

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

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



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

(Stock code: 00405)

Managed by



**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (“Board”) of Yuexiu REIT Asset Management Limited (“Manager”) is pleased to announce the audited consolidated results of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) and its subsidiaries for the year ended 31 December 2020 (“Reporting Year”) together with comparative figures for the corresponding period in 2019 as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2020 together with comparative figures for the corresponding period in 2019:

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

| | Financial Year ended 31 December 2020 | Financial Year ended 31 December 2019 | Increase/ (decrease) |
|---|--|--|---------------------------------|
| Gross income (Note a) | 1,758,732,000 | 2,058,112,000 | (14.5)% |
| Net property income | 1,322,644,000 | 1,494,740,000 | (11.5)% |
| Profit after tax | 587,121,000 | 940,408,000 | (37.6)% |
| Earnings per Unit - Basic | 0.18 | 0.28 | (35.7)% |
| Portfolio valuation | 34,488,000,000 | 34,961,000,000 | (1.4)% |
| Net assets attributable to Unitholders per Unit | 4.42 | 4.55 | (2.8)% |
| Net assets attributable to Unitholders per Unit - Equivalent to HK\$ | 5.25 | 5.08 | 3.3% |
| Units issued (units) | 3,303,113,665 | 3,205,856,551 | 3.0% |
| Total borrowings as a percentage of gross assets (Note b) | 38.6% | 39.1% | (0.5) percentage point |
| Gross liabilities as a percentage of gross assets (Note c) | 56.5% | 56.6% | (0.1) percentage point |
| Distribution | | | |
| Total distribution (including additional items) | 648,697,000 | 761,240,000 | (14.8)% |
| Distribution per Unit (HK\$) | 0.2293 | 0.2712 | (15.4)% |

Note a: The revenue of Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces was recorded since 20 November 2019.

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

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

DISTRIBUTION

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

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2020 to 31 December 2020 ("2020 Final Period") will be approximately RMB0.0999 which is equivalent to HK\$0.1199 (2019: RMB0.1051 which is equivalent to HK\$0.1172) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Managers fees) prior to the record date for the 2020 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2020 Final Period.

The final distribution for the 2020 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2020 to 30 June 2020 ("2020 Interim Period") being approximately RMB0.0986 which is equivalent to HK\$0.1094 (2019: RMB0.1355 which is equivalent to HK\$0.1540) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.1985 which is equivalent to HK\$0.2293 (2019: approximately RMB0.2406 (which is equivalent to HK\$0.2712)).

The total distribution amount for the Reporting Year, being RMB648,697,000 (2019: RMB761,240,000), includes an amount of approximately RMB194,000,000 (2019: RMB194,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB616,697,000) plus a further distribution of approximately

RMB32,000,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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 15 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\$0.2293 (2019: HK\$0.2712), of which approximately HK\$0.0686 (2019: HK\$0.0439) is attributable to capital items, represents a yield of approximately 6.07% (2019: 5.14%) per Unit based on the closing price of HK\$3.78 per Unit as at 31 December 2020 (2019: HK\$5.28).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 16 April 2021. The register of Unitholders will be closed from 16 April 2021 to 19 April 2021, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 15 April 2021. The final distribution will be paid on 26 May 2021 to the Unitholders whose names appear on the register of Unitholders on 16 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

STABLE RECOVERY IN OPERATING RESULTS

The year 2020 is a very extraordinary year in which China is the only major economy in the world which recorded a positive growth amid adversities. The year 2020 also marked the 15th anniversary of the listing of Yuexiu REIT and saw both challenges and opportunities. By successfully overcoming the adverse impact at the onset of the outbreak of COVID-19 pandemic and leveraging on its excellent operating capacity and good underlying assets, the Manager delivered a highly commendable results to the unitholders with stable recovery in operating results, maintaining high occupancy rate of office projects, demonstrating strong operating resilience and vitality of Yuexiu REIT.

In respect of office buildings, the Manager spared no efforts in fighting the pandemic and launched the enterprise care initiatives and contract restructuring, with an aim to stabilize the operating confidence of premium tenants. The Manager took proactive measures to continue with the structural adjustment of customer base and brought in a number of Fortune 500 companies and industry-leading enterprises. Through innovation, renovation and tenant acquisition in an active and independent manner, preliminary results were achieved in the development of industrial customers. Taking advantage of the “YueXiangHui” (悦享會) platform, it was committed to create a building ecosphere to link up industrial resources and enhance the asset value of office buildings. In addition, the Manager also made value portrait for each element throughout the lifecycle of customer acquisition to optimize management and control mode for office building projects with timely adjustment to operating strategy.

In terms of retail properties, the Manager formulated strategies in offering operation assistance from time to time after the outbreak of the pandemic, built the all-scene marketing channels with the use of online and offline platforms and launched a number of brand activities to stimulate consumption, which has contributed to the stable resumption in operation of its tenants. By utilizing such opportunity, it also pushed forward optimization and adjustment of tenants. For new-coming brands and commission-based tenants, the Manager offered ongoing

assistance in directing flow and promotion, which has contributed to the overall improvement in operation. It also made operation of private traffic by circles and conducted marketing activities under the “YUE”(悦) brand to drive monetization of traffic and increase the offline consumption contribution.

In terms of specialized apparel market, the Manager timely launched assistance measures such as ten enterprise-care policies which effectively stabilized the project operation. Adhering to the positioning of middle to high-end original brand, it successfully created the “Heart of Fashion” (時尚之芯) of White Horse Building and introduced a number of quality brands, which continued to strengthen its image as the industry benchmark. Meanwhile, by making use of community marketing and live-broadcasting platforms to facilitate connection between purchaser and the tenant, it greatly enhanced operation capability of the tenants.

In terms of the hotels and serviced apartment, by grasping the opportunity of market recovery in the post-pandemic period, the Manager adopted precise operating strategies and achieved a rapid enhancement in operation. During the outbreak of the pandemic, the Manager implemented effective cost control, which laid down a solid foundation for the subsequent stable recovery in operation. In particular, the RevPAR index of Four Seasons Hotel Guangzhou maintained its leading position, making the hotel continue to be the industry benchmark, while Ascott Serviced Apartment maintained a high-level operation which fully played its role as a stabilizer in this segment.

PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2020, Yuexiu REIT’s portfolio of properties consisted of eight properties, namely, White Horse Building Units (“White Horse Building”), Fortune Plaza Units and certain Carpark Spaces (“Fortune Plaza”), City Development Plaza Units and certain Carpark Spaces (“City Development Plaza”), Victory Plaza Units (“Victory Plaza”), Guangzhou International Finance Center (“GZIFC”), which are located in Guangzhou; Yue Xiu Tower (“Yue Xiu Tower”), which is located in Shanghai; Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces (“Wuhan Properties”), which are located in Wuhan; as well as Hangzhou Victory Business Center Units and certain Carpark Spaces (“Hangzhou Victory”), which are located in Hangzhou. The aggregate area of ownership of the properties was approximately 973,001.4 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding 1,408.3 sq.m. of parking space

of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Tower) accounted for 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.

PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

| Property | Type | Location | Year of Completion | Area of Ownership | Total | Property | Number of Lease ⁽¹⁾ | Unit Rent ⁽¹⁾ (RMB/ sq.m./month) |
|------------------------|---------------------------|-------------------------------|--------------------|-------------------------|--------------------------|-------------------------------|--------------------------------|---|
| | | | | | Rentable Area | Occupancy Rate ⁽¹⁾ | | |
| | | | | (sq.m.) | (sq.m.) | | | |
| White Horse Building | Wholesale mall | Yuexiu District, Guangzhou | 1990 | 50,199.3 | 50,128.9 | 94.0% | 864 | 535.4 |
| Fortune Plaza | Grade A office | Tianhe District, Guangzhou | 2003 | 42,763.5 | 41,355.2 ⁽²⁾ | 97.3% | 72 | 153.8 |
| City Development Plaza | Grade A office | Tianhe District, Guangzhou | 1997 | 44,501.7 | 42,397.4 ⁽³⁾ | 96.7% | 79 | 141.8 |
| Victory Plaza | Retail shopping mall | Tianhe District, Guangzhou | 2003 | 27,698.1 | 27,262.3 | 98.7% | 28 | 290.5 |
| GZIFC | Commercial complex | Tianhe District, Guangzhou | 2010 | 457,356.8 | 230,266.9 | 92.2% | 277 | 219.3 |
| Including: | Grade A office | | | 267,804.4 | 183,539.6 ⁽⁴⁾ | 90.9% | 224 | 237.8 |
| | Retail shopping mall | | | 46,989.2 | 46,727.3 | 97.3% | 53 | 151.5 |
| | Hotel | | | 91,460.9 ⁽⁵⁾ | N/A | N/A | N/A | N/A |
| | Serviced apartment | | | 51,102.3 | N/A | N/A | N/A | N/A |
| Yue Xiu Tower | Commercial complex | Pudong New District, Shanghai | 2010 | 62,139.4 | 46,026.3 ⁽⁶⁾ | 92.6% | 112 | 252.6 |
| Wuhan Properties | Commercial complex | Qiaokou District, Wuhan | | 248,194.2 | 172,993.3 | 89.9% | 262 | 85.6 |
| Including: | Grade A office | | 2016 | 139,937.1 | 129,446.7 ⁽⁷⁾ | 87.1% | 160 | 96.3 |
| | Retail shopping mall | | 2015 | 45,471.4 | 43,546.6 ⁽⁸⁾ | 98.2% | 102 | 57.3 |
| | Commercial parking space | | 2015-2016 | 47,182.9 | N/A | N/A | N/A | N/A |
| | Residential parking space | | 2014-2016 | 15,602.8 | N/A | N/A | N/A | N/A |
| Hangzhou Victory | Grade A office | Jiangan District, Hangzhou | 2017 | 40,148.4 | 22,484.8 ⁽⁹⁾ | 95.9% | 29 | 119.6 |
| Total | | | | 973,001.4 | 632,915.1 | 92.8% | 1,723 | 201.4 |

Notes:

- (1) As at 31 December 2020;
- (2) Excluding 1,408.3 sq.m. of parking space area;
- (3) Excluding 2,104.3 sq.m. of parking space area;
- (4) Excluding 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area;
- (5) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor area;
- (6) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (8) Excluding 1,924.8 sq.m. of common facilities area;
- (9) Excluding 17,663.6 sq.m. of parking space area.

SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

| Rental Property | Area of Ownership (sq.m.) | Rentable Area (sq.m.) | Occupancy Rate ⁽¹⁾ | Percentage point increase/ (decrease) as compared to the same period in 2019 | Unit Rent (VAT exclusive) ⁽¹⁾ (RMB/sq.m./month) | Percentage increase/ (decrease) as compared to the same period in 2019 | Operating Income ⁽²⁾ (RMB'000) |
|-----------------|------------------------------|--------------------------|-------------------------------|--|---|--|--|
| | | | | | | | |
| Office | 660,080.2 | 465,250.1 ⁽³⁾ | 91.3% | 1.1 | 178.5 | (2.8)% | 934,975 |
| Retail | 120,158.7 | 117,536.1 ⁽⁴⁾ | 98.0% | (0.6) | 149.0 | 2.9% | 172,404 |
| Wholesale | 50,199.3 | 50,128.9 ⁽⁵⁾ | 94.0% | (6.0) | 535.4 | (15.3)% | 287,775 |

Notes:

- (1) As at 31 December 2020;
- (2) For the year ended 31 December 2020;

- (3) Excluding 1,408.3 sq.m. of parking space area of Fortune Plaza; 2,104.3 sq.m. of parking space area of City Development Plaza; 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor) of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Forture Centre, and 17,663.6 sq.m. of parking space area of Hangzhou Victory;
- (4) Excluding 435.9 sq.m. of other ancillary facilities area of Victory Plaza, 261.9 sq.m. of other ancillary facilities area of GZIFC Shopping Mall and 1,924.8 sq.m. of other ancillary facilities area of Wuhan Starry Victoria Shopping Centre;
- (5) Excluding 70.4 sq.m. of other ancillary facilities area of White Horse Building.

| Operational Property | Type | Commencement of Operation | Area of Ownership (sq.m.) | No. of Units (units) | Average | Average | RevPAR ⁽¹⁾ (RMB: yuan) |
|------------------------------------|---------------------------------|------------------------------|---------------------------------|-------------------------|----------------------------------|--|--------------------------------------|
| | | | | | Occupancy Rate ⁽¹⁾ | Daily Rate ⁽¹⁾ (RMB: yuan) | |
| Four Seasons Hotel Guangzhou | Five star hotel | August 2012 | 91,460.9 | 344 | 57.3% | 1,769 | 1,013 |
| Ascott Serviced Apartment GZIFC | High-end serviced apartments | September 2012 | 51,102.3 | 314 | 82.2% | 979 | 804 |

Notes:

- (1) From 1 January 2020 to 31 December 2020;

In December 2020, daily rate, occupancy rate and RevPAR at Four Seasons Hotel was RMB1,930, 83.3% and RMB1,608 respectively, while daily rate, occupancy rate and RevPAR at Ascott Serviced Apartments GZIFC was RMB936, 90.8% and RMB850 respectively.

During the second half of 2020, the average occupancy rate of Four seasons Hotel and Ascott Serviced Apartments is 80.1% and 86.7%, respectively.

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

PROPERTY VALUATION

On 31 December 2020, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Colliers International (Hong Kong) Limited, an independent professional valuer, and the revalued market value was approximately RMB34.488 billion.

The following table summarizes the valuation of each of the Properties as at 31 December 2020 and 31 December 2019:

| Name of Property | Valuation as at 31 December 2020 RMB million | Valuation as at 31 December 2019 RMB million | Increase/ (decrease) % |
|------------------------|--|--|------------------------------|
| White Horse Building | 5,089 | 5,165 | (1.5)% |
| Fortune Plaza | 1,251 | 1,266 | (1.2)% |
| City Development Plaza | 1,051 | 1,049 | 0.2% |
| Victory Plaza | 951 | 961 | (1.0)% |
| GZIFC | 18,774 | 18,940 | (0.9)% |
| Yue Xiu Tower | 3,086 | 3,210 | (3.9)% |
| Wuhan Properties | 3,674 | 3,761 | (2.3)% |
| Hangzhou Victory | 612 | 609 | 0.5% |
| Total | 34,488 | 34,961 | (1.4)% |

Change in Property Valuation Methodology

As disclosed in Yuexiu REIT’s interim report 2020, Yuexiu REIT has been using two valuation methodologies – income capitalisation method (the “**Income Cap Method**”) and discounted cash flow analysis (the “**DCF Analysis**”), cross-referenced to the Market Approach (these two methodologies are hereinafter referred to as the “**Previous Methodology**”) – for Yuexiu REIT’s property valuation for interim and annual reports since Yuexiu REIT’s initial public offering in 2005. Yuexiu REIT has changed from using two valuation methodologies to one valuation methodology by using Income Cap Method only (cross-referenced to the Market Approach) (the “**New Methodology**”) for valuing Yuexiu REIT’s properties (save for the hotel and serviced apartments of GZIFC which will continue to be valued using DCF Analysis (cross-referenced to the Market Approach)) for interim and annual reports starting from the annual report for the financial year ended 31 December 2020.

The use of the Income Cap Method (cross-referenced to the Market Approach) is in line with market practice for property valuation of income-producing commercial assets which are the main asset class of Yuexiu REIT. Income Cap Method has been widely acceptable and well understood in the property market and investment market as a single valuation method by analysts, valuers, and property investors. Compared with DCF Analysis, Income Cap Method involves less hypothetical assumptions. Key elements used in the Income Cap Method, such as market rent and capitalisation rate, are derived from live transactions and current market data. It is also in the interest of Unitholders as comparison with other H-REITs is more straightforward on a like-for-like basis. No prior-year adjustment or re-statement to previous financial year financial statements is required. It is noted that the variances between the valuations prepared under Previous Methodology and New Methodology on a 10-year horizon ranges from -0.2% to 0.7%, with an average of 0.3%. Based on the above, the change in valuation methodology is not expected to have a material impact on the financial statements of Yuexiu REIT. The proposed change of valuation methodology is compliant with Yuexiu REIT's Trust Deed and Compliance Manual. Based on and in sole reliance of the confirmation of the Principal Valuer and the information provided by the Manager, having taken into account its duties under the Trust Deed and the REIT Code, the Trustee has no objection to the change in valuation methodology in Yuexiu REIT's property valuation reports for its annual reports as described above.

LEASE EXPIRY OF THE PROPERTIES

In the next five years and beyond, in respect of the rental area, ratios of lease expiry of Yuexiu REIT Properties each year will be 30.4%, 22.8%, 20.5%, 7.4% and 18.9% respectively. In respect of basic monthly rental, ratios of lease expiry each year will be 33.3%, 24.4%, 23.2%, 6.0% and 13.1% respectively.

Yuexiu REIT Properties

| Year | Percentage of rental area | Percentage of total basic monthly rental |
|-------------------|--------------------------------------|---|
| FY2021 | 30.4% | 33.3% |
| FY2022 | 22.8% | 24.4% |
| FY2023 | 20.5% | 23.2% |
| FY2024 | 7.4% | 6.0% |
| FY2025 and beyond | 18.9% | 13.1% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

White Horse Building

| Year | Percentage of rental area | Percentage of total basic monthly rental |
|-------------------|--------------------------------------|---|
| FY2021 | 27.4% | 24.5% |
| FY2022 | 33.6% | 31.2% |
| FY2023 | 37.5% | 43.2% |
| FY2024 | 1.5% | 1.1% |
| FY2025 and beyond | 0.0% | 0.0% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

Fortune Plaza

| Year | Percentage of rental area | Percentage of total basic monthly rental |
|-------------------|--------------------------------------|---|
| FY2021 | 8.3% | 9.1% |
| FY2022 | 35.7% | 30.5% |
| FY2023 | 11.5% | 15.0% |
| FY2024 | 25.4% | 24.9% |
| FY2025 and beyond | 19.1% | 20.5% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

City Development Plaza

| Year | Percentage of rental area | Percentage of total basic monthly rental |
|-------------------|--------------------------------------|---|
| FY2021 | 53.1% | 47.7% |
| FY2022 | 23.5% | 25.1% |
| FY2023 | 12.9% | 16.4% |
| FY2024 | 1.1% | 1.3% |
| FY2025 and beyond | 9.4% | 9.5% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

Victory Plaza

| Year | Percentage | |
|-------------------|----------------------------------|--------------------------------------|
| | Percentage of rental area | of total basic monthly rental |
| FY2021 | 2.9% | 13.5% |
| FY2022 | 0.8% | 3.5% |
| FY2023 | 41.7% | 14.3% |
| FY2024 | 10.2% | 11.3% |
| FY2025 and beyond | 44.4% | 57.4% |
| Total | 100.0% | 100.0% |

GZIFC

| Year | Office | | Retail shopping mall | |
|-------------------|----------------------------------|---|----------------------------------|---|
| | Percentage of rental area | Percentage of total basic monthly rental | Percentage of rental area | Percentage of total basic monthly rental |
| FY2021 | 44.9% | 49.0% | 17.7% | 18.3% |
| FY2022 | 24.2% | 22.3% | 9.1% | 7.1% |
| FY2023 | 16.7% | 16.1% | 5.9% | 5.6% |
| FY2024 | 7.4% | 6.3% | 1.2% | 2.5% |
| FY2025 and beyond | 6.8% | 6.3% | 66.1% | 66.5% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

Yue Xiu Tower

| Year | Percentage | |
|-------------------|---------------------------|-------------------------------|
| | Percentage of rental area | of total basic monthly rental |
| FY2021 | 25.7% | 29.0% |
| FY2022 | 34.9% | 37.7% |
| FY2023 | 25.4% | 23.6% |
| FY2024 | 7.9% | 7.6% |
| FY2025 and beyond | 6.1% | 2.1% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

Wuhan Properties

| Year | Office | | Retail shopping mall | |
|-------------------|---------------------------|--|---------------------------|--|
| | Percentage of rental area | Percentage of total basic monthly rental | Percentage of rental area | Percentage of total basic monthly rental |
| FY2021 | 31.5% | 31.7% | 15.4% | 27.7% |
| FY2022 | 20.2% | 22.2% | 19.2% | 21.3% |
| FY2023 | 21.7% | 21.5% | 25.2% | 25.6% |
| FY2024 | 4.5% | 5.1% | 5.7% | 3.7% |
| FY2025 and beyond | 22.1% | 19.5% | 34.5% | 21.7% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Hangzhou Victory

| Year | Percentage | |
|-------------------|---------------------------|-------------------------------|
| | Percentage of rental area | of total basic monthly rental |
| FY2021 | 23.9% | 27.2% |
| FY2022 | 15.9% | 17.2% |
| FY2023 | 21.6% | 20.1% |
| FY2024 | 23.4% | 21.1% |
| FY2025 and beyond | 15.2% | 14.4% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

REVENUE REMAINED BASICALLY FLAT

In 2020, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,758,732,000, representing a decrease of 14.5% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory accounted for approximately 16.4%, 4.2%, 4.0%, 3.8%, 52.9%, 6.7%, 10.2% and 1.8% respectively of the total revenue.

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

| Name of Property | Revenue | Revenue | Increase/ (Decrease) | |
|---------------------------------------|------------------------|------------------------|------------------------------------|------------------------------|
| | in 2020 RMB million | in 2019 RMB million | Compared to 2019 RMB million | Increase/ (Decrease) % |
| White Horse Building | 287.8 | 372.7 | (84.9) | (22.8)% |
| Fortune Plaza ⁽¹⁾ | 73.4 | 75.2 | (1.8) | (2.4)% |
| City Development Plaza ⁽¹⁾ | 69.7 | 66.4 | 3.3 | 5.0% |
| Victory Plaza | 67.2 | 76.6 | (9.4) | (12.3)% |
| GZIFC | | | | |
| Office | 487.3 | 495.4 | (8.1) | (1.6)% |
| Retail shopping mall | 79.8 | 85.1 | (5.3) | (6.2)% |
| Hotel | 267.4 | 435.6 | (168.2) | (38.6)% |
| Serviced apartment | 96.2 | 116.9 | (20.7) | (17.7)% |
| Yue Xiu Tower | 118.1 | 132.5 | (14.4) | (10.9)% |
| Sub-total of the maturity properties | 1,546.9 | 1,856.4 | (309.5) | (16.7)% |
| Wuhan Properties | 179.3 | 169.7 | 9.6 | 5.7% |
| Hangzhou Victory | 32.5 | 32.0 | 0.5 | 1.6% |
| Sub-total of the growth properties | 211.8 | 201.7 | 10.1 | 5.0% |
| Total | 1,758.7 | 2,058.1 | (299.4) | (14.5)% |

Note:

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019.

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

| Name of Property | Net Property | Net Property | Increase/ (Decrease) | |
|---------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | Income in 2020 | Income in 2019 | Compared to | Increase/ (Decrease) |
| | RMB million | RMB million | 2019 | (Decrease) % |
| | | | RMB million | |
| White Horse Building | 249.5 | 313.9 | (64.4) | (20.5)% |
| Fortune Plaza ⁽¹⁾ | 63.5 | 62.5 | 1.0 | 1.6% |
| City Development Plaza ⁽¹⁾ | 60.1 | 55.2 | 4.9 | 8.9% |
| Victory Plaza | 57.6 | 63.8 | (6.2) | (9.7)% |
| GZIFC | | | | |
| Office | 424.0 | 415.4 | 8.6 | 2.1% |
| Retail shopping mall | 71.1 | 72.5 | (1.4) | (1.9)% |
| Hotel | 45.3 | 144.5 | (99.2) | (68.7)% |
| Serviced apartment | 57.4 | 72.8 | (15.4) | (21.2)% |
| Yue Xiu Tower | 108.3 | 122.1 | (13.8) | (11.3)% |
| Sub-total of the maturity properties | <u>1,136.8</u> | <u>1,322.7</u> | <u>(185.9)</u> | <u>(14.1)%</u> |
| Wuhan Properties | 159.2 | 145.6 | 13.6 | 9.3% |
| Hangzhou Victory | 26.6 | 26.4 | 0.2 | 0.8% |
| Sub-total of the growth properties | <u>185.8</u> | <u>172.0</u> | <u>13.8</u> | <u>8.0%</u> |
| Total | <u><u>1,322.6</u></u> | <u><u>1,494.7</u></u> | <u><u>(172.1)</u></u> | <u><u>(11.5)%</u></u> |

Note:

- (1) Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces were acquired on 19 November 2019.

GZIFC - SUCCESSFUL TENANT ACQUISITION FOR OFFICE BUILDINGS UNDER UNDESIRABLE MARKET CONDITIONS, ACCELERATED RECOVERY IN SHOPPING MALL OPERATION

Due to the impact of COVID-19 pandemic, rental demand for Grade A offices shrank conspicuously and the ability of tenants to afford high rentals diminished, which led to an ongoing high risk of lease termination and a not strong willingness in tenants to expand their leased area. In response to the pressure induced by a substantial tenancy termination of up to 43,000 sq.m. for the year, GZIFC's office operation team made flexible adjustments in business solicitation strategies to acquire tenants, endeavored to build up a reputation for its effective property management service in pandemic prevention to increase tenants' viscosity and actively explored the demand of existing tenants to expand their office area. Meanwhile, it made targeted effort in tenant acquisition from various industries through enhancing cooperation with the Foreign Affairs Office, the CBD Administrative Committee and renowned foreign consultancy firms to acquire quality tenants via multiple channels, which effectively mitigated the vacancy pressure from tenancy termination and ensured a long-term and stable existing tenant base. During 2020, GZIFC successfully brought in certain renowned enterprises such as CCB Fintech, Hyundai Insurance and Mango TV, and the unit rent as at the end of 2020 of GZIFC maintained a 29% premium over comparable market rental level, among which, the unit rental price of renewed leases increased by 6.3% year on year.

During the outbreak of COVID-19 pandemic, GZIFC shopping mall focused on monitoring the operating costs of its commercial tenants, adopted a pre-warning system in risk assessment, and fully endeavored to acquire new tenants and build up tenant reserve, aiming at further optimizing the tenant structure. In particular, it successfully achieved the seamless connection between NIO Automobile and NETA Automobile, and brought in new brands such as ChangLai and YingDao, with a rise of over 10% in unit rental as compared with that of the former tenants. During the post-pandemic period, GZIFC conducted intensive themed activities and introduction of differentiated commercial resources to vigorously facilitate customer flow recovery and boost operating income. As a result, the customer flow in 2020 rebounded to nearly 80% of that in the previous year. Through establishing an online smart retail platform and four major intelligent analysis platforms, GZIFC shopping mall enhanced the level of refined operation and efficiency of projects, and secured a stable operation of the shopping mall as a whole during the pandemic period. The sales amount in 2020 restored to over 80% of that in the same period of last year.

Hotel and serviced apartment were the two sectors that were the most impacted by COVID-19 pandemic. In this context, various measures were taken to control cost, explore customer sources and optimize catering, with an aim to speed up operation recovery and enhance performance. As a result, in 2020, Four Seasons Hotel Guangzhou recorded an average annual occupancy rate which was 2.4 percentage points higher than its competitors, and an average daily room rate 40% higher than that of the peers, while the RevPAR index of the hotel reached 145.9 in 2020, with an occupancy rate of 83.3%, and an average daily room rate of RMB1,930 recorded by the Four Seasons Hotel Guangzhou in December 2020. Four Seasons Hotel Guangzhou was awarded, for six consecutive years, “Forbes Travel Guide 2020 Five-star Hotel Award” by Forbes Travel Guide.

Ascott Serviced Apartment GZIFC demonstrated a strong risk resistance capacity during the pandemic, and adopted the operation strategies targeted to stabilize long-term tenants and increase short-term tenants throughout the year. The occupancy rate of apartment was 82.2%, 13 percentage points higher than its competitors. The average room rent stood at RMB979, approximately 44.7% higher than its competitors. The RevPAR index hit a record high of 171.8. Ascott Serviced Apartment ranked first both in operating revenue and GOP in Ascott China since 2016.

WUHAN PROPERTIES - CREATING EFFICACY AND STABILIZING OPERATION AGAINST THE PANDEMIC AND DIFFICULTIES

Yuexiu Fortune Center, located in the hardest hit pandemic district, successfully overcame the pandemic difficulties through strengthened business solicitation and tenants acquisition, reinforced online marketing, quick response to customers’ needs, proactive adjustments made for risky tenants, overcame the predicaments in the post-pandemic period, achieved newly contracted area of 41,000 s.q.m. in 2020, and successfully brought in tenants such as China Resources Snow Breweries and Taikang Life Insurance, both being in the Fortune Global 500 enterprises, as well as ten other leading industry enterprises. The occupancy rate in 2020 increased by 12 percentage points to a record high of 87.1%, making Yue Xiu Fortune Center on the first league in Wuhan. Meanwhile, it also explored deeply the expansion demand of existing tenants, reasonably allocated vacant rental spaces and quickly responded to customers’ needs. The tenant structure was further optimized by making active adjustment for the existing risky tenants. The unit rental price of renewed leases over the year is 6.7%

higher than that in 2019. In recognition of its quality property service, as well as the specialty and innovation capacity in engineering environmental protection, Yuexiu Fortune Centre was awarded the Royal Institution of Chartered Surveyors (RICS) China Summit 2020 Business Project of the Year Entry Prize.

Starry Victoria Shopping Centre adopted a strengthened and sound operation risk-warning mechanism to enhance the risk resistance capability of its commercial tenants. In respect of 49 premium tenants, it proposed differentiated lease restructuring schemes to fortify tenants with confidence in their operation. Leases renewal management was effectively undertaken and the unit price of renewed leases was 24.9% higher than that in 2019. Taking into account the consumer vouchers issued by the government and the actual operation of the tenants, it offered targeted assistance with an aim to unleash the rental value of principal tenants. It also optimized the business environment to protect the healthy operation of tenants. During the year, eight additional categories including new energy vehicles were introduced. Through a sustained structural optimization in products operation, the second floor in Mall B attained a year-on-year increase of 41% in operating results and a 163% year-on-year increase in sales amount of new brands, making the shopping mall increasingly attractive to customers. With regard to marketing and promotion, it fully managed the online and offline activities to promote sales of tenants, and the sales amount at year end restored to 97.3%.

WHITE HORSE BUILDING - OPTIMIZING POSITIONING AND STRENGTHENING TENANT ACQUISITION, SPEED-UP TRANSFORMATION AND UPGRADING

Due to the impact of the pandemic, the specialized apparel market in Guangzhou underwent a sluggish recovery, accompanied with an increasing market instability and a higher risk of customer loss. Facing such pressure, the management team of White Horse Building became an exemplar in taking the lead in restoring operation in this business district, which effectively mitigated the risk in upholding and safeguarding public stability. Through exertion of great effort in both online and offline community marketing, the members of merchandisers increased by 47,000, representing a year-on-year increase of 103%. It also precisely approached 534 brands and recorded a recovery of customer flow higher than the market average. In addition, it actively explored customer resources and made vigorous efforts in acquiring potential tenants and transformation of premium brands, which accumulated a reserve of 981 potential tenants, among them, a number of strong brands became the tenants

of White Horse Building. As a result, at the end of 2020, it recorded an occupancy rate of 94% which was higher than the market average and a unit rental price of RMB535 per sq.m., which continued to rank first in this business district. In respect of tenants retention, it implemented differentiated leasing policies to support tenants' operation, and effectively stabilized the key premium tenants. In respect of optimization of tenant mix, it smoothly carried out the optimization and adjustment in lease renewals on the sixth floor and strategic lease extension on the second floor, which led to an optimization in brands on the sixth floor by phasing out the brands not in line with the floor positioning, ensured a stable operation and laid down a good foundation for future optimization of tenant mix. Through active effort in enhancing the floor image, White Horse Building successfully created a new positioning for the first floor as the "Heart of Fashion" (時尚之芯), sped up the external tenant acquisition, introduced a number of premium brands and by way of elevation in both product and image, effectively enhanced the image and competitiveness of White Horse Building.

YUE XIU TOWER - ENHANCING TENANTS' CONVERSION RATE THROUGH MULTI-CHANNELS, EFFECTIVELY SHORTENING VACANCY PERIOD

Shanghai office leasing market continued its downward trend, with a continued rise in vacancy rate and a fall in rental rate in Small Lujiazui Area and Zhuyuan Area. In this context, Yue Xiu Tower attempted to ensure good operation and stabilize occupancy rate through enhancement in four aspects including channel, product, price and property management, the occupancy rate climbed from 81.1%, the lowest point during the pandemic, to 92.6%, continuing to lead in Zhuyuan Area. As for channel, it strengthened interaction with intermediaries and adopted a progressive commission policy to facilitate recurring deals. As for product, it elevated the delivery standard according to customers' need and offered tailor-made renovated units to speed up the deals. As for price of rental, it implemented flexible leasing strategies for well-established and influential potential tenants and existing renewing tenants where rental would be adjusted in response to changes in rental of competing products. As for property management, it continued to enhance the service quality to increase customers' viscosity and recognition of the building.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA - ACTIVELY INTRODUCING PREMIUM CUSTOMERS, ELIMINATING OPERATION RISK OF THE COMMERCIAL COMPLEX

Fortune Plaza successfully introduced premium customers with high net worth such as Guangdong Nanyue Bank and China Guangfa Bank, and the newly contracted area for the year was over 10,000 sq.m.. In addition, it also conducted proactive screening for existing risky customers, aimed at striving for new opportunities for a better position in acquiring future tenants and building up the customer reserve. City Development Plaza successfully introduced well-known enterprises as its tenants such as Covance, Spectris and China Audit Asia Pacific CPA, which rapidly filled up the vacant area. Furthermore, it also completed the lease renewal of approximately 8,000 sq.m. for a visa centre on its podium, thus stabilizing the occupancy rate of the building. The unit rental price of renewed leases of these two projects achieved 5% and 9.5% increase, respectively.

VICTORY PLAZA - INCREASING RENT WHILE OPTIMIZING BRANDS, BOOSTING SALES OF CORE TENANTS

The Victory management team conducted a quick survey on post-epidemic consumption and brand expansion needs, formulated timely adjustment strategies and measures, and precisely and efficiently attracted targeted potential tenants. Victory Plaza introduced a number of top brands of diverse business formats, so as to achieve the enrichment of business formats and the optimization of brands on the first two floors, as well as the re-positioning and brand promotion of the food & beverage outlets on the fifth and sixth floor in the mall. A total of approximately 7,000 sq.m. of newly contracted area was accomplished during the year, and the renewal rent for expiring area increased by approximately 4%. In terms of supporting core tenants, the Victory management team implemented joint marketing effort for the three principal tenants: Uniqlo, GU, McDonald's, which effectively boosted the sales performance of these tenants. By the end of 2020, customer flow and sales of Uniqlo exceeded the level of the corresponding period in 2019, reaching a new high performance in a single month since its opening. In 2020, Victory Plaza was awarded the "2nd China Commercial Property Planning Festival and the 3rd Golden Light Awards Ceremony" (第二屆中國商業地產企劃節暨第三屆金燈獎頒獎盛典), and was further awarded "Golden Light Award - Excellent Mall Ambiance Award" (金燈獎·卓越場景獎) for three successive years, continuing to receive industry recognition and acknowledgement.

HANGZHOU VICTORY - INTRODUCING COMPETENT CLIENTS, ENHANCING RESILIENCE IN OPERATION AND DEVELOPMENT

Hangzhou Victory made great effort in expanding its customer resources. Through utilizing the favorable opportunity arising from the presence of Hangzhou Customs as its significant tenant, it also rapidly renewed the lease with Qiantang Wisevalley, its first anchor tenant, and successfully introduced two Fortune 500 companies, China Railway Construction and China Communications Water Conservancy, and a number of high-quality enterprises. The newly signed and renewed lease area was approximately 9,000 square meters for the year, and retained multiple core tenants of the building. At the same time, Hangzhou Victory actively revitalized the vacant space on the fourth floor, and reinforced the immersive feeling to promote the tenancy deals in Hangzhou Victory.

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

In the year of 2020, the Manager continued to invest in a number of asset renovation and upgrading projects, which included carrying out the unit decoration of GZIFC office buildings of about 4,300 sq.m. in total, upgrading projects on the image of Ascott Serviced Apartment, replacing fresh air ventilators and upgrading video surveillance system of City Development Plaza, the generator refitting project of White House Building, upgrading video surveillance system and renovating washrooms in Shanghai Yue Xiu Tower and decorating its leasing units of about 4,800 square meters, decorating the office area around 2,000 square meters at Wuhan Yuexiu Fortune Center. Total investment was approximately RMB47 million. The vacancy periods for the renovated office units of each projects were effectively shortened and increased the level of rent, which improved the operating efficiency and business environment of the projects on a continuous basis.

In 2021, the Manager is still planning to invest mainly in capital expenditure renovation projects for GZIFC, White Horse Building, Fortune Plaza, Shanghai Yue Xiu Tower and Wuhan Yuexiu Fortune Centre in order to achieve value preservation and appreciation of the properties.

ACTIVE MANAGEMENT IN FINANCE RISKS AND EFFECTIVE REDUCTION OF FINANCE COST

In terms of liquidity management, for loan financing due in the first half of 2020, the Manager initiated and completed the signing of the refinancing contract in 2019 ahead of schedule, and successfully withdrew a five-year HK\$2.1 billion bank loan in April 2020 to replace the maturing bank loan. A portfolio of long- and short-term refinancing structure was optimized, and short-term liquidity risk was effectively under control. In addition, the Manager obtained a 3-year HK\$2 billion syndicated loan in December 2020 to refinance the maturing loans to ensure the liquidity risk was effectively monitored.

Regarding foreign exchange risk management, the Renminbi's exchange rate was weakened due to the China-US trade war and the outbreak of COVID-19 pandemic in Mainland China in early 2020. Since the second half of 2020, the large-scale COVID-19 pandemic broke out in the world while Mainland China implemented effective control and achieved strong economic recovery, RMB exchange rate turned around and became strong continuously. The Manager continued their focus on market dynamics, adopted effective management strategies and foreign exchange hedging tools at reasonable cost to monitor foreign exchange exposure. In 2020, Yuexiu REIT's accumulated exchange gain for the whole year was RMB811 million, the fair value loss of hedging products was RMB311 million, and the net gain in foreign exchange for the whole year was RMB500 million (2019 net loss: RMB177 million).

Concerning interest rate management, due to the impact of the COVID-19 pandemic on the global economy in 2020, major economies adopted Quantitative Easing monetary policies to support their own economy. At the end of 2020, 1-month HIBOR and 1-month LIBOR dropped by 249 and 162 basis points respectively from those at the beginning of year. The Manager enjoyed the benefit of low financing costs by maintaining appropriate floating interest rate exposure. At the end of 2020, the overall interest rate per annum of the borrowings and notes of Yuexiu REIT was 3.01%, a decrease of 119 basis points from 4.20% at the beginning of the year.

FINANCIAL REVIEW

FINANCIAL RESULTS

Affected by the 2020 COVID-19 outbreak, both rental income and net property income of Yuexiu REIT were lower than those in 2019. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

| | 2020 | 2019 | Increase/ (Decrease) |
|--|-------------------------|------------------|-------------------------|
| | RMB'000 | RMB'000 | % |
| Gross income | <u>1,758,732</u> | <u>2,058,112</u> | (14.5)% |
| Hotel and serviced apartment direct expenses | (248,335) | (318,226) | (22.0)% |
| Leasing agent fees | (43,973) | (47,456) | (7.3)% |
| Property related taxes (Note 1) | (140,608) | (194,734) | (27.8)% |
| Other property expenses (Note 2) | <u>(3,172)</u> | <u>(2,956)</u> | 7.3% |
| Total property operating expenses | <u>(436,088)</u> | <u>(563,372)</u> | (22.6)% |
| Net property income | <u>1,322,644</u> | <u>1,494,740</u> | (11.5)% |
| Withholding tax | (49,889) | (59,174) | (15.7)% |
| Depreciation and amortisation | (132,353) | (129,796) | 2.0% |
| Manager's fees | (142,157) | (147,511) | (3.6)% |
| Trustee fees | (10,424) | (10,481) | (0.5)% |
| Other trust expenses (Note 3) | <u>(24,346)</u> | <u>(39,874)</u> | (38.9)% |
| Total non-property expenses | <u>(359,169)</u> | <u>(386,836)</u> | (7.2)% |
| Profit before finance expenses, finance income and income tax | 963,475 | 1,107,904 | (13.0)% |
| Finance income | 842,885 | 33,748 | 2,397.6% |
| Fair value gain on support arrangement asset | 625 | 32,318 | (98.1)% |
| Finance expenses | <u>(488,028)</u> | <u>(777,515)</u> | (37.2)% |
| Profit before tax | 1,318,957 | 396,455 | 232.7% |
| Income tax expense | <u>(203,967)</u> | <u>(441,828)</u> | (53.8)% |

| | 2020 | 2019 | Increase/ (Decrease) |
|---|------------------|----------|-------------------------|
| | RMB'000 | RMB'000 | % |
| Profit/(loss) after income tax before fair value (loss)/gain on investment properties, other expenses in relation to the acquisition of subsidiaries, fair value (loss)/gain on derivative financial instruments and the gain on construction payable adjustment | 1,114,990 | (45,373) | 2,557.4% |
| Fair value (loss)/gain on investment properties | (297,633) | 752,700 | (139.5)% |
| Other expenses in relation to the acquisition of subsidiaries | — | (2,858) | N/A |
| Fair value (loss)/gain on derivative financial instruments | (405,118) | 72,331 | (660.1)% |
| Gain on construction payable adjustment | 174,882 | 163,608 | 6.9% |
| Net profit after income tax before transactions with Unitholders | 587,121 | 940,408 | (37.6)% |

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

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

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

Gross income and net property income during the Reporting Year were approximately RMB1,758,732,000 (2019: RMB2,058,112,000) and RMB1,322,644,000 (2019: RMB1,494,740,000) respectively, which represented a decrease of approximately 14.5% and 11.5% respectively while comparing with 2019.

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

| | 2020 | 2019 |
|---------------------------------------|-------------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Office (Note 1) | 934,975 | 941,682 |
| Wholesales (Note 1) | 287,775 | 372,724 |
| Retail (Note 1) | 172,404 | 191,207 |
| Hotel and serviced apartment (Note 2) | 363,578 | 552,499 |
| | <hr/> | <hr/> |
| Total | <u>1,758,732</u> | <u>2,058,112</u> |

Note 1 Due to the outbreak of the coronavirus disease 2019 (“COVID-19”), Yuexiu REIT offered temporary rental concession to certain tenants of offices, wholesales mall and retail mall.

Note 2 Due to the outbreak of the COVID-19, Four Seasons Hotel Guangzhou recorded a significant drop in its average occupancy rate and average room rate in the first half of 2020.

Net property income amounted to approximately RMB1,322,644,000 (2019: RMB1,494,740,000), representing approximately 75.2% (2019: 72.6%) 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:

| | 2020 | 2019 |
|------------------------------|-------------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Office | 819,528 | 802,347 |
| Wholesales | 249,591 | 313,953 |
| Retail | 150,867 | 161,073 |
| Hotel and serviced apartment | 102,658 | 217,367 |
| | <hr/> | <hr/> |
| Total | <u>1,322,644</u> | <u>1,494,740</u> |

Hotel and serviced apartment direct expenses were approximately RMB248,335,000 (including depreciation expense of approximately RMB9,977,000 incurred in connection with right-of-use asset and interest expense of approximately RMB1,189,000 incurred in connection with lease liability), a decrease of 22.0% as compared with 2019. It was mainly because of a significant decrease of occupancy rate and rental income of hotel and serviced apartment in the first half of 2020 and the Manager had implemented more stringent cost control measures in order to optimize cost savings.

Leasing agent fees decreased by approximately 7.3% as compared with 2019. It was mainly because of a decrease in rental income.

Property related tax decreased by approximately 27.8% as compared with 2019. It was mainly due to the PRC Government had provided tax relief after the rent concession provided by Yuexiu REIT to its tenants in the first half of 2020.

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

Other trust expenses decreased by approximately 38.9%. It was mainly due to an decrease of the foreign exchange loss from operation. Excluding this foreign exchange loss from operation of approximately RMB7,763,000 (2019: foreign exchange loss from operation of approximately RMB18,988,000), other trust expenses incurred for the reporting year amounted to approximately RMB16,583,000 (2019: RMB20,886,000).

Overall, the Manager's fees decreased by approximately 3.6%. The Trustee fees decreased by approximately 0.5%.

As Renminbi appreciated against Hong Kong Dollar and United States Dollar for the Reporting Year, the bank borrowings denominated in Hong Kong Dollar and United States Dollar and secured note loans denominated in Hong Kong Dollar and United States Dollar resulted in an exchange gain of approximately RMB810,900,000. Excluding this exchange factor, the finance income received for the Reporting Year amounted to approximately RMB31,985,000 (2019: RMB33,748,000).

The finance expenses incurred for the Reporting Year amounted to approximately RMB488,028,000 (2019: Excluding Renminbi exchange loss of approximately RMB243,580,000, the finance expenses was approximately RMB533,934,000). The average one-month Hong Kong Interbank Offered Rate (“HIBOR”) for 2020 was lower than that of 2019 by approximately 104 basis points and led to a decrease of interest cost on the floating portion of debt.

Profit after tax before transactions with Unitholders amounted to approximately RMB587,121,000 (2019: RMB940,408,000) which represented a decrease of 37.6%, mainly due to a fair value loss on Properties valuation and a fair value loss on derivative financial instruments in the Reporting Year of 2020.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2020 was approximately RMB4.42 (2019: RMB4.55), which represented a decrease of approximately 2.86%.

Deferred Units

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

As stated in the Units Assignment Announcement, on 23 December 2020, Yuexiu Property (as assignor) entered into the Units Assignment with Yuexiu Capital Holdings Limited (“Yuexiu Capital”) (as assignee), the latter being a wholly-owned subsidiary of Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”), pursuant to which Yuexiu Property as beneficial owner

agreed to assign and transfer absolutely to Yuexiu Capital, and Yuexiu Capital agreed to accept, all of Yuexiu Property's rights, title, interest and benefits in and to the 2020 Deferred Units for a cash consideration.

Accordingly, on 31 December 2020, the REIT issued 62,000,000 Units (being the "2020 Deferred Units") at a price of HK\$4.00 per Unit on 31 December 2020 in partial satisfaction of the outstanding consideration from the REIT's investment in Guangzhou International Finance Center in 2012. As a result of the Units Assignment, the 2020 Deferred Units were issued to Yuexiu Capital instead of Dragon Yield or Yuexiu Property. Following the issuance of the 2020 Deferred Units, the remaining balance of deferred units were approximately 399,401,000 units.

Financial Performance of Wuhan Properties and the Support Arrangement

The Wuhan Properties recorded actual net profit of approximately RMB87,053,000 and contributed net distribution of RMB43,829,000 after deduction of offshore financing expenses, trustee fees, Manager's Fee (approximately RMB43,224,000), etc. to Yuexiu REIT for the Reporting Year.

Moreover, based on the agreements set forth in the Circular in relation to the Acquisition of Wuhan Properties, the amounts under the Support Arrangement is RMB22,947,000 for the Reporting Year. After deducting the amount of RMB13,161,000 paid by Yuexiu Property on 6 August 2020, the balance amounting to RMB9,786,000 should be paid by Yuexiu Property within 7 business days after the announcement of Yuexiu REIT's annual result for the Reporting Year. Please refer to the Offering Circular dated 15 November 2017 for details.

New Units Issued and Unit Activity

In respect of the partial settlement of the Manager's Fee during the relevant periods, Yuexiu REIT newly issued 14,000,000, 14,000,000 and 7,257,114 units at HK\$3.77, HK\$3.72 and HK\$3.80 on 3 April 2020, 26 August 2020 and 31 December 2020 respectively. On 31 December 2020, referring to the terms disclosed from the Circular dated 30 June 2012 and Units Assignment Announcement on 23 December 2020, Yuexiu REIT issued 62,000,000 Units at a price of HK\$4.00 per Unit to Yuexiu Capital.

As at 31 December 2020, a total of 3,303,113,665 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$5.35 and a low of HK\$3.20 during the Reporting Year. The average trading volume amounted to approximately 3,604,000 Units per day during the Reporting Year (2019: approximately 3,785,000 Units).

The closing price of the Units as at 31 December 2020 was HK\$3.78, represented a discount of approximately 28.00% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2020.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

| | As at 31 December 2020 RMB'000 | As at 31 December 2019 RMB'000 |
|---|--------------------------------------|--------------------------------------|
| Bank borrowings and notes | | |
| Denominated in RMB | 1,552,840 | 1,821,280 |
| Denominated in HKD | 9,840,059 | 9,649,445 |
| Denominated in USD | <u>2,607,901</u> | <u>2,781,674</u> |
| Total bank borrowings and notes | <u><u>14,000,800</u></u> | <u><u>14,252,399</u></u> |
| Maturity analysis | | |
| Within one year | 3,307,488 | 3,217,958 |
| Two to five year | 10,442,312 | 10,555,361 |
| Beyond five year | 251,000 | 479,080 |
| The effective interest rate (per annum) of the borrowings and notes at the balance sheet day | | |
| RMB | 4.31% | 4.31% |
| HKD | 2.28% | 3.95% |
| USD | 4.99% | 4.99% |

The overall interest rate per annum of the borrowings and notes at the balance sheet day is 3.01% (2019: 4.20%). The average interest rate was approximately 3.35% (2019: 3.82%) for the year.

In 2020, the Manager adopted a series of liquidity management measures. It managed the annual interest rate at a reasonable level and has been alert of the foreign exchange risk.

As at 31 December 2020, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total hedged loan amount is approximately RMB5,196,422,000 (2019: RMB3,297,227,000).

As at 31 December 2020, Yuexiu REIT held certain hedging financial derivatives with a fair value liabilities of RMB353,502,000 (2019: fair value assets of RMB42,126,000).

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

On 15 December 2020, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain banks in connection with a three-year unsecured and floating rate term loan facility of HK\$2,000,000,000. On 21 December 2020, the loan was drawn down for repayment of certain matured HK\$ bank Loan Facility and general corporate purpose.

As at 31 December 2020, total borrowings of Yuexiu REIT amounted to approximately RMB14,000,800,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 38.6% of total assets of Yuexiu REIT. The gearing ratio was below the maximum borrowing limit of 50% (which was amended in December 2020) as stipulated in the REIT Code.

As at 31 December 2020, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB20,487,471,000, representing approximately 56.5% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2020 amounted to approximately RMB1,825,630,000. 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

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

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

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

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, Baima BM and GZAM in the amounts of RMB16,617,000, RMB8,633,000 and RMB18,723,000 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 2020, Yuexiu REIT employed 574 and 126 employees in China for hotel operation through its branch companies and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

REVIEW OF FINANCIAL RESULTS

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

CORPORATE GOVERNANCE

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

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

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

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

ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2021.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of Yuexiu REIT for the Reporting Year to be held on 27 May 2021. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|--|------|-----------------|-----------------|
| Revenue | 3 | 1,758,732 | 2,058,112 |
| Operating expenses | 4 | (794,068) | (952,948) |
| Fair value (losses)/gains on investment properties | 12 | (297,633) | 752,700 |
| Changes in fair value of | | | |
| – support arrangement asset | 16 | 625 | 32,318 |
| – derivative financial instruments | 17 | (405,118) | 72,331 |
| Write back of construction payable | 22 | 174,882 | 163,608 |
| Finance income | 6 | 842,885 | 33,748 |
| Finance expenses, net | 7 | (489,217) | (777,633) |
| Profit before income tax and transactions | | | |
| with unitholders | | 791,088 | 1,382,236 |
| Income tax expense | 8 | (203,967) | (441,828) |
| Profit after income tax before transactions | | | |
| with unitholders | | 587,121 | 940,408 |
| Transactions with unitholders | 24 | (521,364) | (876,300) |
| Profit after income tax after transactions | | | |
| with unitholders | | 65,757 | 64,108 |
| Other comprehensive loss for the year: | | | |
| <u>Items that will not be reclassified to profit or loss</u> | | | |
| Change in fair value of property, | | | |
| plant and equipment | | | |
| – Gross | | (61,944) | (729) |
| – Tax | | 17,349 | 204 |
| Other comprehensive loss for the year, net of tax | | (44,595) | (525) |
| Total comprehensive income for the year | | 21,162 | 63,583 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Attributable to | | | | Total RMB'000 |
|--|---|---|--|--|------------------|
| | Unitholders before transactions with unitholders RMB'000 | Transactions with unitholders (Note 24) RMB'000 | Unitholders after transactions with unitholders RMB'000 | Non – controlling interests RMB'000 | |
| Profit/(loss) for the year ended 31 December 2019 | 876,819 | (876,300) | 519 | 63,589 | 64,108 |
| Other comprehensive loss: | | | | | |
| <u>Items that will not be reclassified to profit or loss</u> | | | | | |
| Change in fair value of property, plant and equipment, net of tax | (519) | — | (519) | (6) | (525) |
| Total comprehensive income for the year ended 31 December 2019 | <u>876,300</u> | <u>(876,300)</u> | <u>—</u> | <u>63,583</u> | <u>63,583</u> |
| Profit/(loss) for the year ended 31 December 2020 | 565,495 | (521,364) | 44,131 | 21,626 | 65,757 |
| Other comprehensive loss: | | | | | |
| <u>Items that will not be reclassified to profit or loss</u> | | | | | |
| Change in fair value of property, plant and equipment, net of tax | (44,131) | — | (44,131) | (464) | (44,595) |
| Total comprehensive income for the year ended 31 December 2020 | <u>521,364</u> | <u>(521,364)</u> | <u>—</u> | <u>21,162</u> | <u>21,162</u> |

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010, third supplemental deed on 25 July 2012 and fourth supplemental deed dated 3 April 2020 (the “Trust Deed”), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders’ proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders’ funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders’ funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders’ funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement.

- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 9.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|--|------|--------------------------|--------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 2,157,795 | 2,270,852 |
| Right-of-use assets | 11 | 1,300,522 | 1,359,784 |
| Investment properties | 12 | 29,700,000 | 29,982,000 |
| Deferred assets, prepayment, deposits and other receivables | 14 | 261,566 | 205,430 |
| Derivative financial instruments | 17 | — | 6,166 |
| Goodwill | 15 | 859,868 | 859,868 |
| | | <u>34,279,751</u> | <u>34,684,100</u> |
| Current assets | | | |
| Inventories | 19 | 4,280 | 4,071 |
| Trade receivables | 18 | 16,065 | 15,887 |
| Amounts due from related parties | | 49,574 | 228,082 |
| Deferred asset, prepayments, deposits and other receivables | 14 | 70,979 | 85,112 |
| Derivative financial instruments | 17 | — | 37,209 |
| Tax recoverable | | 4,072 | 4,072 |
| Support arrangement asset | 16 | 9,786 | 25,163 |
| Short-term bank deposits | 20 | 23,135 | 22,750 |
| Cash and cash equivalents | 20 | 1,802,495 | 1,319,010 |
| | | <u>1,980,386</u> | <u>1,741,356</u> |
| Total assets | | <u><u>36,260,137</u></u> | <u><u>36,425,456</u></u> |

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|------|------------------|------------------|
| Equity | | | |
| Revaluation reserve | | 375,524 | 419,655 |
| Retained earnings | | (375,524) | (419,655) |
| | | — | — |
| Non-controlling interests | | 1,188,103 | 1,205,395 |
| Total equity | | 1,188,103 | 1,205,395 |
| Current liabilities | | | |
| Trade payables | 21 | 19,244 | 14,205 |
| Rental deposits, current portion | 22 | 149,654 | 186,707 |
| Receipts in advance | 22 | 92,935 | 80,827 |
| Accruals and other payables | 22 | 431,360 | 735,140 |
| Amounts due to related parties | | 108,523 | 98,262 |
| Derivative financial instruments | 17 | 174,826 | — |
| Borrowings | 23 | 3,307,488 | 3,217,958 |
| Lease liabilities | 11 | 10,033 | 9,164 |
| Tax payable | | 111,792 | 117,750 |
| | | 4,405,855 | 4,460,013 |
| Non-current liabilities, other than net assets | | | |
| attributable to unitholders | | | |
| Rental deposits, non-current portion | 22 | 202,956 | 198,816 |
| Borrowings | 23 | 10,693,312 | 11,034,441 |
| Deferred tax liabilities | | 4,996,679 | 4,906,156 |
| Derivative financial instruments | 17 | 178,676 | 1,249 |
| Lease liabilities | 11 | 9,993 | 20,026 |
| | | 16,081,616 | 16,160,688 |

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|------|--------------------|--------------------|
| Total liabilities, other than net assets attributable to unitholders | | 20,487,471 | 20,620,701 |
| Net assets attributable to unitholders | 24 | 14,584,563 | 14,599,360 |
| Total equity and liabilities | | 36,260,137 | 36,425,456 |
| Net current liabilities | | (2,425,469) | (2,718,657) |
| Units in issue ('000) | 24 | 3,303,113 | 3,205,856 |
| Net assets attributable to unitholders per unit (RMB) | | RMB 4.42 | RMB 4.55 |

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|------|------------------|------------------|
| Profit after income tax before transactions with unitholders attributable to unitholders | | 565,495 | 876,819 |
| Adjustments for the total distributable income (i) | | | |
| – Fair value losses/(gains) on investment properties | | 268,048 | (723,188) |
| – Fair value gains on derivative financial instruments | | — | (72,331) |
| – Foreign exchange gains on financing activities | | (810,900) | — |
| – Deferred taxation in respect of fair value (losses)/gains on investment properties charged to profit or loss | | (53,594) | 160,296 |
| – Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”) | | (378,189) | (383,647) |
| – Fair value gain on support arrangement asset | | (625) | (32,318) |
| – Write-back of construction payable, net of tax | | (124,631) | (116,596) |
| Total distributable loss | | (534,396) | (290,965) |
| Additional items (ii) | | | |
| – Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS | | 378,189 | 383,647 |
| – Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”) | | 130,997 | 128,458 |
| – Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights | | 100,116 | 102,281 |
| – Manager’s fee paid and payable in units in lieu of cash | | 113,726 | 118,009 |
| – Foreign exchange loss in financing activities | | — | 243,580 |
| – Fair value losses on derivative financial instruments | | 405,118 | — |
| – Expenses incurred in connection with the acquisition of investment properties | | — | 2,859 |
| – Support arrangement asset receivable | | 22,947 | 17,471 |
| – Discretionary distribution related to the disposal of subsidiaries | | — | 55,900 |
| – Surplus cash from write back of construction payables | | 32,000 | — |

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|--|------|-------------------------|------------------|
| Distributable income after additional items | | 648,697 | 761,240 |
| Distributable amount at 1 January | | 336,948 | 425,902 |
| Distributions paid during the year (iii) | 24 | <u>(655,655)</u> | <u>(850,194)</u> |
| Final distribution declared | | <u>329,990</u> | <u>336,948</u> |
| Distribution per unit, declared (iv) | | <u>RMB0.0999</u> | <u>RMB0.1051</u> |

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to Trust Deed and 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.
- (iii) A final distribution for the period from 1 July 2019 to 31 December 2019 of RMB0.1046 (equivalent to HK\$0.1167) per unit and interim distribution for the period from 1 January 2020 to 30 June 2020 of RMB0.0986 (equivalent to HK\$0.1094) per unit, totaling RMB655,655,000 (2019: RMB850,194,000), were paid to unitholders on 26 May 2020 and 23 October 2020 respectively.
- (iv) A final distribution for the period from 1 July 2020 to 31 December 2020 of RMB0.0999 (equivalent to HK\$0.1199) per unit, totaling RMB0.1985 (equivalent to HK\$0.2293) was declared by the Board of the Manager on 4 March 2021.

**CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO
UNITHOLDERS AND CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Net assets attributable to unitholders RMB'000 | Equity | | | Total RMB'000 |
|--|---|---------------------------------|-----------------------------------|---|--------------------------|
| | | Retained earnings RMB'000 | Revaluation reserve RMB'000 | Non- controlling interests RMB'000 | |
| At 1 January 2019 | 14,454,122 | (420,174) | 420,174 | 1,141,812 | 15,595,934 |
| Issuance of units (note 24) | 119,132 | — | — | — | 119,132 |
| Profit for the year ended 31 December 2019 attributable to: | | | | | |
| – Unitholders | 876,300 | — | — | — | 876,300 |
| – Equity holders | — | 519 | — | 63,589 | 64,108 |
| Distributions paid to unitholders | (850,194) | — | — | — | (850,194) |
| Change in fair value of property, plant and equipment, net of tax | — | — | (519) | (6) | (525) |
| At 31 December 2019 | <u>14,599,360</u> | <u>(419,655)</u> | <u>419,655</u> | <u>1,205,395</u> | <u>15,804,755</u> |
| At 1 January 2020 | 14,599,360 | (419,655) | 419,655 | 1,205,395 | 15,804,755 |
| Issuance of units (note 24) | 119,494 | — | — | — | 119,494 |
| Profit for the year ended 31 December 2020 attributable to: | | | | | |
| – Unitholders | 521,364 | — | — | — | 521,364 |
| – Equity holders | — | 44,131 | — | 21,626 | 65,757 |
| Distributions paid to | | | | | |
| – unitholders | (655,655) | — | — | — | (655,655) |
| – Equity holders | — | — | — | (38,454) | (38,454) |
| Change in fair value of property, plant and equipment, net of tax | — | — | (44,131) | (464) | (44,595) |
| At 31 December 2020 | <u>14,584,563</u> | <u>(375,524)</u> | <u>375,524</u> | <u>1,188,103</u> | <u>15,772,666</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 | 2019 |
|---|-------|---|---|
| | | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 25(a) | 1,224,955 | 1,369,896 |
| Interest paid | | (444,077) | (505,248) |
| China income tax paid | | (102,053) | (94,905) |
| Support arrangement asset received | | 16,002 | 18,800 |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 694,827 | 788,543 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Cash flows from investing activities | | | |
| Additions of investment properties | | (15,633) | (114,300) |
| Additions of property, plant and equipment | | (28,715) | (11,212) |
| Disposal of property, plant and equipment | | 8 | 55 |
| Interest received | | 31,985 | 33,748 |
| Increase in short-term bank deposits with original maturity of more than three months | | (385) | (117) |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | (12,740) | (91,826) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Cash flows from financing activities | | | |
| Distributions paid | | (694,109) | (850,194) |
| Proceeds from borrowings, net of transaction costs | | 4,085,623 | 4,454,458 |
| Repayment of borrowings | | (3,555,371) | (4,351,359) |
| Settlement of derivative financial instruments | | (24,392) | (88,508) |
| Principal elements of lease payments | | (10,353) | (859) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (198,602) | (836,462) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net increase/(decrease) in cash and cash equivalents | | 483,485 | (139,745) |
| Cash and cash equivalents at beginning of the year | | 1,319,010 | 1,458,755 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the year | 20 | 1,802,495 | 1,319,010 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 and Fourth Supplemental Deed dated 3 April 2020) (the “Trust Deed”) and authorised under section 104 of the Securities and Futures Ordinance subject to the applicable conditions imposed by Securities and Futures Commission from time to time.

The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB2,425,469,000 (31 December 2019: RMB2,718,657,000) mainly as the borrowings of RMB3,307,488,000 (31 December 2019: RMB3,217,958,000) fall due within twelve months from the balance sheet date. Taking into account other financial resources available including internally generated funds and new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

(i) New and amended standards effective for the year ended 31 December 2020

| | |
|--|---|
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 16 | Covid-19-related Rent Concessions |

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

(ii) **New and amended standards have been issued but are not yet effective for the year ended 31 December 2020 and have not been early adopted by the Group:**

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts- Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements to HKFRS Standards 2018–2020 | Improvements to HKFRSs | 1 January 2022 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

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

3 Revenue and segment information

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

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

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

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

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

| | Hotel and serviced apartments RMB'000 | Office rental RMB'000 | Wholesale and shopping mall RMB'000 | Group RMB'000 |
|--|--|--------------------------------------|--|--------------------------|
| Year ended 31 December 2020 | | | | |
| Revenue from external customers | <u>363,578</u> | <u>934,975</u> | <u>460,179</u> | <u>1,758,732</u> |
| Segment results | <u>(39,216)</u> | <u>637,141</u> | <u>284,756</u> | <u>882,681</u> |
| Depreciation | <u>142,273</u> | <u>57</u> | <u>—</u> | <u>142,330</u> |
| Fair value losses on investment properties | <u>—</u> | <u>(180,337)</u> | <u>(117,296)</u> | <u>(297,633)</u> |
| Year ended 31 December 2019 | | | | |
| Revenue from external customers | <u>552,499</u> | <u>941,682</u> | <u>563,931</u> | <u>2,058,112</u> |
| Segment results | <u>87,654</u> | <u>1,335,306</u> | <u>694,684</u> | <u>2,117,644</u> |
| Depreciation | <u>129,713</u> | <u>83</u> | <u>—</u> | <u>129,796</u> |
| Fair value gains on investment properties | <u>—</u> | <u>533,042</u> | <u>219,658</u> | <u>752,700</u> |
| As at 31 December 2020 | | | | |
| Total reportable segments' assets | <u>3,891,898</u> | <u>21,009,887</u> | <u>10,423,191</u> | <u>35,324,976</u> |
| As at 31 December 2019 | | | | |
| Total reportable segments' assets | <u>4,230,914</u> | <u>20,758,404</u> | <u>10,541,698</u> | <u>35,531,016</u> |

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

| | Year ended 31 December | |
|--|-------------------------------|-------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Segment results | 882,681 | 2,117,644 |
| Changes in fair value of derivatives financial instruments | (405,118) | 72,331 |
| Unallocated operating costs (Note) | (215,650) | (259,780) |
| | <hr/> | <hr/> |
| Operating profit | 261,913 | 1,930,195 |
| Write back of construction payable | 174,882 | 163,608 |
| Finance income | 842,885 | 33,748 |
| Finance expenses, net | (489,217) | (777,633) |
| Change in fair value of support arrangement asset | 625 | 32,318 |
| | <hr/> | <hr/> |
| Profit before income tax and transactions with unitholders | <u>791,088</u> | <u>1,382,236</u> |

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

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

| | As at 31 December | |
|-----------------------------------|--------------------------|--------------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Total reportable segments' assets | 35,324,976 | 35,531,016 |
| Corporate assets | 935,161 | 894,440 |
| | <hr/> | <hr/> |
| Total assets | <u>36,260,137</u> | <u>36,425,456</u> |

| | Revenue | | Total assets | |
|--------------------|------------------------|------------------|--------------------------|-------------------|
| | Year ended 31 December | | As at 31 December | |
| | 2020 | 2019 | 2020 | 2019 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| China | <u>1,758,732</u> | <u>2,058,112</u> | 35,324,976 | 35,531,016 |
| Unallocated assets | | | <u>935,161</u> | <u>894,440</u> |
| | | | <u>36,260,137</u> | <u>36,425,456</u> |

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

The Group's revenue by nature is as follows:

| | 2020 | 2019 |
|--|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Hotel and serviced apartments operations | | |
| Room rentals | 219,930 | 329,840 |
| Food and beverages | 127,674 | 200,877 |
| Property rentals | 1,395,154 | 1,505,613 |
| Others | <u>15,974</u> | <u>21,782</u> |
| | <u>1,758,732</u> | <u>2,058,112</u> |

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

| | 2020 | 2019 |
|---------------------------------------|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Revenue recognised at a point in time | 140,312 | 218,702 |
| Revenue recognised over time | 220,347 | 329,840 |
| Other sources | <u>1,398,073</u> | <u>1,509,570</u> |
| | <u>1,758,732</u> | <u>2,058,112</u> |

4 Expenses by nature

| | 2020 | 2019 |
|--|----------------|----------------|
| | RMB'000 | RMB'000 |
| Property management fees (i) | 43,973 | 47,456 |
| Employee benefit expenses | 98,863 | 124,382 |
| Real estate tax | 128,215 | 179,741 |
| Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge | 9,480 | 12,356 |
| Withholding tax (ii) | 49,889 | 59,174 |
| Depreciation of property, plant and equipment (Note 10) | 83,068 | 80,510 |
| Depreciation of right-of-use assets (Note 11) | 59,262 | 50,116 |
| Cost of inventories sold or consumed in operation | 70,487 | 73,313 |
| Other direct expenses on hotel and serviced apartment | 67,459 | 119,583 |
| Manager's fee (Note 5) | 142,157 | 147,511 |
| Trustee's fee | 10,424 | 10,481 |
| Valuation fees | 1,090 | 948 |
| Legal and professional fee | 7,356 | 14,944 |
| Auditor's remuneration | 3,800 | 3,842 |
| Bank charges | 369 | 662 |
| Foreign exchange loss arising from operating activities | 7,763 | 18,988 |
| Expenses relating to short-term leases (Note 11) | 360 | — |
| Others | 10,053 | 8,941 |
| | <u>794,068</u> | <u>952,948</u> |
| Total operating expenses | <u>794,068</u> | <u>952,948</u> |

Note:

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

5 Manager's fee

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of Real Estate, as defined in the Trust Deed.

| | 2020 | 2019 |
|----------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Manager's fee: | | |
| In the form of units | 113,726 | 118,009 |
| In the form of cash | 28,431 | 29,502 |
| | 142,157 | 147,511 |

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

6 Finance income

| | 2020 | 2019 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| Interest income from bank deposits | 14,384 | 15,362 |
| Interest income from a related company | 17,601 | 18,386 |
| Foreign exchange gains on financing activities | 810,900 | — |
| | 842,885 | 33,748 |

7 Finance expenses, net

| | 2020 | 2019 |
|---|----------------|----------------|
| | RMB'000 | RMB'000 |
| Interest expense for bank borrowings | 276,182 | 353,585 |
| Interest expense for other borrowings | 167,895 | 151,663 |
| Interest and finance charges paid/payable for lease liabilities (Note 11) | 1,189 | 118 |
| Losses/(gains) on settlement of derivative financial instruments | 14,902 | (1,305) |
| Amortisation of transaction costs for borrowings | 29,049 | 29,992 |
| Foreign exchange losses on financing activities | — | 243,580 |
| | <u>489,217</u> | <u>777,633</u> |

8 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 4 (ii).

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

| | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| Current income tax | | |
| - China corporate income tax | 81,814 | 63,839 |
| - Under-provision in prior years | — | 1,108 |
| - PRC withholding tax | 14,281 | 7,316 |
| Deferred income tax | <u>107,872</u> | <u>369,565</u> |
| | <u>203,967</u> | <u>441,828</u> |

9 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.

| | 2020 | 2019 |
|--|-------------------------|------------------|
| Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000) | <u>565,495</u> | <u>876,819</u> |
| Weighted average number of units in issue ('000) | <u>3,221,385</u> | <u>3,121,515</u> |
| Basic earnings per unit (RMB) | <u>0.18</u> | <u>0.28</u> |

(b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2020.

| | 2020 | 2019 |
|--|-------------------------|------------------|
| Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000) | <u>565,495</u> | <u>876,819</u> |
| Weighted average number of units in issue ('000) | 3,221,385 | 3,121,515 |
| Adjustments for deferred units ('000) | 399,401 | 461,401 |
| Adjustments for manager's fee in form of units ('000) | <u>17,167</u> | <u>12,768</u> |
| Weighted average number of units for diluted earnings per unit ('000) | <u>3,637,953</u> | <u>3,595,684</u> |
| Diluted earnings per unit (RMB) | <u>0.16</u> | <u>0.24</u> |

10 Property, plant and equipment

| | Hotel and serviced apartments RMB'000 | Office supplies RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|--------------------------------|--|--|---------------------------------------|--------------------------|
| At 1 January 2019 | | | | |
| Cost | 2,344,185 | 13,083 | 9,649 | 2,366,917 |
| Accumulated depreciation | (593,969) | (12,716) | (9,082) | (615,767) |
| Fair value gain on revaluation | 589,784 | — | — | 589,784 |
| Net book amount | <u>2,340,000</u> | <u>367</u> | <u>567</u> | <u>2,340,934</u> |
| Year ended 31 December 2019 | | | | |
| Opening net book amount | 2,340,000 | 367 | 567 | 2,340,934 |
| Additions | 11,212 | — | — | 11,212 |
| Disposal | (55) | — | — | (55) |
| Depreciation (Note 4) | (80,428) | — | (82) | (80,510) |
| Fair value loss on revaluation | (729) | — | — | (729) |
| Closing net book amount | <u>2,270,000</u> | <u>367</u> | <u>485</u> | <u>2,270,852</u> |
| At 31 December 2019 | | | | |
| Cost | 2,354,304 | 13,083 | 9,649 | 2,377,036 |
| Accumulated depreciation | (673,359) | (12,716) | (9,164) | (695,239) |
| Fair value gain on revaluation | 589,055 | — | — | 589,055 |
| Net book amount | <u>2,270,000</u> | <u>367</u> | <u>485</u> | <u>2,270,852</u> |

| | Hotel and serviced apartments RMB'000 | Office supplies RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|--------------------------------|--|--|---------------------------------------|--------------------------|
| Year ended 31 December 2020 | | | | |
| Opening net book amount | 2,270,000 | 367 | 485 | 2,270,852 |
| Additions | 31,963 | — | — | 31,963 |
| Disposal | (8) | — | — | (8) |
| Depreciation (Note 4) | (83,011) | (57) | — | (83,068) |
| Fair value loss on revaluation | (61,944) | — | — | (61,944) |
| Closing net book amount | <u>2,157,000</u> | <u>310</u> | <u>485</u> | <u>2,157,795</u> |
| At 31 December 2020 | | | | |
| Cost | 2,385,784 | 13,083 | 9,649 | 2,408,516 |
| Accumulated depreciation | (755,895) | (12,773) | (9,164) | (777,832) |
| Fair value gain on revaluation | 527,111 | — | — | 527,111 |
| Net book amount | <u>2,157,000</u> | <u>310</u> | <u>485</u> | <u>2,157,795</u> |

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 RMB1,629,889,000 (2019: RMB1,680,945,000).

As at 31 December 2020, property, plant and equipment with an aggregate carrying amount of RMB1,883 million (2019: RMB2,017 million) were pledged as collateral for the Group's bank borrowings (Note 23).

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

| | 2020 | 2019 |
|--|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Opening balance | 2,270,000 | 2,340,000 |
| Additions | 31,963 | 11,212 |
| Disposal | (8) | (55) |
| Depreciation | (83,011) | (80,428) |
| Unrealised losses recognised in reserve | (61,944) | (729) |
| Closing balance | <u>2,157,000</u> | <u>2,270,000</u> |
| Unrealised losses for the year included in other comprehensive income at the end of the year | <u>(61,944)</u> | <u>(729)</u> |

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Colliers International (Hong Kong) Limited and Savills Valuation and Professional Services Limited being independent qualified valuer not related to the Group as at 31 December 2020 and 2019 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

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 11, 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 Colliers International (Hong Kong) Limited (2019: Savills Valuation and Professional Services Limited) based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

As at 31 December 2019

| | Depreciated replacement cost method | | |
|---------------------|-------------------------------------|---------------------------------------|---|
| | Building cost (RMB/m ²) | Finance cost (% on construction cost) | Professional fee (% on construction cost) |
| Hotel | 18,500 | 4.75 | 6 |
| Serviced apartments | 15,300 | 4.75 | 6 |

As at 31 December 2020

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

11 Leases

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

| | Land use rights RMB'000 | Staff quarter RMB'000 | Total RMB'000 |
|-------------------------------|--|---|--------------------------------|
| <u>Right-of-use assets</u> | | | |
| At 1 January 2019 | — | — | — |
| Change in accounting policies | 1,379,969 | — | 1,379,969 |
| Addition | — | 29,931 | 29,931 |
| Depreciation (Note 4) | (49,285) | (831) | (50,116) |
| At 31 December 2019 | <u>1,330,684</u> | <u>29,100</u> | <u>1,359,784</u> |
| At 1 January 2020 | 1,330,684 | 29,100 | 1,359,784 |
| Depreciation (Note 4) | (49,285) | (9,977) | (59,262) |
| At 31 December 2020 | <u>1,281,399</u> | <u>19,123</u> | <u>1,300,522</u> |
| | | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
| <u>Lease liabilities</u> | | | |
| Current portion | | 10,033 | 9,164 |
| Non-current portion | | 9,993 | 20,026 |
| | | <u>20,026</u> | <u>29,190</u> |

As at 31 December 2020, the fair value of right-of-use assets is approximately RMB2,631 million (2019: RMB2,709 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2020, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,213 million (2019: RMB1,240 million) as collateral for the Group's bank borrowings (Note 23).

As at 31 December 2020 and 2019, all of the lease liabilities are due to 廣州越秀星寓公寓管理有限公司, a subsidiary of Yuexiu Property Company Limited ("YXP").

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

| | 2020 | 2019 |
|--|---------------|---------------|
| | RMB'000 | RMB'000 |
| Depreciation charge of right-of-use assets | | |
| Land use rights | 49,285 | 49,285 |
| Staff quarter | 9,977 | 831 |
| | <u>59,262</u> | <u>50,116</u> |
| Interest expense (included in finance cost) (Note 7) | 1,189 | 118 |
| Expenses relating to short-term leases (Note 4) | 360 | — |
| | <u>1,549</u> | <u>118</u> |

The total cash outflows for leases in 2020 was RMB10,353,000 (2019: RMB859,000). The Group leases a staff quarter for a fixed period of 36 months.

12 Investment properties

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | RMB'000 | RMB'000 |
| At 1 January | 29,982,000 | 29,115,000 |
| Additions during the year | 15,633 | 114,300 |
| Fair value (losses)/gains during the year, included in profit or loss under 'Fair value (losses)/gains on investment properties' | <u>(297,633)</u> | <u>752,700</u> |
| At 31 December | <u>29,700,000</u> | <u>29,982,000</u> |
| Fair value (losses)/gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value (losses)/gains on investment properties' | <u>(297,633)</u> | <u>752,700</u> |

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

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB305,914,000 (2019: RMB229,349,000). Included in the direct operating expenses, RMB22,386,000 (2019: RMB8,260,000) was related to investment properties that were vacant.

Yuexiu REIT acquired the carpark spaces in Fortune Plaza and City Development Plaza from Guangzhou City Construction and Development Co., Ltd. for consideration of RMB98,000,000 on 19 November 2019. 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 2020, investment properties with an aggregate carrying value of approximately RMB3,825 million (2019: RMB3,708 million) were pledged as collateral for the Group's bank borrowings (Note 23).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Colliers International (Hong Kong) Limited ("Colliers") and Savills Valuation and Professional Services Limited, being independent qualified valuers not related to the Group as at 31 December 2020 and 2019 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

Valuation techniques

Fair value measurements using significant unobservable inputs

As at 31 December 2020, Colliers International (Hong Kong) Limited has relied on the income capitalisation approach as the primary approach (2019: income capitalisation approach and discounted cash flow analysis as the primary approaches). The use of income capitalisation approach is in line with market practice of property valuation for income-producing commercial assets which are the main asset class of the Group.

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

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

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.

The investment properties are included in Level 3 (2019: Level 3) of the fair value hierarchy.

Significant inputs used to determine fair value

Capitalisation and discount rates are estimated by Colliers International (Hong Kong) Limited and Savills Valuation and Professional Services Limited for 2020 and 2019 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 2019

| | Monthly Market Unit Rent (RMB per sq.m.) | Capitalisation Rate (per annum) |
|-----------------------------|--|---------------------------------------|
| Office | 100 to 336 | 4.00% to 7.25% |
| Wholesale and shopping mall | 42 to 1,480 | 4.00% to 7.75% |

As at 31 December 2020

| | Monthly Market Unit Rent (RMB per sq.m.) | Capitalisation Rate (per annum) |
|-----------------------------|---|--|
| Office | 90 to 320 | 4.00% to 6.75% |
| Wholesale and shopping mall | 75 to 1,045 | 4.00% to 7.5% |

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

As at 31 December 2019

| | Monthly Market Unit Rent (RMB per sq.m.) | Discount Rate | Stabilised Occupancy Rate |
|-----------------------------|--|----------------|------------------------------|
| Office | 100 to 336 | 6.50% to 8.50% | 95.00% to 99.00% |
| Wholesale and shopping mall | 42 to 1,480 | 6.75% to 8.75% | 98.00% to 99.50% |

13 Subsidiaries

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

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

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operations | Particulars of issued share capital/ registered capital | Interest held (Note) |
|--|---|---|--|-------------------------------------|
| Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd | China, limited liability company | Property management and property leasing in China | Registered capital of RMB2,650 million | 98.99% |
| Guangzhou IFC Hospitality Management Co. Ltd | China, limited liability company | Hospitality management in China | Registered capital of RMB5 million | 98.99% |
| Shanghai Hong Jia Real Estate Development Co., Ltd. ("Shanghai Hong Jia") | China, limited liability company | Leasing of commercial properties in China | Registered capital of USD28.5 million | 100% |
| Bestget Enterprises Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 257,614,000 ordinary shares of HK\$257,614,000 | 100% |
| Fully Cheer Management Ltd. | British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of USD1 | 100% |
| Sure Win International Holding Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 1 ordinary share of HK\$1 | 100% |
| Wuhan Yuexiu Property Development Limited ("Wuhan Yuexiu") | China, limited liability company | Leasing of commercial properties in China | Registered Capital of RMB2,200,000,000 | 67% |
| Yuexiu REIT 2017 Company Limited ("REIT 2017") | British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of USD1 | 100% |
| Wealthy Reach Holdings Limited | British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of USD1 | 100% |

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operations | Particulars of issued share capital/ registered capital | Interest held (Note) |
|--|---|---|--|-----------------------------|
| Prime Glory Group Holdings Limited | Hong Kong, limited liability company | Investment holding in Hong Kong | 1 ordinary share of HK\$1 | 100% |
| Guangzhou Xiujiang Industries Development Co., Limited | China, limited liability company | Investment holding in Hong Kong | Registered Capital of RMB550,000,000 | 100% |
| Hangzhou Yuehui Real Estate Development Co., Limited (“Hangzhou Yuexiu”) | China, limited liability company | Leasing of commercial properties in China | Registered Capital of RMB470,000,000 | 100% |
| Yuexiu REIT 2018 Company Limited (“REIT 2018”) | British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of USD1 | 100% |
| Yuexiu REIT Secure Shell Limited (“Secure Shell”) | British Virgin Islands, limited liability company | Investment holding | 1 ordinary share of USD1 | 100% |

Note:

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

14 Deferred assets, prepayment, deposits and other receivables

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

15 Goodwill

| | 2020 | 2019 |
|------------------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| At 1 January | | |
| Cost | 859,868 | 859,868 |
| Accumulated impairment | — | — |
| | <u>859,868</u> | <u>859,868</u> |
| Net book amount | <u>859,868</u> | <u>859,868</u> |
| At 31 December | | |
| Cost | 859,868 | 859,868 |
| Accumulated impairment | — | — |
| | <u>859,868</u> | <u>859,868</u> |
| Net book amount | <u>859,868</u> | <u>859,868</u> |

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

| | 2020 | 2019 |
|--------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| China | <u>859,868</u> | <u>859,868</u> |

16 Support arrangement asset

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

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

17 Derivative financial instruments

| | 2020 | 2019 |
|---|----------------|---------------|
| | RMB'000 | RMB'000 |
| Non-current assets | | |
| Interest rate swap contracts | <u>—</u> | <u>6,166</u> |
| Current assets | | |
| Capped foreign exchange forward contracts | <u>—</u> | <u>37,209</u> |
| Non-current liabilities | | |
| Capped foreign exchange forward contracts | <u>90,501</u> | 1,249 |
| Interest rate swap contracts | <u>88,175</u> | <u>—</u> |
| Total | <u>178,676</u> | <u>1,249</u> |
| Current liabilities | | |
| Capped foreign exchange forward contracts | <u>174,826</u> | <u>—</u> |

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2020 were HK\$3,100,000,000 (2019: HK\$3,294,648,000) and USD400,000,000 (2019: USD50,000,000).

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2020 were HK\$400,000,000 (2019: HK\$400,000,000), HK\$1,000,000,000 (2019: HK\$1,000,000,000) and HK\$1,400,000,000 (2019: nil).

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

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

18 Trade receivables

| | 2020 | 2019 |
|----------------------------|----------------------|---------------|
| | RMB'000 | RMB'000 |
| Trade receivables | 16,167 | 15,887 |
| Less: Impairment allowance | (102) | — |
| Trade receivables, net | <u>16,065</u> | <u>15,887</u> |

The fair values of trade receivables approximate their carrying amounts.

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

| | 2020 | 2019 |
|---------------|----------------------|---------------|
| | RMB'000 | RMB'000 |
| 0 - 30 days | 13,146 | 14,001 |
| 31 - 90 days | 2,284 | 1,278 |
| 91 - 180 days | 320 | 264 |
| 181-365 days | 417 | 344 |
| | <u>16,167</u> | <u>15,887</u> |

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

As at 31 December 2020, trade receivables of approximately RMB15,430,000 (2019: RMB15,279,000) were fully performing.

As at 31 December 2020, the Group has insignificant trade receivables which are past due but not impaired.

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

19 Inventories

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

20 Short-term bank deposits and cash and cash equivalents

| | 2020 | 2019 |
|--|-----------|-----------|
| | RMB'000 | RMB'000 |
| Cash at bank and on hand | 1,760,001 | 1,280,590 |
| Short-term bank deposits with original maturity of less than three months | 42,494 | 38,420 |
| Cash and cash equivalents | 1,802,495 | 1,319,010 |
| Short-term bank deposits with original maturity of more than three months | 23,135 | 22,750 |
| Total | 1,825,630 | 1,341,760 |
| Maximum exposure to credit risk | 1,825,133 | 1,341,264 |

As at 31 December 2020, included in the short-term bank deposits and cash and cash equivalents of the Group are bank deposits of approximately RMB1,509,933,000 (2019: RMB1,186,060,000) 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.

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

| | 2020 | 2019 |
|------|-----------|-----------|
| | RMB'000 | RMB'000 |
| RMB | 1,510,430 | 1,186,555 |
| HK\$ | 254,675 | 140,804 |
| USD | 60,525 | 14,401 |
| | 1,825,630 | 1,341,760 |

21 Trade payables

| | 2020 | 2019 |
|----------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| Trade payables | <u>19,244</u> | <u>14,205</u> |

The fair values of trade payables approximate their carrying amounts.

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

| | 2020 | 2019 |
|----------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| 0 - 30 days | 13,934 | 9,311 |
| 31 - 90 days | 4,172 | 3,923 |
| 91 - 180 days | 1,063 | 971 |
| 180 - 360 days | <u>75</u> | <u>—</u> |
| | <u>19,244</u> | <u>14,205</u> |

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

22 Rental deposits, receipts in advance, accruals and other payables

| | 2020 | 2019 |
|---|----------------|------------------|
| | RMB'000 | RMB'000 |
| Rental deposits | | |
| Current portion | 149,654 | 186,707 |
| Non-current portion | 202,956 | 198,816 |
| | <u>352,610</u> | <u>385,523</u> |
| Receipts in advance | | |
| Current portion | 92,935 | 80,827 |
| Accrued urban real estate tax | 19,807 | 13,445 |
| Accrued withholding tax payable | 12,489 | 8,436 |
| Accrued value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge | 13,298 | 11,927 |
| Construction fee payable (note) | 243,080 | 571,795 |
| Accruals for operating expenses | 142,686 | 129,537 |
| Accruals and other payables | <u>431,360</u> | <u>735,140</u> |
| | <u>876,905</u> | <u>1,201,490</u> |

Note:

During the year ended 31 December 2020, the Group has written back the construction fee payable totalling of RMB174,882,000 (2019: RMB163,608,000) in relation to construction contracts of GZ IFC, of which final accounts have been agreed.

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.

23 Borrowings

| | 2020 | 2019 |
|---|--------------------------|--------------------|
| | RMB'000 | RMB'000 |
| Current portion of long term borrowings | | |
| Bank borrowings | | |
| – Secured (Note a) | 268,440 | 268,440 |
| – Unsecured | 431,147 | 2,949,518 |
| Other borrowings, unsecured (Note b) | <u>2,607,901</u> | <u>—</u> |
| | <u>3,307,488</u> | <u>3,217,958</u> |
| Long-term borrowings | | |
| Bank borrowings | | |
| – Secured (Note a) | 1,552,840 | 1,821,280 |
| – Unsecured | 8,898,688 | 8,647,912 |
| Other borrowings, unsecured (Note b) | <u>3,549,272</u> | <u>3,783,207</u> |
| Total long-term borrowings | 14,000,800 | 14,252,399 |
| Less: current portion of long-term borrowings | <u>(3,307,488)</u> | <u>(3,217,958)</u> |
| Non-current portion of long-term borrowings | <u>10,693,312</u> | <u>11,034,441</u> |
| Analysed into: | | |
| Unsecured | 12,447,960 | 12,431,119 |
| Secured | <u>1,552,840</u> | <u>1,821,280</u> |
| | <u>14,000,800</u> | <u>14,252,399</u> |

Note a:

Syndicated and entrustment loans totalling RMB1,553 million (2019: RMB1,821 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB6,921 million (2019: RMB6,965 million).

The Group's borrowings are repayable as follows:

| | 2020 | 2019 |
|---------------------------------|-------------------|------------|
| | RMB'000 | RMB'000 |
| Within one year | 3,307,488 | 3,217,958 |
| Between one year and five years | 10,442,312 | 10,555,361 |
| Over five years | 251,000 | 479,080 |

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

| | 2020 | 2019 |
|------|--------------|-------|
| RMB | 4.31% | 4.31% |
| HK\$ | 2.28% | 3.95% |
| USD | 4.99% | 4.99% |

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

| | 2020 | 2019 |
|------|--------------------------|--------------------------|
| | RMB'000 | RMB'000 |
| RMB | 1,552,840 | 1,821,280 |
| HK\$ | 9,840,059 | 9,649,445 |
| USD | 2,607,901 | 2,781,674 |
| | <u>14,000,800</u> | <u>14,252,399</u> |

The Group has no undrawn bank borrowing facility as at 31 December 2020 (2019: HKD2,100 million).

Note b:

On 27 April 2018, REIT MTN, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$400 million principal amount of 4.75% notes due in 2021 to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018 (the "MTN Programme").

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

24 Net assets attributable to unitholders

| | 2020 | 2019 |
|--|--------------------------|-------------------|
| | RMB'000 | RMB'000 |
| At 1 January | 14,599,360 | 14,454,122 |
| Issuance of units | 119,494 | 119,132 |
| Transfer from the consolidated statement of comprehensive income | 521,364 | 876,300 |
| Distributions paid during the year | (655,655) | (850,194) |
| At 31 December | <u>14,584,563</u> | <u>14,599,360</u> |

The movements in the number of existing units are as below:

| | 2020 | 2019 |
|---|-------------------------|------------------|
| Units in issue ('000) | | |
| At 1 January | 3,205,856 | 3,106,450 |
| Units issued during the year (Note a) | 35,257 | 25,406 |
| Issuance of deferred units during the year (Note b) | 62,000 | 74,000 |
| At 31 December | <u>3,303,113</u> | <u>3,205,856</u> |

Note a:

During 2020, 35,257,114 units were issued for payment of manager's fee (2019: 25,406,124 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 2016. 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. Pursuant to the terms disclosed in the announcement dated 23 December 2020, YXP entered into a units agreement with Yuexiu Capital Holdings Limited ("Yuexiu Capital"), a wholly owned subsidiary of Yue Xiu Enterprises (Holdings) Limited, YXP agreed to transfer the right to receive 2020 deferred units to Yuexiu Capital. During 2020, 62,000,000 units were issued and the outstanding deferred units at 31 December 2020 was 399,401,000 (31 December 2019: 461,401,000 units).

25 Notes to the consolidated statement of cash flows

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

| | 2020 | 2019 |
|---|------------------|------------------|
| | RMB'000 | RMB'000 |
| Profit before income tax and transactions with unitholders | 791,088 | 1,382,236 |
| Adjustments for: | | |
| – Depreciation expenses of property, plant and equipment | 83,068 | 80,510 |
| – Depreciation of right-of-assets | 59,262 | 50,116 |
| – Amortisation of transaction costs for bank borrowings | 29,049 | 29,992 |
| – Foreign exchange (gain)/loss on financing activities | (810,900) | 243,580 |
| – Fair value losses/(gains) on investment properties | 297,633 | (752,700) |
| – Fair value losses/(gains) on derivative financial instruments | 405,118 | (73,636) |
| – Fair value gains on support arrangement asset | (625) | (32,318) |
| – Write back of construction payables | (174,882) | (163,608) |
| – Loss on settlement of derivative financial instruments | 14,902 | — |
| – Impairment allowance for trade receivables | 102 | — |
| – Interest income | (31,985) | (33,748) |
| – Interest and finance charges paid/payable for lease liabilities | 1,189 | 118 |
| – Interest expenses | 444,077 | 505,248 |
| Changes in working capital: | | |
| – Deferred assets | (56,136) | 14,417 |
| – Inventories | (209) | 266 |
| – Trade receivables | (280) | 10,898 |
| – Amounts due from related parties | 178,508 | 10,833 |
| – Prepayments, deposits and other receivables | 10,885 | 62,740 |
| – Trade payables | 5,039 | (3,484) |
| – Rental deposits | (32,913) | 28,925 |
| – Receipts in advance | 12,108 | (4,798) |
| – Accruals and other payables | (9,404) | 19,274 |
| – Amounts due to related parties | 10,261 | (4,965) |
| Cash generated from operations | <u>1,224,955</u> | <u>1,369,896</u> |

(b) Major non-cash transaction:

During the year ended 31 December 2020, 35,257,114 units (2019: 25,406,124 units) amounting to RMB119,494,000 (2019: RMB119,132,000) were issued for payment of manager's fee.

(c) Debt reconciliation

| | Liabilities from financing activities | | | | |
|------------------------------------|---------------------------------------|--------------------------------------|--|---------------------------------------|---------------------|
| | Lease liabilities | Derviative financial instrument, net | Borrowings - repayable within one year | Borrowings - repayable after one year | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Debt as at 1 January 2019 | — | (120,018) | (2,276,543) | (11,599,185) | (13,995,746) |
| Cash flows | 859 | 88,508 | — | — | 89,367 |
| Acquisition - Lease | (29,931) | — | — | — | (29,931) |
| Proceeds from new borrowings | — | — | (623,830) | (3,830,629) | (4,454,459) |
| Repayment of borrowings | — | — | 2,952,570 | 1,398,789 | 4,351,359 |
| Other non-cash movements | (118) | 73,636 | (3,270,155) | 2,996,584 | (200,053) |
| Debt as at 31 December 2019 | <u>(29,190)</u> | <u>42,126</u> | <u>(3,217,958)</u> | <u>(11,034,441)</u> | <u>(14,239,463)</u> |

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

26 Capital commitments

| | 2020 | 2019 |
|---|---------------|---------------|
| | RMB'000 | RMB'000 |
| Capital commitments in respect of property, plant and equipment and investment properties | | |
| Contracted but not provided for | <u>29,856</u> | <u>23,238</u> |

27 Future minimum rental receivable

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

| | 2020 | 2019 |
|---------------------------------|------------------|------------------|
| | RMB'000 | RMB'000 |
| Within one year | 1,156,814 | 1,102,973 |
| Between one year and five years | 1,583,176 | 1,540,848 |
| Over five years | <u>60,052</u> | <u>102,305</u> |
| | <u>2,800,042</u> | <u>2,746,126</u> |

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

LIN Deliang

Chairman

Hong Kong, 4 March 2021

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

Executive Directors: Mr. LIN Deliang (Chairman) and Ms. OU Haijing

Non-executive Directors: Mr. LI Feng and Mr. ZENG Zhizhao

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