越秀房地產投資信託基金
YUEXIU REAL ESTATE INVESTMENT TRUST

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

(Stock code: 00405)

Managed by

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 ("Reporting Year") together with comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2023 together with comparative figures for the corresponding period in 2022:

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

	Financial Year ended 31 December 2023	**Financial Year ended 31 December 2022**	**Increase/ (decrease)**
Gross income (Note a)	**2,086,855,000**	1,872,860,000	11.4%
Net property income	**1,475,262,000**	1,355,872,000	8.8%
Loss after tax	**(3,955,000)**	(510,940,000)	(99.2)%
Earnings/(losses) per Unit – Basic	**0.001**	(0.12)	100.8%
Portfolio valuation	**42,559,146,000**	42,359,232,000	0.5%
Net assets attributable to Unitholders per Unit	**3.18**	3.37	(5.6)%
Net assets attributable to Unitholders per Unit – Equivalent to HK$	**3.51**	3.77	(6.9)%
Units issued (units)	**4,915,738,171**	4,783,780,325	2.8%
Total borrowings as a percentage of gross assets (Note b)	**46.2%**	45.4%	0.8 percentage point
Gross liabilities as a percentage of gross assets (Note c)	**61.6%**	60.5%	1.1 percentage points

Distribution			
Total distribution (including additional items)	**409,842,000**	533,324,000	(23.2)%
Distribution per Unit (HK$)	**0.0924**	0.1306	(29.2)%

Note a: *The revenue of 17th and 23rd floors of Hong Kong Yue Xiu Building newly acquired was recorded since 21 December 2022.*

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 2023 to 31 December 2023 ("2023 Final Period") will be approximately RMB0.0303 which is equivalent to HK$0.0334 (2022: RMB0.0399 which is equivalent to HK$0.0453) 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 2023 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2023 Final Period.

The final distribution for the 2023 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2023 to 30 June 2023 ("2023 Interim Period") being approximately RMB0.0541 which is equivalent to HK$0.0590 (2022: RMB0.0734 which is equivalent to HK$0.0853) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.0844 which is equivalent to HK$0.0924 (2022: approximately RMB0.1133 which is equivalent to HK$0.1306).

The total distribution amount for the Reporting Year, being approximately RMB409,842,000 (2022: RMB533,324,000), includes an amount of approximately RMB170,273,000 (2022: RMB223,000,000), 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 RMB244,286,000) plus a further distribution of approximately RMB165,556,000 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 18 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$0.0924 (2022: HK$0.1306), of which approximately HK$0.0381 (2022: HK$0.0528) is attributable to capital items, represents a yield of approximately 7.33% (2022: 6.63%) per Unit based on the closing price of HK$1.26 per Unit as at 31 December 2023 (2022: HK$1.97).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 11 April 2024. The register of Unitholders will be closed from 11 April 2024 to 12 April 2024, 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 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 10 April 2024. The final distribution will be paid on 24 May 2024 to the Unitholders whose names appear on the register of Unitholders on 11 April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the first year following the optimisation of pandemic prevention policies, the domestic macro economy experienced a wave-like recovery. However, the extent of recovery and market performance in various industries deviated slightly from our expectations. The Manager faced up to the operating pressure and implemented targeted measures for projects in various business formats, which included focusing on improving customer quality for office projects, actively promoting the optimisation of business development and adjustments for retail shopping malls, boosting business performance of hotels and serviced apartments by grasping opportunities brought about by the recovery of tourism, and achieving operational breakthroughs and steady growth in the innovation of specialised market, thereby delivering hard-won results for the Unitholders.

PROPERTY PORTFOLIO AND VALUATION

As of 31 December 2023, Yuexiu REIT's portfolio of properties consisted of ten properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units and certain parking space ("Fortune Plaza"), City Development Plaza Units and certain parking space ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Centre ("GZIFC"), Yuexiu Financial Tower ("Yuexiu Financial Tower"), located in Guangzhou; Yue Xiu Tower ("Shanghai Yue Xiu Tower"), located in Shanghai; Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain parking space ("Wuhan Properties"), located in Wuhan; Hangzhou Victory Business Centre Units and certain parking space ("Hangzhou Victory"), located in Hangzhou; and 17th and 23rd Floors of Yue Xiu Building Units ("Hong Kong Yue Xiu Building"), located in Hong Kong. The total gross floor area of the properties was 1,184,156.5 sq.m. and the total rentable area was 803,984.1 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, 76,512.3 sq.m. of parking space 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 of Shanghai Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; 17,663.6 sq.m. of parking space of Hangzhou Victory; 10,289.1 sq.m. of parking space and 29,797.1 sq.m. of common facilities area of Yuexiu Financial Tower, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

Property	Type	Location	Year of Completion	Gross Floor Area (sq.m.)	Rentable Area (sq.m.)	Property Occupancy Rate[1]	Number of Lease[1]	Unit Rent[1] (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	95.8%	857	449.1
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2[2]	92.4%	104	149.7
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4[3]	88.8%	80	138.2
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	93.5%	28	256.2
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	88.3%	257	219.3
Including:	Grade A office			267,804.4	183,539.6[4]	85.7%	197	234.9
	Retail shopping mall			46,989.2	46,727.3	98.2%	60	172.2
	Hotel			91,460.9[5]	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Shanghai Yue Xiu Tower	Grade A office	Pudong New District, Shanghai	2010	62,139.4	46,026.3[6]	89.2%	120	223.8
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	67.3%	244	70.2
Including:	Grade A office		2016	139,937.1	129,446.7[7]	59.6%	151	82.8
	Retail shopping mall		2015	45,471.4	43,546.6[8]	90.2%	93	49.1
	Commercial parking spaces		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking spaces		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Shangcheng District, Hangzhou	2017	40,148.4	22,484.8[9]	98.5%	32	126.8
Yuexiu Financial Tower	Grade A office	Tianhe District, Guangzhou	2015	210,282.9	170,196.8[10]	88.5%	207	204.2
Hong Kong Yue Xiu Building	Office	Wanchai, Hong Kong	1985	872.2	872.2	100%	4	323.0
Total				1,184,156.5	803,984.1	85.0%	1,933	197.8

Notes:

(1) As at 31 December 2023;

(2) Excluding 1,408.3 sq.m. of parking space;

(3) Excluding 2,104.3 sq.m. of parking space;

(4) Excluding 76,512.3 sq.m. of parking space and 7,752.5 sq.m. of other ancillary facilities area;

(5) Including 2,262.0 sq.m. of hotel ancillary facilities area 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;

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

SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

Rental Property	Gross Floor Area (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate[1]	Percentage point increase/ (decrease) as compared to the same period in 2022	Unit Rent (tax exclusive)[1] (RMB/sq.m./ month)	Percentage increase/ (decrease) as compared to the same period in 2022	Operating Income[2] (RMB'000)
Office	871,235.3	636,319.1[3]	82.5%	(2.2)	185.3	(1.1)%	1,204,633
Retail							
Shopping Mall	120,158.7	117,536.1[4]	94.2%	2.7	147.9	6.6%	162,670
Wholesale	50,199.3	50,128.9[5]	95.8%	14.6	449.1	(11.1)%	183,918

Notes:

(1) As at 31 December 2023;

(2) For the year ended 31 December 2023;

(3) Excluding 1,408.3 sq.m. of parking space of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 76,512.3 sq.m. of parking space 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 Shanghai 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 Fortune Centre, 17,663.6 sq.m. of parking space of Hangzhou Victory and 10,289.1 sq.m. of parking space and 29,797.1 sq.m. of common facilities area of Yuexiu Financial Tower;

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

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

Operational Property	Type	Commencement of Operation	Gross Floor Area (sq.m.)	No. of Units (units)	Average Occupancy Rate[(1)]	Average Room Rate[(1)] (RMB)
Four Seasons Hotel Guangzhou	Five-star hotel	August 2012	91,460.9	344	79.9%	2,238
Ascott Serviced Apartment GZIFC	High-end serviced apartments	September 2012	51,102.3	314	90.2%	1,117

Notes:

(1) From 1 January 2023 to 31 December 2023;

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

PROPERTY VALUATION

On 31 December 2023, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, and the revalued market value was approximately RMB42.559 billion.

The following table summarises the valuation of each of the properties as at 31 December 2023 and 31 December 2022:

Name of Property	Valuation as at 31 December 2023 RMB million	Valuation as at 31 December 2022 RMB million	Increase/ (decrease) percentage
White Horse Building	4,805	4,861	(1.2)%
Fortune Plaza	1,248	1,252	(0.3)%
City Development Plaza	1,028	1,044	(1.5)%
Victory Plaza	956	955	0.1%
GZIFC	19,001	18,720	1.5%
Shanghai Yue Xiu Tower	2,992	3,031	(1.3)%
Wuhan Properties	3,481	3,598	(3.3)%
Hangzhou Victory	624	625	(0.2)%
Yuexiu Financial Tower	8,315	8,158	1.9%
Hong Kong Yue Xiu Building	109	115	(5.2)%
Total	42,559	42,359	0.5%

LEASE EXPIRY OF THE PROPERTIES

In the next five years and beyond, in respect of the rented area, percentage of expiring leases of Yuexiu REIT Properties each year will be 28.9%, 28.8%, 25.8%, 6.2% and 10.3% respectively. In respect of basic monthly rentals, percentage of lease expiry each year will be 32.5%, 29.4%, 24.5%, 5.6% and 8.0% respectively.

The properties of Yuexiu REIT

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	28.9%	32.5%
FY2025	28.8%	29.4%
FY2026	25.8%	24.5%
FY2027	6.2%	5.6%
FY2028 and beyond	10.3%	8.0%
Total	100.0%	100.0%

The following shows the figures of expiring leases of each of Yuexiu REIT Properties in the next five years and beyond.

White Horse Building

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	33.3%	38.0%
FY2025	26.8%	35.7%
FY2026	38.0%	25.4%
FY2027	1.9%	0.9%
FY2028 and beyond	0.0%	0.0%
Total	100.0%	100.0%

Fortune Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	30.1%	32.1%
FY2025	26.6%	26.4%
FY2026	18.7%	19.4%
FY2027	13.3%	12.3%
FY2028 and beyond	11.3%	9.8%
Total	100.0%	100.0%

City Development Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	12.1%	11.3%
FY2025	25.5%	34.4%
FY2026	47.4%	39.2%
FY2027	4.2%	4.1%
FY2028 and beyond	10.8%	11.0%
Total	100.0%	100.0%

Victory Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	6.1%	5.8%
FY2025	9.1%	12.9%
FY2026	6.9%	5.7%
FY2027	49.8%	51.3%
FY2028 and beyond	28.1%	24.3%
Total	100.0%	100.0%

GZIFC

Year	Office: Percentage of rented area	Office: Percentage of total basic monthly rentals	Retail shopping mall: Percentage of rented area	Retail shopping mall: Percentage of total basic monthly rentals
FY2024	31.9%	36.0%	11.8%	13.4%
FY2025	21.6%	21.1%	72.5%	67.0%
FY2026	29.7%	28.4%	7.8%	10.4%
FY2027	3.7%	3.5%	4.9%	6.1%
FY2028 and beyond	13.1%	11.0%	3.0%	3.1%
Total	100.0%	100.0%	100.0%	100.0%

Shanghai Yue Xiu Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	38.7%	42.9%
FY2025	32.0%	29.0%
FY2026	20.8%	19.8%
FY2027	5.6%	5.6%
FY2028 and beyond	2.9%	2.7%
Total	100.0%	100.0%

Wuhan Properties

Year	Office: Percentage of rented area	Office: Percentage of total basic monthly rentals	Retail shopping mall: Percentage of rented area	Retail shopping mall: Percentage of total basic monthly rentals
FY2024	42.4%	40.1%	19.3%	29.0%
FY2025	31.9%	34.5%	16.0%	18.3%
FY2026	15.3%	15.0%	24.0%	31.2%
FY2027	1.8%	1.9%	14.0%	12.6%
FY2028 and beyond	8.6%	8.5%	26.7%	8.9%
Total	100.0%	100.0%	100.0%	100.0%

Hangzhou Victory

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	51.2%	53.2%
FY2025	33.2%	33.5%
FY2026	2.2%	1.6%
FY2027	2.7%	2.1%
FY2028 and beyond	10.7%	9.6%
Total	100.0%	100.0%

Yuexiu Financial Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	27.4%	31.0%
FY2025	28.8%	28.1%
FY2026	33.5%	29.9%
FY2027	2.5%	2.3%
FY2028 and beyond	7.8%	8.7%
Total	100.0%	100.0%

Hong Kong Yue Xiu Building

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2024	50.0%	50.1%
FY2025	50.0%	49.9%
FY2026	0.0%	0.0%
FY2027	0.0%	0.0%
FY2028 and beyond	0.0%	0.0%
Total	100.0%	100.0%

Revenue increased

In 2023, the properties of Yuexiu REIT recorded total revenue of approximately RMB2,086,855,000, representing an increase of 11.4% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Shanghai Yue Xiu Tower, Wuhan Properties, Hangzhou Victory, Yuexiu Financial Tower and Hong Kong Yue Xiu Building accounted for approximately 8.8%, 3.6%, 3.4%, 3.6%, 49.4%, 5.0%, 5.2%, 1.7%, 19.1% and 0.2% of the total revenue, respectively.

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

Name of Property	**Revenue in 2023**	Revenue in 2022	Increase/ (Decrease) Compared to 2022	Increase/ (Decrease)
	RMB million	RMB million	RMB million	%
White Horse Building	**183.9**	93.3	90.6	97.1%
Fortune Plaza	**76.1**	70.0	6.1	8.7%
City Development Plaza	**70.9**	67.0	3.9	5.8%
Victory Plaza	**74.3**	64.9	9.4	14.5%
GZIFC				
Office	**427.3**	465.1	(37.8)	(8.1)%
Retail shopping mall	**68.4**	64.6	3.8	5.9%
Hotel	**416.6**	248.2	168.4	67.8%
Apartment	**119.0**	102.3	16.7	16.3%
Shanghai Yue Xiu Tower	**104.6**	108.5	(3.9)	(3.6)%
Wuhan Properties	**108.3**	130.6	(22.3)	(17.1)%
Hangzhou Victory	**35.2**	34.5	0.7	2.0%
Yuexiu Financial Tower	**399.0**	423.8	(24.8)	(5.9)%
Hong Kong Yue Xiu Building(1)	**3.3**	0.1	3.2	3,200.0%
Total	**2,086.9**	1,872.9	214	11.4%

Note:

(1) The revenue of Hong Kong Yue Xiu Building was recorded since 21 December 2022.

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

Name of Property	**Net Property Income in 2023**	**Net Property Income in 2022**	**Increase/ (Decrease) Compared to 2022**	**Increase/ (Decrease)**
	RMB million	RMB million	RMB million	%
White Horse Building	154.3	79.6	74.7	93.8%
Fortune Plaza	64.7	58.7	6.0	10.2%
City Development Plaza	60.2	56.1	4.1	7.3%
Victory Plaza	63.1	54.4	8.7	16.0%
GZIFC				
Office	356.0	389.5	(33.5)	(8.6)%
Retail shopping mall	58.4	55.2	3.2	5.8%
Hotel	106.9	14.2	92.7	652.8%
Apartment	65.8	60.0	5.8	9.7%
Shanghai Yue Xiu Tower	95.1	99.0	(3.9)	(3.9)%
Wuhan Properties	81.9	102.6	(20.7)	(20.2)%
Hangzhou Victory	29.2	27.6	1.6	5.8%
Yuexiu Financial Tower	336.4	358.9	(22.5)	(6.3)%
Hong Kong Yue Xiu Building[1]	3.3	0.1	3.2	3,200.0%
Total	1,475.3	1,355.9	119.4	8.8%

Note:

(1) The revenue of Hong Kong Yue Xiu Building was recorded since 21 December 2022.

GZIFC – OFFICE: OPTIMISING STRUCTURE AND STABILISING LEASE RENEWALS; SHOPPING MALL: ADJUSTING BRANDS AND PROMOTING SALES

In the face of fierce market competition, the office building of GZIFC successfully renewed leases with a number of key tenants such as CCB Fintech and Société Générale, with a renewed leasing area of 26,000 sq.m. for the year. The overall renewal rate reached 78%, and the renewal rate of key tenants reached 87%. By implementing the strategy of "one distinctive policy for each key customer", it successfully introduced certain top 100 state-owned key enterprises, industry bellwethers and leading enterprises in high-end service industry such as BOCOM Schroders (交銀施羅德) and China Life (中國人壽), as well as two law firms renting a whole floor, with a newly contracted area of approximately 25,000 sq.m. for the year, of which high-quality customers accounted for 50%, thus continuing to optimise and improve the tenant structure.

In 2023, the GZIFC Shopping Mall proactively engaged in the positioning and adjustment in brands. By resources integration and multi-channel business solicitation, it concluded new contracts with 9 brands during the year (with a rental increase of 14.3%), thus continuing to optimise the tenant structure and further enhancing the rental value and the ancillary service capabilities of the shopping mall in the GZIFC podium. At the same time, making optimum use of its advantages in business formats of GZIFC complex, the GZIFC Shopping Mall further deepened scenario-based marketing, connection and interaction among tenants, memberhsip management and services, so as to enhance the overall customer experience and tenants' operation empowerment. By attracting customer flow through various themed activities for shops in the Shopping Mall, its annual sales recorded a year-on-year increase of 21%.

In 2023, the average occupancy rate of Four Seasons Hotel was 79.9%, representing a year-on-year increase of 23.5 percentage points. The average room rate was RMB2,238, representing a year-on-year increase of 32.6%. The RevPAR was RMB1,787, representing a year-on-year increase of 87.8%. The RevPAR competitive index of the hotel was 116.8, representing a year-on-year increase of 7.7 percentage points. Four Seasons Hotel capitalized on the bonus from consumer spending rebound and firmly grasped the market demand for international trade fairs and the holiday economy. With a positive increase in the average room rate, hotel room revenue exceeded the pre-pandemic level in 2019, achieving a high-quality growth. The RevPAR competitive index of the hotel has maintained a dominant position among major hotel competitors for the tenth consecutive year, and has been awarded the "Forbes Travel Guide Five-star Hotel" by Forbes Travel Guide in nine consecutive years.

In 2023, the average occupancy rate of Ascott Serviced Apartments reached 90.2%, representing a year-on-year increase of 3.1%. The average room rate was RMB1,117, representing a year-on-year increase of 11.3%. The RevPAR was RMB1,008, representing a year-on-year increase of 15.2%. At a high level of 150.3, the RevPAR competitive index of the Apartments took a leading position in the competitor apartment market. Facing the challenge of short-term fluctuations caused by the check-out of long-stay tenants from foreign companies, the Apartments took the initiative to leverage the product differentiation advantage of large-sized apartments in the short-term rental market, which in turn boosted revenue from the short-term rental business by a significant 119% increase year-on-year, driving its overall operating revenue to achieve a breakthrough greater than the operating record attained in 2019. The Apartments ranked first both in operating revenue and GOP in Ascott China for eight consecutive years since 2016, and was recognised and recommended as one of the top 10 luxury hotels in Guangzhou by Ctrip Reputation List in the third and fourth quarters respectively.

YUEXIU FINANCIAL TOWER – IMPLEMENTING VARIOUS MEASURES TO STABILISE OPERATION, MAKING INTERNAL ADJUSTMENTS AND CONDUCTING BUSINESS SOLICITATION TO OPTIMISE TENANT STRUCTURE

Yuexiu Financial Tower firmly retained a reserve of high-quality tenants, successfully contracted with industry bellwethers such as Yinghe Law Firm (瀛和律所) and Huajin Securities (華金證券), and facilitated the expansion of existing lease areas for internal key tenants including Chong Hing Bank, with a newly contracted area of approximately 20,000 sq.m. for the year, further reinforcing the premium tenant base of the Tower. Facing the expiring lease area of 44,000 sq.m., the operation team conducted renewal negotiations in advance, and successfully renewed leases with key tenants such as Wanglaoji (王老吉) and ZTE (中興通訊), with the renewal rate reaching 78% and the rent increasing by 3.2% for the year. In addition, in the middle of a sluggish market demand, it focused on improving targeted revamp on capital expenditure and sporadic construction for the project to enhance its product competitiveness, and renovated units recorded a high sell-through rate of 96% for the year, effectively realising a rent premium.

WHITE HORSE BUILDING – MAKING PRECISE BUSINESS SOLICITATION TO ENHANCE OCCUPANCY RATE, REPOSITIONING TO AMPLIFY INFLUENCE

Against the backdrop of a slow recovery of the specialised apparel market after the pandemic and fierce market competition, the operation team of White Horse Building planned and acted in a determined manner, ascertained the business positioning of the first and second floor, aimed at the key areas of domestic apparel production and sales to implement precise business solicitation, and tapped deep into the business arena for target customers, thereby effectively expediting business solicitation and sales. By the end of the year, the occupancy rate of White Horse Building climbed to 95.8%, the highest in the recent three years, representing a year-on-year increase of 14.6 percentage points. By reshaping White Horse Building as the China Brand Apparel International Trading Centre, strengthening the value proposition of "Fashion in White Horse Building, Prime Choice of Quality" (時尚白馬品質首選), and continuing to build White Horse Building's influence through industry exchange events and key marketing activities, White Horse Building effectively increased its media exposure, expanded the flow of its merchandisers, and promoted transaction amounting to over RMB50 million. Continuing to innovate business models, it successfully introduced 15 up-and-coming fashion designer brands into the "China Original Design Brand Base" (中國原創設計品牌基地), successfully consolidating the new positioning and promoting the transformation and upgrading of White Horse Building. In 2023, White Horse Building won the national honorary titles of "China Commodity Market – Top 100 Comprehensive Markets" (中國商品市場綜合百強市場) and "China Commodity Market – Fashion Market" (中國商品市場時尚市場), demonstrating its industry leading position.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA – ELIMINATING RISKS TO STABILISE LEASE RENEWALS, ATTRACTING NEW CUSTOMERS TO OPTIMISE TENANT STRUCTURE

With robust management of lease renewal, Fortune Plaza recorded a relatively high renewal rate of 82% for the year, and the risk in relation to the unexpected termination on lease of the 12th and 13th floors of Tower West was properly handled to ensure a high building occupancy rate. As for City Development Plaza, the vacated space of the entire 22nd and 26th floors was successfully rented out and a high-quality customer, Pufanglimin Technology (普方立民) was introduced, contributing to the continuous increase in the proportion of tenants engaging in the information technology industry. Taking advantage of the lease expiry of a large area, it also successfully introduced well-known companies such as China Merchants Life Insurance (招商仁和) and Dongxing Securities (東興證券), thus achieved a continued optimisation of its tenant structure.

VICTORY PLAZA – RENEWING LEASES WITH MAJOR TENANTS TO STABILISE OPERATION, ORGANISING PROMOTIONS TO ATTRACT CUSTOMER FLOW AND BOOST SALES

Victory Plaza successfully renewed leases with its anchor tenant Uniqlo and key customer China Merchants Bank, thereby securing high-quality customer resources. For units at risk of vacancy, it conducted business solicitation in advance and introduced well-known brands such as Wuu's Hong Kong Cuisine (吳系粵菜館) to enrich its brand portfolio. In terms of operation and promotion, it actively mobilised the resources of major stores and organised joint activities with well-known brands in the shopping mall, which effectively drove the annual sales of the shopping mall to grow by 28% year-on-year, with a corresponding increase in media exposure and awareness of the shopping mall.

SHANGHAI YUE XIU TOWER – STEPPING UP TO THE PLATE AND SEIZING OPPORTUNITIES IN A TOUGH TIME, OVERCOMING DIFFICULTIES TO ENSURE PERFORMANCE

Facing a challenging situation of oversupply resulting from the blowout growth in new supply in Shanghai's office market, the business solicitation team actively retained customers by splitting units to suit tenants' needs, relocating floors and other methods, aiming at seizing every opportunity for successful leasing. As a result, the occupancy rate of Shanghai Yue Xiu Tower rebounded to 89.2% at the end of the year from a low of 81.2% during the year. The team also provided tailored lease renewal plans for existing specific high-quality customers, and successfully renewed leases with six key customers including Hongta Securities (紅塔證券), thereby not missing out on the retention of high-quality customers.

WUHAN PROPERTIES – FOCUSING ON BUSINESS SOLICITATION TO FACILITATE TRANSACTIONS, RESTRUCTURING BUSINESS FORMATS IN THE SHOPPING MALL

Wuhan Properties proactively expanded its customer base through multiple channels and successfully introduced high-quality customers such as FAW Hongqi (一汽紅旗) and Dongguan Securities (東莞證券), recording a newly contracted area of 23,000 sq.m. for the year. It actively promoted cooperation between the government and enterprises. It worked with the Qiaokou District Government to organise activities involving different sectors, and it also communicated with enterprises to identify customer needs as well. It pushed forward the precise renovation and modification of vacant units to effectively match market demands, and the renovated units recorded a high sell-through rate of 90%, significantly shortening the business solicitation cycle. In August 2023, Wuhan Yuexiu Fortune Centre obtained the Net Zero Carbon Building Excellence Certification, which made it the first super high-rise building in Hubei Province being recognised and awarded with both the Net Zero Carbon Certification and the premium LEED Platinum Certification.

In 2023, Starry Victoria Shopping Centre took the initiative to adjust the mix of business formats and brands. It successful introduced 20 representative merchants including CHAGEE (霸王茶姬) and Watsons, which effectively improved the operating image and quality of the first floor of Hall A and met the consumer needs of customers from the office building. The newly contracted area for the year reached 11,000 sq.m., and the occupancy rate rose to 90.2% against the prevailing downtrend at the end of the period. In light of the characteristics of post-pandemic consumption, it provided tenants with operational support and developed special business performance improvement plans. The annual sales of the shopping mall increased by 18% year-on-year, and there were 23 tenants who were subject to the category of a higher fixed rent and percentage of turnover.

HANGZHOU VICTORY – PUSHING FORWARD TENANT OPTIMISATION TO MITIGATE OPERATION RISK

Hangzhou Victory pushed forward the optimisation of tenant structure to proactively mitigate operation risk. It actively introduced financially-sound customers and realised the seamless transition and connection for the vacated space of 2,500 sq.m.. By successfully exploring the leasing demands of customers in the building, it facilitated the expansion of the leasing of the entire seventh floor by a financially-sound customer, Caitong Securities (財通證券). It also actively removed customers exposed to operation risk and planned for lease renewals in advance, achieving a renewal rate of 80% for the year.

SUSTAINABILITY

The Manager adopts a long-term strategic approach on ESG development, actively pursues lean management, and firmly promotes sustainability strategies and goals under the guidance of the Board. Over the past year, the Manager promoted the concepts of green leasing, green consumption, green office, green procurement and green finance, and achieved remarkable results.

In response to climate change, the Manager, taking into account of the industry trends, compliance requirements and international standards, engaged professional consultants to improve the climate scenario analysis model and deepen the analysis of risks and opportunities related to climate change. Based on the Climate Risk Management Policy, the Manager worked in collaboration with the front-line operators to refine energy and carbon related management rules and means, aiming to expand the coverage of digital energy consumption monitoring. During the year, Yuexiu REIT became a co-funding partner of WildAid's climate action, actively calling attention to climate change.

In respect of green building and green leasing, the Manager carried out several energy conservation and carbon reduction capital transformation and asset appreciation projects for GZIFC, Fortune Plaza and Victory Plaza during the year. GZIFC completed the renewal of LEED V4.1 O+M Platinum Certification and obtained China Green Building One-star Certification; Yuexiu Financial Tower completed the renewal of LEED V4.1 O+M Platinum Certification and was certified by Guangzhou Association of Building Economy Promotion as a Three-star Building for Zero-carbon, Digital Intelligence, Energy Saving and Carbon Reduction; and Wuhan Yuexiu Fortune Centre received the Net Zero Carbon Building Excellence Certification jointly issued by BRE and TÜV Rheinland. On the basis that the Green Convention has been extended to 100% of super A Grade office buildings, the Manager continues to expand the scope of the Green Convention to other properties. Yuexiu REIT also advocated green, healthy and sustainable lifestyles in its properties through activities such as "No Tobacco Day", "Earth Hour" and "Green Running".

As for green and sustainable finance, Yuexiu REIT signed a green loan with a total value of RMB4.0 billion during the year for the purpose of financing. By the end of 2023, the proportion of green and sustainability related loan was about 50.3%.

Benefited from the effective implementation of ESG initiatives, a number of mainstream ESG ratings or scores for Yuexiu REIT were elevated during the year, demonstrating the recognition level by the capital market. In particular, under the Global Real Estate Sustainability Benchmark ("GRESB"), Yuexiu REIT received Green "Four Star" rating for the second consecutive year (with a 5% increase in the overall score) and the highest grade of "A" in public disclosure for the third consecutive year. Moreover, Yuexiu REIT received the "Best ESG (Social)" award from Hong Kong Investor Relations Association ("HKIRA"), and was awarded the TOP10 ESG Development Performance Award of Commercial Real Estate Enterprise 2023 from Guandian.

Looking forward, the Manager will persistently adhere to the country's high-quality development as an opportunity to promote the effective integration of sustainable development standards into investment management, financing management, risk management, daily operations and other aspects, so as to fully stimulate the momentum of ESG development, and join hands with various stakeholders to create long-term economic and social benefits.

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

In 2023, the Manager continued to invest in a number of asset upgrading and renovation projects, which included the enhancement project of energy conservation of air-conditioning control systems, the replacement project of wires for light troughs in the public area of office building for GZIFC; the ground renovation project for the logistics areas in Four Seasons Hotel Guangzhou, the upgrading and renovation project of surveillance system in Ascott Serviced Apartment GZIFC; the retrofit project of surveillance display screen and information release system on different floors, the upgrading and renovation of the seventh floor rooftop for White Horse Building; the retrofit project of certain air-conditioning system terminal in Fortune Plaza; the retrofit project of facilities and equipment of the drainage system in Victory Plaza; the repair to floor paint in the B1 floor parking garage in Yuexiu Fortune Centre and Starry Victoria Shopping Centre, the replacement project of stones in the driveway of the drop-off area in Fortune Centre; the upgrading and reconstruction projects of the lobby in Tower B, the B1 floor parking garage, logistics and peripheral passages, elevator safety upgrading and renovation projects and light-current surveillance system in Tower B of Hangzhou Victory; the retrofit project of the display screen in the surveillance centre, the peripheral and first-floor surveillance system in Shanghai Yue Xiu Tower; decoration of shops in GZIFC, Yuexiu Financial Tower, Fortune Plaza, City Development Plaza, Wuhan Fortune Centre, Shanghai Yue Xiu Tower and White Horse Building amounted to a total area of approximately 26,100 sq.m.. The renovated and retrofitted units of these projects had effectively shortened the vacancy period and increased the level of rent, which improved the operating efficiency and business environment of the projects on a continuous basis. The investment for the above renovation projects came to approximately RMB54.45 million.

In 2024, the Manager is planning to invest mainly in asset appreciation projects for GZIFC, Yuexiu Financial Tower, White Horse Building, Four Seasons Hotel Guangzhou, Shanghai Yue Xiu Tower, Wuhan Fortune Centre and Hangzhou Victory, in order to achieve value preservation and appreciation of the properties and to improve the level of lease operation.

PROACTIVE MANAGEMENT IN FINANCING RISK AND EFFECTIVE STABILISATION IN FINANCING COST

In terms of liquidity management, with regard to the 5-year syndicated loan of HK$2.8 billion and the 3-year syndicated loan of HK$2.0 billion due in 2023, the Manager obtained in 2023 the 3-year loan of RMB4.0 billion, the 3-year loan of RMB1.0 billion and the 3-year loan of RMB350 million for the purpose of refinancing the maturing loans so as to ensure effective monitor on the liquidity risk.

As for interest rate management, in order to curb US inflation, the US Federal Reserve announced a total of eleven interest rate hikes from 2022 to 2023, with a cumulative increase of 525 basis points. Hong Kong dollar followed the sharp interest rate hike, while in contrast, the RMB interest rate market entered a downward trend. Taking advantage of the bottom window of the RMB interest rate market, the Manager continued to research various financing instruments and actively adjusted the financing structure in order to mitigate the impact of the interest rate market on the operating results of Yuexiu REIT. In March 2023, RMB1.5 billion Shanghai Free Trade Zone Bonds were issued for early repayment of offshore floating rate loan. Coupled with the above introduction of low-interest RMB loans to refinance the maturing loans, the overall financing costs of Yuexiu REIT have been effectively reduced. At the end of 2023, 1-month HIBOR increased by 92 basis points from that at the beginning of the year. The Manager mitigated the impact of the interest rate market under the premise of maintaining appropriate floating interest rate exposure and actively adjusting the financing structure. At the end of 2023, the overall interest rate of Yuexiu REIT's financing was 4.74% per annum, representing a decrease of 9 basis points from 4.83% at the beginning of the year.

With regard to foreign exchange management, due to the combined effects of US dollar interest rate hikes and RMB interest rate cuts since 2022, both US dollar and Hong Kong dollar appreciated significantly against RMB and are expected to remain at relatively high levels. The Manager continued its focus on the market dynamics by adopting effective management strategies, actively adjusted the financing structure and used foreign exchange hedging tool at reasonable cost to monitor foreign exchange exposure. In 2023, Yuexiu REIT's accumulated exchange loss for the whole year was RMB144 million, the fair value gain of hedging products was RMB145 million, and the net gain for the whole year was RMB1 million (2022: net loss of RMB622 million). In addition, a loan of HK$2.8 billion and a loan of HK$2.0 billion for which foreign exchange hedging has been arranged were settled in advance, resulting in a cash inflow of approximately RMB202 million. The debt structure has been continuously optimised, with the proportion of RMB financing rising from 6% at the beginning of 2023 to 39% at the end of the year.

FINANCE OUTLOOK

As the US Federal Reserve raised interest rates aggressively to curb domestic inflation since 2022, Hong Kong dollar has entered the interest rate hike cycle due to the pegged exchange rate system. Although the US Federal Reserve has stopped interest rate hikes from the third quarter of 2023, the market still expects US dollar and Hong Kong dollar financing costs to remain at a high level for a period of time. On the other hand, RMB interest rate has entered a downward trend to stimulate economic recovery after the pandemic. In light of the rising foreign interest rates and the relatively low cost of RMB, the Manager will continue to review and make reasonable adjustments to its financing structure depending on expectations of market developments, such as introducing low-cost RMB financing through free trade zone bonds, RMB loans and other means, in order to seek more favourable financing cost to offset interest rate risk.

A LOOK AHEAD TO 2024

The market expects a slowdown in both US economic growth and inflation and foresees a peak in the interest rates of US dollar and Hong Kong dollar, however, it is still expected that interest rates will remain at a high level for some time. The global environment remains complex and challenging. Despite the continued regional conflicts and the difficult recovery from the pandemic, major economies have been steadily recovering. According to the World Economic Outlook Update released by the International Monetary Fund (IMF), risks to global growth are broadly balanced, and there are chances that the economy makes a "soft landing". Meanwhile, forecasts for global economic growth are raised to 3.1% in 2024 and 3.2% in 2025 respectively, still below the historical average of 3.8% (2000-2019).

Committed to holding fast to its original aspiration of maximizing asset value, the Manager will make, through the implementation of proactive and prudent leasing strategies, agile response to the potential investment opportunities and expand financing opportunities in the capital market to effectively reduce financing cost, continuously generating stable return to the Unitholders.

FINANCIAL REVIEW

FINANCIAL RESULTS

Yuexiu REIT gross income and net property income were higher than the corresponding period of 2022. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2023	2022	Increase/ (Decrease)
	RMB'000	RMB'000	%
Gross income	**2,086,855**	1,872,860	11.4%
Hotel and serviced apartment direct expenses	**(342,867)**	(260,396)	31.7%
Leasing agent fees	**(47,469)**	(46,713)	1.6%
Property related taxes (Note 1)	**(217,125)**	(207,039)	4.9%
Other property expenses (Note 2)	**(4,132)**	(2,840)	45.5%
Total property operating expenses	**(611,593)**	(516,988)	18.3%
Net property income	**1,475,262**	1,355,872	8.8%
Withholding tax	**(40,633)**	(29,468)	37.9%
Depreciation and amortisation	**(139,876)**	(136,791)	2.3%
Manager's fees	**(170,273)**	(166,530)	2.2%
Trustee fees	**(12,734)**	(12,703)	0.2%
Other trust expenses (Note 3)	**(5,014)**	(89,413)	(94.4)%
Total non-property expenses	**(368,530)**	(434,905)	(15.3)%
Profit before finance income, finance expenses and income tax	**1,106,732**	920,967	20.2%
Finance income	**36,180**	25,511	41.8%
Finance expenses	**(1,068,321)**	(1,521,382)	(29.8)%

	2023	2022	Increase/ (Decrease)
	RMB'000	RMB'000	%
Profit/(Loss) before tax	**74,591**	(574,904)	(113.0)%
Income tax expense	**(251,452)**	(237,986)	5.7%
Loss after income tax before fair value gain/(loss) on investment properties and fair value gain on derivative financial instruments	**(176,861)**	(812,890)	(78.2)%
Fair value gain/(loss) on investment properties	**27,579**	(95,813)	(128.8)%
Fair value gain on derivative financial instruments	**145,327**	397,763	(63.5)%
Net loss after income tax before transactions with Unitholders	**(3,955)**	(510,940)	(99.2)%

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 RMB2,086,855,000 (2022: RMB1,872,860,000) and RMB1,475,262,000 (2022: RMB1,355,872,000) respectively, which represented an increase of approximately 11.4% and 8.8% respectively while comparing with 2022.

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

	Chinese Mainland RMB'000	Hong Kong RMB'000	**2023 RMB'000**	2022 RMB'000
Office (Note 1)	1,201,303	3,330	**1,204,633**	1,275,385
Wholesales	183,918	—	**183,918**	93,262
Retail	162,670	—	**162,670**	153,682
Hotel and serviced apartment	535,634	—	**535,634**	350,531
Total	2,083,525	3,330	**2,086,855**	1,872,860

Net property income amounted to approximately RMB1,475,262,000 (2022: RMB1,355,872,000) representing approximately 70.7% (2022: 72.4%) of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property expenses. Net property income analysis is listed in the following table:

	Chinese Mainland RMB'000	Hong Kong RMB'000	**2023 RMB'000**	2022 RMB'000
Office (Note 1)	1,007,853	3,314	**1,011,167**	1,073,397
Wholesales	154,327	—	**154,327**	79,641
Retail	137,057	—	**137,057**	128,660
Hotel and serviced apartment	172,711	—	**172,711**	74,174
Total	1,471,948	3,314	**1,475,262**	1,355,872

Note 1 The revenue of 17th and 23rd floors of Hong Kong Yue Xiu Building newly acquired was recorded since 21 December 2022.

Hotel and serviced apartment direct expenses were approximately RMB342,867,000 (including depreciation expense of approximately RMB10,102,000 incurred in connection with right-of-use asset and interest expense of approximately RMB1,185,000 incurred in connection with lease liability), an increase of 31.7% as compared with 2022. It was mainly due to an increase in the occupancy rate of hotels and serviced apartments in 2023.

Leasing agent fees increased by approximately 1.6% as compared with 2022. It was mainly because of an increase of operating income.

Property related tax increased by approximately 4.9% as compared with 2022. It was mainly due toan increase of operating income.

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 94.4%. It was mainly due to the foreign exchange gain from operation. Excluding this foreign exchange gain from operation of approximately RMB23,402,000 (2022: foreign exchange loss from operation of approximately RMB48,564,000), other trust expenses incurred for the Reporting Year amounted to approximately RMB28,416,000 (2022: RMB40,849,000).

The Manager's fees increased by approximately 2.2%. The Trustee fees increased by approximately 0.2%.

The finance income received for the Reporting Year amounted to approximately RMB36,180,000 (2022: RMB25,511,000).

During the Reporting Year, the depreciation of Renminbi against Hong Kong Dollar and United States Dollar resulted in an exchange loss of approximately RMB143,659,000. Excluding the exchange loss, the finance expenses incurred for the Reporting Year amounted to approximately RMB924,662,000 (2022: the finance expenses was approximately RMB577,029,000). The average one-month Hong Kong Interbank Offered Rate ("HIBOR") for 2023 was higher than that of 2022 by approximately 280 basis points and led to an increase of interest cost on the floating portion of debt.

Loss after tax before transactions with Unitholders amounted to approximately RMB3,955,000 (2022: loss after income tax before transactions with Unitholders of RMB510,940,000) which represented a decrease of 99.2%, mainly due to a decrease of exchange loss.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2023 was approximately RMB3.18 (2022: RMB3.37), which represented a decrease of approximately 5.6%.

Deferred Units

According to the offering circular in relation to the acquisition of GZIFC dated 30 June 2012, commencing from 31 December 2016, the Yuexiu REIT will, on 31 December of each year, issue to Yuexiu Property Company Limited ("YXP") (or YXP Nominee) such number of Deferred Units as shall be equal to the maximum number of Units that may be issued to YXP (or YXP Nominee) and its concert parties which, when aggregated with the Manager Fee Units that are expected to be issued during the period of 12 months after the relevant Issue Date, will not trigger an obligation on the part of YXP (and parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all Units not already owned or agreed to be acquired by them at the relevant time.

As stated in the 13 November 2021 Circular ("2021 Circular"), in light of the subscription price of the Rights Issue (being HK$3.20) being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive trading days preceding the date of the 2021 Announcement (being HK$3.67), the Deferred Units Issue Price shall be adjusted by multiplying the current Deferred Units Issue Price (being HK$4.00 per Unit) by the fraction as set out under the Indebtedness Agreement and further described in the 2021 Circular (the "Deferred Units Issue Price Adjustment"). The Deferred Units Issue Price Adjustment has taken effect upon the completion of the Rights Issue, which has taken place on 26 January 2022.

Accordingly, following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as described in the announcement on 31 December 2021), and assuming no other Deferred Units Adjustment Events eventuate, the balance of the Assignment consideration will be settled by the issuance of 329,808,584 Deferred Units in aggregate at HK$3.861652 per Unit (the "Further Deferred Units"). Given the number of 2023 Deferred Units issued was substantially lower compared to the number of Deferred Units issued in each of the last two years, such balance is expected to be fully settled at the earliest by 31 December 2026 by the issuance of Further Deferred Units.

On 31 December 2023, the Yuexiu REIT issued 22,000,000 Units (being the "2023 Deferred Units") at a price of HK$3.861652 per Unit to a wholly-owned subsidiary of YXP Property in partial satisfaction of the outstanding consideration from the Yuexiu REIT's investment in Guangzhou International Finance Centre in 2012.

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 49,882,982 and, 60,074,864 units at HK$1.93 and HK$1.516 per Unit on 24 March 2023 and 31 August 2023 respectively. On 31 December 2023, referring to the terms disclosed in the Circular dated 30 June 2012 and the Circular dated 13 November 2021, Yuexiu REIT issued 22,000,000 Units at a price of HK$3.861652 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of YXP) in partial satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2023, a total of 4,915,738,171 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK$2.69 and a low of HK$1.10 during the Reporting Year. The average trading volume amounted to approximately 4,000,000 Units per day during the Reporting Year (2022: approximately 3,854,000 Units).

The closing price of the Units as at 31 December 2023 was HK$1.26, representing a discount of approximately 62.00% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2023.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Bank borrowings and notes		
Denominated in RMB	**7,954,404**	1,234,400
Denominated in HK$	**9,473,012**	15,885,279
Denominated in USD	**2,827,140**	2,785,478
Total bank borrowings and notes	**20,254,556**	19,905,157
Maturity analysis		
Within one year	**5,844,681**	4,364,124
Two to five year	**14,409,875**	15,541,033
Beyond five year	**—**	—
The effective interest rate (per annum) of the borrowings and notes at the balance sheet day		
RMB	**3.49%**	3.45%
HK$	**6.39%**	5.31%
USD	**2.72%**	2.72%

The overall interest rate per annum of the borrowings and notes at the balance sheet day is 4.74% (2022: 4.83%). The average interest rate was approximately 4.60% (2022: 3.05%) for the year.

In 2023, 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 2023, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total amount of hedged loans and bonds was approximately RMB1,014,799,000 (2022: RMB5,279,029,000).

As at 31 December 2023, Yuexiu REIT held certain hedging financial derivatives with fair value asset of approximately RMB12,015,000 (2022: fair value asset of approximately RMB76,854,000).

On 17 March 2023, Yuexiu REIT, through its offshore project company, proposed issue CNY1,500,000,000 4.15% Guaranteed Notes due 2026. On 24 March 2023, the Guaranteed Notes are issued and listed in MOX. It were drawn down for repayment of certain HK$ bank loan facility. For details, please refer to the announcements dated 17 March 2023 and 24 March 2023.

On 25 June 2023, Yuexiu REIT, through its offshore project company, entered into a facility agreement with an onshore bank in connection with a three-year secured and fixed rate term (3.2% per annum) loan facility of RMB4,000,000,000. For details, please refer to the announcement dated 25 June 2023.

On 6 October 2023, Yuexiu REIT, through its offshore project company, entered into a facility agreement with certain bank in connection with a three-year unsecured and fixed rate term (3.75% per annum) loan facility of RMB1,000,000,000. The loan were drawn down on 10 October 2023 and 16 October 2023 respectively for repayment of offshore bank loans.

On 8 December 2023, Yuexiu REIT, through its offshore project company, entered into a facility agreement with certain bank in connection with a three-year unsecured and fixed rate term (3.8% per annum) loan facility of RMB350,000,000. The loan were drawn down on 15 December 2023 for repayment of offshore bank loans.

As at 31 December 2023, total borrowings of Yuexiu REIT amounted to approximately RMB20,254,556,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 46.2% (2022:45.4%) of total assets. The gearing ratio was below the maximum borrowing limit of 50% as stipulated in the REIT Code (which was amended in December 2020).

As at 31 December 2023, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB27,006,270,000, representing approximately 61.6% (2022:60.5%) of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2023 amounted to approximately RMB1,527,727,000. 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 BM"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") and Guangzhou IFC Business Management Co., Ltd. (廣州國金商業經營管理有限公司) ("GZ IFC Management") 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 BM, Baima BM and GZ IFC Management in the amounts of RMB25,284,000, RMB5,517,000 and RMB 16,668,000 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 2023, Yuexiu REIT employed 584 and 131 employees in China for hotel operation through its branch company and for serviced apartments operation through its subsidiary respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

REVIEW OF FINANCIAL RESULTS

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

CORPORATE GOVERNANCE

Article C.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 of the Code of Best Practice that is designed to promote the 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 2024.

ANNUAL GENERAL MEETING

The date and notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	4	**2,086,855**	1,872,860
Operating expenses, net	5	**(978,938)**	(951,551)
Fair value gains/(losses) on investment properties	14	**27,579**	(95,813)
Net gains on derivative financial instruments	17	**145,327**	397,763
Finance income	8	**36,180**	25,511
Finance expenses	9	**(1,069,506)**	(1,521,724)
Profit/(loss) before income tax and transactions with unitholders		**247,497**	(272,954)
Income tax expense	10	**(251,452)**	(237,986)
Loss after income tax before transactions with unitholders		**(3,955)**	(510,940)
Transactions with unitholders	25	**187,476**	1,086,845
Profit after income tax after transactions with unitholders		**183,521**	575,905
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss			
Change in fair value of property, plant and equipment			
– Gross	12	**18,258**	95,951
– Tax		**(5,114)**	(26,873)
		13,144	69,078
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(205,109)**	(626,159)
Other comprehensive income for the year, net of tax		**(191,965)**	(557,081)
Total comprehensive income for the year		**(8,444)**	18,824

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to				
	Unitholders before transactions with unitholders	Transactions with unitholders (note 25)	Unitholders after transactions with unitholders	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit for the year ended 31 December 2022	(529,044)	1,086,845	557,801	18,104	575,905
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	68,358	—	68,358	720	69,078
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(626,159)	—	(626,159)	—	(626,159)
Total comprehensive income for the year ended 31 December 2022	(1,086,845)	1,086,845	—	18,824	18,824
Profit/(loss) for the year ended 31 December 2023	**4,625**	**187,476**	**192,101**	**(8,580)**	**183,521**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	**13,008**	**—**	**13,008**	**136**	**13,144**
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	**(205,109)**	**—**	**(205,109)**	**—**	**(205,109)**
Total comprehensive income for the year ended 31 December 2023	**(187,476)**	**187,476**	**—**	**(8,444)**	**(8,444)**

Notes:

(i) In accordance with the trust deed dated 7 December 2005, as amended by the first supplemental deed on 25 March 2008, the second supplemental deed on 23 July 2010, the third supplemental deed on 25 July 2012, the fourth supplemental deed on 3 April 2020 and the fifth supplemental deed on 28 May 2021 (the "Trust Deed"), Yuexiu REIT is required to distribute to the unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of 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 recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to unitholders. It only affects how unitholders' funds are disclosed in the consolidated statement of financial position and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the consolidated distribution statement on page 49.

(ii) Earnings/(losses) per unit, based upon profit/(loss) after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	12	**2,131,642**	2,183,683
Right-of-use assets	13	**1,156,361**	1,215,748
Investment properties	14	**37,771,146**	37,702,232
Deferred assets, prepayments, deposits and other receivables	15	**203,236**	235,425
Goodwill	16	**859,868**	859,868
Bank deposits	20	**—**	30,000
		42,122,253	42,226,956
Current assets			
Inventories	19	**3,077**	3,080
Trade and lease receivables	18	**22,229**	32,673
Amounts due from related parties		**58,450**	45,228
Deferred assets, prepayments, deposits and other receivables	15	**88,967**	100,579
Derivative financial instruments	17	**12,015**	100,005
Tax recoverable		**11,363**	4,138
Bank deposits	20	**110,000**	20,000
Cash and cash equivalents	20	**1,417,727**	1,333,773
		1,723,828	1,639,476
Total assets		**43,846,081**	43,866,432

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Equity			
Reserves		**(327,358)**	(135,257)
Retained earnings		**327,358**	135,257
		—	—
Non-controlling interests		**1,206,832**	1,217,242
Total equity		**1,206,832**	1,217,242
Current liabilities			
Trade payables	22	**14,263**	25,190
Rental deposits, current portion	23	**216,442**	186,238
Receipts in advance	23	**111,392**	96,553
Accruals and other payables	23	**489,511**	453,448
Amounts due to related parties		**123,829**	142,036
Borrowings	24	**5,844,681**	4,364,124
Lease liabilities	13	**11,965**	10,485
Tax payable		**58,741**	89,062
		6,870,824	5,367,136
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	23	**192,097**	209,987
Borrowings	24	**14,409,875**	15,541,033
Deferred tax liabilities	21	**5,521,648**	5,380,971
Derivative financial instruments	17	**—**	23,151
Lease liabilities	13	**11,826**	22,517
		20,135,446	21,177,659

	Notes	As at 31 December	
		2023	2022
		RMB'000	RMB'000
Total liabilities, other than net assets attributable to unitholders		**27,006,270**	26,544,795
Net assets attributable to unitholders	25	**15,632,979**	16,104,395
Total equity and liabilities		**43,846,081**	43,866,432
Net current liabilities		**(5,146,996)**	(3,727,661)
Units in issue ('000)	25	**4,915,738**	4,783,780
Net assets attributable to unitholders per unit (RMB)		**RMB 3.18**	RMB 3.37

CONSOLIDATED DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Profit/(loss) after income tax before transactions with unitholders attributable to unitholders		**4,625**	(529,044)
Adjustments for the total distributable income (i)			
– Fair value (gains)/losses on investment properties		**(66,879)**	83,785
– Deferred taxation in respect of fair value gains on investment properties charged to profit or loss		**41,773**	27,591
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")		**(392,673)**	(393,752)
– Fair value gains on derivative financial instruments	17	**(145,327)**	(397,763)
		(558,481)	(1,209,183)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		**392,673**	393,752
– Depreciation and amortisation of property, plant and equipment and land use rights under HKFRSs		**138,464**	135,408
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		**101,357**	102,464
– Manager's fee paid and payable in units in lieu of cash		**170,273**	166,530
– Foreign exchange losses on financing activities	9	**143,659**	944,353
– Discretionary distribution		**21,897**	—

	Notes	Year ended 31 December **2023** **RMB'000**	 2022 RMB'000
Distributable income after additional items		**409,842**	533,324
Distributable amount at 1 January		**190,680**	457,990
Distributions paid during the year (iii)	25	**(451,772)**	(800,634)
Final distribution declared		**148,750**	190,680
Distribution per unit, declared (iv)		**RMB0.0303**	RMB0.0399

Notes:

(i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit/(loss) after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.

(ii) Pursuant to the circular dated 30 June 2012, the Manager intends to distribute certain additional items on top of the total distributable income under the Trust Deed.

(iii) A final distribution for the period from 1 July 2022 to 31 December 2022 of RMB0.0394 (equivalent to HK$0.0448) per unit and an interim distribution for the period from 1 January 2023 to 30 June 2023 of RMB0.0534 (equivalent to HK$0.0583) per unit, totalling RMB451,772,000 (2022: RMB800,634,000), were paid to unitholders on 25 May 2023 and 26 October 2023, respectively.

(iv) A final distribution for the period from 1 July 2023 to 31 December 2023 of RMB0.0303 (equivalent to HK$0.0334) per unit, totalling RMB148,750,000 (equivalent to HK$164,186,000), was declared by the Board of the Manager on 7 March 2024.

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

FOR THE YEAR ENDED 31 DECEMBER 2023

		Equity			
	Net assets attributable to unitholders RMB'000	**(Accumulated losses)/ retained earnings RMB'000**	**Reserves RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2022	14,717,852	(422,544)	422,544	1,206,026	15,923,878
Issuance of units (Note 25)	3,359,022	—	—	—	3,359,022
Profit/(loss) for the year ended 31 December 2022 attributable to:					
– Unitholders	(1,086,845)	—	—	—	(1,086,845)
– Equity holders	—	557,801	—	18,104	575,905
Distributions paid to					
– Unitholders	(885,634)	—	—	—	(885,634)
– Equity holders	—	—	—	(7,608)	(7,608)
Change in fair value of property, plant and equipment, net of tax	—	—	68,358	720	69,078
Exchange differences on translation of foreign operations	—	—	(626,159)	—	(626,159)
At 31 December 2022	16,104,395	135,257	(135,257)	1,217,242	17,321,637
At 1 January 2023	**16,104,395**	**135,257**	**(135,257)**	**1,217,242**	**17,321,637**
Issuance of units (Note 25)	**167,832**	**—**	**—**	**—**	**167,832**
(Loss)/profit for the year ended 31 December 2023 attributable to:					
– Unitholders	**(187,476)**	**—**	**—**	**—**	**(187,476)**
– Equity holders	**—**	**192,101**	**—**	**(8,580)**	**183,521**
Distributions paid to					
– Unitholders	**(451,772)**	**—**	**—**	**—**	**(451,772)**
– Equity holders	**—**	**—**	**—**	**(1,966)**	**(1,966)**
Change in fair value of property, plant and equipment, net of tax	**—**	**—**	**13,008**	**136**	**13,144**
Exchange differences on translation of foreign operations	**—**	**—**	**(205,109)**	**—**	**(205,109)**
At 31 December 2023	**15,632,979**	**327,358**	**(327,358)**	**1,206,832**	**16,839,811**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		**1,452,090**	1,033,418
Interest paid		**(854,716)**	(539,957)
Income tax paid		**(146,263)**	(139,317)
Net cash generated from operating activities		**451,111**	354,144
Cash flows from investing activities			
Additions of investment properties		**(45,726)**	(54,243)
Additions of property, plant and equipment		**(22,302)**	(15,421)
Payment for acquisition of subsidiaries, net of cash acquired		**—**	(3,640,741)
Disposal of property, plant and equipment		**41**	13
Interest received		**36,180**	25,511
Increase in bank deposits		**(90,000)**	(73,196)
Redemption on maturity of bank deposits		**30,000**	46,720
Net cash used in investing activities		**(91,807)**	(3,711,357)
Cash flows from financing activities			
Distributions paid		**(453,738)**	(893,242)
Proceeds from borrowings, net of transaction costs		**6,776,240**	5,445,263
Repayment of borrowings		**(6,797,528)**	(4,591,568)
Issuance of units		**—**	3,221,968
Settlement of derivative financial instruments		**210,258**	102,748
Payment of lease liabilities		**(12,207)**	(10,847)
Net cash (used in)/generated from financing activities		**(276,975)**	3,274,322
Net increase/(decrease) in cash and cash equivalents		**82,329**	(82,891)
Cash and cash equivalents at beginning of the year		**1,333,773**	1,453,356
Effects of exchange rate changes on cash and cash equivalents		**1,625**	(36,692)
Cash and cash equivalents at end of the year	20	**1,417,727**	1,333,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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 the First Supplemental Deed dated 25 March 2008, the Second Supplemental Deed dated 23 July 2010, the Third Supplemental Deed dated 25 July 2012, the Fourth Supplemental Deed dated 3 April 2020 and the Fifth Supplemental Deed dated 28 May 2021) and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to the applicable conditions imposed by Securities and Futures Commission of Hong Kong from time to time. The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited on 21 December 2005.

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2 Material accounting policies

(a) Basis of preparation

These consolidated financial statements of Yuexiu REIT have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, these consolidated financial statements have been prepared in accordance with 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, except for the investment properties, hotel, serviced apartments and derivative financial instruments which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB5,147 million (31 December 2022: RMB3,728 million) due to the borrowings of RMB5,845 million which will fall due within twelve months from the balance sheet date (31 December 2022: borrowings of RMB4,364 million fall due within twelve months from the balance sheet date and an amount due to Yuexiu Property Company Limited of approximately RMB3,500,000,000). Taking into account the financial resources available, including existing unutilized facilities under the the Guaranteed Medium Term Note Programme of Yuexiu REIT MTN Company Limited ("MTN program"), the available debts limit and guaranteed notes limit, the Manager considers the Group has adequate resources to meet its liabilities as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the directors consider it is appropriate in preparing the consolidated financial statements on a going concern basis.

(i) Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(ii) Issued but not yet effective Hong Kong Financial Reporting Standards

The following revised standards have been issued but are not yet effective for the year ended 31 December 2023 and have not been early adopted by the Group. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]	1 January 2024
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]	1 January 2024
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to HKAS 21	*Lack of Exchangeability*	1 January 2025
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	No mandatory effective date yet determined but available for adoption

[1] As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The directors of the Manager anticipate that the adoption of these revised standards would not result in any significant impact on the results and financial position of the Group.

(b) Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Yuexiu REIT. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Generally, there is a presumption that a majority of voting rights results in control. When Yuexiu REIT has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

(ii) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Property, plant and equipment

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

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

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

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

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

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

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

Leasehold improvements, furniture and fixtures and office supplies	3-20 years
Motor vehicles	5 years

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

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

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

(f) Investment properties

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

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. The carrying value of the investment property is reviewed every six months and is independently valued by external valuer at least annually. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Any gain or loss arising on disposal of the investment property (calculated as the difference between the disposal proceeds and the carrying amount including revaluation of the asset) is recognised in the consolidated statement of comprehensive income in the period in which the investment property is disposed of. Changes in fair values are recorded in the profit or loss.

(g) Goodwill

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

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

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

(h) Derivative financial instruments

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

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

(i) Impairment of non-financial assets

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

(j) Offsetting of financial instruments

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

(k) Inventories

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

(l) **Financial assets**

(i) Classification

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

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

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

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

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

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

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

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

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

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

(ii) Impairment

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

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

(m) Leases

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

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

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

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

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

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

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

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

(n) Rental deposits

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

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

(o) Cash and cash equivalents

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

(p) Trade payables

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

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

(q) Provisions

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

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

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

(r) Borrowings

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

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

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

(s) Borrowing costs

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

(t) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

(u) Revenue recognition

(i) Rental income

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

(ii) Hotel and serviced apartment income

Hotel and serviced apartment income is recognised in the accounting period in which the services are rendered.

(iii) Interest income

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

(v) Distributions to unitholders

In accordance with the Trust Deed, Yuexiu REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. Yuexiu REIT has a limited life of 80 years from the date of establishment. These units are therefore classified as financial liabilities and presented under "net assets attributable to unitholders" in accordance with HKAS 32 and, accordingly, the distributions to unitholders are therefore presented as "transactions with unitholders" in the profit or loss.

(w) Employee benefits

(i) Pension obligations

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

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

(ii) Termination benefits

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

3 Critical accounting estimates

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

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

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

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

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

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

The fair value of property, plant and equipment and investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Notes 12 and 14 respectively.

(b) **Estimate of impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The assessment of recoverable amount calculations requires the use of estimates.

(c) **Estimates of fair values of derivative financial instruments**

Fair values are arrived at using valuations provided by the counterparty banks/valuer for each reporting period with reference to market data. Actual results may differ when assumptions and market conditions changes.

4 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 resource allocation.

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

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors is 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 RMB'000**	**Wholesale and shopping mall RMB'000**	**Total RMB'000**
Year ended 31 December 2023				
Revenue from external customers	**535,634**	**1,204,633**	**346,588**	**2,086,855**
Segment results	**34,020**	**1,057,083**	**273,048**	**1,364,151**
Depreciation	**139,877**	**—**	**—**	**139,877**
Fair value gains/(losses) on investment properties	**—**	**45,916**	**(18,337)**	**27,579**

	Hotel and serviced apartments RMB'000	Office RMB'000	Wholesale and shopping mall RMB'000	Total RMB'000
Year ended 31 December 2022				
Revenue from external customers	350,531	1,275,385	246,944	1,872,860
Segment results	(62,261)	1,128,701	57,164	1,123,604
Depreciation	146,858	19	—	146,877
Fair value gains/(losses) on investment properties	—	55,324	(151,137)	(95,813)

	Hotel and serviced apartments RMB'000	Office RMB'000	Wholesale and shopping mall RMB'000	Total RMB'000
As at 31 December 2023				
Total reportable segment' assets	**3,642,780**	**30,036,284**	**9,280,305**	**42,959,369**
As at 31 December 2022				
Total reportable segment' assets	3,735,044	29,863,243	9,321,980	42,920,267

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Segment results	**1,364,151**	1,123,604
Changes in fair value of derivative financial instruments	**145,327**	397,763
Finance income	**36,180**	25,511
Finance expenses	**(1,069,506)**	(1,521,724)
Unallocated operating costs (Note)	**(228,655)**	(298,108)
Profit/(loss) before income tax and transactions with unitholders	**247,497**	(272,954)

Note: Unallocated operating costs include mainly the manager's fee, legal and professional expenses and other operating expenses.

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Total reportable segment' assets	**42,959,369**	42,920,267
Unallocated assets	**886,712**	946,165
Total assets	**43,846,081**	43,866,432

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Chinese Mainland and Hong Kong	**2,086,855**	1,872,860	**42,959,369**	42,920,267
Unallocated assets			**886,712**	946,165
			43,846,081	43,866,432

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

The Group's revenue by nature is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Hotel and serviced apartment operations		
Room	**319,532**	215,068
Food and beverages	**117,330**	123,588
Others	**98,772**	11,875
Property rentals	**1,551,221**	1,522,329
	2,086,855	1,872,860

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised at a point in time	**213,221**	128,312
Revenue recognised over time	**319,794**	219,928
Other sources	**1,553,840**	1,524,620
	2,086,855	1,872,860

5 Expenses by nature, net

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Property management fees (i)	**47,469**	46,713
Employee benefit expenses (Note 6)	**116,149**	97,196
Real estate tax	**203,286**	193,544
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**10,623**	10,042
Withholding tax (ii)	**40,633**	29,468
Depreciation of property, plant and equipment (Note 12)	**90,592**	87,509
Depreciation of staff quarters (Note 13)	**10,102**	10,086
Depreciation of land use rights (Note 13)	**49,285**	49,282
Cost of inventories sold or consumed in operation	**114,007**	88,871
Other direct expenses on hotel and serviced apartments	**101,424**	63,899
Manager's fee (Note 7)	**170,273**	166,530
Trustee's fee	**12,734**	12,703
Valuation fees	**1,162**	856
Legal and professional fee	**4,063**	14,056
Auditor's remuneration	**2,400**	3,889
Bank charges	**442**	386
Foreign exchange (gains)/losses arising from operating activities	**(23,402)**	48,564
Others	**27,696**	27,957
Total operating expenses, net	**978,938**	951,551

Notes:

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

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

6 Employee benefit expenses

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonus	**75,904**	59,671
Pension costs	**8,518**	8,301
Social security costs and staff welfare	**31,727**	29,224
	116,149	97,196

Pension scheme arrangements

Certain subsidiaries of Yuexiu REIT in Chinese Mainland are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Governments. The Group has no further obligation for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

7 Manager's fee

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as the 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 an external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of a deposited property comprising Real Estate, as defined in the Trust Deed.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Manager's fee:		
In the form of units	**170,273**	166,530

Pursuant to the circular of Yuexiu REIT dated 13 November 2021 ("2021 Circular") and subsequent announcement dated 14 January 2022, all of the manager's fee for the year ended 31 December 2022, was paid in the form of units. Pursuant to the announcement dated 13 January 2023, all of the manager's fee for the year ended 31 December 2023, will be paid in the form of units.

8 Finance income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income from bank deposits	**32,727**	22,058
Interest income from a related company	**3,453**	3,453
	36,180	25,511

9 Finance expenses

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expense for bank borrowings	**743,441**	440,751
Interest expense for other borrowings	**159,324**	105,580
Interest and finance charges paid/payable for lease liabilities (Note 13)	**1,185**	342
Amortisation of transaction costs for borrowings	**21,897**	27,079
Interest expense due to a related party	**—**	3,619
Foreign exchange losses on financing activities	**143,659**	944,353
	1,069,506	1,521,724

10 Income tax expense

For the subsidiaries incorporated and operate in Chinese Mainland, they are subject to corporate income tax at a rate of 25% under the Corporate Income Tax Law of the People's Republic of China (the "China CIT Law").

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 5 (ii).

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– corporate income tax	**72,225**	53,518
– withholding tax	**43,664**	31,885
Deferred income tax (Note 21)	**135,563**	152,583
	251,452	237,986

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) before income tax and transactions with unitholders	**247,497**	(272,954)
Tax calculated at the domestic tax rate of 25%	**61,874**	(68,239)
Expenses not deductible for tax purposes	**1,221**	1,864
Under provision in prior years	**2,027**	7,390
Withholding tax on unremitted earnings of subsidiaries (Note a)	**63,929**	61,297
Utilisation of previously unrecognised tax losses	**(831)**	(539)
Tax losses for which no deferred income tax asset was recognised	**52,281**	46,191
Effect of different tax rates	**148,109**	265,878
Other tax deduction	**(77,158)**	(75,856)
	251,452	237,986

Note a:

According to the China CIT Law, a withholding tax of 10% or 5% will be levied on the immediate holding companies outside Chinese Mainland when their Chinese Mainland subsidiaries pay dividends out of profits earned after 1 January 2008. Accordingly, deferred income tax liabilities of RMB656,414,000 (31 December 2022: RMB635,601,000) were recognised for the withholding tax that would be payable on the unremitted earnings of the Group's Chinese Mainland subsidiaries.

11 Earnings/(loss) per unit based upon profit/(loss) after income tax before transactions with unitholders attributable to unitholders

(a) Basic

Basic earnings/(loss) per unit based upon profit/(loss) after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit/(loss) after income tax before transactions with unitholders attributable to unitholders by the weighted average number of units in issue during the year.

	Year ended 31 December	
	2023	2022
Profit/(loss) after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**4,625**	(529,044)
Weighted average number of units in issue ('000)	**4,842,400**	4,596,839
Basic earnings/(loss) per unit (RMB)	**0.001**	(0.115)

(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 (Note 25) outstanding and the 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 the manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2023.

	Year ended 31 December	
	2023	2022
Profit/(loss) after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**4,625**	(529,044)
Weighted average number of units in issue ('000)	**4,842,400**	4,596,839
Adjustments for deferred units ('000)	**232,809**	—
Adjustments for manager's fee in form of units ('000)	**149,122**	—
Weighted average number of units for diluted earnings/(losses) per unit ('000)	**5,224,331**	4,596,839
Diluted earnings/(losses) per unit (RMB)	**0.001**	(0.115)

12 Property, plant and equipment

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2022				
Cost	2,406,151	13,083	8,977	2,428,211
Accumulated depreciation	(841,264)	(12,820)	(8,526)	(862,610)
Fair value gains on revaluation	593,113	—	—	593,113
Net book amount	2,158,000	263	451	2,158,714
Year ended 31 December 2022				
Opening net book amount	2,158,000	263	451	2,158,714
Additions	16,618	—	—	16,618
Disposal	(79)	—	(12)	(91)
Depreciation (Note 5)	(87,490)	(19)	—	(87,509)
Fair value gains on revaluation	95,951	—	—	95,951
Closing net book amount	2,183,000	244	439	2,183,683
At 31 December 2022				
Cost	2,421,202	13,083	8,747	2,443,032
Accumulated depreciation	(927,266)	(12,839)	(8,308)	(948,413)
Fair value gains on revaluation	689,064	—	—	689,064
Net book amount	2,183,000	244	439	2,183,683

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2023				
Opening net book amount	**2,183,000**	**244**	**439**	**2,183,683**
Additions	**20,340**	**—**	**—**	**20,340**
Disposal	**(6)**	**—**	**(41)**	**(47)**
Depreciation (Note 5)	**(90,592)**	**—**	**—**	**(90,592)**
Fair value gains on revaluation	**18,258**	**—**	**—**	**18,258**
Closing net book amount	**2,131,000**	**244**	**398**	**2,131,642**
At 31 December 2023				
Cost	**2,441,406**	**13,083**	**7,922**	**2,462,411**
Accumulated depreciation	**(1,017,728)**	**(12,839)**	**(7,524)**	**(1,038,091)**
Fair value gains on revaluation	**707,322**	**—**	**—**	**707,322**
Net book amount	**2,131,000**	**244**	**398**	**2,131,642**

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 RMB1,308,624,000 (2022: RMB1,428,462,000).

As at 31 December 2023, property, plant and equipment with an aggregate carrying amount of RMB1,897 million (2022: RMB1,944 million) were pledged as collateral for the Group's bank borrowings (Note 24).

The following table illustrates an analysis of the property, plant and equipment carried at fair value:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Opening balance	**2,183,000**	2,158,000
Additions	**20,340**	16,618
Disposal	**(6)**	(79)
Depreciation	**(90,592)**	(87,490)
Unrealised gains recognised in reserves	**18,258**	95,951
Closing balance	**2,131,000**	2,183,000
Unrealised gains for the year included in other comprehensive income at the end of the year	**18,258**	95,951

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Savills Valuation and Professional Services Limited ("Savills"), being an independent qualified valuer not related to the Group as at 31 December 2023 (2022: Colliers International (Hong Kong) Limited ("Colliers")).

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 senior management. Discussions of valuation processes and results are held between 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 valuation movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

Valuation techniques

Fair value measurements using significant unobservable inputs

The fair value of the building portions of hotel and serviced apartments of Guangzhou International Finance Centre ("Guangzhou IFC'') is derived using the depreciated replacement cost method.

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

The overall fair value (including land and building portions) of hotel and serviced apartments in Chinese Mainland is generally derived using the discounted cash flow analysis. Due to the lack of land transactions in market, the fair value of land, for disclosure purposes only as set out in Note 13, is therefore calculated as the difference between the overall fair value (including land and building portions) under the discounted cash flow analysis and the fair value of building portions under the depreciated replacement cost method.

The building portions of hotel and serviced apartments in property, plant and equipment are included in Level 3 (2022: Level 3) of the fair value hierarchy.

Significant inputs used to determine fair value

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

Discount rates are estimated by Savills Valuation and Professional Services Limited (2022:Colliers International (Hong Kong) Limited) based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value will be. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in Chinese Mainland, within the subject properties and other comparable properties. The lower the rents, the lower the fair value will be.

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

As at 31 December 2022

	Depreciated replacement cost method		
	Building costs (RMB/m^2)	Finance costs (% of construction costs)	Professional fee (% of construction costs)
Hotel	21,090	4.65	6
Serviced apartments	17,205	4.65	6

As at 31 December 2023

	Depreciated replacement cost method		
	Building costs (RMB/m^2)	**Finance costs (% of construction costs)**	**Professional fee (% of construction costs)**
Hotel	**19,000**	**4.75**	**3**
Serviced apartments	**17,100**	**4.75**	**3**

13 Leases

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

	Land use rights RMB'000	**Staff quarters RMB'000**	**Total RMB'000**
Right-of-use assets			
At 1 January 2022	1,232,114	9,146	1,241,260
Addition	—	33,856	33,856
Depreciation (Note 5)	(49,282)	(10,086)	(59,368)
At 31 December 2022	1,182,832	32,916	1,215,748
At 1 January 2023	**1,182,832**	**32,916**	**1,215,748**
Depreciation (Note 5)	**(49,285)**	**(10,102)**	**(59,387)**
At 31 December 2023	**1,133,547**	**22,814**	**1,156,361**

On 22 November 2022, the Group entered into a renewal lease contract with Guangzhou Yuexiu Star Apartment Management Co., Ltd. in respect of the staff quarters used as accommodation for some of the hospitality staff for a further term of three years with effect from 1 December 2022.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities		
Current portion	**11,965**	10,485
Non-current portion	**11,826**	22,517
	23,791	33,002

As at 31 December 2023, the fair value of land use rights was approximately RMB2,657 million (2022: RMB2,474 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2023, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,050 million (2022: RMB1,101 million) as collateral for the Group's bank borrowings (Note 24).

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 5)		
Land use rights	**49,285**	49,282
Staff quarters	**10,102**	10,086
	59,387	59,368
Interest expense (included in finance expenses) (Note 9)	**1,185**	342
	1,185	342

The total cash outflows for leases in 2023 was RMB12,207,000 (2022: RMB11,189,000).

14 Investment properties

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Opening balance	**37,702,232**	37,657,000
Addition from acquisition of subsidiaries	**—**	113,207
Capitalisation of transaction costs for the acquisition of subsidiaries	**—**	1,653
Exchange differences	**1,619**	(601)
Capitalised expenditure	**39,716**	26,786
Fair value gains/(losses) during the year, included in profit or loss under "Fair value gains/(losses) on investment properties"	**27,579**	(95,813)
Closing balance	**37,771,146**	37,702,232
Fair value gains/(losses) for the year included in profit or loss for assets held at the end of the year, under "Fair value gains/(losses) on investment properties"	**27,579**	(95,813)

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties in 2023 amounted to RMB291,931,000 among which, RMB32,036,000 was related to investment properties that were vacant.

As at 31 December 2023, investment properties with an aggregate carrying value of approximately RMB3,753 million (2022: RMB3,847 million) were pledged as collateral for the Group's bank borrowings (Note 24).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Savills, being an independent qualified valuer not related to the Group as at 31 December 2023 (2022: Colliers).

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 senior management. Discussions of valuation processes and results are held between 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 valuation movements compared to the prior year valuation report
- Holds discussions with the independent valuer

Valuation techniques

(a) Investment properties in Chinese Mainland

As at 31 December 2023 and 2022, Savills and Colliers relied on the income capitalisation method as the primary approach and cross-checked by the market approach. The use of the income capitalisation method is in line with the market practice of property valuation for income-producing commercial assets which are the main asset class of the Group.

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

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.

(b) Investment properties in Hong Kong

As at 31 December 2023 and 2022, Savills and Colliers relied on the sales comparison approach for the valuation of investment properties located in Hong Kong. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The key input under this approach is the price per square foot from current year sales of comparable properties.

The investment properties are included in Level 3 (2022: Level 3) of the fair value hierarchy.

Significant inputs used to determine fair value

(a) Investment properties in Chinese Mainland

Capitalisation rates are estimated by Savills and Colliers as at 31 December 2023 and 2022 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value will be.

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 will be.

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

As at 31 December 2023

	Fair value (RMB'000)	**Monthly market unit rent (RMB per sq.m.)**	**Capitalisation rate (per annum)**
Office	**27,246,400**	**78 to 275**	**4.50% to 7.00%**
Wholesale and shopping mall	**10,416,000**	**33 to 1,023**	**4.50% to 7.50%**

As at 31 December 2022

	Fair value (RMB'000)	Monthly market unit rent (RMB per sq.m.)	Capitalisation rate (per annum)
Office	28,322,000	90 to 319	4.00% to 6.25%
Wholesale and shopping mall	9,265,000	65 to 1,035	4.00% to 7.25%

(b) Investment properties in Hong Kong

Sales prices are estimated based on recent market transactions. The higher the prices, the higher the fair value will be.

The adopted valuation assumption in the sales comparison approach is as follows:

As at 31 December 2023

	Fair value (RMB'000)	**Unit sales price (HKD per sf.)**
17/F, Hong Kong Yue Xiu Building	**53,467**	**15,365**
23/F, Hong Kong Yue Xiu Building	**55,279**	**15,885**

As at 31 December 2022

	Fair value (RMB'000)	Unit sales price (HKD per sf.)
17/F, Hong Kong Yue Xiu Building	56,544	16,400
23/F, Hong Kong Yue Xiu Building	58,688	17,040

15 Deferred assets, prepayments, deposits and other receivables

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

16 Goodwill

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cost	**859,868**	859,868
Accumulated impairment	**—**	—
Net book amount	**859,868**	859,868

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
The PRC	**859,868**	859,868

Goodwill of the Group mainly represents the deferred income tax liabilities in relation to the investment properties acquired through business combinations. In assessing whether goodwill has suffered any impairment, the carrying values of the respective investment properties as at year end are compared with their fair values as at the acquisition completion dates. Key assumptions used for goodwill impairment are consistent with those used in the valuation of investment properties. The results of the tests undertaken as at 31 December 2023 and 2022 indicated no impairment existed.

17 Derivative financial instruments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets		
Interest rate swap contracts	**—**	37,254
Foreign exchange contracts	**12,015**	62,751
	12,015	100,005
Non-current liabilities		
Foreign exchange contracts	**—**	23,151

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 interest rate swap contracts at 31 December 2022 were HK$2,800,000,000 due on 21 August 2023. The interest rate swap contracts have been settled in 2023.

The notional principal amounts of the outstanding foreign exchange forward contracts at 31 December 2023 were HK$1,120,000,000 due on 28 May 2024 (31 December 2022: HK$500,000,000 due on 21 December 2023 and HK$1,120,000,000 due on 28 May 2024).

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2022 were HK$1,500,000,000 due on 21 December 2023 and HK$2,800,000,000 due on 18 August 2023. The capped foreign exchange forward contracts have been settled in 2023.

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

The fair values of foreign exchange forward contracts are based on valuation of the instruments provided by the counterparty banks, which are determined by reference to the present values of the estimated future cash flows, taking into account market observable interest rate yield curves and forward exchange rates at each reporting date. As significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2 of the fair value hierarchy.

The following amounts were recognised in profit or loss in relation to derivatives:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Unrealised fair value changes of derivative financial instruments	**35,277**	104,142
Net realised gains from derivative financial instruments	**110,050**	293,621
	145,327	397,763

18 Trade and lease receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade and lease receivables	**23,523**	33,438
Loss allowance	**(1,294)**	(765)
Trade and lease receivables, net	**22,229**	32,673

Due to the short-term nature of the current receivables, the fair values of trade and lease receivables approximate to their carrying amounts.

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 - 30 days	**16,902**	19,520
31 - 90 days	**4,339**	12,025
91 - 180 days	**572**	925
181 - 365 days	**257**	318
Over 1 year	**1,453**	650
	23,523	33,438

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

The Group's trade and lease receivables are mainly denominated in RMB.

19 Inventories

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

20 Bank deposits and cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at banks and on hand	**1,233,148**	1,154,625
Bank deposits with original maturity of less than three months	**184,579**	179,148
Cash and cash equivalents	**1,417,727**	1,333,773
Bank deposits with original maturity of more than three months and less than twelve months	**90,000**	20,000
Bank deposits with original maturity of more than twelve months	**20,000**	30,000
Total	**1,527,727**	1,383,773
Maximum exposure to credit risk	**1,527,377**	1,383,423

As at 31 December 2023, included in the bank deposits and cash and cash equivalents of the Group are bank deposits of approximately RMB1,289,621,000 (2022: RMB949,818,000) denominated in RMB, which is not a freely convertible currency in the international market. The remittance of these funds out of Chinese Mainland is subject to exchange control restrictions imposed by the Chinese government.

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

The carrying amounts of bank deposits and cash and cash equivalents approximate to their fair values.

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

	As at 31 December	
	2023	2022
Bank deposits with original maturity of more than twelve months	**2.60%**	2.60%
Bank deposits with original maturity of less than twelve months	**1.70% to 4.90%**	2.00% to 4.50%

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB’000	RMB’000
RMB	**1,289,971**	950,168
HK$	**221,353**	378,224
USD	**16,403**	55,381
	1,527,727	1,383,773

21 Deferred tax liabilities

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

	As at 31 December	
	2023	2022
	RMB’000	RMB’000
Beginning of the year	**5,380,971**	5,201,515
Deferred taxation charged to profit or loss (Note 10)	**135,563**	152,583
Deferred taxation charged to reserves	**5,114**	26,873
End of the year	**5,521,648**	5,380,971

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

	Tax losses and others RMB'000
At 1 January 2022	27,517
Charged to profit or loss	(8,884)
At 31 December 2022	18,633
At 1 January 2023	18,633
Charged to profit or loss	(5,029)
At 31 December 2023	13,604

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

	Fair value change RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2022				
At 1 January 2022	3,762,763	603,304	862,965	5,229,032
Charged to profit or loss	18,303	29,412	95,984	143,699
Charged to reserves	23,988	2,885	—	26,873
At 31 December 2022	3,805,054	635,601	958,949	5,399,604
Year ended 31 December 2023				
At 1 January 2023	3,805,054	635,601	958,949	5,399,604
Charged to profit or loss	30,667	20,264	79,603	130,534
Charged to reserves	4,565	549	—	5,114
At 31 December 2023	3,840,286	656,414	1,038,552	5,535,252

22 Trade payables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**14,263**	25,190

The fair values of trade payables approximate to their carrying amounts.

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0 - 30 days	**7,796**	15,038
31 - 90 days	**3,443**	7,630
91 - 180 days	**970**	2,402
180 - 365 days	**761**	115
Over 1 year	**1,293**	5
	14,263	25,190

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

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Rental deposits		
Current portion	**216,442**	186,238
Non-current portion	**192,097**	209,987
	408,539	396,225
Receipts in advance		
Current portion	**111,392**	96,553
Accrued urban real estate tax	**54,137**	60,702
Accrued withholding tax payable	**7,050**	11,285
Accrued surcharge tax	**15,568**	16,753
Construction payable	**179,854**	186,625
Transaction costs payable for the acquisition of Gain Force (the "Acquisition") (i)	**7,731**	7,731
Accruals for other operating expenses	**132,065**	125,295
Accrued interest expenses	**93,106**	45,057
Accruals and other payables	**489,511**	453,448
	1,009,442	946,226

(i) On 23 December 2021, the Group completed the acquisition of the 100% equity interests in Gain Force and its subsidiaries, which are engaged in the leasing of Yuexiu Financial Tower, an international Grade A office building located in Guangzhou.

(ii) The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate to their fair values. The majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

24 Borrowings

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note a)	**165,000**	85,000
– Unsecured	**4,664,882**	4,279,124
Other borrowings, unsecured (Note b)	**1,014,799**	—
	5,844,681	4,364,124
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	**5,110,233**	1,234,400
– Unsecured (Note c)	**9,804,443**	14,885,374
Other borrowings, unsecured (Note b)	**5,339,880**	3,785,383
Total long-term borrowings	**20,254,556**	19,905,157
Less: current portion of long-term borrowings	**(5,844,681)**	(4,364,124)
Non-current portion of long-term borrowings	**14,409,875**	15,541,033
Analysed into:		
Unsecured	**15,144,323**	18,670,757
Secured	**5,110,233**	1,234,400
	20,254,556	19,905,157

Note a:

As at 31 December 2023, bank loans of approximately RMB5,110 million (2022: RMB1,234 million) are secured by certain parts of Guangzhou IFC with a carrying value of RMB6,700 million (2022: RMB6,892 million).

The Group's borrowings are repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**5,844,681**	4,364,124
Between one year and five years	**14,409,875**	15,541,033
	20,254,556	19,905,157

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

	As at 31 December	
	2023	2022
RMB	**3.49%**	3.45%
HK$	**6.39%**	5.31%
USD	**2.72%**	2.72%

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**7,954,404**	1,234,400
HK$	**9,473,012**	15,885,279
USD	**2,827,140**	2,785,478
	20,254,556	19,905,157

Note b:

On 2 February 2021, Yuexiu REIT MTN Company Limited ("REIT MTN"), a wholly owned subsidiary of Yuexiu REIT, issued and sold a total principal amount of USD$400 million of 2.65% notes due in February 2026 to investors under the MTN Programme, which was updated in January 2021.

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

On 24 March 2023, MOON KING LIMITED, a wholly owned subsidiary of Yuexiu REIT, issued and sold a RMB1,500 million principal amount of 4.15% guaranteed notes due in March 2026.

Note c:

Among the balance, an outstanding borrowing was HK$260,000,000 due to Yue Xiu Investment Consultants Limited ("YXIC") as of 31 December 2023. The borrowing is at an interest rate of HIBOR plus 1.5% with a five-year term commencing on 29 April 2020, which was originally drawn down under the facility agreement between Secure Shell (as borrower) and several banks (as lenders) (the "Facility Agreement") and was subsequently transferred from one of the original lenders to YXIC on 17 August 2023. Pursuant to the Facility Agreement, Yuexiu REIT and Secure Shell were not parties to or otherwise involved in the transfer.

25 Net assets attributable to unitholders

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Opening balance	**16,104,395**	14,717,852
Issuance of units	**167,832**	3,359,022
Transfer to the consolidated statement of comprehensive income	**(187,476)**	(1,086,845)
Distributions paid during the year	**(451,772)**	(800,634)
Special distribution for the Acquisition	**—**	(85,000)
Closing balance	**15,632,979**	16,104,395

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

	Year ended 31 December	
	2023	2022
Units in issue ('000)		
Opening balance	**4,783,780**	3,417,224
Manager's fee in form of units (Note a)	**109,958**	57,153
Issuance of deferred units during the year (Note b)	**22,000**	75,000
Rights issue for the Acquisition (the "Rights Issue") (Note c)	**—**	1,234,403
Closing balance	**4,915,738**	4,783,780

Note a:

During 2023, 109,957,846 units were issued for payment of the manager's fee (2022: 57,152,859 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 a certain number of units starting from 31 December 2016 (the "Deferred Units"). The number of Deferred 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. Accordingly, 22,000,000 Deferred Units were issued on 31 December 2023 (2022: 75,000,000 Deferred Units).

Pursuant to the terms disclosed in the 2021 Circular, in light of the subscription price of the Rights Issue (being HK$3.20) being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive trading days preceding the date of the announcement (being HK$3.67), which was made on 24 October 2021 in relation to the Acquisition, the issue price for the Deferred Units (the "Deferred Units Issue Price") shall be adjusted by multiplying the current Deferred Units Issue Price (being HK$4.00 per unit) by the fraction as set out under the indebtedness agreement dated 28 May 2012 between YXP, the Trustee and the Manager and further described in the 2021 Circular (the "Deferred Units Issue Price Adjustment"). The adjusted Deferred Units Issue Price is HK$3.86 per unit and the number of Deferred Units to be issued was adjusted to 329,809,000 units following the Deferred Units Issue Price Adjustment. The Deferred Units Issue Price Adjustment took effect upon the completion of the Rights Issue on 26 January 2022.

Note c:

On 26 January 2022, a total of 1,234,403,038 units were issued on the basis of 37 units for every 100 units held on the Rights Issue record date for HK$3.20 per unit.

26 Capital commitments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	**35,588**	32,404

27 Future minimum rental receivables

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within one year	**1,106,763**	1,258,688
Between one year and five years	**1,448,178**	1,705,440
Over five years	**21,429**	52,519
	2,576,370	3,016,647

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

Hong Kong, 7 March 2024

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*