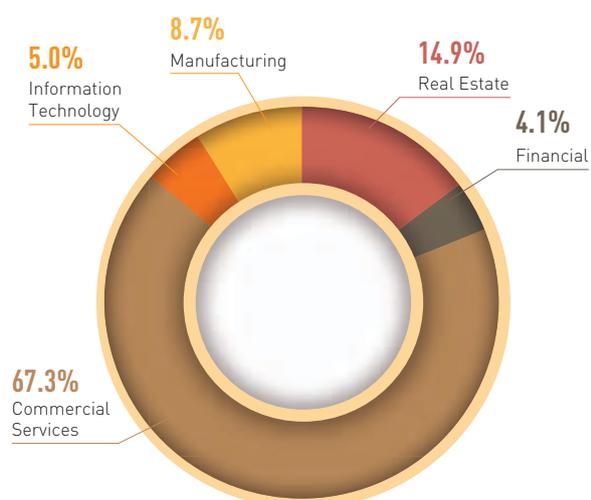
[By Basic Monthly Rentals]



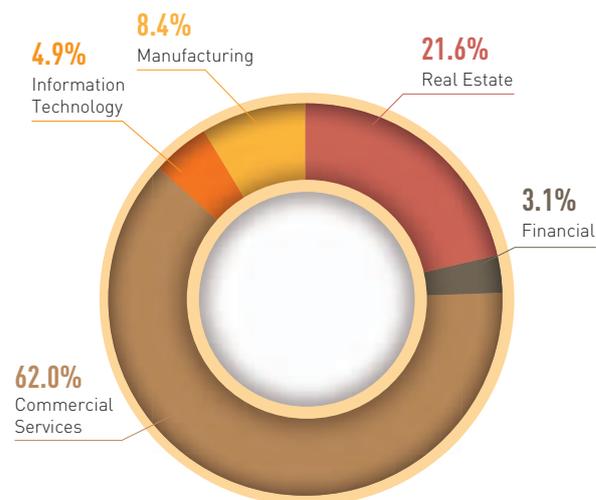
### TOP 10 TENANTS BY RENTAL INCOME [AS AT 31 DECEMBER 2017]

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Guangzhou Hemei Industrial Co., Ltd. (廣州赫美實業有限公司)	Commercial Services	28.5%	28.5%
Yuexiu group and its subsidiaries	Real Estate	9.2%	13.5%
China Construction Second Engineering Bureau Ltd.	Real Estate	4.8%	7.4%
Wuhan Universal Innovation Business Consultancy Co., Ltd. (武漢寰宇天下眾創商務諮詢有限公司)	Commercial Services	9.1%	6.8%
Beijing Fenbitianxia Co., Ltd. Wuhan Branch	Commercial Services	4.5%	3.8%
51Talk	Commercial Services	4.6%	3.6%
Wuhan Today's Dream Business Co., Ltd. (武漢今天夢想商貿有限公司)	Commercial Services	3.1%	3.3%
Midea Group Hubei Business Center	Manufacturing	3.1%	3.1%
PSA Group China & South-East Asia	Manufacturing	3.4%	2.9%
Wuhan Defa Information Technology Co., Ltd.	Information Technology	2.0%	2.3%
<b>Total</b>		<b>72.3%</b>	<b>75.2%</b>

### INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



### INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



## WUHAN - QIAOKOU DISTRICT

## WUHAN PROPERTIES - STARRY VICTORIA SHOPPING CENTRE

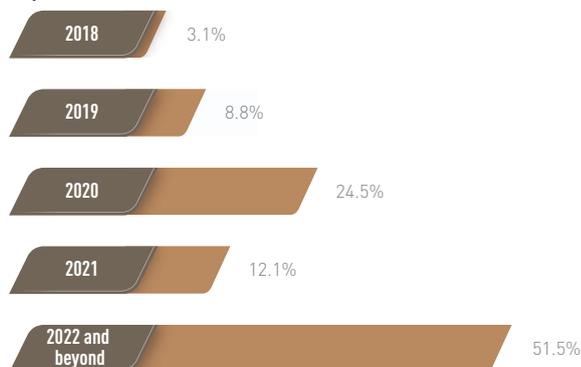
Starry Victoria (星匯維港) is the first Hong Kong lifestyle oriented neighborhood shopping centre in Wuhan. Office staffs and family-oriented consumers are its target consumer groups. It is also the first shopping centre built with a covered walkway to the metro. The 5-storey shopping arcade (inclusive of a 1-storey basement) has a gross floor area of 45,471.4 sq.m. with 1,134 commercial carpark spaces and 375 residential carpark spaces.

Starry Victoria provides supplementary services to office and residence services, F&B and life experience stores. Existing tenants of Starry Victoria are a number of renowned enterprises, including KFC, Hutaoli, KenGee, Pacific Coffee, Mannings, Tao Heung and Insun Cinema.



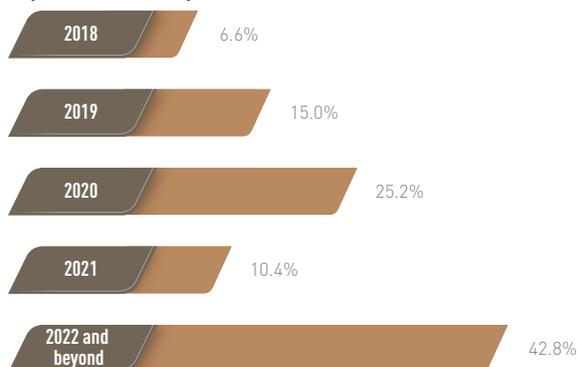
## LEASE EXPIRY

(By Rental Area)



## LEASE EXPIRY

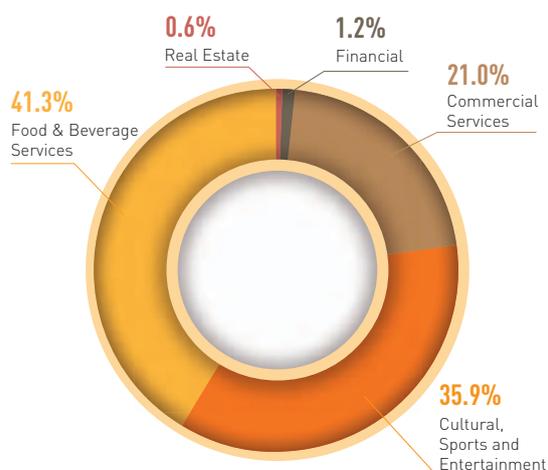
(By Basic Monthly Rentals)



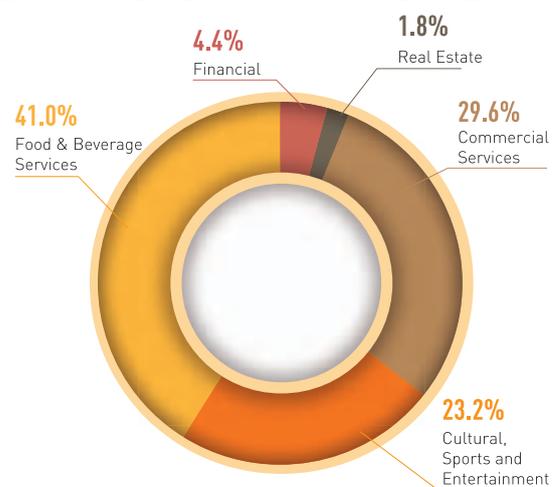
### TOP 10 TENANTS BY RENTAL INCOME (AS AT 31 DECEMBER 2017)

Name of Tenant	Industry	% of Total Gross Rented Area	% of Total Monthly Rentals
Wuhan Insun Starry Victoria Cinema Co., Ltd. (武漢銀興星匯維港電影城有限責任公司)	Culture, Sports and Entertainment	13.2%	7.7%
Wuhan KINGZONE Fitness Management Co., Ltd. (武漢空中領域健身管理有限公司)	Culture, Sports and Entertainment	9.7%	7.7%
Wuhan Starry Victoria Hutaoli Restaurant Management Co., Ltd. (武漢維港胡桃里餐飲管理有限公司)	Food & Beverage	2.7%	4.5%
China Construction Bank Corporation, Wuhan Qiaokou Sub-branch (中國建設銀行股份有限公司武漢礄口支行)	Finance	1.2%	4.4%
Wuhan Han Street Tao Heung Catering Co., Ltd., Qiaokou Zhongshan Avenue Branch (武漢漢街稻香飲食有限公司礄口中山大道分公司)	Food & Beverage	5.9%	3.3%
Wuhan Haide Jiabang Trading Co., Ltd. (武漢市海德嘉邦商貿有限公司)	Commercial Services	1.0%	2.7%
Chen Hua (陳化)	Food & Beverage	1.5%	2.6%
Wuhan Tonglingtianxia Fantasyland Co., Ltd.	Culture, Sports and Entertainment	3.3%	2.3%
Wuhan Dayu Tea Co., Ltd. (武漢大俞茶業有限公司)	Food & Beverage	0.8%	1.9%
Wuhan Lianjia Hongye Real Estate Agency Co., Ltd. (武漢鏈家宏業房地產經紀有限公司)	Real Estate	0.6%	1.8%
<b>Total</b>		<b>39.9%</b>	<b>38.9%</b>

### INDUSTRY COMPOSITION OF TENANTS BY RENTAL AREA



### INDUSTRY COMPOSITION OF TENANTS BY BASIC MONTHLY RENTALS



# 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 2017.

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

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

Hong Kong, 13 February 2018

# DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

## DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr. LIN Zhaoyuan (林昭遠)	48	Chairman and Non-Executive Director
Mr. LIN Deliang (林德良)	48	Executive Director and Chief Executive Officer
Mr. CHENG Jiuzhou (程九洲)	46	Executive Director and Deputy Chief Executive Officer
Mr. LI Feng (李鋒)	49	Non-Executive Director
Mr. CHAN Chi On, Derek (陳志安)	54	Independent Non-Executive Director
Mr. CHAN Chi Fai, Brian (陳志輝)	63	Independent Non-Executive Director
Mr. CHEUNG Yuk Tong (張玉堂)	60	Independent Non-Executive Director
Mr. CHEN Xiaou (陳曉歐)	48	Independent Non-Executive Director

## CHAIRMAN AND NON-EXECUTIVE DIRECTOR

### MR. LIN ZHAOYUAN

Mr. Lin is the chairman and a non-executive director of the Manager. He is also a Vice Chairman, executive director and general manager of Yuexiu Property Company Limited ("Yuexiu Property"), a company listed on the Hong Kong Stock Exchange (Stock Code: 00123), and chairman of the board of Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) ("GCCD").

Prior to that, Mr. Lin had been chairman of the board of Guangzhou Paper Group Limited (廣州造紙集團有限公司), an assistant to General Manager and a deputy general manager of Guangzhou Yuexiu Holdings Limited (廣州越秀集團有限公司) ("Guangzhou Yuexiu") and Yue Xiu Enterprises (Holding) Limited ("Yuexiu Enterprises"). Mr. Lin has relatively extensive work experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

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

## DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

### EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

#### MR. LIN DELIANG

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

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) 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 Property, and was responsible for the sales of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005.

Mr. Lin is familiar with investment, sales and operation of properties as well as hotel management. He has over 20 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.

### EXECUTIVE DIRECTOR AND DEPUTY CHIEF EXECUTIVE OFFICER

#### MR. CHENG JIUZHOU

Mr. Cheng Jiuzhou is an executive director and deputy chief executive officer of the Manager and one of the Responsible Officers licensed under the SFO.

Mr. Cheng joined GCCD in 1996, following which he has held various managerial positions in GCCD and its subsidiaries. From 2006 to 2008, Mr. Cheng was the head supervisor of asset management and the deputy chief executive officer of the Manager. Mr. Cheng subsequently became the general manager and chairman of Guangzhou White Horse Business Management Co., Ltd. and Guangzhou Yicheng Property Management Ltd. (being the leasing agents of Yuexiu REIT) from 2008 to 2014. Mr. Cheng was re-appointed as the deputy chief executive officer of the Manager in 2014 and became one of the Manager's responsible officers in 2016.

Mr. Cheng has over 20 years of experience in real estate market research and the operation and management of commercial real estate. He also holds the practicing qualifications and titles of China Property Valuer, China Registered Property Manager and Senior Economist, and is hired by the Guangzhou Municipal People's Government as a major administrative decision making argumentation expert for Guangzhou City.

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

## NON-EXECUTIVE DIRECTOR

### MR. LI FENG

Mr. Li Feng is Non-Executive Director of the Manager. He is also an executive director of Yuexiu Property, a non-executive director of Chong Hing Bank, a company listed on the Hong Kong Stock Exchange (Stock Code: 01111), and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (formerly known as "Guangzhou Friendship Group Co., Ltd."), a company listed on the Shenzhen Stock Exchange (Stock Code: 000987). Mr. Li is also a director of GCCD.

Besides, Mr. Li is also the chief capital officer of Guangzhou Yuexiu and Yuexiu Enterprises and is in charge of the capital operation department, the customer resource management and synergy department and the information centre of Guangzhou Yuexiu and Yuexiu, mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and upgrading the customer resource management and synergy, promote and improve information construction, etc. Mr. Li also holds the certificate in Major Administrative Decision-Making and Argumentation ( 廣州市重大行政決策論證專家 ) conferred by the Guangzhou Municipal Government. Mr. Li joined Yuexiu in December 2001 and has successively held positions in Guangzhou Yuexiu and Yuexiu including the assistant to general manager, assistant manager of the Corporate Management Department, assistant to general manager of the Supervision and Auditing Department, deputy general manager of the 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 Guangzhou Yuexiu and Yuexiu Enterprises; before that, he was also involved in the successful listing of Yuexiu REIT, and has extensive practical experience in capital operations.

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.

## 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 was 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) and China Conch Venture Holdings Limited (Stock Code: 00586), both are companies listed on the Main Board of the Stock Exchange. Until his resignation in March 2016 and 6 April 2018, Mr. Derek Chan was an independent non-executive director of Global International Credit Group Limited (Stock Code: 01669) and Tianli Holdings Group Limited (Stock Code:00117), which are companies listed on the Main Board of the Stock Exchange respectively.

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.

## DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

### **MR. CHAN CHI FAI BRIAN**

Mr. Brian Chan is an INED of the Manager.

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

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

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

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

### **MR. CHEUNG YUK TONG**

Mr. Cheung is an INED of the Manager.

Mr. Cheung joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China mergers and acquisitions 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 was a member of the Judging Panel for the Corporate Governance Excellence Awards organized by the Hong Kong Chamber of Listed Companies from 2012 to 2015. 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 2012 to 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 was admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

**MR. CHEN XIAOOU**

Mr. Chen is an INED of the Manager.

Mr. Chen, has over 23 years of professional experience in large scale real estate asset management and investment, fund management, development, planning and design and international business operations. He has been living and working in the PRC, the United States, Hong Kong, Singapore and Australia for many years. He is the Deputy Vice Chairman of The Building Owners and Managers Association China ("BOMA") and a BOMA-certified commercial real estate expert.

Mr. Chen is the Chairman of F.O.G. Capital & Asset Management Corporation, and had been Vice President, China, of CDPQ-Ivanhoe Cambridge. His past experience also includes an executive position in New World China Land, the China property flagship of New World Development Company Limited (Hong Kong Stock Code 00017). He had worked as an architectural designer and urban planner in the United States. Mr. Chen's management record includes large scale mixed-use development, high-end residential, retail, office and hotel projects.

Mr. Chen is a visiting professor of Cheung Kong Graduate School of Business, and is also the MBA Mentor for The School of Business of Renmin University of China. He received an AMDP (Advanced Management Development Program in Real Estate) certificate from the Harvard University Graduate School of Design in 2010, obtained a Master of Architecture degree from The University of New South Wales in Australia in 1999, and obtained a Bachelor of Architecture degree from Northwestern Polytechnical University in China in 1992.

**COMPENSATION OF DIRECTORS OF THE MANAGER**

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

**INDEPENDENCE OF DIRECTORS**

The Manager has received written annual confirmation of independence from each of the four 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.

## DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

### SENIOR EXECUTIVES OF THE MANAGER

#### MR. LIN ZHAOYUAN

Mr. Lin is the Chairman and Non-Executive Director 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, 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 "Director" above.

#### 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 group general counsel and general manager of the Legal Department of Yue Xiu Enterprises and is responsible for the company secretarial affairs and compliance of the Manager. From October 2004, Mr. Yu was the company secretary of both Yuexiu Property (stock code: 00123) and Yuexiu Transport Infrastructure Limited (stock code: 01052), and he has also been appointed as the company secretary of Yue Xiu Enterprises since January 2014. 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 Yuexiu Property in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

#### MR. KWAN CHI FAI

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

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

**MS. OU HAIJING**

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

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

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

**MS. LI JING**

Ms. Li is the general manager of the Project Development Department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations of the Properties. Before joining Yue Xiu in 2008, Ms. Li had 7 years of experience of senior engineering management in Colliers International and Jones Lang LaSalle. Ms. Li titled Associate Director in Jones Lang LaSalle, and she was responsible for the technical supervision, including engineers team construction, system set up, quality control for the engineering services to clients, KPI management and risk management. Ms. Li worked in Hongkong Road King Group to assist at new project planning, development and distribution.

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

**MR. YU XINYUAN, PHILIP**

Mr. Yu is the Owner Representative of Hotels and Apartments of the Manager. Mr. Yu joined the Yuexiu Property since 2008, he was involved in the Four Seasons Hotel and Ascott Serviced Apartment management contracts negotiation and related preopening works for IFC projects. Mr. Yu joined the Manager in 2012, and was the Deputy General Manager of Hotels and Apartments Department. Before joining the Yuexiu Property, Mr. Yu had served as the Department Manager and General Manager in domestic high-star level hotels. Mr. Yu has accumulated abundant experiences on hotel operations, preopening works and asset management.

Mr. Yu graduated from Quanzhou Huaqiao University in 1992 with a Bachelor degree in economics. Mr. Yu is also the members of Hospitality Asset Managers Association Asia Pacific and China Branch.

## DIRECTORS' AND SENIOR EXECUTIVES' PROFILES

### MR. LIU BIHONG

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

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

### MR. LIAO NINGJUN

Mr. Liao is the director of the Shanghai project and the responsible person of the Shanghai project posted by the Manager. Mr. Liao joined the Yuexiu group since 1992, he had been the General Manager Assistant of the Finance and Accounts Department of Yue Xiu group and was the director and Deputy General Manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. He was involved in the successful listing of Yuexiu REIT, and had been the general manager of the investment department, head of the investment department and assistant to Chief Executive Officer of the Manager from 2005-2015. Before joining the Manager, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure.

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

### MR. CHEN YONGQIN

Mr. Chen is currently the general manager of the finance department of the Manager and is responsible for the finance, taxation and fund management of the Manager. Mr. Chen joined GCCD Group in 2005 and has successively held positions such as deputy manager and senior manager of the finance department of a subsidiary of GCCD. He has nearly 15 years of experience in finance and auditing in the real estate industry.

Mr. Chen graduated from the accounting department of Sun Yat-sen University in 2002 with a bachelor's degree in management. Mr. Chen is a certified Internal Auditor (CIA), U.S. Certified Information System Auditor (CISA), Certified Fraud Examiner, and U.S. Certified Risk Manager. Mr. Chen is also a member of Australia Institute of Public Accountants (IPA), U.K. Institute of Financial Accountants (IFA), International Forensic Certified Public Accountants Association.

# THE LEASING AGENTS

## THE LEASING AGENTS

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by Yuexiu Property. It was GB/T19001-2008 and ISO9001:2008 certified in 2015.

Baima BM (previously known as Guangzhou White House Property Management Co. Ltd was incorporated in the PRC in 1998) 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 and retail mall of GZIFC and Shanghai Yue Xiu Tower.

## CONFLICTS OF INTEREST

Yuexiu Property, 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 Yuexiu Property 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 Yuexiu Property 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 Yuexiu Property group (“YXP Property Manager”) will be responsible for providing such services to properties not belonging to Yuexiu REIT.

## “CHINESE WALLS”

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

**CONTRACTUAL PROTECTION**

Contractual provisions have been included in each of the tenancy services agreements entered into between the Manager and Partat Investment Limited (“Partat”), Moon King Limited (“Moon King”), Full Estates Investment Limited (“Full Estates”), Keen Ocean Limited (“Keen Ocean”), Guangzhou Jieyacheng Properties Co., Ltd (“Jieyacheng”), Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd (“GYCCIFC”), Shanghai Hong Jia Real Estate Development Co., Ltd. (“Shanghai Hong Jia”), Wuhan Yuexiu Property Development Limited (“Wuhan YXP”) 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 local commercial properties;
- (ii) the Leasing Agents will adhere to the organisational charts and reporting lines agreed with the Manager and will act in accordance with the directions of the Manager;
- (iii) the Leasing Agents will implement the annual business plan and budget approved by the Manager every year and use its best endeavours to achieve the revenue targets in such approved annual business plan and budget; and
- (iv) if leasing or marketing opportunities in relation to any of the Properties become available to the Leasing Agents which the Leasing Agents, acting reasonably and in good faith, consider are or are likely to be in competition with the YXP Property Manager, the Leasing Agents will either:
  - refer all such business proposals to the Manager for vetting and confirmation before the relevant Leasing Agent proceeds with such proposals or opportunities; or
  - sub-contract to a third party leasing agent independent of the YXP Group, to devise and implement the relevant business proposal.

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

# CORPORATE GOVERNANCE

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

## AUTHORISATION STRUCTURE

Yuexiu REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has 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. Lin Deliang and Mr. Cheng Jiuzhou, 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, among 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 2017, the board of Directors of the Manager ("Board") currently comprises eight members, four of whom are INEDs.

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

### ROLES OF THE KEY BOARD MEMBERS

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

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

### BOARD COMPOSITION

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

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

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

### BOARD MEETINGS

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

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

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

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

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

<b>Members of the Board</b>	<b>Number of meetings attended</b>
<b>Chairman and Non-executive Director</b>	
Mr. Lin Zhaoyuan	11
<b>Executive Directors</b>	
Mr. Lin Deliang	11
Mr. Cheng Jiuzhou	11
<b>Non-executive Director</b>	
Mr. Li Feng	11
<b>Independent Non-executive Directors</b>	
Mr. Chan Chi On, Derek	11
Mr. Chan Chi Fai, Brian	10
Mr. Cheung Yuk Tong	11
Mr. Chen Xiaou	11

## 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. 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, six meetings of the Audit Committee were held, none of which was held by means of written resolution.

Audit Committee meeting was held during 2017 for considering and reviewing 2016 annual result, 2017 interim result, connected party transactions and other internal controls, risk management and compliance matters of Yuexiu REIT.

The attendance of members at such meetings is as follows:

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Chan Chi Fai, Brian (Chairman)	6
Mr. Chan Chi On, Derek	6
Mr. Cheung Yuk Tong	6

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

### FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee comprises seven 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. Lin Zhaoyuan, Mr. Lin Deliang, Mr. Cheng Jiuzhou, Mr. Li Feng, Mr. Chan Chi On, Derek, Mr. Chan Chi Fai, Brian and Chen Xiaou. 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 2017 for reviewing 2016 annual result, 2017 interim result, bank loan refinancing, foreign exchange and capital renovation of Yuexiu REIT.

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

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Lin Deliang (Chairman)	7
Mr. Li Feng	7
Mr. Lin Zhaoyuan	7
Mr. Cheng Jiuzhou	6
Mr. Chan Chi On, Derek	7
Mr. Chan Chi Fai, Brian	7
Mr. Chen Xiaoou	6

Note: The Board approved the appointment of Mr. Cheng Jiuzhou and Chen Xiaoou as members of Finance and Investment Committee on 14 February 2017.

## 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 circulation 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 Group 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. 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, eighteen meetings of the Disclosures Committee were held, eleven of which were held by means of written resolutions.

The Disclosures Committee meetings were held during 2017 for considering and reviewing results announcements, interim and annual reports and other corporate disclosure issues of Yuexiu REIT.

The attendance of members at such meetings is as follows:

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Chan Chi On, Derek (Chairman)	18
Mr. Lin Deliang	18

### 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. Lin Zhaoyuan, 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 meetings were held during 2017 for appointing a new executive director and an independent non-executive director, addition of a new Responsible Officer, 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, 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:

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

## INDEPENDENT BOARD COMMITTEE

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

One Independent Board Committee has held during the Reporting Year.

Independent Board Committee held between INEDs and IFA concerning (1) the connected party transactions relating to the acquisition of 67.0% of a commercial property in Wuhan and reviewing and approving the acquisition of 67.0% of a Wuhan commercial property; (2) extension of existing continuing connected party transaction waiver and new annual caps for certain continuing connected party transactions.

<b>Members attended</b>	<b>Number of meetings attended</b>
Mr. Chan Chi On, Derek	1
Mr. Chan Chi Fai, Brian	1
Mr. Cheung Yuk Tong	1
Mr. Chen Xiaoou	1

## 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.

## CORPORATE GOVERNANCE

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 2017 to 31 December 2017 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
<b>Executive Directors</b>		
Mr. Lin Deliang	√	√
Mr. Cheng Jiuzhou	√	√
<b>Non-Executive Director</b>		
Mr. Lin Zhaoyuan	√	√
Mr. Li Feng	√	√
<b>Independent Non-Executive Directors</b>		
Mr. Chan Chi On, Derek	√	√
Mr. Chan Chi Fai, Brian	√	√
Mr. Cheung Yuk Tong	√	√
Mr. Chen Xiaou	√	√

### APPOINTMENT AND REMOVAL OF DIRECTORS

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

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

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

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

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

## **RISK MANAGEMENT AND INTERNAL CONTROL**

To maintain a more effective and efficient business operation and sustainable business growth, Yuexiu REIT systematically determining business risk and setting up risk management structure, procedures and related contents.

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

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

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

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

**CONFLICT OF INTEREST**

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

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

**GENERAL MEETINGS**

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

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

**REPORTING AND TRANSPARENCY**

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

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

**DISTRIBUTION PAYMENTS**

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

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

### **ISSUES OF NEW UNITS POST-LISTING**

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE

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

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

### **MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION**

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

### **CONFIRMATION OF COMPLIANCE WITH CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS**

Specific enquiry has been made of all Directors and Manager and all of them confirmed they had complied with the required standard set out in the Code Governing Deals 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 2018.

## 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, GZIFC, Yue Xiu Tower and Wuhan Properties have been leased to connected parties (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager ("Manager Group"). Details are as follows:

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2017 Reporting Year (RMB)
<b>City Development Plaza</b>									
Guangzhou Yicheng Property Management Limited ("Yicheng")	1/F	an associate of the Manager	97.00	1 May 2016	1,309	13.5	0	3	14,936
Yicheng	19/F <sup>(1)</sup>	an associate of the Manager	1,844.34	30 Jan 2013	217,632	118	122	5.33	389,003
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	5,126,029
廣州悅停網絡科技有限公司	16/F	an associate of the Manager	126.45	30 Mar 2017	16,258	129	0	2	144,578
廣州鵬輝貿易有限公司	21FGHI	an associate of the Manager	691.63	20 May 2017	92,215	133	0	3.03	683,282
Guangzhou City Construction and Development Co.Ltd.	18ABJ	an associate of the Manager	691.62	1 Sep 2017	92,214	133	0	3	369,121
廣州東耀房地產開發有限公司	17CD	an associate of the Manager	334.64	29 Oct 2017	44,618	133	0	3	93,436
<b>Sub-total:</b>									<b>6,820,385</b>

<sup>(1)</sup> On 16 February 2017, Yicheng entered into a supplementary agreement with Full Estates Investment Limited to terminate the leasing contract of the 19/F.

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 2017 Interim Period (RMB)
<b>Neo Metropolis</b>									
Guangzhou White Horse Clothings Market Ltd	Basement 2, 3/F	an associate of the Manager	7,544.77	1 Jan 2016	108,334	14	0	3	1,235,985
<b>Sub-total:</b>									<b>1,235,985</b>

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2017 Reporting Year (RMB)
<b>GZIFC</b>									
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	0601-A	an associate of the Manager	1,224.74	1 Jan 2016	264,544	216	0	3	2,951,153
Guangzhou Grandcity Development Ltd.	0601-G, H	an associate of the Manager	877.03	1 Jan 2016	189,438	216	0	3	2,113,303
廣州市宏錦房地產開發有限公司	1501, 1601	an associate of the Manager	6,297.82	1 Jan 2016	1,580,753	251	0	3	17,618,831
廣州東耀房地產開發有限公司	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	3,797,956
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	5801-A	an associate of the Manager	512.64	1 Jun 2016	138,868	271	0	3	1,627,126
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2016	2,375,792	365	0	3	26,386,248
Guangzhou City Construction and Development Co. Ltd. ["GCCD"]	0440-E	an associate of the Manager	739.34	1 Jan 2017	130,969	177	0	1	1,571,628
廣州市城建開發集團名特網路發展有限公司	0440-F	an associate of the Manager	43.07	1 Jan 2017	7,630	177	0	1	91,560
Guangzhou Yue Xiu Enterprises (Holdings) Ltd	0440-H	an associate of the Manager	407.21	1 Jan 2017	72,134	177	0	1	865,608
GCCD	1401	an associate of the Manager	3,071.42	1 Jan 2016	770,926	251	0	3	8,592,626
廣州市祥港房地產開發有限公司	1101	an associate of the Manager	2,991.38	1 Jan 2016	750,836	251	0	3	2,800,498
廣州穗橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2015	50,426	251	0	3	591,775
Guangzhou Yuexiu Asset Management Company Limited ["GZAM"]	0601-E	an associate of the Manager	46.82	1 Jan 2015	10,123	216	0	3	118,818
Yuexiu (China) Transport Infrastructure Investment Company Limited	0601-F	an associate of the Manager	126.99	1 Jan 2015	27,458	216	0	3	322,277

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 2017 Reporting Year (RMB)
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-A	an associate of the Manager	1,585.09	1 Jan 2015	397,683	251	0	3	4,666,996
Chong Hing Bank Guangzhou Sub-Branch	0440-K	an associate of the Manager	143.69	1 Jan 2017	25,454	177	0	1	305,447
Chong Hing Bank Guangzhou Tianhe Branch	0440-N	an associate of the Manager	25.14	1 Jan 2017	4,453	177	0	1	53,436
GZAM	0601-D	an associate of the Manager	138.72	1 Sep 2016	28,576	206	0	3	335,607
GZAM	0440-D	an associate of the Manager	191.86	1 Jan 2017	33,987	177	0	1	407,844
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2015	66,953	251	0	3	785,717
Guangzhou Yue Tong Expressway Operations and Management Company Limited	1701-B	an associate of the Manager	261.29	1 Jan 2015	65,555	251	0	3	769,314
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	151.32	1 Jan 2017	26,805	177	0	1	321,660
GZAM	5804-B	an associate of the Manager	242.29	1 Jun 2016	65,635	271	0	3	769,029
Yuexiu (China) Transport Infrastructure Investment Company Limited	5804-C · 05-A	an associate of the Manager	398.75	1 Jun 2016	108,019	271	0	3	1,265,630
Guangzhou Paper Group Ltd.	5806-D	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
Guangzhou Yue Xiu Enterprises (Holdings) Ltd <sup>(1)</sup>	5806-E · 07-A	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
廣州鈦白粉廠	5807-B	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	271,348
GZAM	4001 · 02 · 03 · 05 · 06	an associate of the Manager	2,882.42	1 May 2015	706,193	245	0	3	7,488,519
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ["GZYXJLL"]	Carpark	an associate of the Manager	71,082.79	1 Jul 2015	1,240,833	17	0	1.5	14,571,429
Chong Hing Bank Guangzhou Tianhe Branch <sup>(2)</sup>	podium 103 · 203	an associate of the Manager	631.28	1 Jan 2015	233,068	369	0	2.5	2,644,394
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-E	an associate of the Manager	855.96	1 Mar 2016	196,871	230	0	1.83	2,101,736

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly	Monthly	Rent free	Term (years)	Rental income
					rent (RMB)	rent per sq.m. (RMB)	period (days)		Reporting Year (RMB)
Guangzhou Guang Zeng Hang Seng Research Co., Ltd. <sup>(3)</sup>	401-B	an associate of the Manager	948.00	31 May 2016	192,309	203	0	3	828,536
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>(3)</sup>	401-C	an associate of the Manager	474.14	1 Mar 2017	72,250	152	0	1	325,422
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	501	an associate of the Manager	2,868.01	20 Jun 2015	458,882	160	0	3	1,830,649
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("YXFH") <sup>(3)</sup>	0601-B	an associate of the Manager	227.87	1 Jan 2016	49,220	216	0	3	206,092
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	0601-C	an associate of the Manager	248.05	1 Jan 2016	53,579	216	0	3	224,344
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	706-707	an associate of the Manager	474.16	15 Apr 2015	76,814	162	0	3	315,341
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	1001-1006	an associate of the Manager	1,486.34	1 Jan 2016	267,541	180	0	3	1,067,104
Guangzhou Futures Co., Ltd. <sup>(3)</sup>	1007-1012	an associate of the Manager	1,486.52	1 Jan 2016	267,574	180	0	3	1,067,235
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2016	1,715,047	268	0	3	7,154,285
YXFH <sup>(3)</sup>	3406	an associate of the Manager	273.00	1 Apr 2017	65,000	238	0	1	292,768
YXFH <sup>(3)</sup>	5805-B + 06-A	an associate of the Manager	507.40	1 Jun 2016	137,464	271	0	3	604,485
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	5806-B	an associate of the Manager	213.70	1 Jun 2016	57,890	271	0	3	254,588
GZYXFL <sup>(3)</sup>	5806-C	an associate of the Manager	133.50	1 Jun 2016	36,165	271	0	3	159,045
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM") <sup>(3)</sup>	6301-A, E	an associate of the Manager	696.58	1 Jan 2016	242,410	348	0	3	1,010,617
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("YXFH") <sup>(3)</sup>	6301-B	an associate of the Manager	930.54	1 Jan 2016	323,828	348	0	3	1,350,053
YXEH <sup>(3)</sup>	6301-C	an associate of the Manager	811.63	1 Jan 2016	282,447	331	0	2.33	1,196,643
YXFH <sup>(3)</sup>	6301-D	an associate of the Manager	560.73	1 Sep 2016	185,842	331	0	3	815,405

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly	Monthly	Rent free	Term (years)	Rental income
					rent (RMB)	rent per sq.m. (RMB)	period (days)		during 2017 Reporting Year (RMB)
GZXIIFM <sup>(1)</sup>	6301-F	an associate of the Manager	300.00	1 Sep 2016	99,429	331	0	3	436,256
YXFH <sup>(2)</sup>	0440-B	an associate of the Manager	195.54	1 Jan 2017	34,639	229	0	1	156,018
GZYXIFM <sup>(2)</sup>	0440-C	an associate of the Manager	82.92	1 Jan 2017	14,689	177	0	1	66,161
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	0440-G	an associate of the Manager	496.81	1 Jan 2017	88,006	177	0	1	396,389
GZYXFL <sup>(2)</sup>	0440-I	an associate of the Manager	181.49	1 Jan 2017	32,150	177	0	1	144,808
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. <sup>(3)</sup>	0440-J	an associate of the Manager	32.02	1 Jan 2017	5,672	177	0	1	25,548
廣州證券股份有限公司廣州珠江西路證券營業部 <sup>(3)</sup>	0440-L	an associate of the Manager	8.52	1 Jul 2017	1,509	177	0	1	6,797
廣州友誼集團有限公司 <sup>(3)</sup>	IFC podium, lower level one, lower refugee floor level one, first floor, second floor, third floor	an associate of the Manager	26,521.37	1 Jul 2017	1,979,989	75	0	8.5	12,050,610
廣州友誼集團有限公司 <sup>(3)</sup>	back of house in lower level three	an associate of the Manager	743.00	1 Aug 2014	17,690	24	0	11.67	80,463
<b>Sub-total:</b>									<b>138,798,653</b>

<sup>(1)</sup> The tenant of units 5806E/07A has been changed from Guangzhou Building Materials Enterprise Group Co., Ltd to Guangzhou Yue Xiu Enterprises (Holdings) Ltd. on 1 January 2017, as negotiated, with the unit, rentals remained unchanged.

<sup>(2)</sup> On 1 July 2017, Chong Hing Bank Guangzhou Tianhe Branch entered into a lease agreement with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. for podium 103 and 203 in GZIFC, renewing the existing term for 3 years commencing 1 January 2017, and the unit price of the rent was adjusted to RMB 387 per square per month.

<sup>(3)</sup> 廣州友誼集團有限公司, YXFH and its subsidiaries became related parties of Yuexiu REIT since August 17, 2017.

## 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 2017 Reporting Year (RMB)
<b>Yue Xiu Tower</b>									
Chong Hing Bank Limited Shanghai Branch	1807	an associate of the Manager	142.05	1 Jun 2016	43,207	304	0	1.92	518,916
Guangzhou Yicheng Property Management Co. Limited Shanghai Branch ("Yicheng Shanghai")	Carpark	an associate of the Manager	13,502.58	1 Sep 2015	150,000	11	0	2.33	1,705,327
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>(1)</sup>	2101, 05-07	an associate of the Manager	1,006.41	May 1 2017	306,116	304	0	5	1,414,118
Guangzhou Securities Company Limited <sup>(1)</sup>	2702A, 03B	an associate of the Manager	250.12	1 Dec 2016	76,078	304	0	2.33	330,685
<b>Sub-total:</b>									<b>3,969,046</b>

<sup>(1)</sup> 廣州友誼集團有限公司 · YXFH and its subsidiaries became related parties of Yuexiu REIT since August 17, 2017.

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 2017 Reporting Year (RMB)
<b>Wuhan Properties</b>									
武漢越秀維港商業管理有限公司	6201A	an associate of the Manager	875.91	1 Sep 2017	120,959	138	0	5	40,223
武漢康景實業投資有限公司	6201B, 6301	an associate of the Manager	2,701.10	1 Sep 2017	373,838	138	0	5	124,316
武漢康景實業投資有限公司	505, 06	an associate of the Manager	401.08	1 Sep 2017	33,232	83	0	5	11,415
Guangzhou Yicheng Property Management Co., Limited Wuhan Branch ("Yicheng Wuhan")	Carpark	an associate of the Manager	47,182.94	Dec 21 2017	625,000	13	0	3.03	205,255
Yicheng Wuhan	Carpark	an associate of the Manager	15,602.82	Dec 21 2017	290,000	19	0	3.03	95,239
廣州城建開發設計院有限公司	6101C	an associate of the Manager	250	Dec 27 2017	33,333	133	0	3	5,262
廣州城建開發興業房地產中介有限公司	6101A	an associate of the Manager	300	Dec 27 2017	40,000	133	0	3	6,314
廣州越秀地產工程管理有限公司	6101B	an associate of the Manager	350	Dec 27 2017	46,667	133	0	3	7,366
<b>Sub-total:</b>									<b>495,390</b>
<b>Total:</b>									<b>151,319,459</b>

## 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 2017 Reporting Year (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM")	an associate of the Manager	White Horse Building	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 Jul 2016	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 2017	Property Management Agreement	N/A
GZYXJLL	an associate of the Manager	GZIFC	1 Sep 2009	Property Management Agreement	N/A
Yicheng Shanghai <sup>(1)</sup>	an associate of the Manager	Yue Xiu Tower	1 Sep 2015	Property Management Agreement	N/A
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Property Management Agreement	N/A

<sup>(1)</sup> Yicheng Shanghai entered into a property management agreement with Shanghai Hong Jia Real Estate Development Co., Ltd., renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

## CONNECTED PARTY TRANSACTIONS

### 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 2017 Reporting Year (RMB)
Baima BM <sup>(1)</sup>	an associate of the Manager	White Horse Building	31 Dec 2014	Tenancy Services Agreement	10,964,000
Yicheng <sup>(2)</sup>	an associate of the Manager	Fortune Plaza	31 Dec 2014	Tenancy Services Agreement	2,780,000
Yicheng <sup>(3)</sup>	an associate of the Manager	City Development Plaza	31 Dec 2014	Tenancy Services Agreement	2,570,000
Yicheng <sup>(4)</sup>	an associate of the Manager	Victory Plaza	31 Dec 2014	Tenancy Services Agreement	2,664,000
Yicheng <sup>(5) (6)</sup>	an associate of the Manager	Neo Metropolis and Fortune Plaza 1701	31 Dec 2014	Tenancy Services Agreement	2,779,000
Yicheng <sup>(5) (9)</sup>	an associate of the Manager	Fortune Plaza 1701	31 Oct 2017	Tenancy Services Agreement	11,000
GZAM <sup>(5) (7)</sup>	an associate of the Manager	GZIFC	1 Jan 2016	Tenancy Services Agreement	14,479,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch <sup>(8)</sup>	an associate of the Manager	Yue Xiu Tower	1 Sep 2015	Tenancy Services Agreement	4,177,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	47,000

<sup>(1)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Partat Inv. Ltd. and Baima BM, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(2)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Moon King Ltd. and Yicheng, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(3)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Full Esates Inv.Ltd. and Yicheng, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(4)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Keen Ocean Ltd. and Yicheng, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(5)</sup> Yuexiu REIT Asset Management Ltd., Guangzhou Jieyacheng Properties Co., Ltd., Yicheng and Guangzhou Yue Xiu City Construction International Finance Center Co. Ltd. dated a Contractual Subject Novation Agreement, in which agreed that Guangzhou Jieyacheng Properties Co., Ltd. transfers all of its right and duty in connection with the original agreement to Guangzhou Yue Xiu City Construction International Finance Center Co. Ltd. from November 1, 2017.

<sup>(6)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Guangzhou Jieyacheng Properties Co., Ltd. and Yicheng, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(7)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Guangzhou Yue Xiu City Construction International Finance Center Co. Ltd. and GZAM, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(8)</sup> Yuexiu REIT Asset Management Ltd. entered into a tenancy services agreement with Shanghai Hong Jia Real Estate Development Co., Ltd. and Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch, renewing the existing term for 3 years commencing 1 January 2018, and other terms remain unchanged.

<sup>(9)</sup> On 31 December 2017, Yuexiu REIT Asset Management Ltd., Guangzhou Yue Xiu City Construction International Finance Center Co. Ltd. and Guangzhou Yicheng Property Management Ltd. entered into a tenancy services agreement.

## 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 2017 Interim Period	Licence maturity date
Baima BM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	27 November 2026 , 6 December 2026 , 13 January 2027 , 13 December 2026 , 20 January 2027
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>(1)</sup>	an associate of the Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

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

## CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

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

Engineering Settlement Agent	Relationship with Yuexiu REIT	Date of the Agreement	Balance of Prepaid Construction Payable for 2017 Reporting Year (RMB)	Nature of Transaction	Amount received/ receivable for 2017 Reporting Year (RMB)
GCCD	an associate of the Manager	4 May 2012	254,465,000	Interest on the balance of construction payable	19,568,000

## CONNECTED PARTY TRANSACTIONS

### ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2017 Reporting Year	Amount of interest paid/payable within the 2017 Reporting Year (RMB)
Chong Hing Bank	Loan <sup>(1)</sup>	An associate of the Manager	Nov 2016	361,000,000	—	16,604,000

<sup>(1)</sup> Chong Hing Bank Limited was one of the lending banks.

Guangzhou Yue Xiu City Constructin International Finance Centre Co., Ltd have maintained interest bearing account with Chong Hing Bank at arm's length and on commerical terms for deposits during the 2017 Reporting Year.

### GUARANTEE FROM FOUNDING SHAREHOLDERS

Guangzhou Yue Xiu City Construction International Finance Center Co. Ltd. had a 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), 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.

In November 2016, that syndicated development loan had fully been repaid.

### 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 4 December 2017, 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 ("INEDs") and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 15 November 2017.

### 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:

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2017 Reporting Year	Amount of interest paid/payable within the 2017 Reporting Year
HSBC Group	Loan <sup>(1)</sup>	Nov 2016, Apr 2017	HK\$1,005,000,000	—	RMB10,327,000

<sup>(1)</sup> HSBC Group 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 2017 Reporting Year.

## WAIVER FROM STRICT COMPLIANCE

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

## CONNECTED PARTY TRANSACTIONS

### 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 2017 Reporting Year.

### MANAGER'S FEES

During the 2017 Reporting Year, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB133,836,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

### TRUSTEE'S FEES

During the 2017 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB10,230,000.

### PRINCIPAL VALUER'S FEES

During the 2017 Reporting Year, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB1,193,000.

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

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive 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 2017		As at 31 December 2017		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Lin Zhaoyuan	Personal	240	0.000008%	240	0.000008%	—
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Cheng Jiuzhou	Personal	480	0.000016%	480	0.000016%	—
Mr. Li Feng	Personal	1,825	0.000062%	1,825	0.000061%	(0.00001%)
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—
Mr. Chen Xiaou	—	Nil	—	Nil	—	—

## CONNECTED PARTY TRANSACTIONS

### 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 2017		As at 31 December 2017		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>(1)</sup>	Deemed	1,820,079,058 <sup>(3)</sup>	62.29%	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	(5.28%)
	Total	1,820,079,058 <sup>(3)</sup>	62.29%	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	(5.28%)
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,820,051,738 <sup>(3)</sup>	62.29%	1,718,464,249 <sup>(3)</sup>	57.01% <sup>(4)</sup>	(5.28%)
	Total	1,820,079,058 <sup>(3)</sup>	62.29%	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	(5.28%)
YXP <sup>(2)</sup>	Beneficial	—	—	—	—	—
	Deemed	1,810,817,473 <sup>(3)</sup>	61.98%	1,709,229,984 <sup>(3)</sup>	56.7% <sup>(4)</sup>	(5.28%)
	Total	1,810,817,473 <sup>(3)</sup>	61.98%	1,709,229,984 <sup>(3)</sup>	56.7% <sup>(4)</sup>	(5.28%)
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,697,125,730 <sup>(3)</sup>	58.09%	1,697,125,730 <sup>(3)</sup>	56.3% <sup>(4)</sup>	(1.79%)
	Deemed	—	—	—	—	—
	Total	1,697,125,730 <sup>(3)</sup>	58.09%	1,697,125,730 <sup>(3)</sup>	56.3% <sup>(4)</sup>	(1.79%)

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

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYG	100.00	Y	27,320	—
	GZYG	100.00	N	1,718,464,249 <sup>(3)</sup>	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,717,165,019 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,709,229,984 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	33.89	N	1,709,229,984 <sup>(3)</sup>	—
Dragon Yield	YXP	100.00	Y	1,697,125,730 <sup>(3)</sup>	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
Yue Xiu International Investment Limited ("YXII")	YXP	100.00	Y	12,104,254	—

<sup>(2)</sup> The deemed interest in 1,718,464,249 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of YXP.

<sup>(3)</sup> The number of units includes 668,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or YXP Nominee) at an issue price of HK\$4.00 per unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.

<sup>(4)</sup> After deducting the unissued deferred units, the approximate interest held by GZYG and Yue Xiu will be approximately 37.03%, while the approximate interest in Yuexiu REIT held by YXP and Dragon Yield will be approximately 36.72%.

## 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 2017		As at 31 December 2017		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Liao Ningjun	Personal	1,250	0.000043%	1,250	0.000041%	(0.000002%)
Ms. Ou Haijing	Personal	1,000	0.000034%	1,000	0.000033%	(0.000001%)
Mr. Liu Bihong	Personal	225	0.000008%	225	0.000007%	(0.000001%)

### HOLDINGS OF OTHER CONNECTED PERSON

Name	Nature of interest	As at 1 January 2017		As at 31 December 2017		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed <sup>(1)</sup>	27,762,950	0.95%	950	0.00003%	(0.94997%)

<sup>(1)</sup> Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 31 December 2017.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Vigers and Savills, holding any Units as at 31 December 2017.

## INVESTOR RELATIONS

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

### COMMUNICATION ACTIVITIES WITH UNITHOLDERS AND INVESTORS

In 2017, as GZIFC stepped into the stable maturity stage and upon the successful acquisitions of Wuhan Yuexiu Fortune Centre and Starry Victoria Shopping Centre, attention of capital markets on the Yuexiu REIT was raised significantly. Meanwhile we also continuously strengthened our efforts in investor relations by fully utilizing various investor communication channels, such as investors' meetings and press conferences for interim and annual results, annual general meeting of unitholders, roadshows and promotional activities, investment seminars held by investment banks, conference calls, on-site visits to investment projects by investors and media and continuous update of website contents, to enhance the investing public's understanding of the Yuexiu REIT. During the year, the Manager and the investor relations team participated in a total of 28 meetings in 6 large-scale investment seminars held by investment banks, 68 roadshows for investors and 7 on-site visits to our projects.

### MAJOR INVESTOR RELATIONS ACTIVITIES IN 2017

Month	Place	Activities
February	Hong Kong	Held the investor meeting and press conference for the 2016 annual results announcement
	Hong Kong	Participated in the 2016 annual results road show conference organized by Morgan Stanley
March	Singapore	Participated in the 2016 annual results road show conference organized by Credit Suisse
	Beijing	Participated in the 2016 annual results road show conference organized by BOC International
	Shanghai	Participated in the 2016 annual results road show conference organized by BOC International
May	Hong Kong	Participated in the Investor Conference organized by Credit Suisse
	Beijing	Participated in the 3rd China Summit organized by Morgan Stanley
June	London	Participated in the Investor Conference organized by HSBC
	Hong Kong	Participated in the Asia Pacific Real Estate Investor Conference organized by Citibank
August	Hong Kong	Held the investor meeting and press conference for the 2017 interim results announcement
	Hong Kong	Participated in the 2017 interim results road show conference organized by Morgan Stanley
	Singapore	Participated in the 2017 interim results road show conference organized by DBS
	Beijing	Participated in the 2017 interim results road show conference organized by Industrial Securities
	Shanghai	Participated in the 2017 interim results road show conference organized by Industrial Securities
September	Hong Kong	Participated in the REIT Day Seminar organized by Daiwa Capital
November	Singapore	Participated in the 16th Asia Summit organized by Morgan Stanley

### ANALYSIS COVERAGE

With continuous and steady growth of the Yuexiu REIT's business, the capital market was increasingly interested in the performance of the Yuexiu REIT in 2017. A number of securities institutions published a number of research reports on the Yuexiu REIT during the year. 11 securities institutions (including Morgan Stanley, BOC International, Citibank, DBS, Macquarie, Daiwa Capital, Credit Suisse, Deutsche Bank, Bank of America Merrill Lynch, Mizuho Bank and Industrial Securities) issued a number of research reports on Yuexiu REIT 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.

### AWARDS

Yuexiu REIT is the first Hong Kong listed real estate investment trust with properties located in the PRC. In 2017, by leveraging on good corporate governance, bright development prospects and professional efforts in investor relations, the Yuexiu REIT and the Manager were presented with the Enterprise Award under "Outstanding Listed Company Tours 2017" by Hong Kong Economic Journal in November 2017; "2017 Business Performance Award" and "2017 China Real Estate Developers TOP100" by Guandian.cn; Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2017" by Economic Digest; and "ESG Best Performance Award" and "Best ESG Report Award" by BDO Limited, these awards and honors demonstrated that the Yuexiu REIT has won the affirmation and recognition of capital markets in Hong Kong and Asia Pacific, which is favorable for the Yuexiu REIT to enhance its brand image.

### PROSPECT

The Manager will continue to increase enhancement efforts in investor relations, reinforce communication and liaison with investors for more transparency so as to achieve effective mutual interactive communication between the Manager and the investors.

# 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

12 February 2018

Dear Sirs,

- RE: (1) GUANGZHOU INTERNATIONAL FINANCE CENTRE, NO. 5 ZHU JIANG WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (2) VARIOUS UNITS IN WHITE HORSE BUILDING, NOS. 14, 16 AND 18 ZHAN NAN ROAD, YUEXIU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (3) VARIOUS UNITS IN FORTUNE PLAZA, NOS. 114, 116 AND 118 TI YU EAST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (4) VARIOUS UNITS IN CITY DEVELOPMENT PLAZA, NOS. 185, 187 AND 189 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (5) VARIOUS UNITS IN VICTORY PLAZA, NO. 101 TI YU WEST ROAD, TIANHE DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (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 SIXTH ROAD, YUEXIU DISTRICT, GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**
- (7) YUEXIU TOWER, NO. 388 FUSHAN ROAD, LOT NO. QIU 2/9 JIEFANG 302, WEIFANG XINCUN STREET, PUDONG NEW DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA**
- (8) WUHAN YUEXIU FORTUNE CENTRE, STARRY VICTORIA SHOPPING CENTRE AND VARIOUS CAR PARKING SPACES, NO. 1 ZHONGSHAN AVENUE, QIAOKOU DISTRICT, WUHAN, HUBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**



Savills Valuation and  
Professional Services Limited  
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savills.com

## PROPERTY VALUATION REPORT

### INSTRUCTIONS

We refer to the instructions from the Manager and the Trustee of "Yuexiu Real Estate Investment Trust" ("Yuexiu REIT") for us to value the captioned properties (individually referred to as the "Property" and collectively referred to as the "Properties") located in the People's Republic of China (the "PRC"), we confirm that we have conducted inspections and made relevant enquiries and obtained such other information as we consider necessary for the purpose of providing you with our opinion of the valuation of the Properties as at 31 December 2017 ("the Valuation Date") for accounting purpose.

### BASIS OF VALUATION

Our valuation of each property represents our opinion of its market value which we would define 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".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors ("HKIS"), which incorporates the International Valuation Standards ("IVS"), and (where applicable) the relevant HKIS or jurisdictional supplement. Our report has also complied with the requirements set out in Chapter 6.8 of the Code on Real Estate Investment Trusts (the "REIT Code").

### IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau. Mr. Charles C.K. Chan is the Managing Director of Savills Valuation and Professional Services Limited ("SVPSL") and a Fellow of the HKIS with over 33 years' experience in valuation of properties in Hong Kong and 28 years' experience in valuation of properties in the PRC; Mr. Anthony C.K. Lau is a Director of SVPSL and a corporate member of the HKIS with over 24 years' experience in valuation of properties in the PRC. Both of them have sufficient knowledge of the relevant markets, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau had been involved in valuations of the Properties (except Property Nos. 7 and 8) for accounting and circular purposes between 2011 and 2014.

We confirm that we are independent of the scheme, the Manager, the Trustee and each of the significant holders of the scheme in accordance with the REIT Code issued by the Securities and Futures Commission in Hong Kong (the "SFC"). We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Charles C.K. Chan or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL, Mr. Charles C.K. Chan and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the Properties.

### VALUATION APPROACHES

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions and/or offerings of comparable properties. In the course of our valuation, we have principally adopted both Income Capitalization Approach and Discounted Cash Flow Analysis ("DCF Analysis") and double-checked by the Direct Comparison Approach.

### **INCOME CAPITALIZATION APPROACH**

The Income Capitalization Approach is a Approach of valuation whereby the existing rental incomes of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the land use rights under which the property is held. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value of the vacant portion provides the market value of each property.

### **DCF ANALYSIS**

DCF Analysis is a Approach where a discount rate is applied to a series of cash flows over an investment horizon including a terminal value to discount them to a present value. We have either adopted a 5-year or 10-year projection time frame in our DCF Analysis depending on the type of property. In preparing the DCF Analysis, the income and expenses over the coming 5 or 10 years from the Valuation Date are itemized and projected annually taking into account either the historical operating accounts or the contractual tenancies, and the expected growth of income and expenses. The net cash flows from the 6th or 11th year onward are capitalized at appropriate terminal capitalization rates for the Properties until the expiry of the respective land use terms. The terminal values are then discounted at our adopted rates that reflect the rates of return that adequately compensate the investors for the risks taken.

### **DIRECT COMPARISON APPROACH**

As a supporting approach to our valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach and DCF Analysis whereby comparable sales transactions and/or listings of comparable properties as available in the market are collected and analyzed. Appropriate adjustments are applied to the comparable properties to adjust for the discrepancies between the Properties and the comparables.

### **APPROACH TO VALUE**

In arriving at the market values of the Properties, excluding the hotel and serviced apartment portions of Guangzhou International Finance Centre, we have applied equal weighting to the values derived from Income Capitalization Approach and Discounted Cash Flow Analysis; whilst the market values of the hotel and serviced apartment portions of Guangzhou International Finance Centre are assessed by DCF Analysis.

### **TITLE INVESTIGATIONS**

We have been provided with extracts of the documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, tenancy details, operating accounts, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager which is material to our valuation. We are also advised by the Manager that no material facts have been omitted from the information supplied.

**VALUATION ASSUMPTIONS**

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

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

**SITE INSPECTION**

We have inspected the exterior and where possible, the interior of the Properties. On-site inspections for the Properties located in Guangzhou were carried out by Mr. Michael Wu (Associate Director) and Ms. Joanna Cheung (Senior Valuer) on both 19 and 20 December 2017. Mr. Michael Wu, Ms. Joanna Cheung and Mr. Sam Ngai (Senior Valuer) have inspected the Properties located in Wuhan and Shanghai on 27 and 28 December 2017 respectively. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

## MARKET COMMENTARY

### GUANGZHOU

#### OVERVIEW

For the first nine months of 2017, Guangzhou's nominal gross domestic product ("GDP") increased by 7.3% year-on-year ("YoY") to RMB1,550.9 billion. The growth rate was the second highest amongst first tier cities (including Shenzhen, Shanghai and Beijing), and outpaced the national growth rate by 0.4 percentage points ("ppts"). Total value-added of tertiary industries grew by 9.0% YoY for the first three quarters of 2017, contributing 68.92% of the city's GDP over the same period, up 1.15 ppts YoY. Fixed asset investment increased by 7.4% YoY, and the city's inflation rate up to the first nine months of 2017 was 2.3%.

#### OFFICE

Guangzhou is the provincial capital of the Guangdong province, and home to one of the fastest-growing economies in the country. Yet, its office market is the least expensive rental market when compared to China's other first-tier cities. The development of the city's office market has always remained relatively slow compared to neighbouring Shenzhen, where average market rents currently sit more than 40% higher than Guangzhou. In the past five years, the Guangzhou Grade A office market has witnessed a surge in demand due to its affordability and increased integration with other key cities in the Guangdong bay region. These functional and spatial integrations have resulted in a construction boom most notably in new, master-planned business areas.

Though the city's Grade A office market received historical levels of supply in 2016, the sustainable growth of the local economy and improved liveability continue to attract many international and domestic company headquarters. This sustained demand has helped improve the market's absorption rate and ease concerns over short-term oversupply.

Major office areas in Guangzhou include Zhujiang New Town, Tianhe North Sports Centre (Tianhe Bei), Yuexiu District, as well as the emerging district at Pazhou. Amongst these office precincts, Zhujiang New Town is the most modern, developed and in-demand business area of Guangzhou.

For the first three quarters of 2017, a total of four new office projects with a combined gross floor area ("GFA") of approximately 237,227 sq. m. entered the city's Grade A office market and total stock increased to 4.96 million sq. m. New office supply included Tianan Insurance Centre in Tianhe Bei (GFA of 30,227 sq. m.), Park Place and MCentury Centre located respectively in Pazhou and Zhujiang New Town (aggregate GFA of 141,000 sq. m.), and CREC Noble Centre in Panyu New Town (GFA of 66,000 sq. m., for sale only). Citywide vacancy rates decreased 1.3 ppts quarter-on-quarter ("QoQ") to 11.9%, as domestic firms continued taking up existing office space, and the market was short of new supply in Q3/2017. Total Grade A office supply is expected to decrease 61.4% compared to 2016, enabling the market to digest existing vacant stock.

Citywide net take-up reached 122,910 sq. m. in Q3/2017. The majority of take-up during Q3/2017 was in Zhujiang New Town and Pazhou, accounting for 10,585 sq. m. and 51,868 sq. m. respectively. The Guangzhou office leasing market was very active in Q3/2017. Demand was primarily driven by domestic companies, mostly from technology, finance and professional services sectors for upgradation of office space.

In Q2/2017, Guangzhou Grade A office market rents recorded the largest QoQ rental growth since Q2/2016. Citywide market rents continued to increase by 1.1% QoQ to an average of RMB157.30 per sq. m. per month during the third quarter. Zhujiang New Town remained the primary choice for top-tier corporations, especially in the financial and professional services sectors; and has exhibited the strongest QoQ rent growth as compared against the other three major office areas. Pazhou continued to enjoy a rapid development in Q3/2017 and record the most significant rental growth rate over the last 30 months. In contrast both Tianhe Bei and Yuexiu have seen rents to drop slightly over the corresponding period.

## PROPERTY VALUATION REPORT

Office rents of Zhujiang New Town increased 2.7% QoQ to RMB182.5 per sq. m. per month during 3Q/2017 and outperformed peers in other districts, whereas vacancy rate dropped slightly by 0.4 ppt to 13.0%. It is expected that new office supply will come up to approximately 258,677 sq. m. in 2018, and will gradually cut off by the end of 2019. The expected supply is within expectation and considered acceptable should demand stay strong.

Market rents in the Yuexiu district stabilised this quarter, up 0.1% QoQ to an average of RMB119.60 per sq. m. per month. Vacancy rates in the district slightly increased by 0.1 ppt to 7.7%. The Yuexiu district, one of the older business areas of Guangzhou, will see one new project launch in Q4/2017. The new project should inject a new, high-quality building into an otherwise traditional business area. Some tenants from the Yuexiu district have moved out due to aging market supply, as they have greater bargaining power and attain better rental value in other emerging and growth-oriented districts.

Office rents in Yuexiu decreased 0.8% QoQ from RMB119.60 to RMB118.5 per sq. m. per month, with vacancy rate drooped 1.5 ppts to 6.2% in Q3/2017. The district is an old and traditional business area of Guangzhou, and appeals to smaller sized companies who are cost conscious. In the near term, both rents and vacancy in Yuexiu are expected to remain stable. New Grade A office supply in the district included Zhujiang Yide Centre with total lettable area of approximately 30,492 sq. m., which was scheduled to open in Q4/2017 with pre-leasing occupancy of over 60%.

### RETAIL

Between 2005 and 2016, retail sales in Guangzhou increased at a compound annual growth rate ("CAGR") of 14.8% to RMB870.6 billion, making Guangzhou's retail market one of the fastest-growing in mainland China. Strong growth in the retail market has been primarily supported by rising disposable income and a propensity of the local populace to consume.

Retail sales recorded a year to date ("YTD"), YoY real growth of 8.2% for the first eleven months of 2017, totaling RMB854.8 billion. In terms of retail sales growth rate, Guangzhou was in the second place amongst the first-tier cities in China after Shenzhen (the YTD, YoY retail sales growth of Shenzhen, Shanghai and Beijing up to September 2017 was 9.3%, 8.1% and 5.7% respectively).

Prime retail property stock of Guangzhou accumulated to 4.7 million sq. m. up to the end of Q3/2017, of which Tianhe Road and Yuexiu district are the two major prime retail precincts. Tianhe Road occupies approximately 27% of total prime retail stocks in terms of GFA, while Yuexiu district comes next with approximately 16% share in GFA terms. In the next two years the majority of new supply will launch in emerging areas, for instance Panyu (32%), Baiyun (23%) and Yuexiu (15%). By the end of 2017, prime retail supply is expected to increase 221% YoY, with 89% of all projects having a retail GFA exceeding 60,000 sq. m.

City-wide vacancy rates decreased 0.2 ppt QoQ to 5.5% in Q3/2017. The vacancy rate in non-prime areas decreased 0.6 ppt to 6.2%, while the vacancy rate in prime areas slightly rose 0.3 ppt to 4.2%.

City-wide retail first-floor rents increased by 0.1% QoQ in Q3/2017 to RMB702.5 per sq. m. per month. Prime area first-floor rent increased 1.2% QoQ to RMB1,100.9 per sq. m. per month, up 2.5% YoY. Tianhe Road was the predominant catalyst for increasing rents in prime locations, as first-floor rents increased 2.8% QoQ and 8.6% YoY to RMB1,178.8 per sq. m. per month. In contrast Yuexiu District first-floor rents decreased 1.4% QoQ to RMB893.3, down 8.8% YoY. The disparity reflects the retail strength of Tianhe Road and the moderate tenant adjustments occurring in the Yuexiu District.

Non-prime area first-floor rents dropped slightly by 0.7% QoQ to RMB364.6 per sq. m. per month during 3Q/2017. Overall, first-floor rents in emerging areas are expected to moderately rise in the short-to-middle term. Current population density in emerging areas, and steadily increasing urbanisation rates will provide a solid foundation for footfall growth. Additionally, facilities and equipment improvement in emerging areas' shopping malls will create a positive atmosphere in the mall and improve future performances in non-prime areas.

The majority of Guangzhou retail supply (approximately 76% of new prime GFA) in 2017 would be launched in the last quarter. New shopping malls with a GFA of 475,000 sq. m. would be opened in Haizhu, Panyu and Baiyun district. The hefty supply would have a mounting pressure on retail rents and vacancy, in particular to emerging retail precincts.

## HOTEL

In 2016, overnight tourist arrivals to Guangzhou reached 59,400,000, representing a 5.0% growth YoY. Overseas tourist arrivals increased 7.3% YoY to 8,600,000 and domestic tourist arrivals increased 4.6% YoY to 50,800,000.

Same-day visitation dominated tourist arrivals in Guangzhou in 2016, as only 43.6% of tourists are overnight visitors. Domestic travellers remain as Guangzhou's largest source market, contributing 85.5% to overnight visitor arrivals in 2016. The continued and stronger improvement has been recorded in the overseas travellers' market since 2014 (+7.3%) may indicate the future potential growth area in this market.

	2011	2012	2013	2014	2015	2016	CAGR
Overnight Tourist Arrivals (million)	45.9	48.1	50.4	53.3	56.6	59.4	5.3%
Domestic Visitors Arrivals (million)	38.2	40.2	42.7	45.5	48.5	50.8	5.9%
Domestic Tourism Receipts (RMB mil)	131,547	158,711	188,229	218,537	252,052	280,058	16.3%
International Visitor Arrivals ('000s)	7.8	7.9	7.7	7.8	8.0	8.6	2.1%
Tourism Foreign Exchange Revenue (RMB mil)	31,533	32,398	32,009	33,645	35,166	41,647	5.7%

Source: Guangzhou Statistics Bureau

Total number of star-rated hotels in Guangzhou dropped from 249 in 2011 to 188 in 2016. During the same period, total number of 5-star hotels increased from 20 to 22, whereas total number of 4-star hotels dropped to 37. Total number of guestrooms increased 13.4% YoY however to 88,335 in 2016, the majority of which were midscale hotels located in non-prime or emerging city districts.

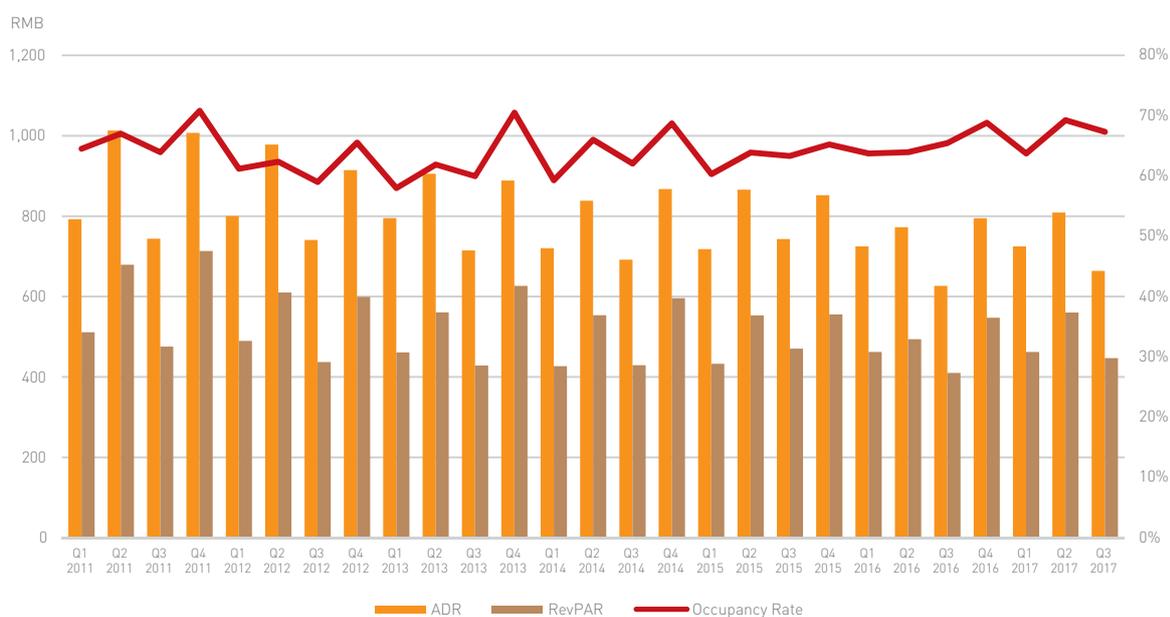
	2011	2012	2013	2014	2015	2016	CAGR
Number of Star-rated Hotels	249	226	227	216	204	188	-5.5%
No. of 5-Star Hotels	20	21	23	23	21	22	1.9%
No. of 4-Star Hotels	38	36	38	41	39	37	-0.5%
No. of Guestrooms	66,232	65,267	72,311	80,930	77,893	88,335	5.9%
No. of Beds	110,081	106,810	114,072	122,939	136,128	134,558	4.1%

Source: Guangzhou Statistics Bureau

International branded hotels entering Guangzhou in 2016 and 2017 included Aloft Guangzhou Tianhe (496 rooms, May 2016) and Hampton by Hilton Guangzhou Zhujiang New Town (223 rooms, March 2016), seven Lavande hotel properties (midscale, renovated and opened in 2016), and Conrad Guangzhou (309 rooms, Zhujiang New Town, June 2017). Other notable upscale hotels in the supply pipeline include Solis Guangzhou (268 rooms, Fangcun, scheduled to delay to 2018 or thereafter), Rosewood Guangzhou (251 rooms, Zhujiang New Town, scheduled 2018), Sheraton Guangzhou Panyu (270 rooms, scheduled January 2019), and Hilton Guangzhou Panyu (250-500 rooms, scheduled 2019).

Guangzhou has been one of the major business and conference hubs in southern China for the past few decades. The Canton Fair and Spring fair and other conferences support Guangzhou's hotel market and have been one of the major impetus to impact the performance of 5-star hotels in Guangzhou. However, the huge supply of new rooms (expected to reach up to 3,000) to enter Guangzhou market in the next three years will put tremendous pressure on both occupancy level and room rate growth.

### Performance of 5-star Hotels in Guangzhou



Source: China National Tourist Association (CNTA)

## SHANGHAI

### OVERVIEW

Shanghai is one of the financial centres and one of the four autonomous municipalities in the country. The China (Shanghai) Pilot Free Trade Zone ("SFZ") was approved by the State Council in 2013 as the first pilot free trade zone in China. SFZ will continue to be the pioneer in China's economic development as the country continues its work on transitioning towards a service-based economy. Lujiazui financial area in Shanghai is a government-designated national level development zone added to SFZ since March 2016, which has significantly increased the attractiveness of offices in Lujiazui. It is planned to connect Shanghai's and London's stock exchanges to accelerate financial reforms and also to expand the cross-border use of the Renminbi in the future.

Little Lujiazui is the city's financial hub and most expensive and largest office submarket. Almost fully built out, with tenants typically expanding to the neighbouring Zhuyuan.

Zhuyuan is a key back office location for financial firms with premises in Lujiazui, significant influx of new supply in recent years. It has become the second largest submarket in Shanghai's decentralized office property market.

## ECONOMIC DEVELOPMENT

Shanghai recorded a sustainable economic growth during 2017, with GDP increased at 7.0% YoY to RMB3,013.4 billion, keeping in line with the country's 6.9% GDP growth during the corresponding period. Consumer Price Index as a proxy for Inflation, slightly increased 1.6% over 2016. Shanghai's steady economic growth, moderate inflationary environment, combined with the numerous business opportunities the city offers, has made Shanghai a desirable place for both domestic and foreign businesses to set up or expand their businesses in. The city's attractiveness, evidenced by the utilised foreign direct investment totaling USD 17.0 billion in 2017 (down 8.1% YoY), have been driving up the demand for office spaces in the city. Service sector has been increasingly important for Shanghai, with its constituency in GDP increasing from 59.0% in 2012 to 69.0% in 2017. Shanghai's continuously rising tertiary sector, with a compound annual growth rate of 8.3% over the past six years, has also increased the demand for office spaces. The financial industry in Shanghai has been growing at an accelerating rate over the past five years. Amid deepened reforms which will help maintain healthy growth of the financial market, the accelerating growth is expected to continue, driving up the demand for office spaces in the Lujiazui and Zhuyuan area.

## SUPPLY AND DEMAND OF OFFICES IN LUJIAZUI AND ZHUYUAN

For the first three quarters of 2017, aggregate new supply of Grade A offices was up to approximately 1,048,600 sq. m. from 11 new projects. Market take-up was strong in the first and second quarters, with take up gradually falling into the negative zone during the third quarter. Prime Pudong and prime Puxi both witnessed negative take-ups in Q3/2017, as many tenants relocated to non-prime or decentralised areas due to affordable rents and newly-built buildings. The addition of new supply increased the core market vacancy rate by 1.8 ppts in Q3/2017 to 12.5%. Non-prime Pudong was the only submarket that recorded a decrease in vacancy rates, down 2.7 ppts to 8.5% in Q3/2017.

Core office rents remained flat on an index basis in Q3/2017, at an average of RMB8.9 per sq. m. per day, up 1.8% YoY. Nevertheless, average rents were down in absolute terms from RMB9.0 per sq. m. per day in Q2/2017, with projects launched in the last six months, in non-prime areas, coming to market at below average rates to facilitate lease up. Prime Pudong and Puxi rents averaged RMB11.4 and RMB10.1 per sq.m. per day in Q3/2017, while non-prime Pudong and Puxi rents averaged RMB8.1 and RMB7.4 per sq.m. per day during the same period.

Lujiazui continued to see strong demand from financial services and technology companies, maintaining its position as the business area with the lowest vacancy rate in the city at 2.7% in Q2/2017, down 0.2 of a ppt QoQ. Take-up was weak in Q3/2017 with vacancy increased to 7.8%, whereas average rent in Lujiazui remained flat at RMB11.4 per sq. m. per day.

Office vacancy rate at Zhuyuan continued to drop from 11.2% during Q1/2017 to 8.0% in Q2/2017, and further down to 6.0% in Q3/2017, as a result of both the district's proximity to Lujiazui and its relatively affordable rent as compared to that of Prime Pudong area. Office average rent in Zhuyuan slightly improved from RMB7.9 per sq. m. per day in Q2/2017 to RMB8.0 per sq. m. per day during Q3/2017.

## OUTLOOK

Shanghai's core office market will continue to witness hefty new supply in the last quarter of 2017, with four projects expected to be handed over including: Lujiazui Harbour City Shanghai (Phase 3), Lujiazui 2-16-2 project, Haoyuan project and Raffles City Changning (T1), adding a further 286,300 sq. m. of office space.

The trend of decentralisation is expected to continue as new emerging business areas grow and mature. The last quarter of 2017 is scheduled to see another 640,000 sq. m. of new Grade A office space handed over into the decentralised market, with some projects delayed from Q3/2017. However, it is unlikely to see all of these completed in Q4.

The flood of new projects is continuing to cause vacancy rates to increase, giving downward pressure on rents. With an ample selection of new high-quality projects and emerging business areas, as well as a greater variety of flexible office formats, landlords will have no choice but to offer rental incentives, more flexible lease terms, or increase agency commissions in order to attract and retain high-profile tenants.

## WUHAN

### OVERVIEW

Wuhan is the provincial capital of Hubei province located in the center of China. It is the economic, finance, education, and technology hub of central China and the most affluent provincial capital city among all the six provinces in the region of central China. In accordance with the 'Wuhan 2049 Long-term Development Strategic Plan', implemented since 2014, Wuhan targets the goal in becoming one of Asia's world cities, and committing to the development of core functions as the centre for innovation, trade, finance and advanced manufacturing. As Wuhan is one of the most important transportation hubs in China, dozens of railways, expressways and flight routes pass through the city, connecting China's central and western inland and its eastern coastal regions. As a result, manufacturing and domestic trade have flourished in Wuhan, allowing the city to become a strategic location for many companies that wish to expand their business from the cities in the east of China such as Beijing and Shanghai to the central and western part of the country. Many businesses even regard Wuhan as the 'golden key' to fully penetrate the Chinese market.

### ECONOMIC PERFORMANCE

As the key city in the Yangtze River Economic Belt and the most populous city in Central China, Wuhan's economic growth remained robust. In 2016, Wuhan's GDP experienced a 7.8% growth to RMB1.19 trillion. For the first three quarters of 2017, Wuhan's GDP grew by 7.8% YoY, outpaced that of national GDP by 0.9%. Total value-added of tertiary industries grew by 8.5% YoY and contributed around 54.1% of the city's GDP. Fixed asset investment increased by 11.2% YoY to RMB600.4 billion for the first three quarters of 2017.

Besides, Wuhan's infrastructure developed rapidly in recent years. The number of Metro Lines in the city increased from one in 2011 to five in 2016. In particular, the economic activities in Qiaokou District are underpinned by the Metro Line 1, which connects the major business districts in Hankou area.

Looking forward, with the construction of the Fourth Yangtze River Bridge scheduled to complete by the end of 2018, Qiaokou District will benefit from the more convenient transportation network and the growth of business activities in the district will accelerate.

## OFFICE

The Wuhan office property market was active in 2016 and 2017, with policy support and sustainable economic growth being the major driving force for the thriving office market. Market absorption was high with take-up at historical level amongst domestic enterprises, and demand was mainly driven by finance, professional services, and real estate sectors.

Overall rent for Grade A offices in the core business district averaged RMB123.3 per sq. m. per month in Q2/2017, roughly flat from the previous quarter. Amongst various submarkets, the Hankou RCD office submarket recorded rental growth of 3.5% QoQ to RMB136.9 per sq. m. per month in Q2/2017, while levels in other business districts were stable or dipped slightly. Leasing transactions among high-end service firms tended to favor offices in good locations with new facilities.

No new office supply was recorded for the first six months of 2017, giving landlords leeway for revising to a low-rent incentive strategy attracting take up from tenants with office upgrade or relocation demands. In Q3/2017, DSM International Centre was set to launch adding 41,978 sq. m. of new office supply in the market. Future supply for the next five years remain hefty, however, with vacancy inevitably increase in the short term.

For Hankou area, average rental of mature Grade A office remained stable at around RMB120 per sq. m. per month in Q2/2017. It is expected that rental growth within this submarket will be restrictive in the short term, whereas the robust economic growth and growing business activities under the "Wuhan 2049 Long-term Development Strategic Plan" blueprint will underpin the demand for office space and continued office absorption. The convenient transportation network in Qiaokou District will render the place into a trade and financial centre under the proposed urban scheme, and help boost rents of Grade A office in the district up stably in the long run.

## RETAIL

Wuhan's rapid economic development has resulted in a significant increase in its resident's disposable income, which in turn has contributed to its incredible retail growth. During 2016, the average annual disposable income of urban households has increased by 9.1% to RMB39,737. In the more affluent districts of the city, the average annual disposable income of general households has even far passed RMB40,000. For the first three quarters of 2017, disposable income of urban households continued to grow at a pace of 8.85% to RMB31,347, whereas disposable income of general households increased at a similar pace of 8.84% YoY to RMB28,472.

The retail industry is booming in Wuhan as a result of the growing affluence and willingness to spend of general households. Retail sales of Wuhan grew from RMB257 billion in 2010 to RMB561.1 billion in 2016, growing at a CAGR of 13.9% and accounting for 35.9% of Hubei province's overall retail sales. The data underline Wuhan's strong customer base that goes beyond the city itself. For the first nine months of 2017, retail sales in Wuhan increased by approximately 10.7% YoY to RMB1 billion and outpaced the national growth rate by 0.4%, making the city the largest retail market in central China in terms of total sales volume.

## PROPERTY VALUATION REPORT

Total retail market stock reached to approximately 2.3 million sq. m. after the opening of Poly Plaza and Hutchison Whampoa M+ in Q1 and Q2/2017 respectively. Demand for traditional retail stores continued to remain strong, edging overall vacancy rate further down to approximately 3.9% by the end of Q2/2017. Demand was mainly supported by fashion retailers, entertainment brands and children-related brands.

New projects scheduled for completion in 2017 include AEON City, In City Plaza, Bingo City Wuhan and New World K11, adding a combined new retail supply of over 380,000 sq. m. to the market for the remaining year. Increasing competition is foreseeable, but will be spreading evenly towards non-core or decentralized areas given these new supplies will be located mostly out of traditional retail precincts. The retail property market in Qiaokou District is expected to remain stable, with rental growth to be supported by expansion of retailer network in personal healthcare and beauty products, entertainment and children-related services in the uptown area of the district.

### DISCLAIMER

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

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and shall be relied upon by each of the Trustee, the Manager and the Unitholders of the Yuexiu REIT, and no responsibility is accepted to any third party for the whole or any part of its contents.

### REMARKS

We thereby confirm that:

1. We have no present or prospective interest in Yuexiu REIT Properties and are not a related corporation of nor have relationship with the Manager, the Trustee or any other party or parties which Yuexiu REIT is contracting with;
2. We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties;
3. Our opinion has been given on fair and unbiased basis; and
4. We are acting as an independent valuer as defined in "HKIS Valuation Standards" published by The Hong Kong Institute of Surveyors, which incorporates the IVS.

## CURRENCY

Unless otherwise specified, all money amounts are denominated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation report.

Yours faithfully,  
For and on behalf of

**Savills Valuation and Professional Services Limited**

**Charles C K Chan**

MSc FRICS FHKIS MCI Arb RPS(GP)

*MANAGING DIRECTOR*

**Anthony C K Lau**

MRICS MHKIS RPS(GP)

*DIRECTOR*

Note: Mr. Charles C.K. Chan is a professional surveyor who has over 33 years' experience in valuation of properties in Hong Kong and 28 years' experience in valuation of properties in the PRC.

Mr. Anthony C.K. Lau is a professional surveyor who has over 24 years' experience in valuation of properties in the PRC.

## 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	RMB17,734,000,000
2.	Various Units in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB4,906,000,000
3.	Various Units in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu East Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB1,150,000,000
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB935,000,000
5.	Various Units in Victory Plaza, No. 101 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	RMB904,000,000
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 Sixth Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	RMB1,110,000,000

No.	Property	Market Value in existing state as at the Valuation Date
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	RMB3,030,000,000
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province the PRC	RMB3,587,000,000
<b>TOTAL</b>		<b>RMB33,356,000,000</b>

## VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	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 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 27,508.00 sq. m. 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 sq. m.</p> <p>Retail</p> <p>The retail portion of the 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 sq. m. including a staff canteen of about 2,698.93 sq. m. on Level 4.</p> <p>Office</p> <p>The office portion of the 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 sq. m.</p> <p>Serviced Apartment</p> <p>The serviced apartment portion of the 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 sq. m. including a clubhouse on Level 6 of about 2,866.96 sq. m.</p> <p>Hotel</p> <p>The hotel portion of the 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 sq. m.</p> <p>Carpark &amp; Ancillary Areas</p> <p>The 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 sq. m. and 15,443.99 sq. m. respectively.</p> <p>The Property is held under granted land use rights for a term of 40 years from 23 June 2008 for commercial, tourism and entertainment uses; and a term of 50 years from 23 June 2008 for office use.</p>	<p>As at the Valuation Date, retail, office and carpark portions of the Property having the occupancy rates of 97.23%, 98.34% and 100.00% respectively were let to various tenants at an aggregate monthly rent of approximately RMB44,500,000 (exclusive of value-added tax but exclusive of management fees and utility service charges) with the last expiry date on 31 December 2025; whilst the serviced apartment and hotel portions of the Property were operated by 3rd parties under respective management agreement(s) and consultancy agreement(s).</p>	<p>RMB17,734,000,000 (RENMINBI SEVENTEEN BILLION SEVEN HUNDRED AND THIRTY FOUR MILLION)</p>

Note:

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

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Retail	46,727.27	45,435.13	RMB77,090,000
Office	183,539.65	180,499.28	RMB457,120,000
Carpark	71,082.79	71,082.79	RMB16,020,000
Total	301,349.71	297,017.20	RMB550,230,000

- Annual net property income exclusive of value-added tax as at the Valuation Date and gross floor area breakdown of the serviced apartment and hotel portions of the Property are tabulated as follows:

Use	Gross Floor Area (sq. m.)	No. of Unit/Guestroom	Annual Net Property Income (Approximately)
Serviced Apartment	51,102.26	314	RMB65,000,000
Hotel	89,198.83	344	RMB147,820,000
Total	140,301.09	658	RMB212,820,000

## PROPERTY VALUATION REPORT

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	5.97%
1	2	0.08%
2	3	1.40%
3	4	1.83%
4	5	8.53%
5	6	6.26%
6	7	12.91%
7	8	0.56%
8	9	3.75%
9	10	0.00%
10	Or more	58.71%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	6.06%
In 2019	1.13%
In 2020	3.20%
In 2021	14.01%
In 2022 and afterward	75.60%
Total	100.00%

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.41%
1	2	3.31%
2	3	45.36%
3	4	11.18%
4	5	30.20%
5	6	8.47%
6	7	0.67%
7	8	0.00%
8	9	0.00%
9	10	0.40%
10	Or more	0.00%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	36.49%
In 2019	22.52%
In 2020	23.12%
In 2021	9.23%
In 2022 and afterward	8.64%
Total	100.00%

11. Save as disclosed, we understand that the 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(s) of the Property.
12. As advised by the Manager, the property management income of the 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 Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.50% per annum
Serviced Apartment	Discounted Cash Flow Analysis	Average Daily Rate	RMB960 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	94.00% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.00% per annum
Hotel	Discounted Cash Flow Analysis	Average Daily Rate	RMB1,900 per room per night
	Discounted Cash Flow Analysis	Occupancy Rate	80% in Year-1 of Projection
	Discounted Cash Flow Analysis	Discount Rate	7.25% per annum
Carpark	Income Capitalization Approach	Term Yield	4.00% per annum
	Income Capitalization Approach	Reversionary Yield	4.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	6.75% per annum

## PROPERTY VALUATION REPORT

14. Breakdown market values of the Property as at the Valuation Date are listed as follows:

Portion	Income Capitalization Approach	Discounted Cash Flow Analysis	Market Value
Retail	RMB2,519,000,000	RMB2,547,000,000	RMB2,533,000,000
Office	RMB9,964,000,000	RMB10,020,000,000	RMB9,992,000,000
Serviced Apartment	Not Applicable	RMB2,180,000,000	RMB2,180,000,000
Hotel	Not Applicable	RMB2,470,000,000	RMB2,470,000,000
Carpark	RMB578,000,000	RMB540,000,000	RMB559,000,000
Total			RMB17,734,000,000

15. The estimated net yield of the Property is 4.21% which is derived from the estimated rental received for the retail, office and carpark portion as well as annual net property income from the serviced apartment and hotel portions in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.
16. We have been requested to provide the notional apportionment of land and building elements of the serviced apartment portion of the Property based on the market value of the serviced apartment portion of the Property as at the Valuation Date. Our opinion of the building element of the serviced apartment portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the serviced apartment portion of the Property is arrived at by deducting the building element of the serviced apartment portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the serviced apartment portion of the Property based on the market value as at the Valuation Date are **RMB1,410,000,000 (RENMINBI ONE BILLION FOUR HUNDRED AND TEN MILLION) AND RMB770,000,000 (RENMINBI SEVEN HUNDRED AND SEVENTY MILLION)** respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.
17. We have been requested to provide the notional apportionment of land and building elements of the hotel portion of the Property based on the market value of the hotel portion of the Property as at the Valuation Date. Our opinion of the building element of the hotel portion of the Property represents our estimate of the new replacement cost of such portion including professional fees and finance charges, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The land element of the hotel portion of the Property is arrived at by deducting the building element of the hotel portion of the Property from its market value. We are of the opinion that the notional apportionment the land and building elements of the hotel portion of the Property based on the market value as at the Valuation Date are **RMB790,000,000 (RENMINBI SEVEN HUNDRED AND NINETY MILLION) AND RMB1,680,000,000 (RENMINBI ONE BILLION SIX HUNDRED AND EIGHTY MILLION)** respectively. Kindly note that the said apportioned values should not be used other than financial reporting purpose.

No.	Property	Description and Tenure	Particulars of Occupancy	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 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 Property has a total gross floor area of approximately 50,199.35 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq. m.)</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 Property is held under granted land use rights for a term of 40 years from 7 June 2005 for commercial use on Level 1 to Level 3 with aggregate gross floor area of about 22,551.75 sq. m. and portion of Level 4 with aggregate gross floor area of about 7,164.20 sq. m.; and a term of 50 years from 23rd June 2008 for office and storage use on Lower Ground Floor with aggregate gross floor area of about 1,121.68 sq. m., portion of Level 4 with aggregate gross floor area of about 531.36 sq. m., and Level 5 to Level 8 with aggregate gross floor area of about 18,830.36 sq. m.</p>	Level (Use)	Approximate Gross Floor Area (sq. m.)	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	As at the Valuation Date, the Property having an occupancy rate of 99.73% was let to various tenants at an aggregate monthly rent of approximately RMB33,000,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 December 2022; whilst the remaining portion of the Property was vacant.	RMB4,906,000,000 (RENMINBI FOUR BILLION NINE HUNDRED AND SIX MILLION)
Level (Use)	Approximate Gross Floor Area (sq. m.)																									
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																									

Note:

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

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Commercial	50,128.90	49,993.29	RMB400,980,000
Total	50,128.90	49,993.29	RMB400,980,000

## PROPERTY VALUATION REPORT

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.83%
1	2	14.04%
2	3	6.42%
3	4	30.05%
4	5	48.66%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	5.41%
In 2019	47.50%
In 2020	16.08%
In 2021	0.00%
In 2022 and afterward	31.01%
Total	100.00%

5. Save as disclosed, we understand that the 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 Property.
6. As advised by the Manager, the property management income of the 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 Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.00% per annum
	Income Capitalization Approach	Reversionary Yield	7.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.75% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow analysis as follows:

Income Capitalization Approach	RMB4,906,500,000
Discounted Cash Flow Analysis	RMB4,905,500,000
Market Value (Equal Weighting of the Above)	RMB4,906,000,000

9. The estimated net yield of the Property is 8.17% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	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 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 Property has a total gross floor area of approximately 41,355.20 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq. m.)</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>	Level (Use)	Approximate Gross Floor Area (sq. m.)	Commercial	3,853.07	Office	37,502.13	Total	41,355.20	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 99.64% was let to various tenants at an aggregate monthly rent of approximately RMB6,180,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 December 2023; whilst the remaining portion of the Property was vacant.</p>	<p>RMB1,150,000,000  (RENMINBI ONE BILLION ONE HUNDRED AND FIFTY MILLION)</p>
Level (Use)	Approximate Gross Floor Area (sq. m.)											
Commercial	3,853.07											
Office	37,502.13											
Total	41,355.20											
		<p>The Property is held under granted land use rights for a term of 40 years from 26 November 2002 for commercial use; and a term of 50 years for office use.</p>										

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, large majority of the Property having an aggregate gross floor area of about 40,356.19 sq. m. is vested in the name of "金峰有限公司".
- Pursuant to a set copy of Certificate of Real Estate Ownership, part of the Property (i.e. Unit 1701 of East Tower) having a gross floor area of about 999.01 sq. m. is vested in the name of "廣州越秀城建國際金融中心有限公司".
- 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 1305, Unit 1306, Unit 1308, Unit 1401, Unit 1402, Unit 1403, Unit 1405, Unit 1406, Unit 1408, Unit 1701, Unit 1901, Unit 1902, Unit 1903, Unit 1905, Unit 1906, Unit 1908, Units 2501 & 2601, Unit 2705, Unit 2801, Unit 3401 and Units 3501 & 3601
East Tower	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 exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Retail	3,853.07	3,853.07	RMB15,670,000
Office	37,502.14	37,352.14	RMB59,610,000
Total	41,355.21	41,205.21	RMB75,280,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	3.69%
1	2	18.51%
2	3	25.94%
3	4	6.77%
4	5	31.53%
5	6	1.27%
6	7	0.00%
7	8	1.92%
8	9	0.00%
9	Or more	10.37%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	27.20%
In 2019	23.34%
In 2020	13.32%
In 2021	2.71%
In 2022 and afterward	33.43%
Total	100.00%

7. Save as disclosed, we understand that the 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 Property.
8. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.

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

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.25% per annum
	Income Capitalization Approach	Reversionary Yield	6.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

10. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB1,149,000,000
Discounted Cash Flow Analysis	RMB1,151,000,000
Market Value (Equal Weighting of the Above)	RMB1,150,000,000

11. The estimated net yield of the Property is 6.55% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.
12. We are of the opinion that the market value of the Property which is vested in the name of “廣州越秀城建國際金融中心有限公司” [i.e. Unit 1701 of East Tower] as at the Valuation Date is **RMB27,600,000 (RENMINBI TWENTY SEVEN MILLION AND SIX HUNDRED THOUSAND)**.

## PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date								
4.	Various Units in City Development Plaza, Nos. 185, 187 and 189 Ti Yu West Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 1997, the 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 Property has a total gross floor area of approximately 42,397.36 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level (Use)</th> <th>Approximate Gross Floor Area (sq. m.)</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>	Level (Use)	Approximate Gross Floor Area (sq. m.)	Commercial	11,757.54	Office	30,639.82	Total	42,397.36	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 94.83% was let to various tenants at an aggregate monthly rent of approximately RMB6,760,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 December 2022; whilst the remaining portion of the Property was vacant.</p>	RMB935,000,000 (RENMINBI NINE HUNDRED AND THIRTY FIVE MILLION)
Level (Use)	Approximate Gross Floor Area (sq. m.)											
Commercial	11,757.54											
Office	30,639.82											
Total	42,397.36											
<p>The Property is held under granted land use rights for a term of 40 years from 27 January 1997 for commercial use; and a term of 50 years from 27 January 1997 for office use.</p>												

Note:

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

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

- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Commercial	11,757.54	10,439.247	RMB33,570,000
Office	30,639.82	29,762.35	RMB49,350,000
Total	42,397.36	40,201.59	RMB82,920,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	2.92%
1	2	9.28%
2	3	23.59%
3	4	17.20%
4	5	41.27%
5	Or more	5.74%
Total		100.00%

## PROPERTY VALUATION REPORT

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

Year of Expiry	Proportion by Floor Area
In 2018	13.00%
In 2019	11.53%
In 2020	23.67%
In 2021	33.49%
In 2022 and afterward	18.31%
Total	100.00%

6. Save as disclosed, we understand that the 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 Property.
7. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	7.25% per annum
	Income Capitalization Approach	Reversionary Yield	7.75% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB943,000,000
Discounted Cash Flow Analysis	RMB927,000,000
Market Value (Equal Weighting of the Above)	RMB935,000,000

10. The estimated net yield of the Property is 8.87% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	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 Property comprises the commercial retail podium named "Victory Plaza" from portion of Basement 1 to Level 6.</p> <p>The Property has a total gross floor area of approximately 27,698.14 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Level/Unit</th> <th>Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>Basement 1 (Part of)</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>	Level/Unit	Approximate Gross Floor Area (sq. m.)	Basement 1 (Part of)	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	As at the Valuation Date, the Property having an occupancy rate of 100.00% was let to various tenants at an aggregate monthly rent of approximately RMB6,200,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 October 2025.	RMB904,000,000 (RENMINBI NINE HUNDRED AND FOUR MILLION)
Level/Unit	Approximate Gross Floor Area (sq. m.)																									
Basement 1 (Part of)	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																									

The Property is held under granted land use rights for a term of 40 years from 8 March 2004 for commercial use.

Note:

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

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Commercial	27,262.27	27,262.27	RMB74,630,000
Total	27,262.27	27,262.27	RMB74,630,000

## PROPERTY VALUATION REPORT

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.00%
1	2	1.56%
2	3	13.15%
3	4	3.69%
4	5	16.09%
5	6	5.54%
6	7	6.18%
7	8	53.79%
8	Or more	0.00%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	3.81%
In 2019	16.88%
In 2020	22.29%
In 2021	13.55%
In 2022 and afterward	43.47%
Total	100.00%

5. Save as disclosed, we understand that the 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 Property.
6. As advised by the Manager, the property management income of the 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 Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB903,500,000
Discounted Cash Flow Analysis	RMB904,500,000
Market Value (Equal Weighting of the Above)	RMB904,000,000

9. The estimated net yield of the Property is 8.26% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	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 Sixth Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>Completed in or about 2005, the 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 Property has a total gross floor area of approximately 61,959.99 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>Carpark *</td> <td>7,544.77</td> </tr> <tr> <td>Commercial</td> <td>15,445.51</td> </tr> <tr> <td>Clubhouse, Common Facilities and Others</td> <td>4,527.96</td> </tr> <tr> <td>Office</td> <td>34,441.75</td> </tr> <tr> <td>Total</td> <td>61,959.99</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq. m.)	Carpark *	7,544.77	Commercial	15,445.51	Clubhouse, Common Facilities and Others	4,527.96	Office	34,441.75	Total	61,959.99	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 99.28% was let to various tenants at an aggregate monthly rent of approximately RMB5,600,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 December 2022; whilst the remaining portion of the Property was vacant.</p>	RMB1,110,000,000 (RENMINBI ONE BILLION ONE HUNDRED AND TEN MILLION)
Use	Approximate Gross Floor Area (sq. m.)															
Carpark *	7,544.77															
Commercial	15,445.51															
Clubhouse, Common Facilities and Others	4,527.96															
Office	34,441.75															
Total	61,959.99															

*\* Note: Exclusive of an area of about 76.26 sq. m. to be distributed to the predecessor of the Domestic Joint-venture Partner*

The Property is held under granted land use rights for a term of 40 years from 8 March 2004 for commercial and restaurant uses

## PROPERTY VALUATION REPORT

Note:

- Pursuant to a set copy of various Certificates of Real Estate Ownership, the Property is vested in the name of “廣州捷雅城地產開發有限公司”.
- 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 2302, Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310, Unit 2311
Centre	Office	Unit 501, Unit 502, Unit 503, Unit 805, Unit 904, Unit 905, Unit 1005, Unit 1105, Unit 1304, Unit 1305, Unit 1401, Unit 1403, Unit 1404, Unit 1405, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1601, Unit 1604, Unit 1605, Unit 1704, Unit 1705
West	Office	Unit 501, Unit 502, Unit 503, Unit 504, Unit 505, Unit 506, Unit 706, Unit 707, Unit 709, Unit 801, Unit 1001, Unit 1101, Unit 1109, Unit 1201, Unit 1401, Unit 1408, Unit 1501, Unit 1502, Unit 1503, Unit 1504, Unit 1505, Unit 1506, Unit 1507, Unit 1508, Unit 1509, Unit 1601, Unit 1608, Unit 1609, Unit 1701, Unit 1801, Unit 1809, Unit 1901, Unit 1902, Unit 1903, Unit 1904, Unit 1905, Unit 1906, Unit 1907, Unit 1908, Unit 1909, Unit 2001, Unit 2002, Unit 2003, Unit 2004, Unit 2005, Unit 2006, Unit 2007, Unit 2008, Unit 2009, Unit 2101, Unit 2102, Unit 2103, Unit 2104, Unit 2105, Unit 2106, Unit 2107, Unit 2108, Unit 2109, Unit 2201, Unit 2202, Unit 2203, Unit 2204, Unit 2205, Unit 2206, Unit 2207, Unit 2208, Unit 2209, Unit 2301, Unit 2302, Unit 2303, Unit 2304, Unit 2305, Unit 2306, Unit 2307, Unit 2308, Unit 2309, Unit 2310

- Annual rental income exclusive of value-added tax as at the Valuation Date and lettable area breakdown of the Property are tabulated as follows:

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Commercial	15,445.51	15,445.51	RMB25,370,000
Office	34,441.75	34,084.70	RMB37,550,000
Carpark	7,544.77	7,544.77	RMB1,240,000
Total	57,432.03	57,074.98	RMB64,160,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
	1	0.32%
	2	26.10%
	3	42.32%
	4	17.16%
	5	13.53%
	Or more	0.57%
		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	43.70%
In 2019	34.76%
In 2020	7.13%
In 2021	10.55%
In 2022 and afterward	3.86%
Total	100.00%

6. Save as disclosed, we understand that the 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 Property.
7. As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.
8. In the course of our valuation, we have adopted the following key assumptions:

Portion	Valuation Approach	Parameter	Assumption
Commercial	Income Capitalization Approach	Term Yield	5.75% per annum
	Income Capitalization Approach	Reversionary Yield	6.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum
Office	Income Capitalization Approach	Term Yield	6.75% per annum
	Income Capitalization Approach	Reversionary Yield	7.25% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.50% per annum

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB1,105,000,000
Discounted Cash Flow Analysis	RMB1,115,000,000
Market Value (Equal Weighting of the Above)	RMB1,110,000,000

10. The estimated net yield of the Property is 5.78% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

## PROPERTY VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date																
7.	Yuexiu Tower, No. 388 Fushan Road, Lot No. Qiu 2/9 Jiefang 302, Weifang Xincun Street, Pudong New District, Shanghai, the PRC	<p>Completed in 2010, the Property, namely "Yuexiu Tower", is a 25-storey (including refuge floor on 14th floor) commercial building with a 2-level basement carpark. Portion of Basement 1 as well as 1st and 2nd floors of the Property is devoted to retail use; whilst the upper floors (except 14th Floor) are designed for office use.</p> <p>The Property has a site area of about 10,641.00 sq. m. and a total gross floor area of about 62,139.35 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>6,256.70</td> </tr> <tr> <td>Office</td> <td>39,769.63</td> </tr> <tr> <td>Carpark</td> <td>13,502.58</td> </tr> <tr> <td>Bicycle Carpark</td> <td>1,296.18</td> </tr> <tr> <td>Management Offices</td> <td>276.53</td> </tr> <tr> <td>Refuge Floor</td> <td>1,037.73</td> </tr> <tr> <td><b>Total</b></td> <td><b>62,139.35</b></td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq. m.)	Retail	6,256.70	Office	39,769.63	Carpark	13,502.58	Bicycle Carpark	1,296.18	Management Offices	276.53	Refuge Floor	1,037.73	<b>Total</b>	<b>62,139.35</b>	<p>As at the Valuation Date, majority of the Property having an occupancy rate of 97.39% was let to various tenants at an aggregate monthly rent of approximately RMB11,800,000 (exclusive of value-added tax, management fees and utility service charges) with the last expiry date on 31 August 2022; whilst the remaining portion of the Property was vacant.</p>	RMB3,030,000,000 (RENMINBI THREE BILLION AND THIRTY MILLION)
Use	Approximate Gross Floor Area (sq. m.)																			
Retail	6,256.70																			
Office	39,769.63																			
Carpark	13,502.58																			
Bicycle Carpark	1,296.18																			
Management Offices	276.53																			
Refuge Floor	1,037.73																			
<b>Total</b>	<b>62,139.35</b>																			
<p><i>* Note: The gross floor areas of the Property for retail, office and carpark uses are quoted from Shanghai Certificate of Real Estate Ownership of the Property; whilst the remainder is quoted from Registers of Real Estate of Shanghai Municipality of the Property.</i></p> <p>The Property provides 273 private car parking spaces on basement and 27 above-ground private car parking spaces.</p> <p>The Property is held under granted land use rights from 7 January 2005 to 6 January 2055 for commercial and office uses.</p>																				

Note:

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

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Retail	6,256.70	6,256.70	RMB16,100,000
Office	39,769.63	37,448.26	RMB129,400,000
Carpark	13,502.58	13,502.58	RMB1,800,000
Total	59,528.91	57,207.54	RMB147,300,000

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

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	4.07%
1	2	40.14%
2	3	42.01%
3	4	6.45%
4	5	7.33%
5	Or more	0%
Total		100.00%

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

Year of Expiry	Proportion by Floor Area
In 2018	41.20%
In 2019	44.67%
In 2020	6.62%
In 2021	2.64%
In 2022 and afterward	4.87%
Total	100.00%

- Save as disclosed, we understand that the 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 Property.
- As advised by the Manager, the property management income of the Property covers all relevant property management expenses; and the monthly property management fee are payable by tenants.

## PROPERTY VALUATION REPORT

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

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Office	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum
Carpark	Income Capitalization Approach	Term Yield	3.75% per annum
	Income Capitalization Approach	Reversionary Yield	4.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.25% per annum

8. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,060,000,000
Discounted Cash Flow Analysis	RMB3,000,000,000
Market Value (Equal Weighting of the Above)	RMB3,030,000,000

9. The estimated net yield of the Property is 4.86% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at the Valuation Date														
8.	Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and various car parking spaces, No. 1 Zhongshan Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC	<p>The Property is a commercial development comprising a 68-storey office tower, namely Wuhan Yuexiu Fortune Centre; a 5-storey shopping arcade (inclusive of a storey of Basement) known as Starry Victoria Shopping Centre; 1,134 car parks for office and retail portions ("Commercial Carpark") together with 375 car parks for residential portion ("Residential Carpark"). The Property was completed in between 2015 to 2016.</p> <p>The Property has a total gross floor area of about 248,194.23 sq. m. with breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>43,546.61</td> </tr> <tr> <td>Office</td> <td>129,446.74</td> </tr> <tr> <td>Commercial Carpark</td> <td>47,182.94</td> </tr> <tr> <td>Residential Carpark</td> <td>15,602.82</td> </tr> <tr> <td>Ancillary facilities</td> <td>12,415.12</td> </tr> <tr> <td><b>Total</b></td> <td><b>248,194.23</b></td> </tr> </tbody> </table> <p>The Property is held under granted land use rights from 27th May 2011 to 26th May 2051 for commercial, and financial and commercial services uses.</p>	Use	Approximate Gross Floor Area (sq. m.)	Retail	43,546.61	Office	129,446.74	Commercial Carpark	47,182.94	Residential Carpark	15,602.82	Ancillary facilities	12,415.12	<b>Total</b>	<b>248,194.23</b>	<p>As at the Valuation Date, portion of the retail of the Property having an occupancy rate of 78.9% was subject to various tenancies with the latest one due to expire on 9 September 2035 at a total monthly rent of approximately RMB1,900,000 (exclusive of value-added tax, management fees and utility service charges); whilst the remaining portion of the retail portion was vacant.</p> <p>Portion of the office tower of the Property having an occupancy rate of 39.8% was subject to various tenancies with the latest one due to expire on 30 September 2023 at a total monthly rental of approximately RMB4,670,000 (exclusive of value added tax, management fees and utility service charges); whilst the remaining portion of the office tower was vacant.</p> <p>The commercial and residential car parking spaces were subject to two master agreements expiring on 31 December 2020 at a total monthly rent of approximately RMB910,000.</p>	RMB3,587,000,000 (RENMINBI THREE BILLION FIVE HUNDRED AND EIGHTY SEVEN MILLION)
Use	Approximate Gross Floor Area (sq. m.)																	
Retail	43,546.61																	
Office	129,446.74																	
Commercial Carpark	47,182.94																	
Residential Carpark	15,602.82																	
Ancillary facilities	12,415.12																	
<b>Total</b>	<b>248,194.23</b>																	

Note:

- Pursuant to a State-owned Land Use Rights Certificate No.: Wu Guo Yong (2011) Di No. 380 dated 15 August 2011, the land use rights of the Property is vested in the name of "武漢越秀地產開發有限公司" ("Wuhan Yuexiu").
- Pursuant to Building Ownership Certificates Nos.: E (2017) Wu Han Shi Qiao Kou Bu Dong Chan Quan Di No. 0036064 to E (2017) Wu Han Shi Qiao Kou Bu Dong Chan Quan Di No. 0036484 all dated 20 September 2017, the aboveground portion of the Property with an aggregate gross floor area of 160,152.32 sq. m. is vested in Wuhan Yuexiu.

## PROPERTY VALUATION REPORT

3. Annual rental income exclusive of value-added tax of the retail and office portions of the Property as at the Valuation Date are tabulated as follows:

Use	Lettable Area (sq. m.)	Leased Lettable Area (sq. m.)	Annual Rental Income (Approximately)
Retail	27,474.48	21,687.68	RMB22,800,000
Office	129,446.74	51,563.13	RMB56,100,000
Carparks	92,785.76	92,785.76	RMB10,980,000
Total	249,706.98	166,036.57	RMB89,880,000

4. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy duration profile for the retail portion of the Property as at the Valuation Date is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	3.06%
1	2	8.78%
2	3	24.48%
3	4	12.06%
4	5	16.28%
5	6	11.67%
6	7	0.00%
7	8	2.66%
8	9	0.00%
9	10	0.00%
10	Or more	21.01%
Total		100.00%

5. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy expiry profile for the retail portion of the Property as at the Valuation Date is set out below:

Year of Expiry	Proportion by Floor Area
In 2018	3.06%
In 2019	8.78%
In 2020	24.48%
In 2021	12.06%
In 2022 and afterward	51.62%
Total	100.00%

6. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy duration profile for the office portion of the Property as at the Valuation Date is set out below:

Lease Term Greater Than (Year)	Lease Term Less Than or Equal To (Year)	Proportion by Floor Area
0	1	0.00%
1	2	1.03%
2	3	30.62%
3	4	1.99%
4	5	47.68%
5	Or more	18.68%
Total		100.00%

7. Based on the tenancy information provided by Wuhan Yuexiu, our analysis of the tenancy expiry profile for the office portion of the Property as at the Valuation Date is set out below:

Year of Expiry	Proportion by Floor Area
In 2018	0.00%
In 2019	7.48%
In 2020	26.42%
In 2021	12.96%
In 2022 and afterward	53.14%
Total	100.00%

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

Portion	Valuation Approach	Parameter	Assumption
Retail	Income Capitalization Approach	Term Yield	5.00% per annum
	Income Capitalization Approach	Reversionary Yield	5.50% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Office	Income Capitalization Approach	Term Yield	4.50% per annum
	Income Capitalization Approach	Reversionary Yield	5.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	7.50% per annum
Commercial Carpark Spaces	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum
Residential Carpark	Income Capitalization Approach	Term Yield	5.50% per annum
	Income Capitalization Approach	Reversionary Yield	6.00% per annum
	Discounted Cash Flow Analysis	Discount Rate	8.00% per annum

## PROPERTY VALUATION REPORT

9. We have summarized our valuations by Income Capitalization Approach and Discounted Cash Flow Analysis as follows:

Income Capitalization Approach	RMB3,644,000,000
Discounted Cash Flow Analysis	RMB3,530,000,000
<hr/>	
Market Value (Equal Weighting of the Above)	RMB3,587,000,000

10. As requested by the Company, we are of the opinion that, for reference only, the breakdown market value of the Property as at 31 December 2017 was as follows:

Retail and Office Portions	:	RMB3,300,000,000
Commercial Carpark	:	RMB200,000,000
Residential Carpark	:	RMB87,000,000

11. The estimated net yield of the Property is 2.51% which is derived from the estimated rental received in Year-2017 excluding the valued-added tax divided by the market value as at the Valuation Date.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the Unitholders of Yuexiu Real Estate Investment Trust

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

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

#### What we have audited

The consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (the "Group") set out on pages 160 to 223, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to Unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

#### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

#### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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羅兵咸永道

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is valuation of investment properties and the building portions of hotel and serviced apartments included in property, plant and equipment.

#### Key Audit Matter

##### **Valuation of Investment properties and the building portions of hotel and serviced apartments included in Property, plant and equipment**

Refer to notes 2(e) (i), 2(f), 4(a), 13 and 15 to the consolidated financial statements.

The Group's investment properties amounting to RMB28,706,000,000 and the building portions of hotel and serviced apartments included in property, plant and equipment (together the "Subject Properties") amounting to RMB2,450,000,000 were carried at fair value at 31 December 2017. Changes in the fair values of the investment properties and hotel and serviced apartments during the year ended 31 December 2017 were recorded in profit or loss and other comprehensive income of RMB885,792,000 and RMB114,231,000 respectively.

The valuations were carried out by an independent professional valuer (the "Valuer") engaged by Yuexiu REIT Asset Management Limited, the Manager of Yuexiu REIT (the "Manager").

In determining the valuation of the Group's investment properties, the Valuer adopted the income capitalisation method and discounted cash flow analysis primarily to arrive at the fair value, with reference to recent comparable transactions and offerings under the direct comparison method, if available and applicable. Key valuation assumptions included estimated open market rents, capitalisation rates, stabilised occupancy rates as well as discount rates.

In determining the valuation of the building portions of the Group's hotel and serviced apartments, the Valuer adopted the depreciated replacement cost approach with key assumptions of estimated building costs and depreciation of the building.

We focused on this area because the valuations of the Subject Properties involved significant judgements and estimates, and the carrying amounts of the Subject Properties and the changes in fair value were material to the Group's consolidated financial statements.

#### How our audit addressed the Key Audit Matter

##### **Experience of the Valuer and relevance of their work**

We read the Valuer's report prepared in accordance with HKIS Valuation Standards (2012 Edition) and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)", and assessed the Valuer's qualifications and experience in the markets where the Subject Properties are located. We also assessed the Valuer's independence and objectivity by reading their terms of engagement with the Group and considering their fee arrangements and any other services provided to the Group.

##### **Data provided by the Manager to the Valuer**

We performed testing on a sample basis on the input data used by the Valuer in the valuations of the Subject Properties. These data included key terms of lease agreements, operating expenditure details, rental income schedules, gross floor area information and the year of completion which we agreed to the appropriate supporting documentation.

##### **Methodologies and key assumptions used by the Valuer**

We involved our in-house valuation experts in discussing and assessing the valuation methodologies and key assumptions with the Valuer and the Manager.

We considered the appropriateness and consistency of the use of the valuation methodologies based on our industry knowledge.

We assessed the reasonableness of the key assumptions applied in the valuations of the Subject Properties by comparing them to published industry reports, comparable market transactions, and those used in the prior period, and with reference to the age, nature and location of each property.

Overall, the valuation methodologies were consistently applied and the key assumptions used in the valuations were supportable in light of available evidence and the current market environment.



羅兵咸永道

#### OTHER INFORMATION

The Manager is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure 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 provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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羅兵咸永道

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to the Unitholders, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE**

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

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The engagement partner on the audit resulting in this independent auditor's report is Tsang Nga Kwan.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 13 February 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5	1,853,899	1,837,579
Operating expenses, net	6	(973,584)	(955,244)
Fair value gain on investment properties	15	885,792	952,422
Fair value (loss)/gain on derivative financial instruments	20	(258,008)	74,626
Finance income	9	573,527	26,243
Finance expenses	10	(366,987)	(938,299)
Profit before income tax and transactions with unitholders		1,714,639	997,327
Income tax expense	11	(277,544)	(285,183)
Profit after income tax before transactions with unitholders		1,437,095	712,144
Transactions with unitholders	28	(1,511,377)	(775,488)
Loss after income tax and transactions with unitholders		(74,282)	(63,344)
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss			
Change in fair value of property, plant and equipment			
– Gross		114,231	98,182
– Tax		(31,993)	(27,498)
Other comprehensive income for the year, net of tax		82,238	70,684
Total comprehensive income for the year		7,956	7,340

	Attributable to				
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 28) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	Total RMB'000
Profit/(loss) for the year ended 31 December 2016	705,540	(775,488)	(69,948)	6,604	(63,344)
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	69,948	—	69,948	736	70,684
Total comprehensive income for the year ended 31 December 2016	775,488	(775,488)	—	7,340	7,340
Profit/(loss) for the year ended 31 December 2017	<b>1,429,996</b>	<b>(1,511,377)</b>	<b>(81,381)</b>	<b>7,099</b>	<b>(74,282)</b>
Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	<b>81,381</b>	—	<b>81,381</b>	<b>857</b>	<b>82,238</b>
Total comprehensive income for the year ended 31 December 2017	<b>1,511,377</b>	<b>(1,511,377)</b>	—	<b>7,956</b>	<b>7,956</b>

## Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income.
- (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 pages 168 to 223 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	2,451,081	2,413,699
Land use rights	14	1,429,254	1,478,539
Investment properties	15	28,706,000	24,197,500
Deferred assets	17	224,343	219,913
Goodwill	18	845,325	824,459
Derivative financial instruments	20	—	74,626
		<b>33,656,003</b>	<b>29,208,736</b>
<b>Current assets</b>			
Inventories		3,127	4,337
Trade receivables	21	19,746	14,865
Amounts due from related parties	31	266,357	131,351
Prepayments, deposits and other receivables	22	59,885	41,574
Top-up payment asset	19	—	17,184
Short-term bank deposits	23	26,702	22,400
Cash and cash equivalents	23	1,303,904	1,180,828
		<b>1,679,721</b>	<b>1,412,539</b>
<b>Total assets</b>		<b>35,335,724</b>	<b>30,621,275</b>
<b>Current liabilities</b>			
Trade payables	25	17,611	15,276
Rental deposits, current portion	26	151,145	106,676
Receipts in advance	26	76,743	71,366
Accruals and other payables	26	1,158,000	658,019
Amounts due to related parties	31	887,404	83,441
Derivative financial instruments	20	46,457	—
Borrowings	27	4,408,474	1,503,357
Tax payable		89,646	10,421
		<b>6,835,480</b>	<b>2,448,556</b>

	Note	2017 RMB'000	2016 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	26	201,109	213,109
Receipt in advance	26	2,798	12,233
Borrowings	27	8,322,299	10,421,629
Deferred tax liabilities	24	4,428,310	3,891,364
Derivative financial instruments	20	136,924	—
		<b>13,091,440</b>	<b>14,538,335</b>
<b>Total liabilities, other than net assets attributable to unitholders</b>			
Net assets attributable to unitholders	28	<b>14,321,384</b>	<b>13,534,400</b>
<b>Total liabilities</b>			
		<b>34,248,304</b>	<b>30,521,291</b>
<b>Net assets</b>			
		<b>1,087,420</b>	<b>99,984</b>
<b>Equity</b>			
Revaluation reserve		455,212	373,831
Retained earnings		(455,212)	(373,831)
		—	—
Non-controlling interests		1,087,420	99,984
<b>Total equity</b>			
		<b>1,087,420</b>	<b>99,984</b>
<b>Units in issue ('000)</b>			
	28	<b>3,014,285</b>	<b>2,921,780</b>
<b>Net assets attributable to unitholders per unit (RMB)</b>			
		<b>RMB4.75</b>	<b>RMB4.63</b>

On behalf of the Board of Directors of the Manager

Director

Director

The notes on pages 168 to 223 are an integral part of these consolidated financial statements.

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		1,429,996	705,540
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(885,792)	(952,422)
– Fair value gain on derivative financial instruments		—	(74,626)
– Foreign exchange gain in financing activities		(542,552)	—
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		165,083	190,184
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(296,173)	(271,081)
<b>Total distributable loss</b>		<b>(129,438)</b>	<b>(402,405)</b>
<b>Additional items (ii)</b>			
– Cash received and/or receivable according to the Deed of Top-up Payments		—	52,626
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		296,173	271,081
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		145,777	156,878
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		83,871	76,848
– Manager’s fee paid and payable in units in lieu of cash		107,069	110,421
– Interest income and fair value loss from top-up payment asset		—	15,194
– Fair value loss on derivatives financial instruments		258,008	—
– Foreign exchange loss in financing activities		—	544,074
– Expenses incurred in connection with the acquisition of a subsidiary		64,921	—
<b>Distributable income after additional items</b>		<b>826,381</b>	<b>824,717</b>
Distributable amount at 1 January		440,245	362,749
Distributions paid during the year (iii)	28	(835,499)	(747,221)
<b>Final distribution declared</b>		<b>431,127</b>	<b>440,245</b>
<b>Distribution per unit, declared (iv)</b>		<b>RMB0.1430</b>	<b>RMB0.1506</b>

## 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. For the year ended 31 December 2017, most of the expenses incurred in connection with the acquisition of subsidiaries of RMB64,921,000 will be distributed.
- (iii) A final distribution for the period from 1 July 2016 to 31 December 2016 of RMB0.1499 (equivalent to HK\$0.1691) per unit and interim distribution for the period from 1 January 2017 to 30 June 2017 of RMB0.1341 (equivalent to HK\$0.1560) per unit, totaling RMB835,499,000 (2017: RMB747,221,000), were paid to unitholders on 16 May 2017 and 26 October 2017 respectively.
- (iv) A final distribution for the period from 1 July 2017 to 31 December 2017 of RMB0.1430 (equivalent to HK\$0.1775) per unit, totaling RMB431,127,000 (equivalent to HK\$535,140,000) was declared by the Board of the Manager on 13 February 2018.

The notes on pages 168 to 223 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 2017

	Equity				Total RMB'000
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2016	13,400,472	(303,883)	303,883	92,644	13,493,116
Issuance of units	105,661	—	—	—	105,661
Profit/(loss) for the year ended 31 December 2016 attributable to:					
– Unitholders	775,488	—	—	—	775,488
– Equity holders	—	(69,948)	—	6,604	(63,344)
Distributions paid to unitholders	(747,221)	—	—	—	(747,221)
Change in fair value of property, plant and equipment, net of tax	—	—	69,948	736	70,684
At 31 December 2016	13,534,400	(373,831)	373,831	99,984	13,634,384
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units	111,106	—	—	—	111,106
Acquisition of a subsidiary (Note 30)	—	—	—	979,480	979,480
Profit/(loss) for the year ended 31 December 2017 attributable to:					
– Unitholders	1,511,377	—	—	—	1,511,377
– Equity holders	—	(81,381)	—	7,099	(74,282)
Distributions paid to unitholders	(835,499)	—	—	—	(835,499)
Change in fair value of property, plant and equipment, net of tax	—	—	81,381	857	82,238
At 31 December 2017	14,321,384	(455,212)	455,212	1,087,420	15,408,804

The notes on pages 168 to 223 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	986,508	1,182,902
Interest paid		(345,525)	(355,004)
Corporate income tax paid		(35,625)	(24,935)
Top-up payment received		17,184	64,173
Net cash generated from operating activities		622,542	867,136
<b>Cash flows from investing activities</b>			
Additions of investment properties		(35,708)	(51,078)
Additions of property, plant and equipment		(19,107)	(10,657)
Interest received		30,975	26,243
(Increase) /decrease in short-term bank deposits with original maturity of more than three months		(4,302)	34,869
Acquisition of a subsidiary, net of cash acquired	30	(963,062)	—
Net cash used in investing activities		(991,204)	(623)
<b>Cash flows from financing activities</b>			
Distributions paid		(835,499)	(747,221)
Proceeds from borrowings, net of transaction costs		3,777,732	6,075,015
Repayment of bank borrowings		(2,450,495)	(5,696,075)
Net cash generated from/(used in) from financing activities		491,738	(368,281)
<b>Net increase in cash and cash equivalents</b>			
		123,076	498,232
Cash and cash equivalents at beginning of the year		1,180,828	682,596
<b>Cash and cash equivalents at end of the year</b>	23	<b>1,303,904</b>	<b>1,180,828</b>

The notes on pages 168 to 223 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) BASIS OF PREPARATION

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (A) BASIS OF PREPARATION (continued)

As at 31 December 2017, the Group's current liabilities exceeded its current assets by RMB5,155,759,000 (2016: RMB1,036,017,000) mainly because of the borrowings of RMB4,408,474,000 which fall due within twelve months from the balance sheet date and the deferred completion payment of approximately RMB803,803,000 for the acquisition of a subsidiary in Wuhan which primarily operates a commercial development, a shopping arcade and certain carpark spaces in Wuhan together ("Wuhan Properties"). The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the bank borrowings and deferred completion payment based on the Group's past experience, its assets quality and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities, medium term notes programme and potential disposal of the Group's properties, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidation financial statements.

#### (i) *New and amended standards effective for the year ended 31 December 2017*

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Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flow
Annual improvement to HKFRSs 2014-2016 cycle: HKFRS 12 Amendments	Disclosure in other entities

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (A) BASIS OF PREPARATION (continued)

(ii) *New and amended standards have been issued but are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
Amendments to HKAS 40	Transfer of investment properties	1 January 2018
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRS 2014-2016 Cycle	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

## 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 2017.

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

#### (ii) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (B) CONSOLIDATION (continued)

##### *(ii) Business Combinations (continued)*

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.

#### (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".

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (E) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (F) INVESTMENT PROPERTIES

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

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the profit or loss.

#### (G) GOODWILL

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

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

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

#### (H) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (I) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

### (J) OFFSETTING FINANCIAL INSTRUMENTS

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

### (K) INVENTORIES

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

### (L) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (M) 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.

#### (N) RENTAL DEPOSITS

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

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

#### (O) CASH AND CASH EQUIVALENTS

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

#### (P) TRADE PAYABLES

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

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

#### (Q) PROVISIONS

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (R) BORROWINGS

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

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

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

### (S) BORROWING COSTS

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

### (T) CURRENT AND DEFERRED INCOME TAX

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

#### *(i) Current income tax*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (T) CURRENT AND DEFERRED INCOME TAX (continued)

#### (ii) *Deferred income tax*

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

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

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

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

#### (iii) *Offsetting*

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

### (U) REVENUE RECOGNITION

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (U) REVENUE RECOGNITION (continued)

#### (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.

### (V) DISTRIBUTIONS TO UNITHOLDERS

In accordance with the Trust Deed, Yuexiu REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. These units are therefore classified as financial liabilities 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.

### (W) 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.

#### (ii) Termination benefits

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

### 3 FINANCIAL RISK MANAGEMENT

#### (A) FINANCIAL RISK FACTORS

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

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

#### (i) *Market risk*

##### (a) **Foreign exchange risk**

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

At 31 December 2017 and 2016, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2017 would have been approximately RMB511,282,000 (2016: RMB411,199,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits and borrowings.

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

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

Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future. The Group did not enter into any swaps for its floating-rate borrowing for the year ended 31 December 2017 and 2016. At 31 December 2017 and 2016, 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 RMB124,291,000 (2016: RMB117,225,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (A) FINANCIAL RISK FACTORS (continued)

##### (ii) Credit risk

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

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

	2017 RMB'000	2016 RMB'000
<b>Counterparty</b>		
The Hongkong and Shanghai Banking Corporation Ltd.	62,802	19,096
Bank of China	511,447	911,462
DBS Bank Ltd. Hong Kong Branch	273,197	253,367
China Construction Bank	342,467	10,178
Other banks	140,246	8,678
Short-term bank deposits and cash and cash equivalent	<b>1,330,159</b>	1,202,781

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

### 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 RMB1,330,606,000 as at 31 December 2017 (2016: RMB1,203,228,000). 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 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 2017					
Rental deposits	151,145	101,493	98,464	19,068	370,170
Trade payables	17,611	—	—	—	17,611
Accruals and other payables	1,158,000	—	—	—	1,158,000
Amounts due to related parties	887,404	—	—	—	887,404
Bank borrowings					
– Principal to be repaid	2,123,815	2,175,877	4,467,342	1,679,080	10,446,114
– Interest payables	202,909	152,798	383,892	154,651	894,250
Other borrowings					
– Principal to be repaid	2,284,659	—	—	—	2,284,659
– Interest payables	29,510	—	—	—	29,510
Derivative financial instruments	46,457	136,924	—	—	183,381
As at 31 December 2016					
Rental deposits	106,676	86,985	152,739	16,120	362,520
Trade payables	15,276	—	—	—	15,276
Accruals and other payables	658,019	—	—	—	658,019
Amounts due to related parties	83,441	—	—	—	83,441
Bank borrowings					
– Principal to be repaid	1,503,357	3,151,092	2,837,627	2,013,300	9,505,376
– Interest payables	296,300	221,769	362,916	174,447	1,055,432
Other borrowings					
– Principal to be repaid	—	2,419,610	—	—	2,419,610
– Interest payables	75,008	31,253	—	—	106,261

### 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 2017, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (Note 27)	12,730,773	11,924,986
Total asset value	35,335,724	30,621,275
Gearing ratio	36%	39%

The gearing ratio decreased to 36% in 2017 (2016: 39%) mainly due to the increase in assets value during the year.

#### (C) FAIR VALUE ESTIMATION

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES

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

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

#### (A) ESTIMATE OF FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

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

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

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

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

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

#### (B) ESTIMATE OF IMPAIRMENT OF GOODWILL

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

## 5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2017				
Revenue from external customers	527,253	824,005	502,641	1,853,899
Segment results	51,017	1,556,271	446,832	2,054,120
Depreciation and amortisation	144,621	1,156	—	145,777
Fair value gain on investment properties	—	861,592	24,200	885,792
Year ended 31 December 2016				
Revenue from external customers	483,921	815,300	538,358	1,837,579
Segment results	3,183	1,451,054	609,411	2,063,648
Depreciation and amortisation	155,125	1,753	—	156,878
Fair value gain on investment properties	—	785,384	167,038	952,422
As at 31 December 2017				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657
As at 31 December 2016				
Total reportable segments' assets	4,382,545	16,310,926	9,085,308	29,778,779

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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	
	2017 RMB'000	2016 RMB'000
Segment results	2,054,120	2,063,648
Fair value (loss)/gain on derivative financial instruments	(258,008)	74,626
Unallocated operating costs (Note)	(288,013)	(228,891)
Operating profit	1,508,099	1,909,383
Finance income	573,527	26,243
Finance expenses	(366,987)	(938,299)
Profit before income tax and transactions with unitholders	1,714,639	997,327

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	
	2017 RMB'000	2016 RMB'000
Total reportable segments' assets	34,368,657	29,778,779
Corporate assets	967,067	842,496
Total assets	35,335,724	30,621,275

	Revenue Year ended 31 December		Total assets As at 31 December	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
China	1,853,899	1,837,579	34,368,657	29,778,779
Unallocated assets			967,067	842,496
			35,335,724	30,621,275

## 5 REVENUE AND SEGMENT INFORMATION (continued)

The Group's revenue by nature is as follows:

	2017 RMB'000	2016 RMB'000
Hotel and serviced apartments operations		
Room rentals	299,705	273,565
Food and beverages	209,535	195,694
Property rentals	1,326,647	1,353,658
Others	18,012	14,662
	<b>1,853,899</b>	<b>1,837,579</b>

## 6 EXPENSES BY NATURE, NET

	2017 RMB'000	2016 RMB'000
Property management fees (i)	40,471	40,977
Employee benefit expenses (Note 7)	120,307	111,992
Real estate tax	164,877	174,348
Business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	10,792	44,876
Withholding tax (ii)	56,581	80,501
Depreciation of property, plant and equipment (Note 13)	96,492	107,593
Amortisation of land use rights (Note 14)	49,285	49,285
Cost of inventories sold or consumed in operation	61,612	50,536
Other direct expenses on hotel and serviced apartment	129,314	130,789
Manager's fee (Note 8)	133,836	129,907
Trustee's fee	10,230	9,186
Valuation fees	1,193	1,000
Legal and professional fee	65,589	8,680
Auditor's remuneration	3,000	3,055
Bank charges	1,390	708
Foreign exchange loss/(gain) arising from operating activities	8,395	(9,619)
Others	20,220	21,430
Total operating expenses, net	<b>973,584</b>	<b>955,244</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou Baima Business Operation Management Co. Ltd. (previously known as Guangzhou White Horse Property Management Co., Ltd.) and Guangzhou Yuexiu Asset Management Company Limited (Note 31).
- (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

### 7 EMPLOYEE BENEFIT EXPENSES

	2017 RMB'000	2016 RMB'000
Wages, salaries and bonus	78,928	77,316
Pension costs	4,533	4,303
Medical benefits costs	3,155	3,340
Social security costs	5,301	5,101
Staff welfare	28,390	21,932
	<b>120,307</b>	<b>111,992</b>

#### PENSION SCHEME ARRANGEMENTS

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

### 8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property; a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate from external party, as defined in the Trust Deed.

	2017 RMB'000	2016 RMB'000
Manager's fee:		
In the form of units	107,069	110,421
In the form of cash	26,767	19,486
	<b>133,836</b>	<b>129,907</b>

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 2017 are expected to be issued on 13 March 2018. 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 13 March 2018 and (ii) the average closing price of the units in the 10 trading days immediately preceding 13 March 2018.

## 9 FINANCE INCOME

	2017 RMB'000	2016 RMB'000
Interest income from bank deposits	9,489	10,445
Interest income from a related company	21,486	15,798
Foreign exchange gain on financing activities	542,552	—
	<b>573,527</b>	26,243

## 10 FINANCE EXPENSES

	2017 RMB'000	2016 RMB'000
Interest expense for bank borrowings	272,052	283,221
Interest expense for other borrowings	73,473	71,783
Interest expenses to a related party	360	—
Amortisation of transaction costs for borrowings	21,102	24,027
Fair value loss on top-up payment asset (note 19)	—	15,194
Foreign exchange loss on financing activities	—	544,074
	<b>366,987</b>	938,299

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

	2017 RMB'000	2016 RMB'000
Current income tax		
– China corporate income tax	42,742	32,287
– Under-provision in prior years	—	220
Deferred income tax (Note 24)	234,802	252,676
	<b>277,544</b>	285,183

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:

	2017 RMB'000	2016 RMB'000
Profit before income tax and transactions with unitholders	1,714,639	997,327
Tax calculated at domestic tax rate of 25%	428,660	249,332
Income not subject to tax	(349,448)	(235,945)
Expenses not deductible for tax purposes	170,352	233,189
Under-provision in prior years	—	220
Withholding tax on unremitted earnings of subsidiaries	27,980	38,387
	<b>277,544</b>	285,183

## 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.

	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	1,429,996	705,540
Weighted average number of units in issue ('000)	2,937,991	2,854,211
Basic earnings per unit (RMB)	0.49	0.25

### (B) DILUTED

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2017.

	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	1,429,996	705,540
Weighted average number of units in issue ('000)	2,937,991	2,854,211
Adjustments for deferred units ('000)	602,401	668,401
Adjustments for manager's fee in form of units ('000)	10,338	13,761
Weighted average number of units for diluted earnings per unit ('000)	3,550,730	3,536,373
Diluted earnings per unit (RMB)	0.40	0.20

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2016				
Cost	2,295,151	12,692	9,503	2,317,346
Accumulated depreciation	(312,705)	(12,604)	(6,138)	(331,447)
Fair value gain on revaluation	426,554	—	—	426,554
Net book amount	2,409,000	88	3,365	2,412,453
Year ended 31 December 2016				
Opening net book amount	2,409,000	88	3,365	2,412,453
Additions	10,657	—	—	10,657
Depreciation (Note 6)	(105,840)	(23)	(1,730)	(107,593)
Fair value gain on revaluation	98,182	—	—	98,182
Closing net book amount	2,411,999	65	1,635	2,413,699
At 31 December 2016				
Cost	2,305,808	12,692	9,503	2,328,003
Accumulated depreciation	(418,545)	(12,627)	(7,868)	(439,040)
Fair value gain on revaluation	524,736	—	—	524,736
Net book amount	2,411,999	65	1,635	2,413,699
Year ended 31 December 2017				
Opening net book amount	2,411,999	65	1,635	2,413,699
Additions	19,106	1	—	19,107
Depreciation (Note 6)	(95,336)	(13)	(1,143)	(96,492)
Acquisition of a subsidiary (Note 30)	—	390	146	536
Fair value gain on revaluation	114,231	—	—	114,231
Closing net book amount	2,450,000	443	638	2,451,081
At 31 December 2017				
Cost	2,324,914	13,083	9,649	2,347,646
Accumulated depreciation	(513,881)	(12,640)	(9,011)	(535,532)
Fair value gain on revaluation	638,967	—	—	638,967
Net book amount	2,450,000	443	638	2,451,081

If hotel and serviced apartments had not been revalued, it would have been included in these consolidated financial statements at historical cost less accumulated depreciation of RMB1,811,033,000 (2016: RMB1,887,263,000).

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

As at 31 December 2017, property, plant and equipment with an aggregate carrying amount of RMB2,171 million (2016: RMB2,138 million) were pledged as collateral for the Group's bank borrowings (Note 27).

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

	31 December	
	2017 RMB'000	2016 RMB'000
Opening balance	2,411,999	2,409,000
Additions	19,106	10,657
Depreciation	(95,336)	(105,840)
Unrealised gains recognised in reserve	114,231	98,182
Closing balance	2,450,000	2,411,999
Unrealised gains for the year included in other comprehensive income at the end of the year	114,231	98,182

#### VALUATION PROCESSES OF THE GROUP

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited both being independent qualified valuers not related to the Group at 31 December 2017 and 2016 respectively.

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

At each financial year end the finance department:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### VALUATION TECHNIQUES

##### *Fair value measurements using significant unobservable inputs*

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

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

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

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

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

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

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

Discount rates are estimated by Savills Valuation and Professional Services Limited for 2017 and Vigers Appraisal and Consulting Limited for 2016 based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE (continued)

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

*As at 31 December 2016*

	Depreciated replacement cost method		
	Building cost (RMB/m <sup>2</sup> )	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	14,000	5	5
Serviced apartments	11,300	5	5

*As at 31 December 2017*

	Depreciated replacement cost method		
	Building cost (RMB/m <sup>2</sup> )	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	15,200	4.75	6
Serviced apartments	12,300	4.75	6

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	2017 RMB'000	2016 RMB'000
At 1 January	1,478,539	1,527,824
Amortisation (Note 6)	(49,285)	(49,285)
At 31 December	1,429,254	1,478,539

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
In China: Land use rights between 10 and 50 years	1,429,254	1,478,539

As at 31 December 2017, the fair value of land use rights is approximately RMB2,200 million (2016: RMB2,048 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2017, land use rights were pledged with an aggregate net book amount of approximately RMB1,343 million (2016: RMB1,393 million) as collateral for the Group's bank borrowings (Note 27).

### 15 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At 1 January	24,197,500	23,194,000
Additions during the year	35,708	51,078
Acquisition of subsidiaries (Note 30)	3,587,000	—
Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties'	885,792	952,422
At 31 December	28,706,000	24,197,500
Fair value gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	885,792	952,422

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

## 15 INVESTMENT PROPERTIES (continued)

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB208,594,000 (2016: RMB223,337,000). Included in the direct operating expenses, RMB3,072,000 (2016: RMB2,919,000) was related to investment properties that were vacant.

Yuexiu REIT acquired Wuhan Properties on 21 December 2017. 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 unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2017, investment properties with an aggregate carrying value of approximately RMB3,471 million (2016: RMB3,317 million) were pledged as collateral for the Group's bank borrowings (Note 27).

### VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited being independent qualified valuer not related to the Group at 31 December 2017 and 2016 respectively.

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

At each financial year end the finance department:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 INVESTMENT PROPERTIES (continued)

#### 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.

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation and discount rates are estimated by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited for 2017 and 2016 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

The adopted valuation assumptions in the income capitalisation method are summarised as follows:

##### *As at 31 December 2016*

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	52 to 328	4.25% to 7.50%
Wholesale and shopping mall	85 to 1,250	4.25% to 8.00%

## 15 INVESTMENT PROPERTIES (continued)

### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE (continued)

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	96 to 312	4.00% to 7.25%
Wholesale and shopping mall	83 to 1,335	4.00% to 7.75%

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

As at 31 December 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	52 to 328	6.75% to 8.75%	90.00% to 98.96%
Wholesale and shopping mall	85 to 1,250	7.00% to 9.00%	95.00% to 99.48%

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	39.80% to 100%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	78.90% to 100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 SUBSIDIARIES

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

## 16 SUBSIDIARIES (continued)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 Yueli Industrial Ltd.	China, limited liability company	Investment holding	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK\$257,614,000	100%
Fully Cheer Management Limited <sup>1</sup>	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holding Limited <sup>1</sup>	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Wuhan Yuexiu Property Development Limited <sup>1</sup>	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB2,200,000,000	67%
Yuexiu REIT 2017 Company Limited ("REIT 2017") <sup>2</sup>	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

1 These subsidiaries are acquired during the year ended 31 December 2017.

2 This subsidiary is incorporated during the year ended 31 December 2017.

Note:

Shares of HoldCo 2005, HoldCo 2012, REIT 2013, MTN, REIT 2017 and Metrogold Development Limited are held directly by Yuexiu REIT. Shares of all the other subsidiaries are held indirectly by Yuexiu REIT.

## 17 DEFERRED ASSETS

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

## 18 GOODWILL

	2017 RMB'000	2016 RMB'000
At 1 January		
Cost	824,459	824,459
Accumulated impairment	—	—
Net book amount	824,459	824,459
Year ended 31 December		
Opening net book amount	824,459	824,459
Acquisition of subsidiaries (Note 30)	20,866	—
Net book amount	845,325	824,459
At 31 December		
Cost	845,325	824,459
Accumulated impairment	—	—
Net book amount	845,325	824,459

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 GOODWILL (continued)

#### 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 pre-tax 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:

	2017	2016
Growth rate per annum	3.00%-5.50%	4.00%-5.50%
Discount rate per annum	7.75%-8.50%	8.50%-8.75%

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

### 19 TOP-UP PAYMENT ASSET

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

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

The final top-up payment of RMB17,184,000 was received by the Group during the year ended 31 December 2017.

## 20 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Non-current assets		
Capped foreign exchange forward contracts	—	74,626
Non-current liabilities		
Capped foreign exchange forward contracts	136,924	—
Current liabilities		
Capped foreign exchange forward contracts	46,457	—

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2017 were USD177,000,000 and HK\$2,300,000,000 (2016: USD177,000,000 and HK\$1,000,000,000).

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	19,746	14,865

The fair values of trade receivables approximate their carrying amounts.

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

	2017 RMB'000	2016 RMB'000
0 - 30 days	16,293	11,566
31 - 90 days	3,040	3,196
91 - 180 days	413	103
	19,746	14,865

As at 31 December 2017, trade receivables of approximately RMB19,333,000 (2016: RMB14,865,000) were fully performing.

As at 31 December 2017, the Group has insignificant trade receivables which are past due but not impaired.

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

### 22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax on rental deposits 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.

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

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	1,299,718	1,162,327
Short-term bank deposits with original maturity of less than three months	4,186	18,501
Cash and cash equivalents	1,303,904	1,180,828
Short-term bank deposits with original maturity of more than three months	26,702	22,400
Total	1,330,606	1,203,228
Maximum exposure to credit risk	1,330,159	1,202,781

As at 31 December 2017, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,086,661,000 (2016: RMB999,684,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

	2017 RMB'000	2016 RMB'000
HK\$	204,766	143,895
RMB	1,099,367	1,000,130
USD	26,473	59,203
	1,330,606	1,203,228

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 DEFERRED TAX LIABILITIES

	2017 RMB'000	2016 RMB'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	4,428,310	3,891,364

The movements in the deferred tax liabilities are as follows:

	2017 RMB'000	2016 RMB'000
Beginning of the year	3,891,364	3,611,190
Deferred taxation charged to profit or loss (Note 11)	234,802	252,676
Deferred taxation charged to reserve	31,993	27,498
Acquisition of a subsidiary (Note 30)	270,151	—
End of the year	4,428,310	3,891,364

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

	Tax losses RMB'000
At 1 January 2016	86,485
Credited to profit or loss	27,404
At 31 December 2016	113,889
At 1 January 2017	113,889
Credited to profit or loss	26,040
Acquisition of a subsidiary (Note 30)	14,500
At 31 December 2017	154,429

## 24 DEFERRED TAX LIABILITIES (continued)

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

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2016				
At 1 January 2016	2,879,540	440,100	378,035	3,697,675
Charged/(credited) to profit or loss	190,184	(1,832)	91,728	280,080
Charged to reserve	27,498	—	—	27,498
At 31 December 2016	3,097,222	438,268	469,763	4,005,253
Year ended 31 December 2017				
At 1 January 2017	3,097,222	438,268	469,763	4,005,253
Charged/(credited) to profit or loss	165,083	26,634	69,125	260,842
Charged to reserve	31,993	—	—	31,993
Acquisition of a subsidiary (Note 30)	257,976	20,742	5,933	284,651
At 31 December 2017	3,552,274	485,644	544,821	4,582,739

There is no significant unprovided deferred taxation as at 31 December 2017 (2016: nil).

## 25 TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	17,611	15,276

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	2017 RMB'000	2016 RMB'000
0 - 30 days	10,394	10,656
31 - 90 days	4,473	2,901
91 - 180 days	2,744	1,719
	17,611	15,276

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Rental deposits		
Current portion	151,145	106,676
Non-current portion	201,109	213,109
	<b>352,254</b>	319,785
Receipts in advance		
Current portion	76,743	71,366
Non-current portion	2,798	12,233
	<b>79,541</b>	83,599
Accrued urban real estate tax	13,509	16,550
Accrued withholding tax payable	11,697	13,816
Accrued value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	11,272	14,147
Construction fee payable	943,171	497,148
Accruals for operating expenses	178,351	116,358
Accruals and other payables	<b>1,158,000</b>	658,019
	<b>1,589,795</b>	1,061,403

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.

## 27 BORROWINGS

	2017 RMB'000	2016 RMB'000
Current portion of long term borrowings		
Bank borrowings, Secured	268,440	268,440
Bank borrowings, Unsecured	1,855,375	1,234,917
Other borrowings, Unsecured (Note b)	2,284,659	—
	<b>4,408,474</b>	1,503,357
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	3,021,280	3,355,500
– Unsecured	7,424,834	6,149,876
Other borrowings, Unsecured (Note b)	2,284,659	2,419,610
	<b>12,730,773</b>	11,924,986
Less: current portion of long-term borrowings	<b>(4,408,474)</b>	(1,503,357)
Total long-term borrowings	<b>8,322,299</b>	10,421,629
Analysed into:		
Unsecured	9,709,493	8,569,486
Secured	3,021,280	3,355,500
	<b>12,730,773</b>	11,924,986

Note a:

Syndicated and entrustment loans totalling to RMB3,021 million which are secured by certain parts of Guangzhou IFC with carrying value of RMB7,107 million (2016: RMB6,848 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**27 BORROWINGS** (continued)

The Group's borrowings are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	4,408,474	1,503,357
Between one year and five years	6,643,219	8,408,329
Over five years	1,679,080	2,013,300

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

	2017	2016
RMB	4.31%	4.34%
HK\$	2.47%	2.52%
USD	3.26%	2.90%

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

	2017 RMB'000	2016 RMB'000
RMB	3,021,280	4,165,500
HK\$	5,569,459	3,370,740
USD	4,140,034	4,388,746
	<b>12,730,773</b>	<b>11,924,986</b>

The Group has no undrawn bank borrowing facility as at 31 December 2017 (2016: nil).

Note b:

On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due 2018 (the "USD Bond") to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. All of the USD Bond remained outstanding at 31 December 2017.

## 28 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2017 RMB'000	2016 RMB'000
At 1 January	13,534,400	13,400,472
Issuance of units	111,106	105,661
Transfer from the consolidated statement of comprehensive income	1,511,377	775,488
Distributions paid during the year	(835,499)	(747,221)
At 31 December	14,321,384	13,534,400

The movement in the number of existing units are as below:

Units in issue ('000)	2017	2016
At 1 January	2,921,780	2,828,887
Units issued during the year (Note a)	26,505	28,014
Issuance of deferred units during the year (Note b)	66,000	64,879
At 31 December	3,014,285	2,921,780

Note a:

During 2017, 26,505,412 units were issued for payment of manager's fee (2016: 28,014,000 units).

Note b:

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 2017. The number of units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units 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. During 2017, 66,000,000 units were issued and the outstanding deferred units at 31 December 2017 was 602,401,000 units (31 December 2016: 668,401,000 units).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 RMB'000	2016 RMB'000
Profit before income tax and transactions with unitholders	1,714,639	997,327
Adjustments for:		
– Depreciation expenses	96,492	107,593
– Amortisation of land use right	49,285	49,285
– Amortisation of transaction costs for bank borrowings	21,102	24,027
– Foreign exchange (gain)/loss on financing activities	(542,552)	544,074
– Fair value gains on investment properties	(885,792)	(952,422)
– Fair value loss/(gain) on derivative financial instruments	258,008	(74,626)
– Fair value loss on top-up payment asset	—	15,194
– Interest income	(30,975)	(26,243)
– Interest expenses	345,885	355,004
Changes in working capital:		
– Deferred assets	11,741	(32,501)
– Inventories	1,210	(96)
– Trade receivables	8,916	(1,697)
– Amounts due from related parties	(135,006)	160,821
– Prepayments, deposits and other receivables	(18,311)	1,333
– Trade payables	1,099	2,182
– Rental deposits	15,187	16,783
– Receipts in advance	(4,128)	(6,086)
– Accruals and other payables	79,908	(5,565)
– Amounts due to related parties	(200)	8,515
Cash generated from operations	986,508	1,182,902

- (b) Major non-cash transaction:

During the year ended 31 December 2017, 26,505,412 units (2016: 28,014,000 units) amounting to RMB 111,106,000 (2016: RMB105,661,000) were issued for payment of manager's fee.

### 30 BUSINESS COMBINATIONS

On 14 November 2017, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"). The Fully Cheer Group holds 67% interest in Wuhan Properties. The transaction was completed on 21 December 2017.

The financial impact to the group from acquisition dated to 31 December 2017 was insignificant

Had Fully Cheer Group been consolidated from 1 January 2017 to 31 December 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB51 million and profit before income tax and transaction with unitholders of RMB3 million from its leasing operations.

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

	2017 RMB'000
<b>Purchase consideration</b>	
At 21 December 2017	
– Cash	1,205,705
– Deferred payment	803,803
<b>Total consideration</b>	<b>2,009,508</b>
Non-controlling interest	979,480
Fair value of net assets acquired – shown as below	(2,968,122)
<b>Goodwill</b>	<b>20,866</b>
	<b>Fair Value RMB'000</b>
Property, plant and equipment (Note 13)	536
Deferred assets (Note 17)	16,171
Investment properties	3,587,000
Trade and other receivables	13,797
Cash and cash equivalents	242,643
Trade payables	(1,236)
Rental deposits, current portion	(712)
Receipts in advance	(70)
Accruals and other payables	(530,090)
Amount due to a related party	(1,088)
Tax payable	(72,108)
Rental deposits, non-current portion	(16,570)
Deferred tax liabilities (Note 24)	(270,151)
<b>Net assets acquired</b>	<b>2,968,122</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 BUSINESS COMBINATIONS (continued)

	2017 RMB'000
<b>Cash outflow to acquire business, net of cash acquired:</b>	
Purchase consideration settled in cash	1,205,705
Cash and cash equivalents in the subsidiary acquired	(242,643)
Cash outflow on acquisition	963,062

Acquisition-related costs of RMB64,921,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisition, the Group expanded its footprint beyond Guangzhou and Shanghai and diversified its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

### 31 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2017, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 37% (2016: 39%) of Yuexiu REIT's units. The remaining 63% (2016: 61%) 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 2017:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM")	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP

### 31 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Construction & Development Holdings (China) Limited (“GDC (China)”) <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) <sup>1</sup>	A major shareholder of YXP
Guangzhou Yue Xiu Enterprises (Holdings) Ltd (“YXE”) <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Xiu Holdings Limited (“GZYX”) <sup>1</sup>	Immediate holding company of Yue xiu
Guangzhou City Construction and Development Group Co. Ltd. <sup>1</sup>	A subsidiary of YXE
Golden Eagle Asset Management Co. Ltd. (“Golden Eagle”) <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd (“GZ JLL”) <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Guang Zeng Hang Seng Research Co., Ltd (“Guang Zheng”) <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Suiqiao Development Company Limited (“Suiqiao”) <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Securities Company Limited <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Futures Co., Ltd <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Industrial Fund Management Co.Ltd <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Leasing Co.,Ltd <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Holdings Group Co., Ltd <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yue Tong Expressway Operations and Management Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yuexiu Microcredit <sup>1,2</sup>	A subsidiary of YXE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 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”) <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Peng Information Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-branch) (“Chong Hing Tianhe”) <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch (“Chong Hing Guangzhou”) <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch (“Chong Hing Shanghai”) <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd <sup>1</sup>	A subsidiary of YXE
Guangzhou Building Materials Enterprise Group Co., Ltd <sup>1</sup>	A subsidiary of YXE
GuangZhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅停網絡科技有限公司 <sup>1</sup>	A subsidiary of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
武漢越秀維港商業管理有限公司 <sup>1</sup>	A subsidiary of YXP
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)	The Trustee of Yuexiu REIT

### 31 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Valuer")	The former principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

1 These connected 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.

2 These connected companies became related companies of the Group from 17 August 2017.

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

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES

	2017 RMB'000	2016 RMB'000
Asset management fee paid/payable to the Manager (ii)	(133,836)	(129,907)
Management fee paid/payable to Yicheng	(10,851)	(10,455)
Management fee paid/payable to Baima BM	(10,964)	(12,035)
Management fee paid/payable to GZ AM	(18,656)	(18,487)
Rental income received/receivable from Xingye	5,132	5,241
Rental income received/receivable from Yicheng	2,409	4,216
Rental income received/receivable from GCCD	10,533	12,741
Rental income received/receivable from White Horse JV	1,236	1,263
Rental income received/receivable from Golden Eagle	—	835
Rental income received/receivable from Guangzhou Securities Company Limited	11,580	11,146
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	1,513	992
Rental income received/receivable from GZ JLL	14,572	14,612
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	304	2,177
Rental income received/receivable from GZ AM	9,120	9,257
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd	4,604	3,025
Rental income received/receivable from Guangzhou Yue Tong Expressway Operations and Management Company Limited	769	784

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2017 RMB'000	2016 RMB'000
Rental income received/receivable from Guangzhou Yue Peng Information Ltd.	786	801
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	8,678	8,483
Rental income received/receivable from YXE	32,102	32,402
Rental income received/receivable from Beijing JLL	—	886
Rental income received/receivable from Chong Hing Tianhe	2,698	2,916
Rental income received/receivable from Chong Hing Guangzhou	305	—
Rental income received/receivable from Chong Hing Shanghai	519	304
Rental income received/receivable from Guangzhou Paper Group Ltd.	271	278
Rental income received/receivable from Guangzhou Building Meerials	—	278
Rental income received/receivable from Guangzhou Titanium Dioxide Factory	271	278
Rental income received/receivable from 廣州市祥港房地產開發有限公司	2,801	8,080
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	17,619	17,968
Rental income received/receivable from Guangzhou Futures Company Limited	1,067	993
Rental income received/receivable from 廣州東耀房地產開發有限公司	3,891	2,227
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	92	—
Rental income received/receivable from 廣州悅停網絡科技有限公司	145	—
Rental income received/receivable from 廣州鵬燁貿易有限公司	683	—
Rental income received/receivable from 廣州友誼集團有限公司	12,131	—
Rental income received/receivable from Guangzhui Yuexiu Financial Technology Co., Ltd.	326	—
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	1,414	—
Rental income received/receivable from 武漢越秀維港商業管理有限公司	40	—
Rental income received/receivable from 武漢康景實業投資有限公司	136	—
Rental income received/receivable from 廣州城建開發設計院有限公司	5	—
Rental income received/receivable from 廣州越秀地產工程管理有限公司	7	—
Rental income received/receivable from Guangzhou Grandcity Development Ltd	2,113	2,155
Rental income received/receivable from Guang Zheng	854	1,115
Rental income received/receivable from Suiqiao	592	603
Rental income received/receivable from Guangzhou Yuexiu Microcredit	—	220
Interest income received/receivable from GCCD	19,568	15,798
Trustee fee paid/payable to Trustee	(10,230)	(9,186)

### 31 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2017 RMB'000	2016 RMB'000
Valuation fee paid/payable to the Former Valuer	(875)	(1,000)
Valuation fee paid/payable to the Current Valuer	(318)	—
Interest expense paid/payable to Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)")	(360)	—
Interest expense paid/payable to the HSBC Group	(10,327)	(6,007)
Interest income received/receivable from the HSBC Group	—	1
Interest expense paid/payable to the Chong Hing Tianhe	(16,604)	(2,812)

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, a service fee of 3% per annum of net property income and a transaction fee of 1% of the consideration for the acquisition of any real estate, as defined in the Trust Deed (Note 8).

#### (B) BALANCES WITH RELATED COMPANIES

	2017 RMB'000	2016 RMB'000
Amount due from GCCD (i)	266,357	131,351
Amount due to Yicheng	(1,930)	(1,087)
Amount due to Baima BM	(698)	(1,100)
Amount due to the Manager	(68,883)	(69,580)
Amount due to GZ AM	(1,610)	(1,674)
Amount due to GCD (China)	(804,283)	—
Amount due to GCCD BVI	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(361,000)	(400,000)
Rental deposits from related companies (ii)	(40,883)	(20,875)

Except for an amount due from GCCD of approximately RMB 254 million (2016: RMB125 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, and an amount due to GCD (China) of approximately RMB 804 million (2016: Nil) which is unsecured, interest bearing at HIBOR + 1% per annum and repayable one year from 21 December 2017, all other balances with related companies are unsecured, interest-free, repayable on demand and a reasonable approximation to their fair values.

All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (B) BALANCES WITH RELATED COMPANIES (continued)

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 RMB266 million (2016: RMB131 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 2017 (2016: nil).

### 32 CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	65,465	31,258

### 33 FUTURE MINIMUM RENTAL RECEIVABLE

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

	2017 RMB'000	2016 RMB'000
Within one year	1,161,671	1,179,765
Between one year and five years	1,564,887	1,623,765
Over five years	176,550	183,953
	2,903,108	2,987,483

## 34 NET DEBT RECONCILIATION

	Other assets		Liabilities from financing activities		Total RMB'000
	Cash and cash equivalents	Short term deposits	Borrowings- repayable within one year	Borrowings- repayable after one year	
	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Other assets, net as at</b>					
<b>1 January 2017</b>	1,180,828	22,400	(1,503,357)	(10,421,629)	(10,721,758)
Cash flows	123,076	4,302	—	—	127,378
Proceeds from new bank borrowings	—	—	—	(3,777,732)	(3,777,732)
Repayment of bank borrowings	—	—	1,543,257	907,238	2,450,495
Other non-cash movements	—	—	(4,448,374)	4,969,824	521,450
<b>Net debt as at 31 December 2017</b>	<b>1,303,904</b>	<b>26,702</b>	<b>(4,408,474)</b>	<b>(8,322,299)</b>	<b>(11,400,167)</b>

# PERFORMANCE TABLE

AS AT 31 DECEMBER 2017

	2017	2016	2015	2014	2013
Net assets attributable to unitholders (RMB)	<b>14,321,384,000</b>	13,534,400,000	13,400,472,000	13,141,954,000	12,669,468,000
Net asset attributable to unitholders per unit (including net assets attributable to deferred unitholder) (RMB)	<b>4.75</b>	4.63	4.74	4.69	4.58
(Equivalent to HK\$)	<b>5.68</b>	5.18	5.66	5.95	5.83
The highest premium of the traded price to net asset value (HK\$)	<b>N/A</b>	N/A	N/A	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	<b>1.60<sup>(i)</sup></b>	1.36 <sup>(i)</sup>	1.79	2.36	2.15
Net yield per unit	<b>9.57%<sup>(ii)</sup></b>	6.83% <sup>(ii)</sup>	7.68%	10.76%	6.39%
Number of units in issue (units)	<b>3,014,285,896</b>	2,921,780,484	2,828,887,374	2,799,795,685	2,766,698,330

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.30 (2016: HK\$5.16) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2017. The highest discount is calculated based on the lowest traded price of HK\$4.08 (2016: HK\$3.82) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2017.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2017 over the closing price of HK\$5.12 (2016: HK\$4.09) as at 31 December 2017.

## 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				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
<b>Results</b>					
Profit after tax before transactions with Unitholders	1,437,095	712,144	740,683	927,967	524,067

	As at 31 December				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
<b>Assets and Liabilities</b>					
Total assets	35,335,724	30,621,275	29,335,052	25,362,604	24,549,540
Total Liabilities, other than net assets attributable to Unitholders	19,926,920	16,986,891	15,841,936	12,133,950	11,796,772
Net assets attributable to Unitholders	14,321,384	13,534,400	13,400,472	13,141,954	12,669,468

# CORPORATE AND INVESTOR RELATIONS INFORMATION

## BOARD OF DIRECTORS OF THE MANAGER

### EXECUTIVE DIRECTORS

Mr. Lin Deliang  
Mr. Cheng Jiuzhou

### NON-EXECUTIVE DIRECTOR

Mr. Lin Zhaoyuan  
Mr. Li Feng

## INDEPENDENT NON-EXECUTIVE DIRECTORS & AUDIT COMMITTEE MEMBERS

Mr. Chan Chi On, Derek  
Mr. Chan Chi Fai, Brian  
Mr. Cheung Yuk Tong  
Mr. Chen Xiaou

## RESPONSIBLE OFFICERS OF THE MANAGER

Mr. Lin Deliang  
Mr. Cheng Jiuzhou  
Mr. Kwan Chi Fai

## COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

## CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr. Kwan Chi Fai

## TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

## AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers  
Certified Public Accountants

**PRINCIPAL VALUER**

Savills Valuation and Professional Services Limited

**HONG KONG LEGAL ADVISER**

Baker & McKenzie

**PRINCIPAL BANKERS OF YUEXIU REIT**

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

**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:

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# 越秀房地產投資信託基金

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Manager



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