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**致香港投資者通知：**發行人及越秀房產基金管理人確認，票據擬僅供專業投資者（定義見香港聯合交易所有限公司證券上市規則第三十七章）購買，並將按該基準於香港聯合交易所有限公司上市。因此，發行人及越秀房產基金管理人確認，票據並不適宜作為香港零售投資者的投資。投資者應審慎考慮所涉及風險。

本公告及本公告所述發售通函乃按香港聯合交易所有限公司證券上市規則規定僅作參考用途而刊發，並不構成提呈出售任何證券的要約或招攬購買任何證券的要約。本公告及其任何內容（包括發售通函）並非任何合約或承諾的依據。為免生疑，刊發本公告及本文所述的上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言根據發行人或其代表刊發的招股章程提出的證券發售建議，亦概不構成就香港法例第571章證券及期貨條例而言載有向公眾人士發出訂立或建議訂立有關購買、出售、認購或包銷證券的協議的邀請的廣告、邀請或文件。

## **Yuexiu REIT MTN Company Limited**

（於英屬處女群島註冊成立的有限公司）

作為發行人

**1,500,000,000 美元**  
有擔保中期票據計劃

擔保人

**滙豐機構信託服務（亞洲）有限公司**

（於香港註冊成立的有限公司）

以受託人身份，追索權限於



**越秀房地產投資信託基金**

**YUEXIU REAL ESTATE INVESTMENT TRUST**

（根據香港法例第571章證券及期貨條例  
第104條認可的香港集體投資計劃）

（股票編號：00405）

的資產

由



**越秀房託資產管理有限公司**

**YUEXIU REIT ASSET MANAGEMENT LIMITED**

（於香港註冊成立的有限公司）

（以越秀房地產投資信託基金管理人身份）

作為越秀房產基金管理人

管理

## 刊發發售通函

本公告乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第37.39A條刊發。

請參閱本公告隨附日期為二〇二一年一月二十二日的發售通函（「發售通函」），內容有關1,500,000,000美元有擔保中期票據計劃（「該計劃」）。如發售通函所披露，該計劃發行之票據擬定僅供專業投資者（定義見上市規則第三十七章）購買，並將按此基礎於聯交所上市。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦並非向公眾發出邀請以就認購或購買任何證券作出要約，且並非供分發以邀請公眾發出認購或購買任何證券之要約。

發售通函不得被視為認購或購買任何證券的勸誘，且並無意進行有關勸誘。不應以發售通函所載資料作為投資決定的依據。

香港，二〇二一年一月二十五日

於本公告日期，*Yuexiu REIT MTN Company Limited*之董事為林德良先生、程九洲先生、區海晶女士及陳勇勤先生。

於本公告日期，越秀房產基金管理人董事會成員包括：

執行董事： 林德良先生（主席）、程九洲先生及區海晶女士

非執行董事： 李鋒先生

獨立非執行董事： 陳志安先生、陳志輝先生、張玉堂先生及陳曉歐先生

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES AND, IN THE CASE OF CATEGORY 2 (AS DESCRIBED IN THE OFFERING CIRCULAR) OFFERINGS, ANY U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"))**

**IMPORTANT: You must read the following before continuing.** The following applies to the attached offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR (IN THE CASE OF CATEGORY 2 OFFERING) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.**

**THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF SUCH DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**Confirmation of your Representation:** The Offering Circular is being sent at your request and by accepting the electronic mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are not in the United States and in the case of Category 2 offering, are not U.S. persons, and that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such underwriter or such affiliate on behalf of us in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Arrangers, the Dealers, the Trustee or the Agents (each as defined in the Offering Circular), or any person who controls any of them, or any director, officer, employee, agent, adviser, representative or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers and/or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# YUEXIU REIT MTN COMPANY LIMITED

(incorporated in the British Virgin Islands with limited liability)  
(as Issuer)

US\$1,500,000,000 Guaranteed Medium Term Note Programme  
Guaranteed by

HSBC Institutional Trust Services (Asia) Limited  
(incorporated in Hong Kong with limited liability)  
(in its capacity as trustee, and with recourse limited to the assets, of)



越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

YUEXIU REAL ESTATE INVESTMENT TRUST

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

YUEXIU REIT ASSET MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)  
(in its capacity as manager of Yuexiu Real Estate Investment Trust)

On 21 March 2013, Yuexiu REIT MTN Company Limited (the "Issuer") established a US\$1,000,000,000 Guaranteed Medium Term Note Programme (the "Programme") and issued an offering circular on that date describing the Programme. The Issuer most recently updated the Programme on 13 April 2018 and issued an offering circular on that date. This Offering Circular supersedes the previous offering circulars issued in respect of the Programme as of the date hereof. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.

Subject to compliance with all relevant laws, regulations and directives, the Issuer may from time to time issue medium term notes (the "Notes") unconditionally and irrevocably guaranteed (the "Guarantee") by HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee, and with recourse limited to the assets, of Yuexiu Real Estate Investment Trust ("Yuexiu REIT")) (in such capacity, the "Guarantor"). The Issuer is a wholly-owned subsidiary of the REIT Trustee as trustee of Yuexiu REIT. Yuexiu REIT is managed by Yuexiu REIT Asset Management Limited (the "REIT Manager"), which expression shall mean the REIT Manager in its capacity as manager of Yuexiu REIT. The aggregate nominal amount of Notes outstanding will not at any time exceed US\$1,500,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and/or any additional Dealer appointed under the Programme from time to time by the Issuer and the REIT Manager, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt securities to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** The Issuer, the REIT Manager and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor, Yuexiu REIT, the REIT Manager or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or any other stock exchange).

Where the Circular on Promoting the Reform of the Filings and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) (the "NDR Circular") issued by the National Development and Reform Commission of the People's Republic of China (the "PRC") (the "NDR") and which came into effect on 14 September 2015 and any implementation rules, regulations, certificates, circulars, notices or policies in connection therewith as issued by the NDR apply, the Issuer or the REIT Manager will complete, or procure the completion of, the registration of the relevant Tranche of Notes with the NDR or its local counterpart pursuant to the NDR Circular. Following the issuance of the relevant Tranche of Notes, the Issuer or the REIT Manager shall, within the prescribed timeframe after the Issue Date of such Tranche of Notes, file or cause to be filed with the NDR or its local counterpart the requisite information and documents in accordance with the NDR Circular and comply with all applicable PRC laws and regulations in connection therewith.

**Investing in the Notes involves risks. See "Risk Factors" beginning on page 12.**

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form (the "Bearer Notes") will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") (as defined under "Terms and Conditions of the Notes") or a permanent global note in bearer form (each a "Permanent Global Note") (collectively, the "Global Notes"). Notes in registered form (the "Registered Notes") will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's (as defined under "Terms and Conditions of the Notes") entire holding of Notes in registered form of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee of a common depository for, one or more clearing systems are referred to as global certificates ("Global Certificates"). Global Notes and Global Certificates may be deposited on the relevant issue date with, or with a nominee of, a common depository on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "CMU") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes and the change of interests in Global Certificates for individual Certificates are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Programme is rated "Baa3" by Moody's Investors Service Inc., a subsidiary of Moody's Investors Service, Inc. ("Moody's") and "BBB-" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). The rating is only correct as at the date of this Offering Circular. Notes may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale". The Issuer, the REIT Manager and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

**MiFID II product governance/target market** — The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and such characteristics of the Notes as are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers (each as defined in "Summary of the Programme") or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market** — The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers (each as defined in "Summary of the Programme") or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**IMPORTANT — EEA RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("the EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), the "Insurance Distribution Directive", where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT — UK RETAIL INVESTORS** — If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"), (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA, or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FA-N16: Notice on Recommendations on Investment Products).

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial condition and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfill their respective obligations in respect of the Notes are discussed in the section entitled "Risk Factors" in this Offering Circular.

## Arrangers and Dealers

DBS Bank Ltd.	CCB International	ABC International	Bank of China (Hong Kong)	CLSA	China International Capital Corporation
Chong Hing Bank	CMB International	CMBC Capital	Guotai Junan International	Haitong International	Yue Xiu Securities

The date of this Offering Circular is 22 January 2021

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

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) for the purpose of giving information with regard to the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT and the Group (as defined in “Definitions”). Each of the Issuer and the REIT Manager accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The REIT Trustee takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability (other than in its capacity as trustee of Yuexiu REIT) whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular except that the REIT Trustee accepts full responsibility for the accuracy of the information in relation to the REIT Trustee contained in this Offering Circular.

Each of the Issuer and the REIT Manager confirm, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the REIT Manager, Yuexiu REIT, the Group, the Notes and the Guarantee that is material in the context of the issue and offering of the Notes and the Guarantee, (ii) the statements contained in it relating to the Issuer, the REIT Manager, Yuexiu REIT and the Group are true and accurate in all material respects and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the REIT Manager, Yuexiu REIT and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the REIT Manager, Yuexiu REIT, the Group, the Notes or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes and the Guarantee, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer and the REIT Manager to ascertain such facts and to verify the accuracy of all such information and statements.

The REIT Trustee, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the REIT Trustee that is material in the context of the issue and offering of the Notes and the Guarantee, (ii) the statements contained in it relating to the REIT Trustee are in every material respect true and accurate and not misleading, (iii) the opinions and intentions, if any, expressed in this Offering Circular with regard to the REIT Trustee are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the REIT Trustee, the omission of which would, in the context of the issue and offering of the Notes and the Guarantee, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the REIT Trustee to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and the Guarantee, and if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT, any member of the Group, the Arrangers or any of the Dealers, the Trustee (as defined below) or the Agents (as defined below) or any director, officer, employee, adviser, agent, representative or affiliate of any such person. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or

supplemented or that there has been no adverse change in the financial condition of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the REIT Manager, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the British Virgin Islands, the United States of America, the European Economic Area, the United Kingdom, Hong Kong, the PRC, Japan and Singapore, and to persons connected therewith. The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States. The Notes and the Guarantee are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT, the Arrangers, the Dealers, the Trustee (as defined below) or the Agents (as defined below) or any director, officer, employee, adviser, agent, representative or affiliate of any such person to subscribe for, or purchase, any Notes. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. See “Information Incorporated by Reference”. This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No representation or warranty, express or implied, is made or given by DBS Bank Ltd., CCB International Capital Limited, ABCI Capital Limited, Bank of China (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited (each an “**Arranger**” and a “**Dealer**” and collectively, the “**Arrangers**” and the “**Dealers**”), Citicorp International Limited (the “**Trustee**”), Citibank, N.A., London Branch, Citicorp International Limited or Citigroup Global Markets Europe AG (collectively, the “**Agents**”) or any director, officer, employee, adviser, agent, representative or affiliate of any such person as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person. None of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person have independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person or on behalf of any of them in connection with the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT, or the issue and offering of the Notes or the Guarantee. Each of the Arrangers and the Dealers, the Trustee and each Agent and each director, officer,

employee, adviser, agent, representative and affiliate of any such person accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT, the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, adviser, agent, representative or affiliate of any such person that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Trustee, any of the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person undertake to review the financial condition or affairs of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT and the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person.

Except as otherwise indicated in this Offering Circular, any statistical, industry and market-related data contained herein has been extracted or derived from publicly available information and industry publications which the Issuer and the REIT Manager believe to be accurate and reliable in all material respects. The information has not been independently verified by the Issuer, the REIT Manager, Yuexiu REIT or the Group.

The REIT Code contains rules governing transactions between Yuexiu REIT and certain defined categories of connected persons. Such transactions will constitute connected party transactions for the purposes of the REIT Code. Yuexiu REIT's connected persons include, among others, a Substantial Holder and an associate of such Substantial Holder. As a result, the list of connected persons of Yuexiu REIT will include the associated companies of its Substantial Holders, and accordingly, Yue Xiu Securities Company Limited and Chong Hing Bank Limited are the connected persons of Yuexiu REIT ("**Yuexiu Connected Arrangers and Dealers**").

If, in the course of the offer for sale or distribution or issue of any of the Notes, there is or is expected to be any connected party transaction between Yuexiu REIT and/or any connected person which is not covered by any waiver or dispensation, such as the Yuexiu Connected Arrangers and Dealers, Yuexiu REIT will, having regard to the facts and circumstances of the relevant transaction, either comply with all applicable requirements of the REIT Code in respect thereof, or seek appropriate further waiver or dispensation from the SFC.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed US\$1,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement and defined under "Subscription and Sale"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, in accordance with the relevant terms of the Dealer Agreement.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “US\$” and “US dollars” are to the lawful currency of the United States of America; all references to “HK\$” and “Hong Kong dollars” are to the lawful currency of Hong Kong; all references to “Sterling” and “£” are to the lawful currency of the United Kingdom; all references to “euro” and “€” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; all references to “Renminbi”, “RMB” and “CNY” are to the lawful currency of the PRC; all references to “United States” or the “U.S.” are to the United States of America; all references to “China” and the “PRC” are to the People’s Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; all references to “PRC Government” are to the central, provincial, municipal and local government entities of the PRC; all references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “Macau” are to the Macau Special Administrative Region of the People’s Republic of China; all references to “the United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland; all references to “Singapore” are to the Republic of Singapore; and all references to “the BVI” are to the British Virgin Islands.

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager”) in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) may overallocate the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the REIT Manager has given an undertaking to the Dealers in the Dealer Agreement (as defined in “Subscription and Sale”) that unless the Issuer has notified the Dealers in writing that it does not intend to issue Notes under the Programme for the time being, it shall prepare and publish an amendment or supplement to this Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial condition, profits and losses, and prospects of the Issuer, the Guarantor and/or the Group and/or of the rights attaching to the Notes and/or the Guarantee.

## FORWARD LOOKING STATEMENTS

Certain statements under “Risk Factors”, “Business”, “Recent Developments” and elsewhere in this Offering Circular constitute “forward looking statements”. The words including “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “plan”, “predict”, “schedule”, “should”, “will”, “would”, and their negatives or similar words or expressions identify forward looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial condition, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group’s management for its future operations (including development plans and objectives relating to the Group’s operations), are forward looking statements. Such forward looking statements involve known and



unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer and the REIT Manager expressly disclaim any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in Yuexiu REIT's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the REIT Manager's expectations. All subsequent written and forward looking statements attributable to the Issuer, Yuexiu REIT, the REIT Manager or persons acting on behalf of any of them are expressly qualified in their entirety by such cautionary statements.

### **INFORMATION INCORPORATED BY REFERENCE**

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual consolidated financial statements and any interim financial statements (whether audited or unaudited) published subsequently to Yuexiu REIT's annual consolidated financial statements from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the CMU Lodging and Paying Agent (as defined under "Summary of the Programme") set out at the end of this Offering Circular following written request and satisfactory proof of holding and subject to the CMU Lodging and Paying Agent first being provided with the same by the Issuer, the Guarantor or the REIT Manager.

Yuexiu REIT's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019 and the unaudited but reviewed consolidated financial statements of Yuexiu REIT as at and for the six months ended 30 June 2020 have been included in this Offering Circular. See "Index to Financial Statements". These consolidated financial statements were prepared in conformity with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). As at the date of this Offering Circular, other than the financial statements of Yuexiu REIT, the Issuer and the Guarantor have not published and do not intend to publish any financial statements.

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## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this summary. References to a numbered Condition are to the Condition bearing that number in “Terms and Conditions of the Notes” below.*

Issuer	Yuexiu REIT MTN Company Limited
Guarantor	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of, and with recourse limited to the assets of, Yuexiu Real Estate Investment Trust).
REIT Manager	Yuexiu REIT Asset Management Limited
Description	Guaranteed Medium Term Note Programme
Programme Size	Up to US\$1,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement and defined under “Subscription and Sale”) outstanding at any time. The Issuer and the REIT Manager may increase the amount of the Programme in accordance with the relevant terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under “Risk Factors”.
Arrangers	DBS Bank Ltd., CCB International Capital Limited, ABCI Capital Limited, Bank of China (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited
Dealers	DBS Bank Ltd., CCB International Capital Limited, ABCI Capital Limited, Bank of China (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited
Trustee	Citicorp International Limited
Issuing and Paying Agent and Transfer Agent (for Notes other than CMU Notes)	Citibank, N.A., London Branch

Registrar (for Notes other than CMU Notes)	Citigroup Global Markets Europe AG
Registrar (for CMU Notes)	Citicorp International Limited
Transfer Agent (for CMU Notes)	Citicorp International Limited
CMU Lodging and Paying Agent	Citicorp International Limited
Method of Issue	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “<b>Series</b>”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the first payment of interest and, if applicable, the timing for making the NDRC Post-issue Filing), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “<b>Tranche</b>”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, the first payment date of interest and, if applicable, the timing for making the NDRC Post-issue Filing, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.</p>
Clearing Systems	<p>Clearstream, Euroclear and/or the CMU and, in relation to any Tranche, such other clearing system as may be selected by the Issuer and the relevant Dealer and approved in writing by (i) the REIT Manager, (ii) the Trustee, (iii) the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and (iv) the Registrar (where relevant).</p>
Form of Notes	<p>Notes may be issued in bearer form (“<b>Bearer Notes</b>”) or in registered form (“<b>Registered Notes</b>”). Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i>.</p> <p>Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement.</p> <p>Each Global Note will be deposited on or around the relevant issue date with, or with a nominee for, a common depository or sub-custodian for Clearstream, Euroclear and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for either a Permanent Global Note or for Definitive Notes (as indicated in the applicable Pricing Supplement). If the TEFRA D Rules are specified in the applicable Pricing Supplement, certification as to non U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p>

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as "**Global Certificates**".

Currencies

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes

The Notes will constitute direct, unsubordinated, unconditional, and (subject to Condition 4 (Covenants)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (Covenants), at all times rank at least equally with all of its other present and future unsecured and unsubordinated indebtedness and monetary obligations as described in "Terms and Conditions of the Notes — Status".

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Maturities

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent: see "Subscription and Sale".

Optional Redemption

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.

Tax Redemption and Change of Control Redemption	Except as described in “Optional Redemption” above, early redemption will only be permitted (i) for tax reasons as described in Condition 6(c) (Redemption, Purchase and Options — Redemption for Taxation Reasons) and (ii) following a Change of Control Put Event as described in Condition 6(e) (Redemption, Purchase and Options — Redemption following Change of Control).
Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Benchmark Discontinuation	Condition 5(l) (Interest and other Calculations — Benchmark Discontinuation) will apply.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Guarantee and Status of Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed (as defined in “Terms and Conditions of the Notes”). The payment obligations of the Guarantor under the Guarantee will except as provided in Condition 3(b) (Guarantee and Status — Status of Notes and Guarantee) and save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (Covenants), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantor, present and future; provided that the Guarantor’s obligations under the Guarantee will rank equally with all other unsecured obligations and monetary obligations of the Guarantor incurred in its capacity as trustee of Yuexiu REIT and recourse to the Guarantor shall always be limited to assets comprising the Deposited Property, subject to any prior ranking claims over those assets.
Negative Pledge	See “Terms and Conditions of the Notes — Covenants — Negative Pledge”.
Borrowings	See “Terms and Conditions of the Notes — Covenants — Borrowings.”
Cross Default	See “Terms and Conditions of the Notes — Events of Default.”

Withholding Tax

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of Notes will be made free and clear of, and without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor, will (subject to certain customary exceptions as described in Condition 8 (Taxation)) pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.

Listing and Trading

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes to be issued under the Programme during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Ratings

The Programme is rated “Baa3” by Moody’s and “BBB-” by S&P. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as any rating assigned to the Programme. Where the Programme or a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the British Virgin Islands, the United States, the European Economic Area, the United Kingdom, Hong Kong, the PRC, Japan and Singapore, see “Subscription and Sale”.

#### Initial Delivery of Notes

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, relevant Agents and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.



## SUMMARY FINANCIAL INFORMATION

*The summary financial information set forth below has been derived from the audited consolidated financial statements of Yuexiu REIT as at and for the years ended 31 December 2018 and 2019, and the unaudited but reviewed interim condensed consolidated financial statements of Yuexiu REIT as at and for the six months ended 30 June 2020, and should be read in conjunction with the information incorporated into this Offering Circular.*

### **Selected Consolidated Financial Information**

The following table sets forth the selected consolidated financial information of Yuexiu REIT.

The selected consolidated financial information of Yuexiu REIT as at and for the years ended 31 December 2018 and 2019 has been derived from the annual reports of Yuexiu REIT for the years ended 31 December 2018 and 2019, including the notes thereto, included elsewhere in this Offering Circular. The consolidated financial statements of Yuexiu REIT are prepared in accordance with HKFRS.

The selected unaudited but reviewed condensed consolidated financial information of Yuexiu REIT as at and for the six months ended 30 June 2019 and 2020 have been derived from the interim report of Yuexiu REIT for the six months ended 30 June 2020, including the notes thereto, included elsewhere in this Offering Circular. The selected unaudited condensed consolidated financial statements were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The condensed consolidated financial statements as of and for the six months ended 30 June 2020 have not been audited and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors should exercise caution when using such information to evaluate the Group’s financial condition and results of operations.

We have adopted HKFRS 16 “Leases” (“**HKFRS 16**”) with effect from 1 January 2019 and have not restated the prior period’s consolidated financial statements of Yuexiu REIT. Therefore, the consolidated financial statements of Yuexiu REIT as of and for the year ended 31 December 2019 are not comparable with the consolidated financial statements of Yuexiu REIT as of and for the year ended 31 December 2018. For the impact on the adoption of HKFRS 16, please refer to note 2(A)(i) to the annual report of Yuexiu REIT as at and for the year ended 31 December 2019 included elsewhere in this Offering Circular.

In addition, the historical financial information of Yuexiu REIT should not be taken as an indication of future financial performance.

*Consolidated Statements of Comprehensive Income Data*

	For the year ended 31 December		For the six months ended 30 June	
	2019	2018	2020	2019
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited but reviewed)	RMB'000 (unaudited but reviewed)
Revenue .....	2,058,112	2,031,876	831,135	999,658
Operating expenses, net .....	(952,948)	(921,657)	(357,854)	(460,184)
Fair value gain/(loss) on investment properties.....	752,700	905,159	(256,858)	719,916
Changes in fair value of				
— support arrangement asset .....	32,318	22,736	(1,760)	16,646
— derivative financial instruments.....	72,331	56,638	(36,851)	(1,726)
Gain on disposal of subsidiaries .....	—	302,779	—	—
Write back of construction payable.....	163,608	—	174,882	—
Finance income .....	33,748	35,517	15,930	17,612
Finance expenses, net .....	(777,633)	(1,008,160)	(472,282)	(294,658)
Profit/(loss) before income tax and transactions with unitholders .....	1,382,236	1,424,888	(103,658)	997,264
Income tax expense.....	(441,828)	(458,369)	(108,421)	(266,595)
Profit/(loss) after income tax before transactions with unitholders .....	940,408	966,519	(212,079)	730,669
Transactions with unitholders .....	(876,300)	(876,720)	213,759	(697,617)
Profit after tax and transactions with unitholders.....	64,108	89,799	1,680	33,052
Other comprehensive (loss)/income for the year/period:				
Items that will not be reclassified to profit or loss .....				
Change in fair value of property, plant and equipment .....				
— Gross .....	(729)	(49,183)	(2,893)	6,419
— Tax .....	204	13,776	813	(1,798)
Other comprehensive (loss)/income for the year/period, net of tax .....	(525)	(35,407)	(2,080)	4,621
Total comprehensive income/(loss) for the year/period .....	63,583	54,392	(400)	37,673

*Note:*

- (1) In accordance with the REIT 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 and the fourth supplemental deed dated 3 April 2020 (the “**REIT Trust Deed**”), Yuexiu REIT is required to distribute to unitholders not less than 90% of its Total Distributable Income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the REIT Trust Deed contains contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with Unitholders’ proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The Unitholders’ funds are therefore classified as a financial liability rather than equity in accordance with Hong Kong Accounting Standard 32, Financial Instruments: Presentation. Consistent with Unitholders’ funds being classified as a financial liability, the distributions to Unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the Unitholders. It only affects how Unitholders’ funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income.

**Consolidated Balance Sheet Data**

	As at 31 December		As at 30 June
	2019	2018	2020
	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>		<i>(unaudited but reviewed)</i>
<b>Non-current assets</b>			
Property, plant and equipment.....	2,270,852	2,340,934	2,230,821
Right-of-use assets .....	1,359,784	—	1,330,155
Land use rights.....	—	1,379,969	—
Investment properties .....	29,982,000	29,115,000	29,728,000
Deferred assets .....	205,430	219,847	247,052
Goodwill.....	859,868	859,868	859,868
Derivative financial instruments.....	6,166	—	—
	<u>34,684,100</u>	<u>33,915,618</u>	<u>34,395,896</u>
<b>Current assets</b>			
Inventories.....	4,071	4,337	3,398
Trade receivables.....	15,887	26,785	44,342
Amounts due from related parties .....	228,082	238,915	227,958
Prepayments, deposits and other receivables.....	85,112	147,852	69,662
Derivative financial instruments.....	37,209	—	65,526
Tax recoverable .....	4,072	8,526	4,072
Support arrangement assets .....	25,163	11,645	20,562
Short-term bank deposits.....	22,750	22,633	69,005
Cash and cash equivalent .....	1,319,010	1,458,755	1,375,190
	<u>1,741,356</u>	<u>1,919,448</u>	<u>1,879,715</u>
<b>Total assets</b> .....	<u>36,425,456</u>	<u>35,835,066</u>	<u>36,275,611</u>
<b>Equity</b>			
Revaluation reserve .....	419,655	420,174	417,594
Retained earnings .....	(419,655)	(420,174)	(417,594)
Non-controlling interests .....	1,205,395	1,141,812	1,204,995
<b>Total equity</b> .....	<u>1,205,395</u>	<u>1,141,812</u>	<u>1,204,995</u>
<b>Current liabilities</b>			
Trade payables.....	14,205	17,689	13,424
Rental deposits, current portion.....	186,707	172,221	142,382
Receipts in advance.....	80,827	85,625	90,900
Accruals and other payables.....	735,140	998,607	454,973
Amounts due to related parties.....	98,262	103,227	137,667
Derivative financial instruments.....	—	113,745	—
Borrowings .....	3,217,958	2,276,543	4,419,846
Lease liabilities .....	9,164	—	9,593
Tax payable .....	117,750	144,845	108,379
	<u>4,460,013</u>	<u>3,912,502</u>	<u>5,377,164</u>
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion.....	198,816	184,377	209,628
Borrowings .....	11,034,441	11,599,185	10,314,027
Deferred tax liabilities.....	4,906,156	4,536,795	4,977,005
Derivative financial instruments.....	1,249	6,273	80,775
Lease liabilities .....	20,026	—	15,086
	<u>16,160,688</u>	<u>16,326,630</u>	<u>15,596,521</u>
<b>Total liabilities, other than net assets attributable to unitholders</b> .....	<u>20,620,701</u>	<u>20,239,132</u>	<u>20,973,685</u>
Net assets attributable to unitholders .....	<u>14,599,360</u>	<u>14,454,122</u>	<u>14,096,931</u>
<b>Total equity and liabilities</b> .....	<u>36,425,456</u>	<u>35,835,069</u>	<u>32,275,611</u>
Units in issue ('000).....	<u>3,205,856</u>	<u>3,106,450</u>	<u>3,219,856</u>
Net assets attributable to unitholders per unit (RMB)....	<u>RMB4.55</u>	<u>RMB4.65</u>	<u>RMB4.38</u>

**Consolidated Statement of Cash Flows**

	For the year ended		For six months ended 30 June	
	31 December			
	2019	2018	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>		<i>(unaudited but reviewed)</i>	
<b>Cash flows from operating activities</b>				
Cash generated from operations.....	1,369,896	1,288,633	400,149	621,533
Interest paid.....	(505,248)	(438,117)	(250,553)	(238,947)
Corporate income tax paid.....	(94,905)	(86,235)	(46,133)	(64,413)
Support arrangement asset received.....	18,800	11,091	2,841	4,170
Net cash generated from operating activities....	<u>788,543</u>	<u>775,372</u>	<u>106,304</u>	<u>322,343</u>
<b>Cash flows from investing activities</b>				
Additions of investment properties.....	(114,300)	(14,841)	(2,858)	(2,084)
Additions of property, plant and equipment.....	(11,212)	(19,325)	(4,032)	(3,522)
Disposal of property, plant and equipment.....	55	—	—	—
Interest received.....	33,748	35,517	15,930	17,612
(Increase)/decrease in short-term bank deposits with original maturity of more than three months.....	(117)	4,069	(46,255)	(59)
Settlement of deferred payment.....	—	(822,737)	—	—
Acquisition of a subsidiary, net of cash acquired.....	—	(530,575)	—	—
Disposal of a subsidiary.....	—	995,472	—	—
Net cash (used in)/generated from investing activities.....	<u>(91,826)</u>	<u>(352,420)</u>	<u>(37,215)</u>	<u>11,947</u>
<b>Cash flows from financing activities</b>				
Distributions paid.....	(850,194)	(854,762)	(336,797)	(425,828)
Proceeds from bank borrowings, net of transaction costs.....	4,454,458	5,276,630	2,187,107	1,245,871
Repayment of bank borrowings.....	(4,351,359)	(4,683,244)	(1,956,047)	(1,367,229)
Issuance of units.....	—	—	48,127	61,510
Settlement of derivative financial instruments..	(88,508)	(6,725)	49,861	—
Principal elements of lease payables.....	(859)	—	(5,160)	—
Net cash used in financing activities.....	<u>(836,462)</u>	<u>(268,101)</u>	<u>(12,909)</u>	<u>(485,676)</u>
<b>Net increase/(decrease) in cash and cash equivalents.....</b>				
Cash and cash equivalents at beginning of the year/period.....	<u>1,458,755</u>	<u>1,303,904</u>	<u>1,319,010</u>	<u>1,458,755</u>
<b>Cash and cash equivalents at end of the year/period.....</b>	<u><u>1,319,010</u></u>	<u><u>1,458,755</u></u>	<u><u>1,375,190</u></u>	<u><u>1,307,369</u></u>

## Other Financial Data

	For the year ended 31 December		For the six months ended 30 June	
	2019	2018	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(audited)</i>			
Adjusted EBITDA <sup>(1)</sup> .....	1,448,830	1,459,154	652,146	715,208
Adjusted EBITDA/Finance Cost .....	2.7	3.0	2.7	2.8
Total Debt/Adjusted EBITDA <sup>(2)</sup> .....	9.8	9.5	11.3	9.7
Total Debt/Total Assets .....	39.1%	38.7%	40.6%	38.1%
Total Debt/Net assets attributable to unitholders.....	97.6%	96.0%	104.5%	93.4%
Total Debt/Total Capitalisation <sup>(3)</sup> .....	49.4%	49.0%	51.1%	48.3%

### Notes:

- (1) Adjusted EBITDA is calculated as profit for the year excluding income tax expense, depreciation of property, plant and equipment, amortisation of land use rights, finance cost, foreign exchange gain/loss on finance activities, change in fair value of investment properties, withholding tax, interest income from bank deposits, manager's fee in the form of units, gain on disposal of subsidiaries, write back of construction payable. Adjusted EBITDA also includes cash received and/or receivables in accordance with the Deed of support arrangement.

Adjusted EBITDA is not a standard measure under HKFRS. Adjusted EBITDA is a widely used financial indicator of a REIT's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of Yuexiu REIT's operating performance, liquidity, profitability or cash flows. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses and one-off expenses in relation to acquisition of subsidiaries. In evaluating Adjusted EBITDA, the REIT Manager believes that investors should consider, among other things, the components of Adjusted EBITDA and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. Adjusted EBITDA has been included in this Offering Circular because the REIT Manager believes it is a useful supplement to cash flow data as a measure of Yuexiu REIT's performance and its ability to generate cash flow from operations to service debt and pay taxes. Adjusted EBITDA presented in this Offering Circular may not be comparable to similarly titled measures presented by other companies because not all companies use the same definition.

- (2) Total Debt/Adjusted EBITDA is calculated by dividing Total Debt at the end of the relevant period by Adjusted EBITDA for the last 12 months. Total Debt equals the sum of current and non-current borrowings.
- (3) Total capitalisation represents the sum of total borrowings and net assets attributable to Unitholders.
- (4) Finance cost represents the sum of loan interest expense, bond expense, and loan transaction cost.

## RISK FACTORS

*Any investment in the Notes involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other information contained in this Offering Circular before making an investment decision. If any of the following risks actually occur, Yuexiu REIT's business, financial condition, results of operations, profitability, future prospects or cash flow could be materially and adversely affected. Additional risks or uncertainties not presently known to the Issuer and the REIT Manager, or which the Issuer and the REIT Manager currently deem to be immaterial, may also materially and adversely affect Yuexiu REIT's business, financial condition, results of operations, profitability, future prospects or cash flow. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, you may lose all or part of your original investment in the Notes.*

### **Risks Relating to the Investments in Real Estate**

*There are general risks attached to investments in real estate.*

Investments in real estate are subject to various risks, including, but not limited to: (i) adverse changes in political or economic conditions, (ii) adverse local market conditions, (iii) the financial condition of tenants and buyers and sellers of properties, (iv) changes in availability of debt or equity financing, which may result in an inability of Yuexiu REIT to finance future acquisitions on favourable terms or at all, (v) changes in interest rates and other operating expenses, (vi) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, (vii) environmental claims arising in respect of real estate, (viii) changes in market rents, (ix) changes in energy prices, (x) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market, (xi) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms, (xii) inability to renew tenancies or re-let space as existing tenancies expire, (xiii) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise, (xiv) insufficiency of insurance coverage or increases in insurance premiums, (xv) increases in the rate of inflation, (xvi) inability of the REIT Manager to provide or procure the provision of adequate maintenance and other services, (xvii) defects affecting the Properties which need to be rectified, or other required repair and maintenance of the Properties, leading to unforeseen capital expenditure, (xviii) unapproved uses of the Properties which may result in relevant Group Companies being in breach of the terms and conditions in the relevant land use rights, which may give rise to the right on the part of the relevant PRC governmental authority to terminate the land use rights and re-enter the property, (xix) the relative illiquidity of real estate investments, (xx) considerable dependence on cash flows for the maintenance of, and improvements to, the portfolio properties, (xxi) increased operating costs, including real estate taxes, (xxii) any interest and encumbrance that cannot be or has not been revealed by a land search conducted at the relevant Land Resources and Housing Administrative Bureau at the time of the search, (xxiii) fire or other damage to the properties, and (xxiv) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, resulting in a material adverse effect on the value of real estate and income derived from real estate. The annual valuation of portfolio properties will reflect such factors and as a result, such valuation may fluctuate significantly upwards or downwards. The capital value of the Properties may be significantly diminished in the event of a sudden downturn in real estate market prices in the PRC or the overall economy of the PRC.

***Yuexiu REIT may be adversely affected by conditions in the global economy and financial markets.***

Any severe or prolonged slowdown in the Chinese or global economy may have a negative impact on the business of Yuexiu REIT. Concerns over inflation, geopolitical issues, the availability and cost of credit, volatile oil price, the rise in anti-globalisation sentiment and the ambiguity of the policies of the United States administration have contributed to increased volatility for the global economy and the markets. The uncertainty of the interest rates in the United States have impacted the global equity markets and commodity prices. More recently, the United Kingdom's exit from the European Union in January 2020 has created further challenges to regional stability, which may in turn adversely impact the world economy and subject the global market to a period of fluctuations and volatility. These events have generally put a downward pressure on the real estate sector globally and could adversely affect Yuexiu REIT's business, financial condition and results of operation.

In addition, during the six months ended 30 June 2020, despite the recovering external demand and rebounding export growth, the growth in real estate investment and leases slowed down in certain regions as a result of the increasingly tightened macro-control on the PRC property market and financial deleverage.

Any deterioration in economic conditions may have a material adverse effect on Yuexiu REIT's business in a number of ways. In particular, current and potential tenants may be unable to sustain their business operations or make agreed upon rental payments, all of which could lead to a reduction of, or fluctuations in, demand for Yuexiu REIT's Properties, reduction of profit margins and delay of its receipt of rental payments. There may be downward pressure on rental rates caused by increased vacancies or reduction in leased space. In addition, any fluctuation in liquidity or deterioration of conditions in the banking system and financial markets could result in a severe tightening in credit and equity markets, which may adversely affect the availability, terms and cost of borrowings for Yuexiu REIT. In the PRC, a number of measures were implemented by the PRC Government in the recent years to control the rapid increase in liquidity in the PRC market and the rapid growth in certain industries, such as the real estate industry, as a result of the implementation of fiscal stimulus measures by the PRC Government to counter the economic downturn. These measures may include raising interest rates and the statutory deposit reserve ratios applicable to PRC commercial banks and monitoring overall growth in bank lending. Any of the above factors may materially and adversely affect Yuexiu REIT's business, financial condition, results of operations, prospects and cash flows.

Further, the prolonged trade dispute between the United States and the PRC may continue to weaken the global economy, raise prices for businesses and consumers, delay corporate investments and slow economic growth around the globe. Even though the United States and China entered into an initial phase of a trade deal in early 2020, the impact of such agreement on the Chinese economy is still largely unknown as sources of tension remain in the US-China trade relationship. Continued turbulence in the international markets may adversely affect Yuexiu REIT's ability to access the capital markets to meet liquidity needs.

***Acts of God, acts of war, occurrence of epidemics, and other disasters could affect Yuexiu REIT's operations and the national and regional economies in the PRC. In particular, Yuexiu REIT could be materially and adversely affected by the lingering effects of COVID-19 in the PRC.***

Yuexiu REIT is vulnerable to general economic and social conditions and natural catastrophic events in the PRC that are beyond its control. In particular, an outbreak of any severe infectious disease such as COVID-19, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), the H5N1 avian flu or the human swine flu (H1N1) or similar communicable diseases, if uncontrolled, could have a material adverse effect on the overall business operations in the PRC and in economies in which the Group carries out its business.

The outbreak of COVID-19 since December 2019 has brought unprecedented challenges and added uncertainties to the PRC economy. COVID-19 may affect the financial performance and position of the industry of real estate including the rental revenue and occupancy rate of investment properties, allowance for expected credit losses on rental income and other receivables, fair value of investment properties and so on. In the first quarter of 2020, the economy in China was wrecked by the COVID-19 pandemic with a negative growth of 6.8 per cent. in its gross domestic product (“GDP”). However, attributable to the effective control of the pandemic, China’s economy experienced a robust recovery in the second quarter of 2020 after the resumption of work and production to normal. The declines in consumption and investment continues to narrow. The domestic market in the PRC was generally frozen in February and March of 2020 affected by COVID-19 pandemic followed by gradual recovery since the late March. Transactions in the property market became progressively active and the housing demand accumulated during the pandemic period started to release. However, if the COVID-19 outbreak continues to develop and persist, there may be the risk of a global financial crisis, an economic recession, a backlash against globalisation, a decline in demand and a reduction of liquidity, which will have a material adverse impact on the real estate sector, and consequently, on the business, financial condition and results of operations of Yuexiu REIT. The perception that an outbreak of contagious disease may occur again may also have an adverse effect on general economic conditions in Asia. Acts of war and terrorist attacks may cause damage or disruption to the Properties, and affect the overall economy and real estate markets in the PRC. The potential for war or terrorist attacks may also cause uncertainty and cause the business of Yuexiu REIT to be adversely affected in ways that currently cannot be predicted.

Finally, the negative impact of COVID-19 may increase counterparty risks, and increased difficulties in collecting rents, which may negatively impact the Group’s cash flows and reduce its ability to access capital or increase financing costs.

***Income from, and expenditure in relation to, the Properties may not be as expected, which may adversely affect the financial condition of Yuexiu REIT.***

Income from the Properties may be adversely affected by the general economic climate and local conditions such as over-supply of properties or reduction in demand for properties in the market in which Yuexiu REIT operates, the attractiveness of Yuexiu REIT’s Properties to tenants, management style, competition from other mall/retail, office and or car parking facilities nearby or from e-commerce/e-retail, untimely collection of rent, changes in laws and increased operating costs (including real estate taxes) and expenses. In addition, income from the Properties may be affected by such factors as the increase in cost of regulatory compliance, interest rate levels and the availability of financing. Yuexiu REIT’s income would be adversely affected if a significant number of tenants were unable to pay rent or the Properties could not be rented out on favourable terms.

If the Properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditure, Yuexiu REIT’s ability to service its debt obligations and make distributions will be adversely affected. In terms of expenditure, any significant and unpredictable capital expenditure and other expenses for repairs and maintenance will, depending on the amount and timing, have an impact on the cash flow of Yuexiu REIT and if such significant expenditure is not reduced and even increases, it may then cause a reduction in income from the Properties and have an adverse effect on the financial condition and results of operations of Yuexiu REIT.

***Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.***

If the Properties have design, construction or other latent property or equipment defects, these may require capital expenditures, special repair or maintenance expenses or the payment of damages or other obligations to third parties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a



material adverse effect on Yuexiu REIT's earnings and cash flows. Statutory or contractual representations, warranties and indemnities given by any seller of real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

***Yuexiu REIT may suffer material losses in excess of insurance proceeds.***

The Properties could suffer physical damage caused by fire or other causes and Yuexiu REIT or the relevant property holding company may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated for by insurance proceeds. In addition, there are other types of losses, such as those resulting from war, terrorism, nuclear contamination and earthquakes, for which Yuexiu REIT cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, Yuexiu REIT or the relevant property holding company could be required to pay compensation and/or lose the capital invested in the affected property as well as anticipated future revenue from that property. Nonetheless, Yuexiu REIT or the relevant property holding company would remain liable for any debt or other financial obligation related to that property. It is also possible that third party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect Yuexiu REIT's business, financial condition, results of operations and cash flow.

In addition, Yuexiu REIT will have to renew its insurance policies every year and negotiate acceptable terms for coverage, exposing it to the volatility of the insurance markets, including the possibility of rate increases for premiums. The REIT Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect Yuexiu REIT's business, financial condition, results of operations and cash flow.

Furthermore, Yuexiu REIT's operations are subject to various environmental and fire control laws, including those relating to air pollution control, water pollution control, solid waste control, noise pollution control, fire services control and the storage of dangerous goods. Under these laws, an owner or operator of real estate property may be subject to liability, including fine, imprisonment, etc., for air pollution, water pollution, solid waste pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals or non-compliance with fire services control at that property. In addition, Yuexiu REIT or the relevant property holding company may be required to make capital expenditures to comply with these environmental and fire control laws. The presence of contamination, air pollution, water pollution, solid waste pollution, noise pollution or dangerous goods without a valid licence or the failure to remedy contamination, air pollution, water pollution, solid waste pollution, noise pollution or dangerous goods or non-compliance with fire services control measures may expose Yuexiu REIT to liability or materially and adversely affect its ability to lease real estate property or to incur indebtedness using the real estate property as collateral.

***The fair value of Properties may decline or be subject to a high degree of volatility in the future and the valuation of Yuexiu REIT's Properties may prove to be unrepresentative of an investment in Yuexiu REIT.***

The valuation of the Properties was prepared by the Independent Property Valuer. In conducting its valuation, the Independent Property Valuer has adopted both income capitalisation approach and discounted cash flow analysis. The valuation was based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. If the fair values of the Properties decline, this could in turn have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations.

***The REIT Manager's ability to successfully implement its external growth strategy may be limited.***

The REIT Manager continues to pursue diversified asset enhancement strategies and reviews Yuexiu REIT's property portfolio on a regular basis to formulate asset enhancement plans, including but not limited to pursuing selective acquisitions of additional properties if suitable opportunities arise and any necessary regulatory approvals are obtained, in order to maintain competitive advantages in the market and increase returns from its investments. The REIT Manager's ability to pursue such external growth strategy successfully depends to a large extent on its ability to identify suitable acquisition targets that meet its investment criteria, to obtain financing on favourable terms and will be subject to applicable regulatory approvals and Unitholders' approval.

Any future acquisitions of additional properties will also expose Yuexiu REIT to the risks and uncertainties associated with investing in real estate generally. Since these and other risks and uncertainties are beyond the REIT Manager's control, the REIT Manager may not implement its external growth strategy successfully, which could in turn have a material adverse effect on Yuexiu REIT's business, financial condition and results of operations.

### **Risks Relating to Yuexiu REIT's Property Portfolio**

***Yuexiu REIT may be adversely affected by the illiquidity and concentration of property investments.***

Property investments are relatively illiquid, particularly investments in high value properties such as those in which Yuexiu REIT has already invested or intends to invest. Such illiquidity may affect Yuexiu REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. For example, Yuexiu REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Yuexiu REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate property due to the illiquid nature of real estate property assets. These factors could have an adverse effect on Yuexiu REIT's business, financial condition and results of operations.

Among its other Properties, Yuexiu REIT has invested in four larger property projects, namely Guangzhou IFC, White Horse Property, Shanghai Yue Xiu Tower and the Wuhan Property. As at 30 June 2020, according to the Independent Property Valuer, Guangzhou IFC, White Horse Property and Shanghai Yue Xiu Tower had an estimated market value of RMB18,831 million, RMB5,098 million and RMB3,156 million, respectively, representing 54.4%, 14.7% and 9.1% of the total estimated market value of Yuexiu REIT's Properties. The Wuhan Property had an estimated market value of RMB3,674 million, representing 10.6% of the total market value of Yuexiu REIT's Properties. Any material adverse circumstances affecting any of these four Properties could materially and adversely affect the overall performance of Yuexiu REIT's financial condition and results of operations. In addition, as all of Yuexiu REIT's Properties are located in the PRC, there is a higher level of risk to Yuexiu REIT's portfolio than a portfolio which has a large number of investments spread over a larger and more diverse geographical area. Any material adverse change to the economic, political and social environment of the PRC, or any significant downturn in the overall economy of the region, could have a more significant effect on Yuexiu REIT as its Properties are not geographically diversified.

***Yuexiu REIT is exposed to cyclical and volatility in the wholesale and retail property market and Grade A office building rental property market in Guangzhou, Shanghai and Wuhan.***

A significant portion of Yuexiu REIT's revenue is derived from the wholesale and retail property markets of Guangzhou and Wuhan. Rents in the wholesale and retail sector are dependent on tenants' sales and these in turn are affected by consumer spending. Domestic retail spending is affected by factors such as the rate of economic growth, increase in salary and inflation in Guangzhou and Wuhan. Yuexiu REIT

also generates revenue from the Grade A office building rental property markets in Guangzhou, Shanghai, Wuhan and Hangzhou. Historically, the office rental property markets in Guangzhou, Shanghai and Wuhan have been volatile and have experienced price fluctuations. In particular, property values and rental rates for Grade A office building in the core business districts of Guangzhou, Shanghai and Wuhan may be subject to cyclical and volatility. There is no assurance that rental rates and property values in the Guangzhou, Shanghai, and Wuhan will not decline from present levels or experience further volatility in the future.

***Yuexiu REIT may be unable to renew tenancies, lease vacant space or re-lease space as tenancies expire.***

Tenancies for the Properties are generally for periods of one to ten years or less or subject to rent reviews within such periods. As a result, the Properties experience lease cycles in which a significant number of the tenancies expire each year. This frequency of renewals renders Yuexiu REIT more susceptible to rental market fluctuations. Yuexiu REIT's financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants, or if existing tenants reduce the amount of space that they occupy for any reason. The REIT Manager cannot assure that tenancies will be renewed or that new tenancies will be entered into for the vacant spaces at a rental level equal to or above the current rental level. If the rental level for the Properties decreases, Yuexiu REIT's existing tenants do not renew their tenancies or Yuexiu REIT is unable to enter into new tenancies in respect of a significant portion of its available space and space for which tenancies are scheduled to expire, Yuexiu REIT's financial condition, results of operations, cash flow, and its ability to satisfy its debt service obligations could be materially and adversely affected.

***Yuexiu REIT faces increasing competition in the PRC property market.***

The property sector in the PRC is competitive. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and tenant demands and preferences. In recent years, a large number of property companies have undertaken project investment and management in the PRC, especially in Guangzhou, Shanghai and Wuhan, where Yuexiu REIT's Properties are located. Increasing competition among property companies in the PRC may result in increased costs, reduced market share and falling property prices, any of which may materially and adversely affect Yuexiu REIT's business, financial condition and results of operations. In addition, Yuexiu REIT may face competition from Yuexiu Property, a Substantial Holder, for certain property acquisitions, prospective tenants and property management opportunities. See “— Risks Relating to Yuexiu REIT's Organisation and Operations — Yuexiu Property is a Substantial Holder of Yuexiu REIT, and there are potential conflicts of interest between Yuexiu REIT, the REIT Manager and Yuexiu Property”.

***The operation of the Wuhan Property is subject to other unique and specific risks.***

Yuexiu REIT acquired 67% interest in the Wuhan Property from Yuexiu Property on 21 December 2017. For further details about the Wuhan Property and Yuexiu REIT's acquisition of 67% interest therein, please refer to the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property”.

There can be no assurance that WH Project Company will be able to maintain or improve on its income after the expiry of the Wuhan Property Support Arrangement. This may have a material adverse effect on Yuexiu REIT's financial condition, results of operations, cash flow, Unit price and/or its ability to satisfy its debt service obligations. Furthermore, as the remaining 33% interest in WH Project Company is retained by a subsidiary of Yuexiu Property, the operation of WH Project Company and the Wuhan Property is subject to the parties' cooperation. Failure to cooperate in an efficient and effective manner could have a material adverse effect on the value of the Wuhan Property and Yuexiu REIT's results of operations. Furthermore, the performance of Wuhan Property may be materially impacted by the outbreak of COVID-19 pandemic since December 2019. See “— Risks Relating to the Investments in Real Estate

— Acts of God, acts of war, occurrence of epidemics, and other disasters could affect Yuexiu REIT's operations and the national and regional economies in the PRC. In particular, Yuexiu REIT could be materially and adversely affected by the lingering effects of COVID-19 in the PRC".

### **Risks Relating to Yuexiu REIT's Organisation and Operations**

*Yuexiu REIT relies on certain key management personnel and may be adversely affected by the loss of any of them.*

Yuexiu REIT's success depends, in part, upon the continued service and performance of the REIT Manager's senior management team and certain other key personnel, including but not limited to Mr. LIN Deliang, Mr. CHENG Jiuzhou and Ms. Ou Haijing. The loss of any of the REIT Manager's key senior management personnel or key employees could have a material adverse effect on Yuexiu REIT's business and prospects if the REIT Manager is unable to find suitable replacements for them in a timely manner. In addition, competition for such personnel is intense, the pool of qualified candidates is very limited, and the REIT Manager may not be able to retain the services of its senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. Furthermore, if any member of Yuexiu REIT's senior management team or any of its other key personnel joins a competitor or forms a competing company, Yuexiu REIT may lose key professionals or staff members and its business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, insofar as certain of these individuals are designated as responsible officers of the REIT Manager for the purposes of the REIT Manager's licensing by the SFC to conduct the regulated activity of asset management, the loss of one or more of such individuals may affect the REIT Manager's ability to continue to satisfy the licensing requirement on the REIT Manager to have a minimum number of responsible officers, which in turn could affect the REIT Manager's eligibility to continue as the manager of Yuexiu REIT and Yuexiu REIT's continued authorisation by the SFC as a Hong Kong collective investment scheme authorised under section 104 of the SFO.

*The REIT Manager may not be able to implement its strategies for growth.*

The REIT Manager has established clear plans and specific strategies to accomplish sustainable long-term growth, but there can be no assurance that it will be able to implement such plans successfully or that it will be able to do so in a timely and cost-effective manner. For instance, one of Yuexiu REIT's ongoing business strategies include the acquisition of properties from Yuexiu Property, subject to Yuexiu Property's business operations, financial condition and market conditions, as well as regulatory requirements applicable to Yuexiu REIT and/or Yuexiu Property, including approvals from Yuexiu Property's shareholders and/or Yuexiu REIT's Unitholders and the requirement that any transaction between Yuexiu REIT and Yuexiu Property shall be conducted at arm's length and on normal commercial terms and is fair and reasonable and in the interests of Yuexiu Property's shareholders and Yuexiu REIT's Unitholders as a whole. Pursuant to this business strategy, Yuexiu REIT acquired from Yuexiu Property Guangzhou IFC, 67.0% interest in the Wuhan Property and the Hangzhou Victory Business Center on 8 October 2012, 21 December 2017 and 28 December 2018, respectively. There is no assurance that Yuexiu REIT may be able to continue such asset acquisitions for various reasons, some of which are out of the REIT Manager's control. Delays in, or failures to, allocate such completed properties by Yuexiu Property into Yuexiu REIT may have a material adverse effect on the Group's business, prospects, cash flows, financial condition and results of operations.

*The amount that Yuexiu REIT may borrow is limited.*

Among other limitations on borrowings, Yuexiu REIT's borrowings are limited by the REIT Code to be no more than 50.0% of its total gross asset value. However, there can be no assurance that Yuexiu REIT's borrowings will not over time exceed 50.0% of its gross asset value, whether following any revaluation of assets or otherwise. From time to time, Yuexiu REIT may need to draw down on its loan

facilities and to use overdrafts but may be unable to do so due to the 50.0% borrowing limit. In addition, Yuexiu REIT may also face difficulties in securing financing, either on a timely basis or on commercially acceptable terms, or at all, in asset-backed lending transactions secured by real estate. Further, the use of leverage may increase the exposure of Yuexiu REIT to adverse economic factors such as rising interest rates and economic downturns.

In addition, in order to maintain Yuexiu REIT's qualification as a REIT, it is required under the REIT Code to annually distribute to Unitholders as dividends an amount no less than 90% of its Total Distributable Income. In addition, the REIT Manager has the discretion to distribute any additional amounts (including capital). Therefore, Yuexiu REIT may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, it may need to rely on external sources of funding to expand its portfolio, which may not be available on commercially acceptable terms or at all. If Yuexiu REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist and satisfy its debt service obligations, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***Yuexiu REIT's current and future borrowings may give rise to financial risk.***

Yuexiu REIT may, from time to time, require debt financing to achieve the REIT Manager's investment strategies. Yuexiu REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Yuexiu REIT with insufficient cash resources to operate its properties. Yuexiu REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments, (ii) it may be unable to borrow additional funds as needed or on commercially acceptable terms, (iii) it may be unable to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness, (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties, and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities, (v) it is subject to restrictive covenants and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Yuexiu REIT's operations, such as its ability to incur additional indebtedness, acquire properties, make certain other investments or make capital expenditures, which may require them to set aside funds for maintenance or repayment of security deposits, (vi) it may violate restrictive covenants under current facility agreement and in future loan documents, which would entitle the lenders to accelerate its debt obligations, and (vii) its default under any one of its loan agreements could result in a cross default under other indebtedness.

If any one or more of these events were to occur, Yuexiu REIT's financial condition, results of operations, cash flow and its ability to satisfy its debt service obligations could be materially and adversely affected.

***Certain parts of the Properties are mortgaged and claims of Noteholders are effectively subordinated to those of the secured creditors of Yuexiu REIT.***

Certain parts of the Properties have been mortgaged to secure payments under certain facilities of the Group. If Yuexiu REIT defaults in its payment obligations, mortgagees to the related mortgaged property could require a forced sale of such property with a consequential loss of income and asset value to Yuexiu REIT. The amount to be received upon a forced sale of any property would be dependent on numerous factors, including the actual fair market valuation of such property at the time of such sale, the timing and manner of the sale and the availability of buyers. In the event of a forced sale, it is possible that Yuexiu REIT would be forced to agree to a substantial reduction in the actual fair market valuation of the property being sold.

The rights of the Noteholders to receive payments under the Notes are effectively subordinated to the rights of existing and future secured creditors of Yuexiu REIT. In the event of a default on the Notes or under other indebtedness or upon Yuexiu REIT's bankruptcy, liquidation or reorganisation, any secured indebtedness of third party creditors of Yuexiu REIT would effectively be senior to the Notes to the extent of the value of the property securing such indebtedness.

***Claims by Noteholders are structurally subordinated to those of the Group Companies.***

The Issuer is a special purpose vehicle and Yuexiu REIT's Properties are held through various companies which are, from time to time, directly or indirectly owned and controlled by the REIT Trustee in its capacity as trustee of Yuexiu REIT (the "**Group Companies**"). As a result, the ability of the Issuer and the Guarantor to make payments in respect of the Notes depends largely on their timely receipt of remittances of funds from the Group Companies. The ability of the Group Companies to make such remittances to the Issuer and/or the Guarantor may be subject to the profitability of such Group Companies and applicable laws. Payments by other Group Companies to the Issuer and/or the Guarantor are structurally subordinated to all existing and future liabilities and obligations of the Group Companies. Claims of creditors of such Group Companies will have priority as to the assets of such Group Companies over the Noteholders.

***Noteholders may face risks associated with enforcement of the Guarantee.***

Noteholders should note that the Guarantee is issued by the Guarantor, and not Yuexiu REIT, since Yuexiu REIT is not a legal entity. Noteholders should note that under the terms of the Guarantee, Noteholders shall only have recourse in respect of the Guarantee to the assets comprising the Deposited Property which the REIT Trustee has recourse to under the REIT Trust Deed and not to REIT Trustee personally nor any other properties held by REIT Trustee as trustee of any trust other than Yuexiu REIT. Further, Noteholders do not have direct access to the Deposited Property and can only gain access to the Deposited Property through the Guarantor and if necessary seek to subrogate to the Guarantor's right of indemnity out of the Deposited Property, and accordingly, any claim of the Noteholders to the Deposited Property is derivative in nature. A Noteholder's right of subrogation therefore could be limited by the Guarantor's right of indemnity under the REIT Trust Deed. Noteholders should also note that such right of indemnity of the Guarantor may be limited or lost through fraud, negligence, wilful default, breach of trust, breach of the REIT Trust Deed or breach of the REIT Code or other applicable laws.

***Yuexiu REIT may be involved in disputes, legal and other proceedings arising out of its operations from time to time.***

From time to time, Yuexiu REIT may be involved in disputes that arise during the ordinary course of business. These disputes may lead to protests, legal or other proceedings and may result in damage to Yuexiu REIT's reputation, substantial costs and diversion of resources and management's attention. In addition, Yuexiu REIT may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees or judgments that could result in liabilities, which may have a material adverse effect on its business, financial condition and results of operations.

***Yuexiu REIT's success depends on the ability of the REIT Manager to cooperate with third parties, including but not limited to Four Seasons and Ascott, in operating the Properties.***

The failure of such cooperation (or continued cooperation) to operate the Properties in an efficient and effective manner could have a material adverse effect on the value of the Properties and Yuexiu REIT's business, financial condition and results of operations. The failure of the REIT Manager to cooperate with third parties, including but not limited to Four Seasons and Ascott which manage the hotel and serviced apartments in Guangzhou IFC respectively, in managing appropriately Yuexiu REIT's assets will materially and adversely affect the underlying value of such assets and Yuexiu REIT's business, financial

condition and results of operations, as well as affect its ability to pay amounts due on its indebtedness. In addition, any adverse changes in Yuexiu REIT's relationship with the REIT Manager, or the REIT Manager's relationship with third parties, including but not limited to Four Seasons and Ascott, could hinder their respective abilities to manage Yuexiu REIT's operations and its Properties.

In addition, the initial expiry dates of the agreements between Yuexiu REIT and Four Seasons are 15 years dated from the date of commencement of operations of the Hotel, and can be extended for another 45 years. The initial expiry dates of the agreements between Yuexiu REIT and Ascott are ten years, dated from the date of commencement of operations of the Serviced Apartments, and can be extended for another ten years. When these agreements expire, and if they are not extended, or the Properties are taken or condemned in any expropriation, compulsory acquisition by the PRC Government, or Yuexiu REIT is unable to obtain an extension of the land use right certificate or an extension, renewal, modification or other permit in respect of the mandatory restrictions under applicable law, Yuexiu REIT's business, financial condition, results of operations and cash flow may be materially and adversely affected.




***The operations of the REIT Manager and certain property services providers are subject to regulation and their licensing, qualification and approval conditions.***

The REIT Manager is required to be licensed under the SFO for the regulated activity of asset management. A number of Yuexiu REIT's property services providers are required to hold the necessary certificate of qualification and obtain approval from the relevant governmental department for their respective businesses, in the PRC. No assurance can be given that the REIT Manager or such property services providers will each be operated and managed in accordance with their respective licensing and approval conditions. The departure of responsible officers of the REIT Manager may result in the loss of the REIT Manager's licence to act as the manager of Yuexiu REIT. The breach of certain conditions of the respective licence and/or approval conditions of such property services providers may result in the loss or revocation of their respective licences or approvals to act as the property service providers of the relevant parts of Yuexiu REIT's Properties. In addition, the licences or approvals of the REIT Manager may not be renewed for other reasons beyond its control. In the event that the REIT Manager ceases to be licensed under the SFO, or such property services providers cease to hold the required licence or the necessary approval under the relevant laws and regulations of the PRC is revoked, Yuexiu REIT may need to appoint other licensed or approved management companies and/or property service providers. The loss of the services of the REIT Manager or any of the property service providers may materially and adversely affect the businesses, financial condition and results of operations of Yuexiu REIT. In the event no other management companies duly licensed or approved are willing to replace the existing REIT Manager, the REIT Trustee may terminate Yuexiu REIT.

***Yuexiu Property is a Substantial Holder of Yuexiu REIT, and there are potential conflicts of interest between Yuexiu REIT, the REIT Manager and Yuexiu Property.***

As at 30 June 2020, for the purpose of the REIT Code, Yuexiu Property holds 38.369% of the issued units of Yuexiu REIT, and is therefore a Substantial Holder. Yuexiu Property, its subsidiaries and associated companies are engaged in, and/or may engage in, among other things, the investment in, the development and management of, properties in Guangzhou and elsewhere. Therefore, there may be circumstances in which Yuexiu REIT competes, or may compete, directly or indirectly, with Yuexiu Property, its subsidiaries and/or associated companies, for property acquisition, leasing opportunities and competition for tenants. Yuexiu REIT may also acquire properties or other assets from any of them in the future. There can be no assurance that the interests of Yuexiu REIT will not conflict with or be subordinated to those of Yuexiu Property in such circumstances.

***Deterioration in Yuexiu REIT's brand image or any infringement or inappropriate use of Yuexiu REIT's intellectual properties may be detrimental to its reputation and profitability.***

Yuexiu REIT has been using the trademarks, “” and “”, registered with the PRC Trademark Office by its controlling shareholder, Guangzhou Yuexiu Holdings Limited (“GZ Yuexiu”), and the trademark “”, registered with the Trademarks Registry in Hong Kong by GZ Yuexiu. Yuexiu REIT also owns the domain name of www.yuexiureit.com. Yuexiu REIT believes that its trademarks and intellectual properties form an integral basis of its brand recognition and are important to its business. Tenant demand for Yuexiu REIT's properties and its brand value could diminish significantly if Yuexiu REIT fails to preserve the quality of its properties or fails to deliver a consistently positive consumer experience, or if Yuexiu REIT is perceived to be acting in an unethical or socially irresponsible manner. Any negative incident or negative publicity concerning Yuexiu REIT or its properties may materially and adversely affect its reputation, financial condition and results of operations. In addition, any unauthorised use or infringement of Yuexiu REIT's trademarks and intellectual properties may impair the brand value, damage the reputation and materially and adversely affect its business and results of operation. However, Yuexiu REIT cannot assure the investors that its trademarks and intellectual properties will not be the subject of any infringements or unauthorised uses by third parties. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumers' trust. Any litigation or dispute in relation to Yuexiu REIT's trademarks and intellectual properties could result in substantial costs and diversion of resources and may materially and adversely affect its business and results of operations.

***Yuexiu REIT is exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by its employees, third-party subcontractors or other third parties.***

Yuexiu REIT is exposed to fraud, negligence or other misconduct, intended or unintended, committed by its employees, subcontractors, customers or other third parties that could subject it to financial losses and penalties imposed by governmental authorities as well as seriously harm its reputation. Yuexiu REIT cannot assure the investors that its risk management and internal control systems will always enable it to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct committed by its employees, third-party subcontractors or other third parties in a timely and effective manner. Although Yuexiu REIT has limited control over the behavior of any of these parties, Yuexiu REIT may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. Yuexiu REIT may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by its tenants or third parties. In the event that Yuexiu REIT cannot recover related costs from the employees, third-party subcontractors or third parties involved in the misconducts, Yuexiu REIT's business, financial condition and results of operations could be materially and adversely affected. Such misconducts could also attract negative publicity on the Group, damaging its reputation and brand value.

***Further expansion into other cities in the PRC may affect Yuexiu REIT's operational and financial resources.***

Yuexiu REIT has expanded and will continue to expand its portfolio location. As Yuexiu REIT intends to expand its portfolio strategically and prudently in the future, Yuexiu REIT's business, financial condition and results of operations may be particularly subject to market uncertainties, volatility and significant adverse changes in the real estate market in the PRC, especially in Guangdong Province where a substantial share of Yuexiu REIT's business is located. The real estate markets may be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, investor confidence, inflation, government policies, interest rates and availability of capital. The property market may experience an over-supply of properties and idle housing inventory. Any over-supply of properties or any potential decline in the demand for or rent of properties in the cities in which Yuexiu REIT operates or intends to operate could have a material adverse impact on its business, financial condition and results of operation.



Further, Yuexiu REIT's potential expansion into other cities in the PRC, and the need to integrate operations arising from its expansion particularly into other fast growing cities in the PRC may place a strain on its managerial, operational and financial resources and contribute to an increase in its financing requirements, particularly for such locations where Yuexiu REIT does not have an existing presence or supply network. Failure to manage its expansion plan may materially and adversely affect Yuexiu REIT's business, financial condition and results of operations.

## **Risks Relating to the PRC**

### ***Changes in the PRC's economic, political and social conditions as well as governmental policies could affect Yuexiu REIT.***

The economy of the PRC differs from the economies of most developed countries in many respects, including: (i) economic and political structure, (ii) level of development, (iii) growth rate, (iv) control of foreign exchange, and (v) allocation of resources. While the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among different sectors of the economy. The PRC Government authorities from time to time implement various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of, or in anticipation of, changes in the PRC's economic conditions. In addition, the PRC Government continues to regulate industry development by imposing top-down policies and control over the PRC's economic growth through various means such as the allocation of resources, monetary policy, control over foreign currency denominated payment obligations and provision of preferential treatment to particular industries and companies. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. Although the REIT Manager believes the reforms will have a positive effect on Yuexiu REIT's overall and long term development, it cannot predict whether changes in the economic policies and the relevant laws, regulations and rules of the PRC will have any material adverse effect on Yuexiu REIT's current or future business, financial condition and results of operations.

### ***Yuexiu REIT, the Issuer and the Guarantor may be deemed as PRC resident enterprise under the EIT Law (as defined below) and be subject to the PRC taxation on its worldwide income and the interest and other similar amounts on the Notes as well as gains realised by sales of Notes may also be subject to PRC withholding tax.***

Under the PRC Enterprise Income Tax Law (企業所得稅法) promulgated by the National People's Congress became effective on 1 January 2008 and was subsequently amended on 24 February 2017 and on December 29, 2018 (collectively, the "EIT Law") and its implementing regulations, enterprises established outside of China whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to the uniform 25 per cent. enterprise income tax rate on their global taxable income. The implementing regulations of the EIT Law issued by the PRC State Council define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, properties, etc. of an enterprise".

The State Administration of Taxation of the PRC (the "SAT") promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) on 22 April 2009, as amended on 29 December 2017, which specifies certain criteria for the determination of the "de facto management bodies" in respect of an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder. However, no further detailed definition of "de facto management bodies" is provided for enterprises established offshore by private individuals or foreign enterprises such as Yuexiu REIT, the Issuer and the Guarantor. As such, there is uncertainty as to whether Yuexiu REIT, the Issuer and the Guarantor will be deemed to be a PRC "resident enterprise" for the purposes of the EIT Law.

Part of the management of Yuexiu REIT and the Issuer is currently based in the PRC, and part of the assets managed by the Guarantor is located in the PRC. Therefore, Yuexiu REIT, the Issuer or the Guarantor may be treated as a PRC “resident enterprise” for enterprise income tax purposes. However, there is no clear standard published by the tax authorities for making such a determination. The tax consequences of such treatment are currently not entirely clear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the EIT Law or the implementation regulations. There is uncertainty as to whether Yuexiu REIT, the Issuer or the Guarantor will be treated as a PRC resident enterprise for the purpose of the EIT Law, any aforesaid circulars or any amended regulations in the future. However, as at the date of this Offering Circular, none of Yuexiu REIT, the Issuer and the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC resident enterprise for the purposes of the EIT Law.

If relevant PRC tax authorities decide in accordance with applicable PRC laws on taxation that Yuexiu REIT, the Issuer or the Guarantor is a PRC resident enterprise for the purposes of the EIT Law, Yuexiu REIT, the Issuer or the Guarantor, as the case may be, may be subject to enterprise income tax at the rate of 25 per cent. on its worldwide income, which may adversely affect Yuexiu REIT, the Issuer or the Guarantor’s profitability and distributable profit to shareholders or unitholders. Furthermore, the Issuer or the Guarantor, as the case may be, may be obliged to withhold PRC income tax of 10 per cent. or less under applicable double taxation treatment on payments of interest and certain other amounts on the Notes to holders that are PRC non-resident enterprises as such income may be regarded as being derived from sources within the PRC. In addition, if the Issuer or the Guarantor fail to withhold (if so requested by relevant PRC tax authorities) such tax in accordance with applicable PRC tax law, the Issuer or the Guarantor, as the case may be, may be subject to penalties ranging from 50 per cent. to 300 per cent. of the unpaid tax amount. Under the EIT Law and its implementation regulations, in the event that the Issuer or the Guarantor is deemed to be a PRC resident enterprise by the PRC tax authorities, capital gain realised by a PRC non-resident enterprise from the transfer of the Notes might be regarded as being derived from sources within the PRC and, accordingly, might be subject to PRC enterprise income tax. However, there remains uncertainty as to whether the gains realised from the transfer of the Notes between holders or investors incorporated outside of the PRC would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation regulations. If such gains are subject to PRC enterprise income tax, the 10 per cent. enterprise income rate will apply unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted to be deducted from the income under PRC tax laws.

*The interest income and other income in the nature of interest received by a non-PRC resident holder of the Notes may be subject to withholding of value added tax at a rate of 6 per cent. plus related surcharges under applicable PRC Law on taxation.*

Pursuant to the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》(Caishui [2016] No. 36) jointly issued by the Ministry of Finance of the PRC (the “**Ministry of Finance**”) and the SAT on 23 March 2016 and implemented on 1 May 2016 (the “**Circular 36**”), the Notice on Clarification of Value-added Tax Policies for Finance, Real Estate Development, Education Support Services etc. (《財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知》) jointly issued by the Ministry of Finance of the PRC and the SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016, the Interim Value-Added Tax Regulations of the People’s Republic of China (中華人民共和國增值稅暫行條例) promulgated by the State Council, and revised and effective on 19 November 2017, and other supplemental and relevant laws, rules and regulations (together, the “**VAT Law**”), PRC tax authorities have started imposing value added tax (“**VAT**”) on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the Ministry of Finance and SAT have subsequently issued a series of tax circulars in March and April of 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle

services. Based on the Decision of the State Council to Repeal the Interim Regulation of the PRC on Business Tax and Amend the Interim Regulation of the PRC on Value-Added Tax (國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定) issued by the State Council on 19 November 2017, the business tax is no longer applicable.

Entities and individuals selling or leasing real property or providing services in the PRC shall be identified as taxpayers of the VAT, and shall pay the VAT in accordance with the VAT Law. Such services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services which are subject to the VAT include the provision of financial services which refers to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments. “Loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon and among others, the interest (principal-guaranteed gains, remunerations, fund occupation fees and compensations, which refer to investment returns whose principal can be fully recovered upon maturity as explicitly committed under the relevant contract) obtained during the holding period (including upon maturity) of financial products shall be treated as interest income related to loan processing and thus shall be subject to the VAT while such gains, remunerations, fund occupation fees and compensations obtained during the holding period (including upon maturity) of financial products shall not be treated as interest income or income in the nature of interest related to loan processing if their principal is not guaranteed and shall thus not be subject to VAT. The VAT Law are relatively new and there is uncertainty as to whether the VAT will be applicable to the payments of interest and other income in the nature of interest on the Notes by Issuer and/or the Guarantor who are incorporated outside the PRC to investors who are located outside of the PRC as this will depend on how the PRC tax authorities interpret, apply or enforce the VAT Law. If the issuance and/or holding of the Notes is treated as provision of financial services in the PRC to the Issuer or the Guarantor by the holders of the Notes, and if the interest income or other income in the nature of interest from or in connection with the Notes is regarded as “principal-guaranteed gains”, in each case by relevant tax authorities in the PRC for the purpose of the VAT Law, the interest income and other income in the nature of interest received by a non-PRC resident holder of the Notes may be subject to withholding of the VAT at a rate of 6 per cent. plus related surcharges under applicable PRC tax laws including the PRC Interim Regulations on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 and amended with effect on 8 January 2011, the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and amended on 7 June 1990, on 20 August 2005 and on 8 January 2011, the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) promulgated by the State Council on 18 October 2010 and the Notice to Unify the Relevant Issues on Policies of Levying Local Educational Surcharge (財政部關於統一地方教育附加政策有關問題的通知) promulgated by the Ministry of Finance on 7 November 2010, unless otherwise reduced or exempted under any applicable tax treaty. In addition, as far as we know, the VAT is unlikely to apply to gains realised upon any transfer of Notes between holders or investors located outside of the PRC, but there is uncertainty as to the applicability of the VAT if either the seller or buyer of the Notes is or deemed to be located inside the PRC by PRC tax authorities for the purpose of the VAT Law.

While, as mentioned above, there remains uncertainty as to the application of EIT, VAT and/or the related surcharges, in the event that the Issuer or the Guarantor is required to make a deduction or withholding in respect of EIT, VAT and/or the related surcharges, the Issuer and the Guarantor has agreed to increase the amounts paid by it to the extent required, so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required, subject to certain exceptions. See “Terms and Conditions of the Notes — Taxation”.

In addition, as set out in “Terms and Conditions of the Notes — Redemption, Purchase and Options — Redemption for Taxation Reasons”, if the Issuer (or the Guarantor, if the Guarantee was called) satisfies the Trustee that (i) it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of, among other jurisdictions, the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, the Notes may be redeemed at the option of the Issuer in whole, but not in part, in accordance with the terms of “Terms and Conditions of the Notes — Redemption, Purchase and Options — Redemption for Taxation Reasons”.

***The Issuer and the Guarantor may be unable to obtain and remit foreign currency.***

The ability of the Issuer and the Guarantor to satisfy obligations under the Notes depends solely upon the ability of Yuexiu REIT’s subsidiaries to obtain and remit sufficient foreign currency to pay dividends to Yuexiu REIT. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside the PRC. Under existing PRC foreign exchange regulations, payments of certain current account items, including profit distribution, can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange of the PRC (“SAFE”), by complying with certain procedural requirements. Therefore, Yuexiu REIT’s PRC subsidiaries are able to pay dividends in foreign currencies to Yuexiu REIT without prior approval from SAFE. However, approval from or registration with the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside the PRC to pay certain capital account items. The PRC Government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. Prior to payment of interest and principal on any shareholder loan that Yuexiu REIT makes to its subsidiaries, the relevant PRC subsidiary must present evidence showing that the registration or filing of the loan has been made with appropriate government authorities, together with the evidence of payment of the 10 per cent. withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If the PRC foreign exchange control system prevents Yuexiu REIT from obtaining sufficient foreign currency, or if any of its subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, such subsidiary will be unable to pay Yuexiu REIT dividends or interest and principal on shareholder loans, which may affect its ability to satisfy its obligations under the Notes.

***Fluctuations in the value of Renminbi may have an adverse effect on Yuexiu REIT’s financial condition and results of operations.***

The value of Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. On 21 July 2005, the PRC Government changed its policy of attaching the value of Renminbi to the US dollar. Under the policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the US dollar peg, Renminbi appreciated more than 20 per cent. against the US dollar over the following three years. Since July 2008, Renminbi has traded at a relatively stable level within a narrow range against the US dollar, but Renminbi experienced gradual further appreciation against the US dollar during the period from the middle of 2010 to the end of 2013, although Renminbi has generally depreciated against the US dollar in 2014. In August 2015, the People’s Bank of China (“PBOC”) strengthened the system of central parity quotations for Renminbi against the US dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as

changes in major international currency exchange rates. In 2016, Renminbi experienced further fluctuations in value against the US dollar. While the exchange rate between Renminbi and the US dollar continues to fluctuate, it is unclear, however, whether Renminbi will further appreciate against the US dollar in the future.

Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. Although the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates, the Renminbi may appreciate or depreciate significantly in value against the US dollar in the future. Any fluctuation in the exchange rate between Renminbi and the US dollar or other currencies could result in foreign currency translation losses for financial reporting purposes.

Yuexiu REIT's revenue and costs are denominated in Renminbi, which will have to be translated into Hong Kong dollars for payment as distributions to Unitholders. A substantial portion of Yuexiu REIT's borrowings are denominated in Hong Kong dollars or US dollars. Any decrease in the value of the Renminbi may adversely affect accounting profit of Yuexiu REIT and will adversely affect the value of distributions paid in Hong Kong dollars.

***Yuexiu REIT relies principally on dividends paid by its subsidiaries to fund any cash and financing requirements Yuexiu REIT may have; any limitation on the ability of its subsidiaries to pay dividends to it could have a material adverse effect on its ability to conduct its business and such dividends may be subject to PRC taxation.***

Yuexiu REIT relies principally on dividends paid by certain subsidiaries for cash requirements, including the funds necessary to service any debt it may incur, including the Notes. The ability of certain direct and indirect subsidiaries of Yuexiu REIT in the PRC to pay dividends to their shareholders is subject to applicable laws and restrictions contained in the debt instruments and obligations of such subsidiaries. For example, certain debt instruments of the applicable subsidiaries of Yuexiu REIT contain covenants or terms that restrict their ability to pay dividends or make other distributions. Furthermore, under applicable PRC laws, rules and regulations, payment of dividends by Yuexiu REIT's subsidiaries is permitted only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under PRC laws, rules and regulations, all of its PRC subsidiaries are required to set aside at least 10 per cent. of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50 per cent. of their respective registered capital. As a result, certain of Yuexiu REIT's subsidiaries are restricted in their ability to transfer a portion of their net income to it in the form of dividends. Any limitation on the ability of its subsidiaries to pay dividends to Yuexiu REIT could materially and adversely limit Yuexiu REIT's ability to grow, pay dividends or otherwise fund and conduct its business.

***It may be difficult to enforce judgments obtained from non-PRC courts in the PRC.***

Yuexiu REIT's business is in the PRC. Yuexiu REIT may be required to enforce in the PRC judgments obtained from courts of other jurisdictions. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of prescribed requirements. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and most other western countries. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult.

***Yuexiu REIT faces risks associated with uncertainties with respect to the PRC legal system.***

As Yuexiu REIT's Properties are located in the PRC, its operation in the PRC is governed principally by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and due to the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive. Further, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, Yuexiu REIT may have to resort to administrative or court proceedings to enforce legal protections under law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate and predict the outcome of PRC administrative and court proceedings and the enforceability of rights in the PRC as compared to more developed legal systems.

The land and real estate laws of the PRC, including laws relating to land title and building ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress (the "NPC"), the State Council, the Ministry of Natural Resources (the "MNR", formerly known as the Ministry of Land and Resources (the "MLR")) and the Ministry of Housing and Urban-Rural Development of the PRC (the "MOHURD") have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities have also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules, and the REIT Manager cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to Yuexiu REIT. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of Yuexiu REIT's resources and management attention.

**Risks Relating to the Notes issued under the Programme**

***Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer and/or the Noteholders.***

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches with a maturity of more than one year shall be regulated by the NDRC Circular. Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to the NDRC within 10 working days with the NDRC or its local counterpart after the completion of each issuance. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, the legal consequences of non-compliance with the pre-issue registration or the post-issue notification requirement under the NDRC Circular is unclear. Please refer to "Regulation — Shareholder Loan and Foreign Debt" for further details. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer or the REIT Manager to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes. Potential investors of the Notes

are advised to exercise due caution when making their investment decisions. The Issuer and the REIT Manager have undertaken to file or cause to be filed with the NDRC or its local counterpart the particulars of the issue of the Notes and the requisite information and documents in accordance with the NDRC Circular.

***The Notes may not be a suitable investment for all investors.***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing Supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes constitute legal investments for such investor, (ii) the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Credit ratings of the Programme, the Notes or the Issuer may not reflect all risks and it may be downgraded or withdrawn.***

The Programme is rated “Baa3” by Moody’s and “BBB-” by S&P. Ratings represent the respective opinions of these rating agencies and their respective assessments of the Issuer’s ability to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities. Ratings can be lowered or withdrawn at any time. The Issuer and the REIT Manager are not obliged to inform investors if ratings are lowered or withdrawn. A reduction or withdrawal of ratings may adversely affect the market price of the Notes and Yuexiu REIT’s ability to access the debt capital markets.

***The Trust Deed, the Agency Agreement and/or the Notes are subject to modification and the Trustee may waive certain breaches without the consent of the Noteholders.***

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. In addition, an Extraordinary Resolution (as defined in the Trust Deed) in writing signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Notes outstanding or approval given by Electronic Consent by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the holders of Notes duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the relevant written resolution or participate in the Electronic Consent and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may agree, without the consent of the Noteholders or Couponholders, to: (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement and/or the Terms and Conditions of the Notes that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law or regulation and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement and/or the Terms and Conditions of the Notes that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

***The Issuer may be unable to redeem the Notes.***

On certain dates, including the occurrence of an early redemption event and at maturity of the Notes, the Issuer may, and at maturity the Issuer will be required to, redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. If the Issuer fails to repay, repurchase or redeem tendered Notes, such an event would constitute an event of default under the Notes, which may also constitute a default under the terms of its other indebtedness.

***A change in English law which governs the Notes may adversely affect Noteholders.***

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.



***The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with, or with a nominee of, a common depository for Euroclear and Clearstream, or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a “**Clearing System**”).

Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, failing whom the Guarantor, will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the REIT Manager has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes and the Global Certificates. Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

***Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.***

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or a Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination; and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued in the circumstances described in the relevant Global Note or Global Certificate. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

***The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.***

In certain circumstances (including without limitation the giving of notice to the Issuer and the REIT Manager pursuant to Condition 10 of the Terms and Conditions of the Notes and taking steps and/or actions and/or initiating proceedings as contemplated in Condition 12 of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any step and/or action and/or initiates any proceeding on behalf of Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or initiate any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be initiated. The Trustee may not be able to take any step and/or action and/or initiate any proceeding, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such steps and/or actions and/or initiate such proceedings directly.

*There could be conflicts of interest arising out of the different roles played by different members in the corporate group of GZ Yuexiu (the “Yuexiu Group”), and activities of other members of the Yuexiu Group may affect the value of the Notes.*

Yuexiu REIT is a member of the Yuexiu Group. Chong Hing Bank Limited and Yue Xiu Securities Company Limited, both subsidiaries of GZ Yuexiu, are appointed as Arrangers and Dealers for the Programme. Other members in the Yuexiu Group may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by different members in the Yuexiu Group in connection with the Notes and that, although the Yuexiu Group has internal control policies and procedures to minimise any potential conflict of interest, the Yuexiu Group owes no duty to investors to avoid such conflicts, and the economic interests in each role may be adverse to the investors’ interests in the Notes.

#### **Risks Relating to the Structure of a Particular Issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

*The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to or referencing such “benchmarks”.*

Interest rates and indices which are deemed to be or used as “benchmarks”, are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. The discontinuation of a benchmark or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such benchmark. The development of alternatives to a benchmark may result in Notes linked to or referencing such benchmark performing differently than would otherwise have been the case if the alternatives to such benchmark had not developed. Any such consequence could have a material adverse effect on the value of and return on any Note linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (“LIBOR”) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants

from continuing to administer or contribute to the benchmark, (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***The value of, and return on, Floating Rate Notes linked to or referencing IBOR may be adversely affected in the event of a permanent discontinuation of IBOR.***

Whilst alternatives to certain IBORs for use in the bond market are being developed, outstanding Notes linked to or referencing an IBOR may transition away from such IBOR in accordance with the particular fallback arrangements set out in their terms and conditions. The operation of these fallback arrangements could result in a different return for Noteholders, Receiptholders and Couponholders (which may include payment of a lower Rate of Interest) than they might receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from any given IBOR to an alternative rate). Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Terms and Conditions of the Notes will provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions of the Notes will provide for the Rate of Interest to be determined by the Calculation Agent or (where a Citi Entity (as defined in the Terms and Conditions of the Notes) is acting as Calculation Agent) the Issuer by reference to quotations from banks communicated to the Calculation Agent or the Issuer. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before such Original Reference Rate was discontinued. Uncertainty as to the continuation of IBOR, the availability of quotes from reference banks, and the rate that would be applicable if IBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Benchmark Events include (amongst other events) permanent discontinuation of an Original Reference Rate (for example, LIBOR). If a Benchmark Event occurs, the Issuer shall, as soon as reasonably practicable, use its reasonable endeavours to appoint (at the expense of the Issuer, failing whom the Guarantor) an Independent Adviser to determine a Successor Rate, failing which an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate (as the case may be) to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate (as the case may be) for the Original Reference Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes will provide that the Issuer may vary the Terms and Conditions of the Notes and/or the Trust Deed, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate (as the case may be), without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate (as the case may be) is determined by the Independent Adviser, the Terms and Conditions of the Notes also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate (as the case may be).

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if the Independent Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser or the Independent Adviser is unable to determine a Successor Rate, failing which, an Alternative Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period will be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Accrual Period, it will continue to attempt to appoint an Independent Adviser as soon as reasonably practicable before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Accrual Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes will provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate

Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or, failing that, quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

***Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.***

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

An optional redemption feature is likely to limit the market value of the relevant Tranche of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Dual Currency Notes have features which are different from single currency issues.***

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

***Failure by an investor to pay a subsequent instalment of partly paid Notes may result in an investor losing all of its investment.***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

***The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.***

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features. Such volatility may affect the market value of the Notes.

***Inverse Floating Rate Notes are generally more volatile than conventional floating rate debt securities.***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). This is because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

***Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

***The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities.***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

***If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited.***

Payment of principal of the Notes may be accelerated only in the event of certain events including the Issuer's bankruptcy, winding-up or dissolution or similar events if certain conditions have been satisfied. See "Terms and Conditions of the Notes — Events of Default".

***Investors may lose part or all of their investment in any Index Linked Notes issued.***

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or Index Linked Redemption Notes, there is a risk that an investor may lose the value of its entire investment or part of it.

## **Risks Relating to the Market Generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.*

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and Yuexiu REIT's financial condition. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although applications have been made to the Hong Kong Stock Exchange or any other stock exchange for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for securities has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, no assurance can be given that a liquid trading market will develop, or that disruptions will not occur, for any particular Tranche of Notes.

*Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.*

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Changes in market interest rates may adversely affect the value of Fixed Rate Notes.*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

*The credit ratings assigned to the Notes may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## **Risks relating to Renminbi-denominated Notes**

Notes denominated in RMB (“**RMB Notes**”) may be issued under the Programme. RMB Notes contain particular risks for potential investors.

***Renminbi is not freely convertible. There are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes.***

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi into and out of the PRC for the purposes of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are developing gradually.

Although since 1 October 2016, the Renminbi has been included in the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the RMB Notes and the ability of the Issuer and the Guarantor to source Renminbi outside the PRC to service the RMB Notes.***

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows and the conversion between Renminbi and other currencies, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business between the PBOC and Bank of China (Hong Kong) Limited to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres, such as London, Frankfurt and Singapore, to further internationalise the Renminbi.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC’s onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi clearing banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating



banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

***Investment in the RMB Notes is subject to exchange rate risks.***

The value of the Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. Recently, the PBOC has implemented changes to the way it calculates the Renminbi's daily mid-point against the US dollar to take into account market-maker quotes before announcing such daily mid-point. The changes may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made with respect to the RMB Notes in Renminbi. As a result, the value of these Renminbi payments in US dollars or other foreign currencies may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar or other foreign currencies, the value of investment in US dollars or other applicable foreign currencies will decline. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the RMB Notes.

***Payments in respect of the RMB Notes will only be made to investors in the manner specified in such RMB Notes.***

All payments to investors in respect of the RMB Notes will be made solely by (i) when the RMB Notes are represented by a global certificate held in the CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) when the RMB Notes are represented by a global certificate held with the common depositary for Clearstream and Euroclear or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a RMB Clearing Bank operates, if so specified in the Pricing Supplement, or (iii) when the RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Neither the Issuer nor the Guarantor can be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for general corporate purposes of Yuexiu REIT and/or refinancing of certain indebtedness of Yuexiu REIT. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with, or with a nominee of, a common depository for Euroclear and Clearstream (the “**Common Depository**”) or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for, or any nominee for the common depository for, Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Certificate to the Common Depository or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the relevant rules of the CMU as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report (as specified in the relevant rules of the CMU) or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer or the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer or the Guarantor in respect of such Global Note or Global Certificate.

## **Exchange**

### ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme — Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

### ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes” below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent or the CMU Lodging and Paying Agent (as applicable) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### *Global Certificates*

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or paragraph (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

### *Delivery of Notes*

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### *Exchange Date*

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent or the CMU Lodging and Paying Agent is located and in the city in which the relevant clearing system is located.

### *Amendment to Terms and Conditions of the Notes*

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

### *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless upon due presentation of the Global Note, exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be entered on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the words “in the relevant place of presentation” (if applicable) shall be disregarded in the definition of “business day” set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as being held by the CMU of the relevant time (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held on behalf of a clearing system, the Issuer has undertaken, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions of the Notes, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note or Global Certificate.

### ***Prescription***

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9 (Prescription) of the Terms and Conditions of the Notes).

### ***Meetings***

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

### ***Cancellation***

Cancellation of any Note represented by a permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note upon its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

### ***Purchase***

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### ***Issuer's Option***

Any option of early redemption of the Issuer provided for in the Terms and Conditions of the Notes of any Series while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

### ***Noteholders' Options***

Any option of the Noteholders provided for in the Terms and Conditions of the Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions in accordance with the rules and procedures of Euroclear and Clearstream, CMU or any other relevant clearing system, failing which, in the form of the redemption notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation, or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). Any option of the Noteholders provided for in the Terms and Conditions of the Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding of Notes represented by the Global Certificate.

### ***Trustee's Powers***

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system or a common depositary for a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

### ***Notices***

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given via the CMU Corporate Action Platform to the CMU Members shown in the records of the CMU as holding interests in the relevant Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the business day immediately following the business day on which such notice is delivered to the CMU for uploading on the CMU Corporate Action Platform.

### ***Partly Paid Notes***

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.



## TERMS AND CONDITIONS OF THE NOTES

*The following, other than the words in italics, is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of the terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) the terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in the Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

This Note is one of a series (“**Series**”) of Notes issued by Yuexiu REIT MTN Company Limited, (the “**Issuer**”) and guaranteed by HSBC Institutional Trust Services (Asia) Limited (in its capacity as the trustee of, and with recourse limited to the assets of, Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”)) (the “**Guarantor**”).

The Notes are constituted by an amended and restated trust deed dated 22 January 2021 (as amended and/or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) between the Issuer, Yuexiu REIT Asset Management Limited (in its capacity as manager of Yuexiu REIT, the “**REIT Manager**”), the Guarantor and Citicorp International Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An amended and restated agency agreement dated 22 January 2021 (as amended and/or supplemented as at the Issue Date, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent, Citicorp International Limited as CMU lodging and paying agent and as registrar for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU**”), Citigroup Global Markets Europe AG as registrar for Notes not held in the CMU and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the “**Registrars**”, the “**Transfer Agents**” (which expression shall include the Registrars) and the “**Calculation Agent(s)**”. For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection by the Noteholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal office of the Trustee (presently at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the CMU Lodging and Paying Agent following written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the CMU Lodging and Paying Agent.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**” and the holders of Receipts, the “**Receiptholders**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects.

## **1 Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrars in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2 No Exchange of Notes and Transfers of Registered Notes**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or the relevant Transfer Agent may require (in light of prevailing market practice). In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the relevant Registrar or

the Issuer with the prior written consent of the Trustee in each case and, in the case of a change proposed by the Issuer, the prior written approval of the relevant Registrar. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder following prior written request and proof of holding and identity to the satisfaction of the relevant Registrar. No transfer of title to any Registered Notes will be valid unless and until entered on the relevant Register.

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within seven business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the relevant Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon (i) payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the relevant Registrar or the relevant Transfer Agent may require); and (ii) the relevant Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application.
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

### **3 Guarantee and Status**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed.

- (b) **Status of Notes and Guarantee:** The Notes and the Receipts and Coupons relating to them constitute direct, unsubordinated, unconditional, and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, except as provided below and save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future; provided that the Guarantor's obligations under the Guarantee will rank equally with all other unsecured obligations and monetary obligations of the Guarantor incurred in its capacity as trustee of Yuexiu REIT and recourse to the Guarantor shall always be limited to the assets comprising the Deposited Property, subject to any prior ranking claims over those assets.

“**Deposited Property**” has the meaning given in the trust deed between the Guarantor and the REIT Manager constituting Yuexiu REIT dated 7 December 2005, as amended and supplemented from time to time.

#### 4 Covenants

- (a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the REIT Manager will ensure that none of the other members of the Group (excluding the Guarantor in any capacity other than that as trustee of Yuexiu REIT) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions:

“**Group**” means the Issuer, the Guarantor (in its capacity as trustee of Yuexiu REIT), Yuexiu REIT and their respective subsidiaries for the time being;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures or other investment securities (but excluding for the avoidance of doubt instruments commonly referred to as transferrable loan certificates) which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

“**Subsidiary**” means any entity whose financial statements at any time are required by law or required in accordance with generally accepted accounting principles to be fully consolidated with those of the relevant entity, as the case may be, but shall exclude any corporation, association or other entity of which less than (but excluding) 50 per cent. of the voting rights is owned by the relevant entity, as the case may be (either directly or through one or more other Subsidiaries).

- (b) **Notification to NDRC:** Where the Circular on Promoting the Reform of the Filings and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the People's Republic of China (the “**PRC**”) (the “**NDRC**”) and which came into effect on 14 September 2015 and any implementation rules,

regulations, certificates, circulars, notices or policies in connection therewith as issued by the NDRC from time to time applies, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Issuer or the REIT Manager shall, within the prescribed timeframe after the Issue Date of the relevant Tranche of Notes, file or cause to be filed with the NDRC or its local counterpart the requisite information and documents in accordance with the NDRC Circular (the “**NDRC Post-issue Filing**”) and comply with all applicable PRC laws and regulations in connection therewith.

The Trustee shall have no obligation or duty to monitor or ensure or assist with the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the NDRC Post-issue Filing (each of which it may accept and rely on without investigation and without liability) or to give notice to the Noteholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to Noteholders or any other person for not doing so.

- (c) **Borrowings:** The Issuer and the Guarantor shall not (and each of the Issuer and the REIT Manager shall ensure that no other member of the Group (excluding the Guarantor in any capacity other than that as trustee of Yuexiu REIT) will) incur any Financial Indebtedness if Borrowings would exceed 50 per cent. of Total Consolidated Assets (or any such higher percentage which the REIT Code may permit) as a result of such incurrence.

In these Conditions:

“**Borrowings**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of members of the Group;

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (i) moneys borrowed;
- (ii) any amount raised under any acceptance credit, bill acceptance or bill endorsement facility;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (iv) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (v) any amount raised under any other transaction (including any forward sale or purchase agreement) required by GAAP to be shown as a borrowing in the audited consolidated balance sheet of the Group;
- (vi) any other borrowings that are subject to the limitation on borrowings as set out in the REIT Code;

but excluding indebtedness owing by a member of the Group to another member of the Group and, for the avoidance of doubt, excluding net assets attributable to unitholders of Yuexiu REIT;

“**GAAP**” means generally accepted accounting principles, standards and practices in Hong Kong;

“**REIT Code**” means the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong; and

“**Total Consolidated Assets**” means, at any particular time, the value of all assets of the Group, including any investments it is authorised to hold in accordance with the REIT Code together with any moneys held by it.

## **5 Interest and other Calculations**

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

### **(A) ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Hong Kong time in the case of HIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, HIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall, or (where a Citi Entity is acting as Calculation Agent) the Issuer shall, request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent or the Issuer (as the case may be) with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent or the Issuer (as the case may be) with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent or the Issuer (as the case may be).

- (z) If paragraph (y) immediately above applies and the Calculation Agent or the Issuer (as the case may be) determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean (as determined by the Calculation Agent or the Issuer (as the case may be)) of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent or the Issuer (as the case may be) by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent or the Issuer (as the case may be) with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (as determined by the Calculation Agent or the Issuer (as the case may be)) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent or the Issuer (as the case may be) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Any Rate of Interest determined by the Issuer in accordance with this Condition 5(b)(iii)(B) shall be notified by the Issuer to the Calculation Agent as soon as possible after its determination. The Calculation Agent is entitled to accept and rely conclusively and without investigation or liability on any Rate of Interest notified to it by the Issuer pursuant to this Condition 5(b)(iii)(B) and has no duty to check or verify any Rate of Interest so advised to it or the information or quotations or any calculation on which such Rate of Interest is based.

In this Condition 5(b)(iii), “**Citi Entity**” means any of Citibank, N.A., London Branch, Citicorp International Limited, Citibank, N.A., Hong Kong Branch, any other branch of Citibank, N.A. and Citigroup and its subsidiaries and affiliates.

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula specified hereon.



- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum Rates of Interest/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 5(g)(ii).
- (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amount, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified in writing to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if “**Actual/365 (Sterling)**” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- (iv) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30

- (viii) if “**Actual/Actual-ICMA**” is specified hereon:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (b) if the Calculation Period is longer than one Determination Period, the sum of:
  - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
  - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

**“Determination Period”** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**“Determination Date”** means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

**“Euro-zone”** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

**“Interest Accrual Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified hereon.

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, Hong Kong dollars or euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro, provided that in this definition, **“Business Day”** shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, unless otherwise specified hereon.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (k) **Calculation Agents:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period (where required to do so by these Conditions) or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. No Calculation Agent appointed in respect of the Notes may resign its duties without a successor having been appointed as aforesaid.

**(l) Benchmark discontinuation:**

**(i) Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall, as soon as reasonably practicable, use its reasonable endeavours to appoint, at the expense of the Issuer, failing whom the Guarantor, an Independent Adviser to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(1)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(1)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(1) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith, gross negligence, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Paying Agents or the Noteholders, Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 5(1).

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(1) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this Condition 5(1) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(1)(i).

**(ii) Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(1)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(1)).

**(iii) Adjustment Spread**

The Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

**(iv) Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(l) and the Independent Adviser determines (A) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(l)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the written request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(l)(v), the Trustee shall (at the expense of the Issuer, failing whom the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(l), neither the Calculation Agent nor any Paying Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(l) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

**(v) Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(l) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents. In accordance with Condition 16, notice shall be provided by the Issuer to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

- (A) confirming (I) that a Benchmark Event has occurred, (II) the Successor Rate or, as the case may be, the Alternative Rate, (III) the applicable Adjustment Spread and (IV) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(l); and



- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to accept without verification or investigation and to rely conclusively on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error, wilful default or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders. The Trustee shall be protected and shall have no liability to any Noteholder, the Issuer, the Guarantor or any other person for so accepting and relying on any such certificate and/or opinion.

Notwithstanding any other provision of this Condition 5(1), if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(1), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability to any person for not doing so.

*(vi) Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 5(1)(i), 5(1)(ii), 5(1)(iii) and 5(1)(iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

*(vii) Definitions*

As used in this Condition 5(1):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);

- (iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser, determines in accordance with Condition 5(l)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and of a comparable duration to the relevant Interest Accrual Period, or, if the Independent Adviser determines there is no such rate, such other rate as the Independent Adviser determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

“**Benchmark Amendments**” has the meaning given to it in Condition 5(l)(iv);

“**Benchmark Event**” means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate that, with effect from a date after 31 December 2021, the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (A) in the case of sub-paragraphs (ii) and (iii) above of this definition, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (B) in the case of sub-paragraph (iv) above of this definition, on the date of the prohibition of use of the Original Reference Rate and (C) in the case of sub-paragraph (v) above of this definition, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, none of the Trustee, the Calculation Agent or the Paying Agents shall have any responsibility or liability for making such determination and shall have no obligation to monitor whether any Benchmark Event has occurred;

“**Independent Adviser**” means an independent financial institution of international repute or an independent **financial** adviser with appropriate expertise selected and appointed by the Issuer (at the expense of the Issuer, failing whom the Guarantor) under Condition 5(1)(i);

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof; and

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## **6 Redemption, Purchase and Options**

### **(a) Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i)), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption), if the Issuer (or the Guarantor, if the Guarantee was called) satisfies the Trustee immediately before the giving of such notice that (i) it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong, the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the

publication of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee a certificate in English signed by a director of the Issuer who is also an Authorised Signatory of the Issuer (or by two Authorised Signatories of the Guarantor, as the case may be) and an opinion from an independent tax or legal advisor of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and the Trustee shall be entitled, without further enquiry and without liability to any Noteholder, any Couponholder or any other person, to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on Noteholders and Couponholders.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount, together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption following Change of Control:** If Change of Control Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Change of Control Put Event (as defined below) occurs, then the holder of each such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or Condition 6(d) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiration of the Put Period (as defined below) (or such other date as may be specified hereon, the "**Put Date**") at the Change of Control Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

A "**Change of Control Put Event**" will be deemed to occur if:

- (i) any person or persons acting together acquires Control of Yuexiu REIT Asset Management Limited; or
- (ii) the Permitted Holders cease to have, either directly or indirectly or as the beneficiary of a trust, acting individually or together, Control of Yuexiu REIT Asset Management Limited or any subsequent manager of Yuexiu REIT; or
- (iii) the percentage ownership of units of Yuexiu REIT by the Permitted Holders (whether directly or through any one or more of its Subsidiaries) is reduced below 15 per cent. of the total number of units of Yuexiu REIT in issue from time to time; or

- (iv) the Permitted Holders in the aggregate cease to be the single largest owner of the units of Yuexiu REIT.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice (a “**Change of Control Put Event Notice**”) to the Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent in writing specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Note must (in the case of Bearer Notes) deposit such Note (together with all unexpired Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) deposit the Certificate representing such Note(s) with the relevant Registrar or any relevant Transfer Agent at its specified office, in each case at any time during normal business hours in the location of the specified office of such Paying Agent, such Registrar or such Transfer Agent, as the case may be, falling within the period (the “**Put Period**”) of no earlier than 30 days and no later than 60 days after a Change of Control Put Event Notice is given or such other date as may be specified hereon, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any relevant Paying Agent, the relevant Registrar or any relevant Transfer Agent, as the case may be (a “**Change of Control Put Exercise Notice**”). No Note or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior written consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed (or purchased) and cancelled.

Neither the Trustee nor any Agent is under any obligation to ascertain or verify whether a Change of Control Put Event or any event which could lead to the occurrence of a Change of Control Put Event or could constitute a Change of Control Put Event has occurred, and, until it shall have express notice pursuant to the Trust Deed or the Agency Agreement (as the case may be) to the contrary, the Trustee and each Agent may assume that no Change of Control Put Event or other such event has occurred.

In this Condition 6(e):

“**Control**” of any person means the acquisition or control of more than 30 per cent. of the voting rights of the issued share capital of such person or the right to appoint and/or remove all or the majority of the members of such person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

“**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the board of directors or any other governing board and does not include the Issuer’s wholly owned direct or indirect subsidiaries; and

“**Permitted Holders**” means State Owned Assets Supervision and Administration Commission of the Guangzhou Municipal People’s Government (“**GZ SASAC**”), Guangzhou Yuexiu Holdings Limited (“**GZ Yuexiu**”), Yuexiu Property Company Limited (“**Yuexiu Property**”) or their respective successors.

- (f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any relevant Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the relevant Registrar or any relevant Transfer Agent at its specified office, together with a duly completed option exercise notice (an “**Exercise Notice**”) in the form obtainable from any relevant Paying Agent, the relevant Registrar or any relevant Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (h) **Purchases:** Any member of the Group may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (i) **Cancellation:** All Notes purchased by or on behalf of a member of the Group may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the relevant Registrar and, in each case, if so surrendered, the same shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

## 7 **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:
  - (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and
  - (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

- (b) **Registered Notes:**
  - (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in Condition 7(b)(ii).

- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or, in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made:
  - (a) in the case of a currency other than Renminbi, in the relevant currency by transfer to the registered account of the holder (or the first names of joint holders) of such Note in the relevant currency maintained by the payee with a Bank;
  - (b) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b), “**registered account**” means the account in the relevant currency maintained by or on behalf of the Noteholder with a bank in Hong Kong (in the case of Renminbi) and with a Bank (in the case of other currencies), details of which appear on the Register at the close of business on the Record Date.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payments, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar(s), the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar(s), any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes with a specified office outside the United Kingdom, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.



In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in Condition 7(c) immediately above.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders.

**(f) Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Interest Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
  - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note or an Index Linked Redemption Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
  - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.
  - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency;
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
  - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

*If the Registered Notes are in global form and deposited with a common depository on behalf of Euroclear and/or Clearstream, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.*

## 8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is required to be made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders and Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If (i) the Issuer or, as the case may be, the Guarantor is required to make any such withholding or deduction by or within Hong Kong and/or the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make any such additional withholding or deduction in excess of the Applicable Rate by or within the PRC, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, assessment or government charges referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any tax, duty, assessment or government charges referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay any such tax, duty, assessment or government charges in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, assessment or government charges imposed by or in any jurisdiction.

## 9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

If any of the following events (“**Events of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the REIT Manager that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued and unpaid interest to the date of repayment:

- (i) **Non Payment:** default is made (i) in the payment of any principal when due or (ii) for more than seven days in the payment of interest due in respect of the Notes; or
- (ii) **Breach of Other Obligations:** the Issuer, the REIT Manager or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 30 days after written notice of such default shall have been given to the Issuer, the REIT Manager or the Guarantor (as appropriate) by the Trustee; or

- (iii) **Cross Default:** (A) any other present or future indebtedness of the Issuer, the Guarantor, Yuexiu REIT or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer, the Guarantor, Yuexiu REIT or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(iii) have occurred equals or exceeds US\$30 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which such equivalent is determined for the purposes of this Condition 10(iii)); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary, and is not discharged or stayed within 90 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) and is not discharged or stayed within 90 days; or
- (vi) **Insolvency:** any of the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary is adjudicated or found to be insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or material part of (or of a particular type of) the debts of the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a material part of (or of a particular type of) the debts of the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary; or
- (vii) **Winding up:** (A) an order is made or an effective resolution passed for (i) the termination, winding-up or dissolution or judicial management of Yuexiu REIT or (ii) the winding-up, dissolution, judicial management or administration of the Issuer, Yuexiu REIT or any Principal Subsidiary; or (B) the Issuer, Yuexiu REIT or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except (i) for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or Yuexiu REIT or any of their respective Subsidiaries, in any combination or (iii) in the case of any Principal Subsidiary, in the case of a solvent winding-up or dissolution whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or Yuexiu REIT, as the case may be, or any of their respective Subsidiaries or (iv) in the case of any Principal Subsidiary, as a result of a disposal on arm's length terms whereby the proceeds from such disposal are transferred to or otherwise vested in the Issuer or Yuexiu REIT, as the case may be, or any of their respective Subsidiaries; or

- (viii) **Cessation of Ownership:** the Issuer ceases to be a direct or indirect wholly-owned Subsidiary of Yuexiu REIT; or
- (ix) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor, Yuexiu REIT or any Principal Subsidiary; or
- (x) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer, the Guarantor and the REIT Manager lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (xi) **Illegality:** it is or will become unlawful for the Issuer, the Guarantor or the REIT Manager to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (xii) **Guarantee:** the Guarantee ceases for any reason to be in full force and effect or it becomes impossible for the Guarantor to perform any of its obligations thereunder; or
- (xiii) **Analogous Events:** any event occurs that under any applicable laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(i) to 10(xii) (both inclusive).

The Issuer shall (i) inform the Trustee immediately upon becoming aware that one of the events set out above in this Condition 10 has occurred and (ii) provide all relevant information in respect of such event to the Trustee.

In this Condition 10:

“**Principal Subsidiary**” means any Subsidiary of Yuexiu REIT:

- (a) whose revenue or (in the case of a Subsidiary which itself has subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of Yuexiu REIT and its Subsidiaries including, for the avoidance of doubt, Yuexiu REIT and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose gross profit or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of Yuexiu REIT and its Subsidiaries including, for the avoidance of doubt, Yuexiu REIT and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of Yuexiu REIT and its Subsidiaries as shown by the latest published audited consolidated balance sheet of Yuexiu REIT and its Subsidiaries including, for the avoidance of doubt, the investment of Yuexiu REIT in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of Yuexiu REIT and after adjustment for minority interests; or

- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary until the date on which the first published audited accounts (consolidated, if appropriate), of Yuexiu REIT prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of Yuexiu REIT relate, the reference to the then latest consolidated audited accounts of Yuexiu REIT for the purposes of the calculation above shall, until consolidated audited accounts of Yuexiu REIT for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of Yuexiu REIT adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to Yuexiu REIT or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of Yuexiu REIT and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by Yuexiu REIT;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by Yuexiu REIT; and
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of Yuexiu REIT, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of Yuexiu REIT.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 10 has occurred since the issue date of the Notes, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated gross assets of Yuexiu REIT and its Subsidiaries.

## **11 Meetings of Noteholders, Modification, Waiver and Substitution**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed and/or the Agency Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee

upon request in writing from Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification and waiver of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement and/or these Conditions that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law or regulation, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement and/or these Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of the Guarantor, its successor in business or its replacement as trustee of Yuexiu REIT in place of the Issuer or the Guarantor or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee may agree, without the consent of the

Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such steps, actions or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking and/or instituting any steps, actions and/or proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any other entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders or any other person on any report, confirmation or certificate or any opinion or advice of any accountants, legal counsel, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantor, the REIT Manager, the Trustee and the Noteholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the REIT Manager, the Guarantor, Yuexiu REIT, the Noteholders, the Couponholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders.



None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the REIT Manager or the Guarantor or any other person appointed by the Issuer, the REIT Manager or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer, the REIT Manager, the Guarantor, Yuexiu REIT or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default has occurred, and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the REIT Manager, the Guarantor, Yuexiu REIT and the Group, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

#### **14 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to the provisions of the Agency Agreement, applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest on them, and, if applicable, the timing for making the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 15 and forming a single series with the Notes. Any further notes forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

## 16 Notices

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the South China Morning Post). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

*So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held by or on behalf of (i) Euroclear or Clearstream, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or (ii) the CMU, notices to the holders of Notes of that Series may be given via the CMU Corporate Action Platform to the CMU Members shown in the records of the CMU as having an interest in the Notes of that Series.*

## 17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed (“**Proceedings**”) may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Service of Process:** Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

## CAPITALISATION

The following table sets forth the consolidated capitalisation and indebtedness of Yuexiu REIT as at 30 June 2020 on an actual basis. The following table should be read in conjunction with the unaudited but reviewed condensed consolidated interim financial information of Yuexiu REIT for the six months ended 30 June 2020 included elsewhere in this Offering Circular.

	As at 30 June 2020	
	(RMB'000)	(US\$'000) <sup>(1)</sup>
Current borrowings .....	4,419,846	625,615
Non-current borrowings .....	10,314,027	1,459,918
Total borrowings .....	14,733,873	2,085,533
Net assets attributable to Unitholders .....	14,096,931	1,995,376
Total capitalisation <sup>(2)</sup> .....	28,830,804	4,080,909

Notes:

- (1) Calculated at the exchange of RMB7.0795 to US\$1.00 as at 30 June 2020.
- (2) Total capitalisation represents the sum of total borrowings and net assets attributable to Unitholders.

Since 30 June 2020, there has been no material change in the consolidated capitalisation of the Group.

## DESCRIPTION OF THE ISSUER

### **Incorporation**

The Issuer is a company wholly-owned by the REIT Trustee in its capacity as trustee of Yuexiu REIT, and was incorporated on 14 March 2013 with limited liability under the laws of the British Virgin Islands. The registered office of the Issuer is located at the offices of TMF (B.V.I.) Ltd., located at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

### **Business Activities**

The Issuer, whose purpose is to act as a financing subsidiary of Yuexiu REIT, will remain wholly-owned by the REIT Trustee in its capacity as trustee of Yuexiu REIT for the duration of this Programme.

The Issuer has no material assets. The Issuer has not engaged, since its incorporation, in any material activities other than those regarding or incidental to its registration and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party and the establishment and maintenance of this Programme and the issue of the Notes under this Programme. The Issuer will not, for the duration of this Programme, engage in any business activity other than in connection with the issue of any Notes under this Programme.

### **Directors**

The directors of the Issuer are Mr. LIN Deliang, Mr. CHENG Jiuzhou, Ms. OU Haijing and Mr. CHEN Yongqin. Further information on the particulars and experience of the directors are set forth in "Management". The Issuer does not have any employees.

### **Share Capital**

The authorised share capital of the Issuer is US\$50,000 divided into 50,000 ordinary shares of US\$1.00 par value each, of which one ordinary share is issued and paid-up. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

## DESCRIPTION OF YUEXIU REIT

### Overview

Yuexiu REIT was the first Hong Kong REIT listed with a pure PRC property portfolio. The portfolio comprises eight premium commercial properties located in the PRC including: (a) five properties located in Guangzhou, namely Guangzhou IFC, White Horse Property, Fortune Plaza Property, City Development Plaza Property and Victory Plaza Property; (b) Shanghai Yue Xiu Tower located in Shanghai; (c) 67% of the Wuhan Property located in Wuhan; and (d) Hangzhou Victory Business Center located in Hangzhou (collectively, the “**Properties**”), which have a solid track record of revenue and property valuation growth. Yuexiu REIT derives almost all of its income from the Properties.

The tables below set out some of the key financial information relating to Yuexiu REIT for the periods and as at the dates indicated:

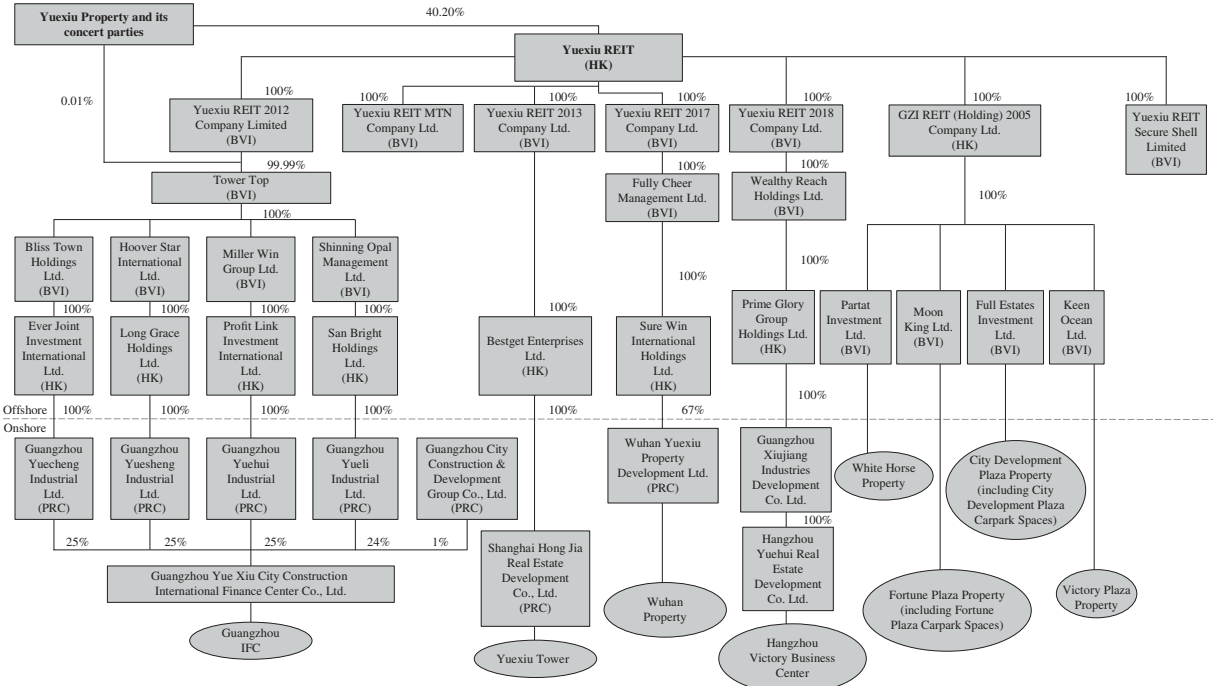
	For the year ended 31 December		Six months ended 30 June	
	2019	2018	2020	2019
	(in RMB, unless otherwise specified)		(in RMB, unless otherwise specified)	
Gross income <sup>(1)</sup> .....	2,058,112,000	2,031,876,000	831,135,000	999,658,000
Net property income.....	1,494,740,000	1,468,590,000	653,818,000	728,846,000
Profit/(loss) after tax .....	940,408,000	966,519,000	(212,079,000)	730,669,000
Earnings/(losses) per unit (“ <b>Unit</b> ”)				
— Basic.....	0.28	0.30	(0.07)	0.22
Portfolio valuation <sup>(2)</sup> .....	34,961,000,000	33,970,000,000	34,599,000,000	34,792,000,000
Net assets (including net assets attributable to deferred unitholder) attributable to existing Unitholders per Unit <sup>(3)</sup> ..	4.55	4.65	4.38	4.74
Units issued.....	3,205,856,551	3,106,450,427	3,219,856,551	3,119,618,222
Total borrowings as a percentage of gross assets <sup>(4)</sup> .....	39.1%	38.7%	40.6%	38.1%
Gross liabilities as a percentage of gross assets <sup>(5)</sup> .....	56.6%	56.4%	57.8%	56.0%
<b>Distribution</b>				
Distributable income after additional items .....	761,240,000	849,537,000	318,771,000	424,360,000
Distribution per Unit (HK\$).....	0.27	0.32	0.11	0.16

#### Notes:

- (1) Yuexiu REIT acquired Hangzhou Victory Business Center on 28 December 2018, and the carpark spaces at Fortune Plaza Property (the “**Fortune Plaza Carpark Spaces**”) and City Development Plaza Property (“**City Development Plaza Carpark Spaces**”) on 19 November 2019. The revenue from such properties was recorded since the date following the completion of their respective acquisitions. The revenue of Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces was recorded since 20 November 2019. The revenue of Hangzhou Victory Business Centre was recorded since 29 December 2018. Due to the disposal of Neo Metropolis Plaza Property located in Guangzhou (“**Neo Metropolis Plaza Property**”) on 21 December 2018, the revenue from such property was recorded up to 21 December 2018.
- (2) As at 31 December 2019 and 31 December 2018, respectively. Such valuations take into accounts the transactions referred to in Note (i) above.
- (3) Calculation of Total borrowings based on bank loan and other borrowings, excluding capitalisation of debt-related expenses.
- (4) Calculation of Gross liabilities based on total liabilities, excluding capitalisation of debt-related expenses and net assets attributable to Unitholders.

**Structure of Yuexiu REIT**

The following diagram illustrates the simplified corporate structure of Yuexiu REIT as at the Latest Practicable Date:



**REIT Manager**

The REIT Manager, Yuexiu REIT Asset Management Limited, is wholly-owned by Yuexiu Property and was incorporated for the sole purpose of managing the assets of Yuexiu REIT. It is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code. The REIT Manager has the general powers of management over the assets of Yuexiu REIT under the REIT Trust Deed. Among other things, the REIT Manager sets the strategic direction and risk management policies of Yuexiu REIT and gives recommendations to the REIT Trustee on the acquisition, divestment or enhancement of Yuexiu REIT assets in accordance with its stated investment strategy and the REIT Trust Deed.

Specifically, the REIT Manager may require the REIT Trustee to guarantee borrowings or to borrow on behalf of Yuexiu REIT (upon such terms and conditions as the REIT Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the REIT Manager considers, among other things, that such borrowings are necessary or desirable in order to enable Yuexiu REIT to meet any liabilities or to finance the acquisition of any property. However, the REIT Manager may not direct the REIT Trustee to guarantee or to incur a borrowing if it involves the personal liability of the REIT Trustee or if to do so would mean that Yuexiu REIT’s total borrowings exceed 50% (or such other limit as may be stipulated under the REIT Code) of the total gross asset value of the Deposited Property as set out in Yuexiu REIT’s latest published audited accounts immediately prior to the time the borrowing is incurred as adjusted by: (i) deducting the amount of any distribution proposed by the REIT Manager in such audited accounts and any distribution declared by the REIT Manager since the publication of such accounts; and (ii) where appropriate, the latest published valuation of the assets of Yuexiu REIT if such valuation is published after the publication of such accounts.

## ***REIT Trustee***

The REIT Trustee, HSBC Institutional Trust Services (Asia) Limited, is a company incorporated under the laws of Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. It is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited.

The REIT Trustee has the fiduciary duty to hold the assets of Yuexiu REIT on trust for the benefit of Unitholders and to oversee the activities of the REIT Manager for compliance with the REIT Trust Deed and the regulatory requirements applicable to Yuexiu REIT. This includes ensuring that all investment activities carried out by the REIT Manager are in line with the investment objectives and policies of Yuexiu REIT and in accordance/compliance with the REIT Trust Deed, and are in the interests of Unitholders.

The REIT Trustee is entitled to apply, and to be reimbursed from, the Deposited Property for all costs and expenses and other liabilities properly incurred on behalf of Yuexiu REIT.

## **Competitive Strengths of Yuexiu REIT**

The REIT Manager believes that Yuexiu REIT is well-positioned to take advantage of the continued development of the property market in the PRC by leveraging on the following competitive strengths:

### ***Robust operating performance and stable recurring income.***

Yuexiu REIT was the first Hong Kong REIT listed with a pure PRC portfolio. The portfolio comprises eight premium commercial properties located in the PRC including: (a) five properties located in Guangzhou, namely Guangzhou IFC, White Horse Property, Fortune Plaza Property, City Development Plaza Property and Victory Plaza Property; (b) Shanghai Yue Xiu Tower located in Shanghai; (c) 67% of the Wuhan Property located in Wuhan; and (d) Hangzhou Victory Business Center located in Hangzhou. Before the injection of Guangzhou IFC in October 2012, the value of Yuexiu REIT's property portfolio of assets steadily appreciated from approximately HK\$4,240 million (equivalent to approximately RMB4,260 million) as at 31 December 2006 to approximately RMB6,471 million as at 31 December 2011, representing a compound annual growth rate ("CAGR") of approximately 8.7%, while its revenue from its assets increased from approximately HK\$369.5 million (equivalent to approximately RMB371 million) for the year 31 December 2006 to approximately RMB522 million for the year 31 December 2011, representing a CAGR of approximately 7.1%. Yuexiu REIT has benefited from a significant increase in asset value after the injection of Guangzhou IFC in October 2012, which increased the value of Yuexiu REIT's property portfolio to approximately RMB22,326 million as at 31 December 2012. After the acquisitions of Shanghai Yue Xiu Tower in 2015, 67% interest in the Wuhan Property in 2017, Hangzhou Victory Business Center in 2018 and Fortune Plaza Carpark Spaces and City Development Plaza Carpark Spaces in 2019, and the disposal of Neo Metropolis Plaza Property in 2018, the value of Yuexiu REIT's property portfolio further increased to approximately RMB34,961 million as at 31 December 2019, representing a CAGR of approximately 23.47% compared with the property portfolio value of RMB6,471 million as at 31 December 2011. Yuexiu REIT's revenue also increased from approximately RMB522 million for the year ended 31 December 2011 to approximately RMB2,058 million for the year ended 31 December 2019, representing a CAGR of approximately 18.71%.

The property portfolio of Yuexiu REIT has maintained increasing average monthly rental rates through various economic cycles, while securing high average occupancy rates of approximately 96.64% annually from 2005 to 2019 for all of its properties. The average occupancy rate for all of Yuexiu REIT's properties in 2019 was approximately 92.6% and the average monthly unit rent for all of Yuexiu REIT's properties in 2019 was approximately RMB214.4 per sq.m. The average occupancy rate for all of Yuexiu REIT's properties in the six months ended 30 June 2020 was approximately 92.1% and the average monthly unit rent for all of Yuexiu REIT's properties in the six months ended 30 June 2020 was approximately RMB208.3 per sq.m. All eight properties of Yuexiu REIT have maintained approximately 100% rental collection rates since the time they were acquired by Yuexiu REIT.

In addition, Yuexiu REIT has benefited from long-term partnerships with professional management firms and the seamless integration among tenant recruitment, operations and management teams. The REIT Manager has utilised various market monitoring measures and promotions to attract tenants and to enhance recurring income. The REIT Manager also has enacted various tenant management systems to better understand tenant needs and their operating strategies, which enables the REIT Manager to actively optimise tenant mix and property utilisation. These tenant management systems allow the REIT Manager to respond quickly to tenant requests and rental market dynamics by implementing property enhancement measures, facility upgrades, value-added strategies and unique services, which provide tenants with competitive and high quality facilities and services, and enable Yuexiu REIT to maintain high occupancy rates and rental rates.

Furthermore, the REIT Manager has formed partnerships and collaborated with Ascott, the world's largest serviced apartments owner-operator in terms of the number of serviced residence units worldwide, and with the internationally acclaimed management team of the Four Seasons Group to enhance the public profile of Guangzhou IFC, which has become one of the most successful and remarkable commercial buildings in Guangzhou. With its strong tenant recruitment capability, highly efficient operations and high value-adding support from property management, Yuexiu REIT has experienced, and expects to continue experiencing, increased recurring income, strong operating performance and steady growth.

*Diversified portfolio of landmark properties with strategic locations.*

Yuexiu REIT benefits from the prime locations of its eight landmark properties, which include a combination of Grade A offices, serviced apartments and a hotel, retail malls and wholesale malls in four out of nine cities in the PRC designated by the PRC State Council under the National Urban System Plan (2010-2020) as national central cities. This diversified portfolio mix enables Yuexiu REIT to minimise property concentration risks, while achieving balanced business growth. Yuexiu REIT generated total revenue of RMB2,058,112,000 for the year ended 31 December 2019 from its office (including office parking), retail, wholesale, and hotel and serviced apartments assets, which represented 46%, 9%, 18% and 27%, respectively, of the total GFA of its properties as at 31 December 2019. Yuexiu REIT generated total revenue of RMB831,135,000 for six months ended 30 June 2020 from its office (including office parking), retail, wholesale, and hotel and serviced apartments assets, which represented 56%, 20%, 10% and 14%, respectively, of the total GFA of its properties as at 30 June 2020.

In addition, Yuexiu REIT continues to benefit from the economic growth and development of Guangzhou. As the fourth largest city in the PRC by GDP in 2019 and situated in Guangdong Province, which had the highest provincial GDP in the PRC in 2019, Guangzhou is also the economic, commercial and cultural centre of the Pearl River Delta, one of the fastest growing regions of the PRC, as well as the key transportation, manufacturing, trade and logistics hub of southern China. The Guangzhou property portfolio of Yuexiu REIT is strategically located in core business areas of Guangzhou, including Liuhua business and exhibition area, the central business district (“CBD”) of Tianhe District, Zhujiang New Town CBD area, as well as in close proximity to public transportation infrastructure such as subway stations, bus stations and highways.

With the acquisitions of Shanghai Yue Xiu Tower (formerly known as Hongjia Tower), Wuhan Property and Hangzhou Victory Business Center in August 2015, December 2017 and December 2018, respectively, Yuexiu REIT has expanded its footprint beyond Guangzhou and diversified the sources of its income from other Tier 1 and 1.5 national central cities in the PRC. The Shanghai Yue Xiu Tower, Wuhan Property and Hangzhou Victory Business Center are strategically located in the CBDs of their respective cities and enjoy excellent accessibility by public transportation.



### ***Strong support from Yuexiu Property.***

Yuexiu REIT has received strong support from Yuexiu Property, a Hong Kong Stock Exchange-listed property development company. Yuexiu Property focuses on developing properties in Guangzhou and other cities of China, and is the largest single unitholder of Yuexiu REIT. The controlling shareholder of Yuexiu Property, GZ Yuexiu, is a 100% state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government. As at the Latest Practicable Date, the aggregate unitholding of Yuexiu Property and its concert parties (including Yue Xiu Enterprises, a wholly-owned subsidiary of GZ Yuexiu, and its subsidiaries) is approximately 40.20%. Under the unique interactive business model of "Yuexiu Property and Yuexiu REIT", Yuexiu REIT is able to acquire certain quality commercial assets at competitive pricing from Yuexiu Property, subject to the relevant regulatory, shareholder and unitholder approvals, as well as market conditions. For instance, in the acquisition of Guangzhou IFC by Yuexiu REIT in October 2012, Yuexiu Property agreed to provide income support to Yuexiu REIT for the difference between the actual GOP and the guaranteed GOP of hotel and serviced apartments for the period from 1 July 2012 up to and including 31 December 2016. The aggregate total GOP support provided was approximately RMB519 million. In the acquisition of Wuhan Property by Yuexiu REIT in December 2017, Yuexiu Property has provided support payments to Yuexiu REIT for the period from 1 January 2018 up to and including 31 December 2020, payable semi-annually by determining the difference between the actual adjusted net income and baseline adjusted net income for the relevant period. These enable Yuexiu REIT to mitigate its exposure to the initial start-up risk associated with the operation of the Guangzhou IFC Hotel and Serviced Apartments and the Wuhan Property, and to ensure that Yuexiu REIT would receive stable and recurrent rental income during such period. See "The Portfolio — Guangzhou IFC — Deed of Top-up Payments" and "The Portfolio — Wuhan Property — Support Arrangement".

In addition, leveraging on the solid platform and brand recognition of Yuexiu Property, as well as the support from Guangzhou Municipal People's Government, Yuexiu REIT has developed the necessary market profile and substantial negotiating power that have enabled it to develop closer relationships with domestic and international banks for preferential onshore and offshore financings. In addition, Yuexiu REIT is expected to continue to leverage on, and benefit from, future injections of prime properties at favourable prices from Yuexiu Property to foster its long-term and sustainable development.

### ***Solid financial performance and prudent financial policy.***

The REIT Manager has enacted prudent financial management policies that have enabled Yuexiu REIT to maintain a good credit profile, a strong balance sheet, and a healthy and stable liquidity position to meet the needs of a fast-changing external market. The REIT Manager consistently monitors its current and expected liquidity requirements and compliance with borrowing covenants to ensure sufficient cash reserves and adequate committed facilities to satisfy its short-term and long-term liquidity requirements. It also ensures that Yuexiu REIT has sound financial performance and capital structure.

The REIT Manager adheres to sound and prudent internal financial policy and seeks to ensure that Yuexiu REIT's gearing ratio (i.e. total borrowings divided by total assets) does not exceed 50%, while employing a combination of short-term and long-term financing to meet projected capital needs. It identifies certain market risks related to foreign exchange, credit, interest rates, liquidity and capital and fair valuation to design and implement corresponding risk management systems, which seek to minimise any adverse effect on Yuexiu REIT's financial performance in changing and unpredictable market conditions. The REIT Manager expects to continue developing the solid relationship of Yuexiu REIT with banks and other financial institutions so that it can continue to benefit from access to diversified funding sources, including bilateral loans, syndicated loans and the capital markets. For example, Yuexiu REIT had raised: (1) HK\$2,069.6 million through its initial public offering in 2005; (2) HK\$203 million through unit placement to finance its acquisition of the Neo Metropolis Plaza Property in 2008; (3) RMB4.212 billion through unit placement and RMB2.4 billion through issuance of deferred unit, respectively, to finance the acquisition of Guangzhou IFC in 2012; (4) HK\$380 million through placement of units to PICC Asset

Management Company Limited also to finance the acquisition of Guangzhou IFC; (5) US\$177 million and US\$217 million by way of loans in 2015; (6) RMB3.356 billion by way of a loan in 2016; (7) HK\$2.3 billion by way of loan in 2016; (8) HK\$2.95 billion by way of loan in 2017; (9) HK\$2.8 billion by way of loan in 2018; (10) HK\$412.6 million by way of loan to finance the acquisition of Hangzhou Victory Business Center in 2018; (11) HK\$5.2 billion by way of loan in 2019; and (12) HK\$122.6 million by way of loan to finance the acquisition of City Development Plaza Carpark Spaces and the Fortune Plaza Carpark Spaces in 2019. The REIT Manager also intends to adhere to proactive and prudent investment principles, continue to seek quality commercial properties from Yuexiu Property and external markets, and ensure stable investment income for Yuexiu REIT. In accordance with the REIT Trust Deed, Yuexiu REIT is required to distribute no less than 90% of its total distributable income to Unitholders for each financial year.

As at 30 June 2020, total borrowings of Yuexiu REIT amounted to approximately RMB14,733,873,000 which represented approximately 40.6% of total assets of Yuexiu REIT.

***Effective corporate governance and highly experienced management team.***

With a strong and comprehensive corporate governance system, Yuexiu REIT is under the supervision of the REIT Manager, whose Board of Directors consists of eight directors, four of whom are independent non-executive directors. This structure ensures Yuexiu REIT's independence in decision making and operations and allows it to comply with the relevant regulations. Most of the members of the management team of the REIT Manager have over 15 years' experience in operations and financial management, capital operations and corporate development. In particular, Mr. LIN Deliang, Chief Executive Officer and Executive Director of the REIT Manager, has more than 20 years of experience in property investment and operation strategies. Other members of the management team have significant experience and in-depth knowledge of the property industry and financial markets, which enables the REIT Manager to efficiently oversee and manage the REIT operations, while taking advantage of market opportunities as they arise.

In addition, Yuexiu REIT has established strategic partnerships with top-tier property management firms, such as Jones Lang LaSalle, which provides high quality professional services to Yuexiu REIT as both an asset management consultant and property management partner. Yuexiu REIT also benefits from the management expertise of Ascott and the Four Seasons Group, two prominent international property management companies, which provide Yuexiu REIT with important external management assistance in respect of the hotel and serviced apartments of Guangzhou IFC.

Yuexiu REIT is a constituent of multiple market indexes, including the S&P500 Global REIT Index, the Bloomberg Asia REIT Index, the UBS Asia REIT Top 20 Index, the Hang Seng Composite Index, the Hang Seng Composite LargeCap & MidCap Index, the Hang Seng REIT Index, the Hang Seng Low Volatility Index and the Hang Seng Corporate Sustainability Benchmark Index.

Yuexiu REIT has received numerous awards from media and other organisations, including the "Hong Kong Outstanding Enterprises Award" from Economic Digest for eleven consecutive years since 2007 and the "Gold Award in Corporate Governance" from the Asset Benchmark Research for three consecutive years from 2014 to 2016. In 2016, Yuexiu REIT was awarded "2016 Most Promising REIT in Asia" by Fortune Times and "2016 Outstanding Commercial Property Operating Strategies" by Quamnet. In 2017, Yuexiu REIT won the Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2017" presented by Economic Digest, the "2017 Business Performance Award" and the "2017 China Real Estate Developers TOP100" granted by Guandian.cn and the Enterprise Award under "Outstanding Listed Company Tours 2017" given by Hong Kong Economic Journal. In 2018, Yuexiu REIT was the winner of Main Board and Extraordinary Enterprise Award under "Hong Kong Outstanding Enterprise 2018" presented by Economic Digest, "QuamIR Awards 2017 — The Most Remarkable Investor Relations Recognition — Main Board Category" presented by Quamnet in Hong Kong. In 2019, Yuexiu REIT and the REIT Manager were presented with the award under "Listed

Enterprises of the Year 2019” by Bloomberg Businessweek and “Listed Company Awards of Excellence 2019” by Hong Kong Economic Journal both in November 2019. In 2020, Yuexiu REIT was awarded “Listed Company Awards of Excellence 2020” by Hong Kong Economic Journal Group and “2020 China Commercial Real Estate Asset Management Annual Performance Award” by Viewpoint Real Estate.

In recognition of the REIT Manager’s outstanding property management and high quality of its projects, a number of awards and recognitions were given to the REIT Manager and the Properties in the past. For example, the “Best Business Operation Model in 21st Century China Award (21世紀中國最佳商業運營模式獎)” was conferred on the REIT Manager, the “Tien-Yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) was won by Guangzhou International Finance Center, the “Development Base of China Fashion Brand (中國服裝品牌孵化基地)”, “China’s Top Hundred Commodity Markets (中國百強商品市場)” were won by White Horse Building, and 2014’s “Best Fast Fashion Mall of the Year” award was granted to Victory Plaza.

### **Strategies of Yuexiu REIT**

The REIT Manager intends to continue implementing the following strategies:

#### ***Continue to actively explore acquisition opportunities.***

The REIT Manager’s investment and acquisition strategies for Yuexiu REIT are to: (i) select projects in line with Yuexiu REIT’s investment objectives from Yuexiu Property and outside sources which will create synergies with the existing properties in its portfolio and (ii) identify and select high quality commercial real estate projects with growth potential in first-tier cities within the PRC, such as Beijing and Shanghai as well as in core areas of key cities such as Wuhan and Hangzhou in order to further diversify the portfolio.

The REIT Manager intends to explore appropriate acquisition opportunities that would add value to Yuexiu REIT’s portfolio and improve returns to Unitholders. Certain key criteria that the REIT Manager will consider when evaluating acquisition opportunities include: (i) consistency with the REIT Manager’s investment strategy, (ii) attractiveness of the property’s acquisition price compared to its cash flows, current performance and sustainable future growth potential, (iii) ability of the property to complement the existing portfolio and strengthen Yuexiu REIT’s market share against competition in a particular district or neighbourhood, (iv) healthy occupancy rate and established tenants of good credit standing to minimise rental delinquency and turnover, (v) opportunities to enhance the property to increase investment returns and create value, and (vi) other related factors, economic conditions and the market outlook.

#### ***Continue to actively manage Yuexiu REIT to maintain growth.***

In pursuing its objectives, the REIT Manager has: (i) implemented active and prudent professional management and effective leasing strategies, and maintained a stable and sustainable growth in operating results and (ii) continued to establish partnerships with world leading hospitality brands and asset management advisors to enhance external management.

***Continue to utilise asset enhancement strategies.***

The REIT Manager intends to continue to carry out asset enhancement projects and constantly optimise the types and tenant mix of the property portfolio to enhance rental rates, occupancy rates and property value. The REIT Manager believes that there is scope for improvement in the operational efficiency of Yuexiu REIT to drive growth in net rental income and profitability over time. Such measures could include:

- disciplined and efficient asset management and cost control;
- pro-active retail and commercial leasing to attract high quality tenants;
- continually optimising tenant mix and asset enhancement measures;
- continually utilising turnover rent mechanism to share business growth of retail tenants;
- delivery of high quality and unique services to tenants and customers;
- active marketing and promotions; and
- pursuit of additional revenue opportunities.

The REIT Manager also seeks to ensure that high quality services are provided to the tenants and customers of the Properties. To this end, it will continue to: (i) provide continuous and appropriate professional training to its staff to build and sustain a high quality service culture with the necessary professionalism and personal competence, (ii) employ external consultants, advisers and service providers as and when it considers appropriate and in the interests of Unitholders, (iii) closely monitor and benchmark staff performance against international standards, (iv) create a feedback mechanism for all staff, and (v) educate staff on how their performance would affect the performance of Yuexiu REIT.

***Maintain sound financial management strategies.***

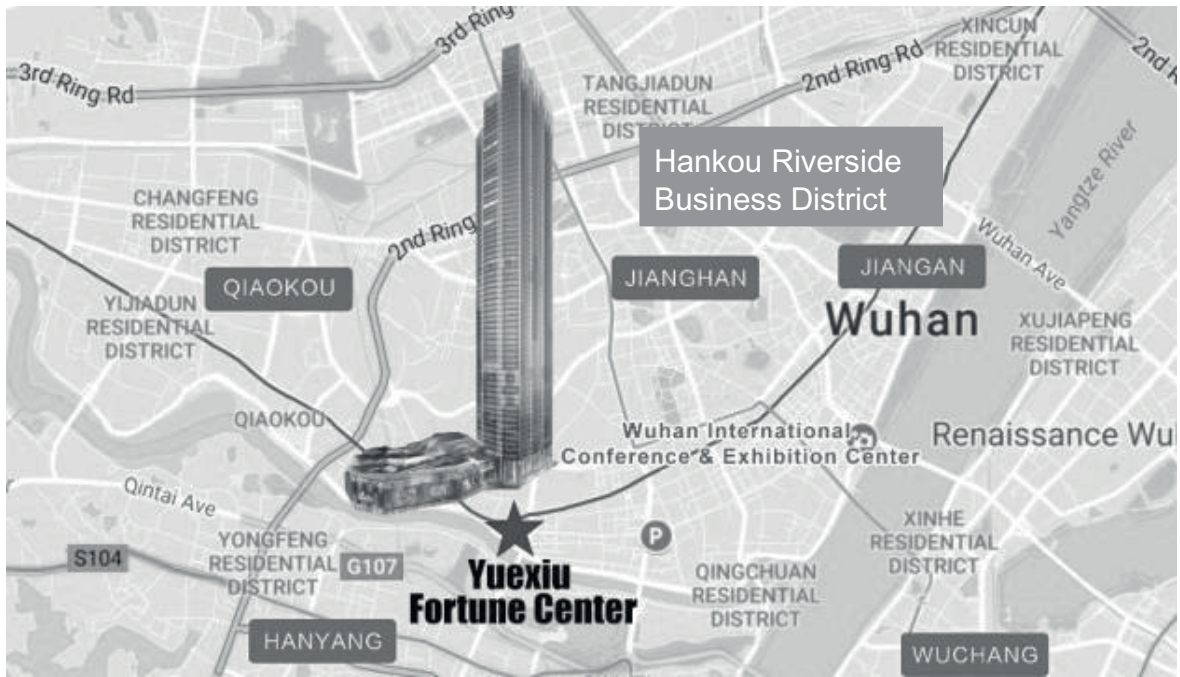
The REIT Manager will continue to strengthen its financial and cash flow management to support sustainable business growth of Yuexiu REIT. The REIT Manager intends to maintain a prudent policy on financial management to: (i) ensure sound financial performance and capital structure, (ii) maintain a healthy gearing ratio and leverage and (iii) monitor and respond to capital demands to maintain adequate liquidity on a regular basis.

The REIT Manager expects to enhance its financial strength through capital and credit markets by tapping diversified financing channels and platforms as appropriate. The REIT Manager will also continue to improve its internal financial management processes and corporate governance standards, while strictly adhering to the principle of prudent financial management, with a particular focus on ensuring that its spending is in line with its cash inflows. The REIT Manager believes that prudent financial management and a strong finance function allow it to capture business opportunities and to efficiently acquire prime properties at reasonable cost, once the appropriate opportunities arise.

**The Portfolio**

Yuexiu REIT’s property portfolio comprises eight properties, namely, Guangzhou IFC, White Horse Property, Fortune Plaza Property, City Development Plaza Property, Victory Plaza Property, which are located in Guangzhou, Shanghai Yue Xiu Tower which is located in Shanghai, 67% of the Wuhan Property which is located in Wuhan, and Hangzhou Victory Business Center which is located in Hangzhou. Below are maps showing the strategic locations of the Properties.





As at the Valuation Reference Date, the Properties had an aggregate GFA of approximately 973,001.4 sq.m. and an aggregate valuation of RMB34,599 million, and a total rentable area of 632,915.1 sq.m. (excluding certain areas referred to in the notes to the table below).

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable Area (sq.m.)	Property Occupancy Rate <sup>(1)</sup>	Number of Leases <sup>(1)</sup>	Unit Rent <sup>(1)</sup> (RMB/sq.m./month)
White Horse Building .....	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	97.3%	893	624.7
Fortune Plaza .....	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2 <sup>(2)</sup>	97.1%	73	155.0
City Development Plaza .....	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4 <sup>(3)</sup>	96.2%	96	140.1
Victory Plaza .....	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	94.1%	24	207.6
Guangzhou IFC .....	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	94.5%	276	220.3
Including:	Grade A office			267,804.4	183,539.6 <sup>(4)</sup>	94.0%	224	239.4
	Retail shopping mall			46,989.2	46,727.3	96.7%	52	147.3
	Hotel			91,460.9 <sup>(5)</sup>	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower .....	Commercial complex	Pudong New District, Shanghai	2010	62,139.4	46,026.3 <sup>(6)</sup>	88.1%	107	259.8
Wuhan Properties.....	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	85.2%	236	85.7
Including:	Grade A office		2016	139,937.1	129,446.7 <sup>(7)</sup>	82.9%	143	96.6
	Retail shopping mall		2015	45,471.4	43,546.6 <sup>(8)</sup>	92.2%	93	56.4
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory Business Center .....	Grade A office	Jianggan District, Hangzhou	2017	40,148.4	22,484.8 <sup>(9)</sup>	97.8%	26	117.0
				<u>973,001.4</u>	<u>632,915.1</u>	92.1%	1,731	208.3

Notes:

- (1) As at 30 June 2020.
- (2) Excluding 1,408.3 sq.m. of parking space area.
- (3) Excluding 2,104.3 sq.m. of parking space area.
- (4) Excluding 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area.
- (5) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor.
- (6) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor).
- (7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area.
- (8) Excluding 1,924.8 sq.m. of common facilities area.
- (9) Excluding 17,663.6 sq.m. of parking space area.

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Properties as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

Year	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
FY 2020 .....	23.1%	26.8%
FY 2021 .....	26.1%	23.9%
FY 2022 .....	22.5%	23.2%
FY 2023 .....	12.0%	14.3%
FY 2024 and beyond.....	16.3%	11.8%
<b>Total</b> .....	<b>100.0%</b>	<b>100.0%</b>

## ***Guangzhou IFC***

### *Overview*

Guangzhou IFC is a premium mixed-use commercial development comprising (i) a retail mall, (ii) a Grade-A office building, (iii) a 5-star hotel, (iv) a luxury serviced apartments tower, and (v) a car park (and other ancillary areas). It is one of the 15 tallest skyscrapers in the world as at the date of this Offering Circular and is strategically located in the CBD of Guangzhou at No. 5 Zhujiang West Road, Tianhe District, Guangzhou, PRC. Guangzhou IFC was designed by world-renowned architects WilkinsonEyre and engineered by Arup Engineering.

Yuexiu REIT acquired Guangzhou IFC on 8 October 2012. Yuexiu REIT holds 99.99% of Tower Top, a company incorporated in the BVI solely for the purpose of holding 99% of Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. (the “**Project Company**”), which in turn holds the entire interest in Guangzhou IFC. The remaining 0.01% of Tower Top is held by Yuexiu Property while the remaining 1% of the Project Company is held by an Independent Third Party. Based on the above structure, Yuexiu REIT has an indirect interest in 98.99% of Guangzhou IFC. According to the Independent Property Valuer, Guangzhou IFC had an estimated value of RMB18,831 million as at the Valuation Reference Date. Net property income attributable to Guangzhou IFC amounted to RMB705.2 million and RMB688.1 million for the years ended 31 December 2018 and 2019, respectively.

The retail mall comprises six floors of the podium (the “**IFC Retail Mall**”) and has been master leased to the Guangzhou Friendship Department Store for a term of 15 years since 31 May 2010. The area master originally leased to the Guangzhou Friendship Department Store was subsequently reduced in 2015 to allow the REIT Manager to renovate and rebrand the whole of the fourth and fifth floors and part of the basement one level as “GZIFC Shopping Mall”. The IFC Retail Mall has a GFA of approximately 46,989.2 sq.m., and commenced operation in November 2010.

The Grade A offices comprise the 4th to 65th floors of Guangzhou IFC’s main tower, including a financier’s club house on the 27th and 28th floors, North Tower of the annex building (the “**IFC Grade A Offices**”). The IFC Grade A Offices commenced operations in June 2011.

The 5-star hotel comprises the 68th to 100th floors of Guangzhou IFC’s main tower and a portion of the first five floors of the podium (the “**Hotel**”). The Hotel is managed by the Four Seasons Group (under the name “Four Seasons Hotel Guangzhou”) and has 344 guest rooms as well as conference facilities, a fitness center, and other amenities, such as spa facilities, a swimming pool and restaurants. The Hotel has a GFA of approximately 91,460.9 sq.m. and commenced operation in August 2012. The Hotel received the Forbes Travel Guide Five Star rating for four consecutive years since 2015.



The luxury serviced apartments comprise the 6th to 28th floors of Guangzhou IFC's annex building (the "**Serviced Apartments**"). The Serviced Apartments are managed by the Ascott group (under the name "Ascott IFC Guangzhou") and have 314 units. The Serviced Apartments have a GFA of approximately 51,102.3 sq.m. and commenced operation in September 2012.

There are a total of 1,700 car park spaces in the car park. The car park and other ancillary areas have an aggregate GFA of approximately 76,512.3 sq.m., and commenced operations in July 2011.

Guangzhou IFC has received several awards and recognition, which include the International Property Award's "Highly Commended Mixed-Use Development" in China in 2012, as well as the Lubetkin Prize awarded by the Royal Institute of British Architects in 2012. Guangzhou IFC also won the "Lu Ban Award" in 2013, representing the highest honour in quality management and engineering level in the construction industry of China. In 2017, Guangzhou IFC obtained the Standard Platinum Certification for Operating Phase LEED V4 (運營階段LEED V4標準鉑金級認證). Guangzhou IFC obtained the "Certificate of Excellence" and the "International 360 Certificate" from the Building Owner and Manager Associate (BOMA) China and BOMA in November 2019 and in July 2020, respectively, being the first asset held by a real estate investment trust listed in the Asia Pacific region to obtain these certificates.

#### *Certain Key Information*

The table below sets out certain key information on the Guangzhou IFC as at 31 December 2019, unless otherwise indicated. The figures below reflect the performance of the entire Guangzhou IFC, rather than Yuexiu REIT's indirect interest in 98.99% of Guangzhou IFC.

<b>GFA (sq.m.)</b> .....	Retail	46,989.2
	Grade A Offices	267,804.4
	Hotel	91,460.9
	Serviced Apartments	51,102.3
	Total	457,356.8
<b>Gross rentable area (sq.m.)</b> .....	Retail	46,727.3
	Grade A Offices	183,539.6 <sup>(1)</sup>
	Hotel	N/A
	Serviced Apartments	N/A
	Total	230,266.9
<b>Number of car parking spaces</b> .....		1,700
<b>Occupancy rate</b> .....	Retail	98.0%
	Grade A Offices	96.8%
	Hotel	N/A
	Serviced Apartments	N/A
	<b>Building completion</b> .....	Retail
	Grade A Offices	June 2011
	Hotel	July 2012
	Serviced Apartments	July 2012
<b>Term of land use rights</b> (Commencement date: 23 June 2008) .....	Retail and Hotel	40
	Grade A Offices, Serviced Apartments, and car park	50
<b>Number of tenancy agreements</b> .....		284

*Note:*

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

IFC Grade A Office

Top 10 tenants by rental income

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Yuexiu Group and its subsidiaries.....	26.3%	31%
2. Guangzhou Industrial Investment Fund and its subsidiaries...	7.1%	7.8%
3. China Export Credit Insurance Corporation Guangdong Branch.....	3.1%	2.9%
4. Guangzhou Huihua Investment Co., Ltd. ....	1.8%	2.2%
5. Youngy Investment Holding Group Co., Ltd.....	1.8%	1.9%
6. Health and Happiness (H&H) China Limited.....	1.8%	1.7%
7. Guangzhou Rich GuoJin Clinic Co., Ltd.....	1.0%	1.7%
8. Guangzhou Dabexiang Technology Co., Ltd. ....	1.6%	1.3%
9. Allianz JingDong General Insurance Company Ltd .....	1.5%	1.1%
10. Guangzhou Servcorp Business Service Co., Ltd .....	0.9%	0.9%
<b>Total</b> .....	<b>46.9%</b>	<b>52.5%</b>

IFC Retail Mall

Top 10 tenants by rental income

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Guangzhou Friendship Group Co., Ltd. ....	58.1%	36.9%
2. Guangzhou Nio Sales and Service Co., Ltd .....	3.7%	18.2%
3. Yuexiu Group and its subsidiaries.....	5.9%	7.0%
4. Welcom Fitness Management Consulting (Guangzhou) Co., LTD .....	3.5%	4.2%
5. Harvest Fund Management Co., Ltd.....	1.4%	4.0%
6. Guangzhou Jinlong Catering Management Co., Ltd/ Guangzhou Jinlong Culture Technology Co., Ltd. ....	3.0%	2.6%
7. Guangzhou Guojin TaoTaoJu Catering Management Limited.	4.3%	2.4%
8. Youyue Restaurant of Zhujiang New Town, Tianhe District, Guangzhou .....	2.3%	1.7%
9. Guangzhou Backstreet Tangchu Catering Co., Ltd., Zhujiang New Town Branch .....	1.7%	1.4%
10. Guangzhou ZiZhouLou Little Catering Restaurant Management Limited.....	1.5%	1.4%
<b>Total</b> .....	<b>85.4%</b>	<b>79.8%</b>

### Tenancy Mix

The following table sets forth the mix of tenants of the IFC Retail Mall and IFC Grade A Offices, excluding car parks and other ancillary areas, by their principal nature of business, as a percentage of Gross Rented Area leased as at 31 December 2019.

#### IFC Grade A Office

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	49.2%
Finance.....	31.8%
Real estate.....	9.9%
Information & technology .....	3.7%
Manufacturing .....	3.4%
Culture, sports and entertainment.....	1.2%
Trade.....	0.5%
Logistics services.....	0.3%
<b>Total</b> .....	<b>100%</b>

#### IFC Retail Mall

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	69.7%
Food and beverage .....	22.4%
Finance.....	3.3%
Real estate.....	2.1%
Culture, sports and entertainment.....	1.9%
Information & technology .....	0.4%
Trade.....	0.2%
<b>Total</b> .....	<b>100%</b>

### *Schedule of Tenancy Expiries*

The following table sets forth details of the percentage of expiries in respect of the tenancies of the IFC Grade A Offices as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

#### IFC Grade A Office

	<u>Percentage of Rental Area</u>	<u>Percentage of Total Basic Monthly Rental</u>
Year ending 31 December 2020 .....	23.8%	23.9%
Year ending 31 December 2021 .....	39.0%	41.7%
Year ending 31 December 2022 .....	21.8%	20.3%
Year ending 31 December 2023 .....	3.3%	3.3%
Year ending 31 December 2024 and thereafter .....	<u>12.1%</u>	<u>10.8%</u>
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

#### IFC Retail Mall

	<u>Percentage of Rental Area</u>	<u>Percentage of Total Basic Monthly Rental</u>
Year ending 31 December 2020 .....	6.2%	7.6%
Year ending 31 December 2021 .....	14.8%	18.0%
Year ending 31 December 2022 .....	10.4%	8.8%
Year ending 31 December 2023 .....	4.7%	6.1%
Year ending 31 December 2024 and thereafter .....	<u>63.9%</u>	<u>59.5%</u>
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

### *Material Agreements Relating to Guangzhou IFC*

#### Settlement Agency Agreement

On 4 May 2012, the Settlement Agent (which is indirectly owned as to 95% by Yuexiu Property) and the Project Company entered into the Settlement Agency Agreement pursuant to which the Settlement Agent agreed to be responsible for settling the outstanding construction costs related to Guangzhou IFC, on behalf of the Project Company (the “**Settlement Agency Agreement**”). At the time that the Settlement Agency Agreement was signed, such costs were estimated to be approximately RMB1,643 million (the “**Estimated Outstanding Construction Costs**”).

On 7 May 2012, pursuant to the Settlement Agency Agreement, the Project Company transferred to the Settlement Agent an amount equal to the Estimated Outstanding Construction Costs less RMB350 million (the “**Withheld Construction Costs**”). Such amount (the “**Initial Transfer**”), being approximately RMB1,293 million, was deposited into a separate bank account in the Settlement Agent’s name (the “**SAA Account**”). Pursuant to the Settlement Agency Agreement, the Project Company agreed to release the Withheld Construction Costs to the Settlement Agent in two stages, subject to the satisfaction of certain conditions.

Interest at a rate of 9% per annum of the outstanding principal amount is payable semi-annually by the Settlement Agent to the Project Company in respect of the monies deposited in the SAA Account less payments made by the Settlement Agent (on behalf of the Project Company) pursuant to the Settlement Agency Agreement. The interest paid by the Settlement Agent to the Project Company will not be refundable, regardless of whether the Settlement Agent will be required to refund any surplus amounts to the Project Company.

The Settlement Agency Agreement effectively caps the payment obligations of the Project Company in respect of the outstanding construction costs in respect of the development, construction and fitting out of Guangzhou IFC, which were commissioned before the date that it was acquired by Yuexiu REIT. The Settlement Agent will solely be responsible for settling such outstanding construction costs (on behalf of the Project Company) and will bear the costs of doing so, regardless of the outstanding amounts in the SAA Account. The Project Company will not be required under any circumstances to “top-up” the SAA Account. Conversely, to the extent that there are residual funds in the SAA Account after settlement of all outstanding construction costs, the Settlement Agent will be required to refund the surplus cash to the Project Company within 10 Business Days after the settlement of such costs.

Pursuant to the Subscription Deed, Yuexiu Property has agreed to guarantee the obligations of the Settlement Agent in respect of the Settlement Agency Agreement for a period of seven years from the date of the Settlement Agency Agreement. There is no maximum cap on Yuexiu Property’s liability under the guarantee.

For further details regarding the Settlement Agency Agreement, please refer to section 2.9.1 of the Guangzhou IFC Acquisition Circular.

#### Property Management Agreements

Guangzhou IFC is managed by Yuexiu JLL pursuant to a property management agreement dated 8 January 2010 entered into between the Project Company and Yuexiu JLL, as amended by a supplementary agreement on 9 May 2012 (together, the “**GZIFC Property Management Agreement**”), under which Yuexiu JLL agreed to act as the property manager of Guangzhou IFC and provide overall management services in respect of the entire Guangzhou IFC for an initial term of 10 years from 1 September 2009 to 31 August 2019, which was extended for a further term of 3 years pursuant to the terms of the agreement. In consideration for their property management services, Yuexiu JLL is entitled to collect a property management fee. This fee is payable by the tenants of Guangzhou IFC, rather than Yuexiu REIT.

The services provided by Yuexiu JLL under the GZIFC Property Management Agreement include, among other things, upkeep, repair and maintenance services of the common areas and facilities of Guangzhou IFC, monitoring and security services, obtaining the relevant insurances required for Guangzhou IFC, drawing up a user manual and establishing local rules for Guangzhou IFC (which is subject to the approval of the Project Company), as well as producing annual property management plans (for the review and approval by the Project Company). Yuexiu JLL may appoint specialised service providers to carry out specialised property management functions but may not delegate the whole of its property management responsibilities under this agreement to another person.

## Hotel Management Agreement and Ancillary Agreements

The Hotel is separately managed by the Hotel Manager pursuant to the Hotel Management Agreement and the Ancillary Agreements, the key terms of which are set out below:

	<u>Parties</u>	<u>Services Provided</u>	<u>Term</u>	<u>Fee</u>
Hotel Management Agreement .....	Hotel Manager Project Company	The services to be provided by the Hotel Manager, all for the account of and on behalf of Project Company, include, inter alia, to:	<u>Initial Term</u> From 4 August 2009 to 15 years after the opening date of the Hotel.	<u>Basic Fee</u> The basic fee for the services rendered by the Hotel Manager is an annual fee equal to 0.25% of the gross receipts of the Hotel for the fiscal year concerned.
		(i) use all reasonable efforts consistent with a world class luxury hotel to maximise patronage of Hotel facilities and establish room, use and other rates for the Hotel consistent with a world class luxury hotel;	<u>1st Extension</u> 10 years	<u>Reimbursement</u>
		(ii) use all reasonable efforts to collect all charges, rents and other amounts due from Hotel guests, patrons and tenants and institute summary proceedings in connection therewith;	<u>2nd Extension</u> 12 years	The Project Company shall reimburse the Hotel Manager for all costs and expenses (including consultant fees) incurred by the Hotel Manager or any of its affiliates for the performance of the services under the Hotel Management Agreement, subject to defined limits therein.
		(iii) provide for the maintenance and repair of the Hotel consistent with a world class luxury hotel;	<u>3rd Extension</u> The lesser of the extended term of the land use rights certificate for 23 years.	If the performance of such services are not for the exclusive benefit of the Hotel (but for the Hotel and other hotels operated by the Hotel Manager), only an equitable portion of the costs and expenses associated shall be allocated to the Hotel's expense by the Hotel Manager.
		(iv) hire services and purchase merchandise and materials necessary for operation of the Hotel as a world class luxury hotel;	All extension terms are exercised at the Hotel Manager's option.	Reasonably detailed invoices evidencing the costs and expenses reimbursable will be required from the Hotel Manager.
		(v) purchase on the credit of Project Company all furniture, fixtures and equipment pursuant to any Hotel refurbishing programme in accordance with the annual plan of the Hotel prepared for each fiscal year by the Hotel Manager; and	The Hotel Manager shall be deemed to have exercised the option to extend unless the Hotel Manager shall have given written notice to the Project Company of the Hotel Manager's intention not to extend.	
		(vi) enter into contracts (including leases for retail facilities) in connection with the operation and management of the Hotel as a world class luxury hotel and grant concessions for services customary to such an operation.		

	<u>Parties</u>	<u>Services Provided</u>	<u>Term</u>	<u>Fee</u>
Hotel Advisory Agreement .....	Four Seasons Hotels and Resorts Asia Pacific Pte Ltd (“Advisor”)  Project Company	The Advisor shall in a professional manner take all necessary actions to advise Project Company in connection with the supervision and direction of the Hotel as a world class luxury hotel, all for the account of and on behalf of Project Company. For example, and without limitation, the Advisor shall advise the Project Company as to the details of any proposed capital refurbishing programs, the training and development of personnel of the Hotel, and the adequacy of food and beverage controls in the Hotel.	Similar to Hotel Management Agreement	<p><u>Advisory Fee and Incentive Fee</u></p> <p>The Project Company shall pay to the Advisor an advisory fee and the incentive fee.</p> <p>Advisory fee: 1.75% of the gross receipts of the Hotel each fiscal year.</p> <p>Incentive fee: 2-8% (depending on the performance of the Hotel) of the gross operating profits of the Hotel each fiscal year.</p> <p><u>Reimbursement</u></p> <p>Similar to the Hotel Management Agreement</p>
Hotel License Agreement .....	Four Seasons Group  Project Company	Among other things, the Four Seasons Group grants to Project Company the right and the license to use certain trademarks and utilise specified intellectual properties (including certain trade secrets and copyrighted materials) solely in connection with the marketing, operation and management of the Hotel.	Similar to Hotel Management Agreement	<p><u>Royalty Fee</u></p> <p>The Project Company shall pay to the Four Seasons Group a royalty fee.</p> <p>Royalty fee: 0.5% of the gross receipts of the Hotel each fiscal year.</p> <p><u>Reimbursement</u></p> <p>Similar to the Hotel Management Agreement</p>
Hotel Pre-opening Purchasing Services Agreement .....	Four Seasons Hotels  Project Company	Four Seasons has agreed to provide to Project Company services with respect to the pre-opening acquisition of the furniture, fixtures and equipment required for the operation of the Hotel as a world class luxury hotel and the operating supplies including linens, glassware, tools, kitchen utensil, etc. used in the operation of the Hotel.	From 1st day of February 2007 to 3 months after the opening date of the Hotel. This agreement shall terminate on the date when the other agreements listed in this table are terminated in accordance with their terms.	<p><u>Design Advisory Fee</u></p> <p>The Project Company shall pay to Four Seasons a personal property design advisory fee for its pre-opening personal property design advisory services of US\$80,000.</p> <p><u>Purchasing Fee</u></p> <p>The Project Company shall pay to Four Seasons a purchasing fee for pre-opening furniture, fixtures and equipment and all other operating supplies purchasing services, including organising the purchase and installation of the above. The amount payable shall be equal to 4.5% of the total cost of purchase, but in any event shall not exceed US\$450,000.</p>

<u>Parties</u>	<u>Services Provided</u>	<u>Term</u>	<u>Fee</u>
			<p><u>Invoice Processing Fee</u></p> <p>The Project Company shall pay to Four Seasons an invoice processing fee for processing the invoices in an amount of US\$60,000.</p> <p><u>Reimbursement</u></p> <p>Similar to the Hotel Management Agreement</p>
Hotel Pre-opening Services Agreement .....	Four Seasons Project Company	Four Seasons has agreed to provide to Project Company certain services with respect to the development and construction of the Hotel, such as to review the interior design layouts of the Hotel, and certain other services with respect to the pre-opening of the Hotel, including the training of the staff and the organisation of the Hotel's operations.	<p>From 1st day of February 2007 to 3 months after the opening date of the Hotel. This agreement shall terminate on the date when the other agreements listed in this table are terminated in accordance with their terms.</p> <p><u>Design and Construction Fee</u></p> <p>The Project Company shall pay to Four Seasons a design and construction fee for its pre-opening services of US\$400,000.</p> <p><u>Reimbursement</u></p> <p>Similar to the Hotel Management Agreement</p>
Hotel Services Agreement .....	Four Seasons	The Four Seasons has agreed to provide to Project Company services with respect to the ongoing purchasing services of furniture, fixtures and equipment, the refurbishing (including capital improvement) and the corporate marketing, corporate sales, corporate advertising and centralised reservations for Hotel.	<p>Similar to Hotel Management Agreement</p> <p><u>Centralised Reservation Service Charge</u></p> <p>The Project Company shall pay to Four Seasons a charge relating to centralised reservation services to be provided to the Hotel by Four Seasons. The amount payable per month per hotel room shall be equal to the amount charged to other hotels managed by Four Seasons.</p> <p><u>Centralised Purchasing Charge</u></p> <p>The Project Company shall pay to Four Seasons a purchasing fee for its on-going furniture, fixtures and equipment and all other operating supplies purchasing services. The amount payable shall be the same as that generally charged to other hotels managed by Four Seasons, which is currently 7.5% of the total cost of purchase.</p>



Parties	Services Provided	Term	Fee
Hotel Services Agreement .....	Four Seasons		<p><u>Refurbishing Fee</u></p> <p>The Project Company shall pay to Four Seasons a fee in relation to hotel refurbishing services provided by Four Seasons. The amount payable shall be based on the scope of Four Seasons' involvement.</p> <p>Corporate sales and marketing charges and corporate advertising charge:</p> <p>The Project Company shall pay to Four Seasons an advance corporate sales and marketing charge in a specified amount for corporate sales and marketing services rendered by Four Seasons prior to the opening date of the Hotel.</p> <p>The Project Company shall pay to Four Seasons, commencing on the opening date of the Hotel, a corporate sales and marketing charge equal to 0.87% of the budgeted gross receipts of the Hotel each fiscal year for corporate sales and marketing services rendered by Four Seasons after the opening date of the Hotel.</p> <p>The Project Company shall pay to Four Seasons a corporate advertising charge equal to 0.6% of the budgeted gross receipts of the Hotel each fiscal year for supervision and development and placement of all corporate advertising commencing on the opening date of the Hotel.</p> <p><u>Reimbursement</u></p> <p>Similar to the Hotel Management Agreement</p>

## Serviced Apartments Management Agreement

Similar to the Hotel, the Serviced Apartments are separately managed by the Serviced Apartments Manager pursuant to the Serviced Apartments Management Agreement the key terms of which are set out below:

	<u>Parties</u>	<u>Services Provided</u>	<u>Term</u>	<u>Fee</u>
Serviced Apartments Management Agreement .....	Serviced Apartments Manager	The services to be provided by the Serviced Apartments Manager include, inter alia, to:	From 2 August 2010 to 10 years from the opening date of the Serviced Apartments	The fees payable by Project Company to the Serviced Apartments Manager are as follows.
	Project Company	(i) establish tenancy rates and policies and control all expenses and charges incurred;	<u>1st Extension</u> 10 years	<u>Basic Management Fee</u> A basic management fee, equal to 2% of total operating income for each month, is payable monthly within 20 working days from the date of the monthly statement of operations.
		(ii) negotiate and enter into rental agreements with tenants and issue bills;	Either party to this agreement has the right to exercise the option to extend this agreement for 10 years. The terms of the extended agreement shall be determined by mutual agreement of the parties. This option to extend may only be exercised once.	<u>GOP Commission</u> A commission of an amount equal to between 3% and 6% of the gross operating profit (depending on its size) of the Serviced Apartments for each quarter, is payable on a quarterly basis within 20 working days from the date of the quarterly statement of operations.
		(iii) collect rentals and other amounts due and take action (including eviction and commencing proceedings) against such parties when required;		
		(iv) market the Serviced Apartments consistent with its image and branding and increase the brand's popularity;		<u>Other Fees</u> A global marketing fee for the Serviced Apartments, equal to 0.5% of the total operating income for each month, is payable monthly.
		(v) maintain and repair the furniture, fixtures and facilities (including structural integrity) of the Serviced Apartments to its most optimum condition;		A fee charged for the information technology systems provided to operate and manage the Serviced Apartments. This fee is charged based on a formula of RMB190 per room and is payable by Project Company monthly.
		(vi) purchase merchandise and materials required for the Serviced Apartments' operation;		<u>Reimbursement of Costs</u> The Serviced Apartments Manager may be reimbursed for the following costs:
		(vii) negotiate and enter into any leasing, licensing or service agreements relating to the common spaces of the Serviced Apartments (including retail leases and security arrangements);		(i) reasonable expenses of personnel sent by the Serviced Apartments Manager to the Serviced Apartments for special events;
		(viii) prepare the Serviced Apartments annual plan and budget for each fiscal year and provide Project Company with financial and operational information when requested; and		
	(ix) assist in obtaining and maintaining the necessary permits and special permissions as required by law, including issues relating to public safety.			

Parties	Services Provided	Term	Fee
			(ii) reasonable actual expenditure incurred by the Serviced Apartments Manager for the Serviced Apartments' operation;
			(iii) third party payments by the Serviced Apartments Manager or its affiliates for products or services required for the Serviced Apartments' operation, or for expenses usually borne by Project Company;
			(iv) any other payments provided under the Serviced Apartments annual plan and budget, the Serviced Apartments Management Agreement or as approved by Project Company from time to time; and
			(v) all tax or related tax assessments for the expenses reimbursable above.

#### Tenancy Services Agreement

The REIT Manager and the Project Company entered into a tenancy services agreement on 8 October 2012 with the IFC Operating Company, pursuant to which the IFC Operating Company agreed to provide tenancy services to the tenants of the IFC Grade A Offices for a term of 3 years and as consideration for such services, an annual leasing agents' fee of 3% of the gross annual rental for the IFC Grade A Offices is charged. This tenancy services agreement was renewed in 2015, 2018 and 2021, respectively, and the current term thereof will expire on 31 December 2023.

The REIT Manager and the Project Company also entered into a tenancy services agreement on 1 January 2016 with the IFC Operating Company, pursuant to which the IFC Operating Company agreed to provide tenancy services to the tenants of the IFC Retail Mall for a term of two years and as consideration for such services, an annual leasing agents' fee of 3% of the gross annual rental for the IFC Retail Mall is charged. This tenancy services agreement was renewed in 2018 and 2021, and the current term thereof will expire on 31 December 2023.

#### Tenancy Agreements

The tenancy agreements entered into for Guangzhou IFC are generally for terms ranging from three to five years, depending on factors such as unit size, the expiry and tenant profile of Guangzhou IFC. Longer lease terms are sometimes granted for larger premises or where it is necessary for the operation of a tenant, e.g., the lease term for Bank of China Guangzhou Yuexiu Sub-branch is 10 years, and the lease term for Guangzhou Friendship Store Group Co., Ltd. is 15 years. Most tenancies have fixed terms, but

in some tenancy agreements, the tenants and the landlord have agreed on an optional term apart from the fixed term, and in a few exceptional cases the parties have agreed on a cap for the rental increase rate within the optional term at the same time in accordance with the market conditions for commercial office premises.

At the time of entering into a tenancy, the tenants of Guangzhou IFC are required to provide a security deposit, which is generally not more than three months' rent. Security deposits do not bear interest. Most of the tenants are required to pay their rents on or before the fifth day of each month. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, are commonly granted to the tenants by the landlord.

Under the tenancy agreements for Guangzhou IFC, the tenants are responsible for payment of building management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure. In the event that the premises or any part of it is rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the tenants, according to most of the tenancy agreements, the landlord may adjust the rent taking into consideration specific circumstances until the premises have been repaired or rebuilt. The tenants are not permitted to assign or sublet the premises, unless it is expressly agreed in the tenancy agreements that they may assign or sublet the leased property to affiliated enterprises of the tenants or third parties after the landlord's consent is given.

The majority of the tenancy agreements for Guangzhou IFC do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered and the security deposit paid by such tenant will not be refunded. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

### ***White Horse Property***

#### *Overview*

White Horse Building is a multi-storey commercial building with eight levels above ground, a lower ground level and a basement comprising a carpark. It is located at No. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, PRC. In connection with its initial public offering, Yuexiu REIT acquired its stake in the White Horse Building on 7 December 2005, which comprises the 2nd to 9th floors of the White Horse Building as well as nine strata units in part of the lower ground level (the "**White Horse Property**").

The White Horse Property represents approximately 81.4% of the GFA of White Horse Building, with the remaining GFA being owned by a subsidiary of Yuexiu Property (as to approximately 9.2%) and an Independent Third Party (as to approximately 9.4%). The White Horse Property was valued at RMB5,098 million as at the Valuation Reference Date by the Independent Property Valuer.

Net property income attributable to the White Horse Property amounted to RMB308.4 million and RMB313.9 million for the years ended 31 December 2018 and 2019, respectively.

White Horse Building is considered a key domestic and international retail wholesale centre, serving as an important apparel gateway for the rest of China. It is considered a key incubator of new Chinese fashion brands. In recognition of its role in the apparel industry, White Horse Building has won several awards and recognitions, including winning multiple times the “Top 10 National Apparel Wholesale Market” award, the “Incubation Base of China Fashion Brands”, the “National Civilized Market” and the “Product Development and Promotion Award”. To enhance its brand name and influence in the industry, White Horse Building has hosted various banquets such as “CHIC”, “Guangzhou International Apparel Festival” and “Xinjiang Apparel Festival”, which were well-received by market players and tenants. In addition, the REIT Manager has established a detailed management system, including tenants/brands access and client rating and classification management. Such activities and management system are expected to enable White Horse Property to optimise the client resources and enhance the property value overall.

#### *Certain Key Information*

The table below sets out certain key information on the White Horse Property as at 31 December 2019, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....		50,199.3
<b>Gross rentable area (sq.m.)</b> .....		50,128.9
<b>Occupancy rate</b> .....		100%
<b>Building completion</b> .....		1990
<b>Term of land use rights</b>	Wholesale/retail	40
(Commencement date: 7 June 2005) .....	Office/warehouse	50
<b>Number of tenancy agreements</b> .....		908

#### Top 10 tenants by rental income

<u>Name of Tenant</u>	<u>% of Total Gross Rented Area</u>	<u>% of Total Monthly Rentals</u>
1. Lin Mingguang.....	1.20%	1.80%
2. Chen Yufang.....	1.10%	1.20%
3. Chen Chunlong.....	0.60%	1.20%
4. Li Tie .....	0.60%	0.90%
5. Zhou Yanmei .....	0.40%	0.90%
6. Wang Jiang .....	0.70%	0.80%
7. Zhou Fawei .....	0.50%	0.70%
8. Lin Peifang.....	0.40%	0.70%
9. Zhu Huifeng.....	0.40%	0.70%
10. Bank of Communications Co., Ltd. Guangdong Provincial Branch.....	0.40%	0.70%
<b>Total</b> .....	<b>6.30%</b>	<b>9.60%</b>

### *Tenancy Mix*

The following table sets forth the mix of tenants of the White Horse Property, by their geographic area, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

<b>Geographic Area of Tenants</b>	<b>Gross Rented Area by geographic area of tenants</b>
Guangdong .....	43.4%
Zhejiang .....	12.6%
Hong Kong, Macau and Taiwan .....	6.4%
Fujian .....	12.3%
Others .....	25.3%
<b>Total</b> .....	<u>100%</u>

### *Schedule of Tenancy Expiries*

The following table sets forth details of the percentage of expiries in respect of the tenancies of the White Horse Property as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	<b>Percentage of Rental Area</b>	<b>Percentage of Total Basic Monthly Rental</b>
Year ending 31 December 2020 .....	38.1%	36.0%
Year ending 31 December 2021 .....	4.0%	1.2%
Year ending 31 December 2022 .....	32.6%	27.9%
Year ending 31 December 2023 .....	25.3%	34.9%
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

### *Material Agreements Relating to White Horse Property*

#### **Property Management Agreement**

Partat Investment Limited (being the direct holder of the White Horse Property) and White Horse JV (the owner of the car park in the White Horse Property) entered into a property management agreement with the White Horse Building Management Company on 1 January 2014, pursuant to which the White Horse Building Management Company will provide property management services (including, among other things, repair, maintenance, clearing and security services) for a term of three years. A property management fee is charged to and payable by the tenants on a monthly basis. The property management agreement was renewed in 2017 and 2020 and the current term thereof will expire on 31 December 2022.

#### **Tenancy Services Agreement**

The REIT Manager and Partat Investment Limited entered into a tenancy services agreement on 31 December 2010 with the White Horse Building Management Company, pursuant to which the White Horse Building Management Company agreed to provide leasing, marketing and tenancy management services to the tenants of the White Horse Property for a term of three years and as consideration for such services, an annual leasing agents' fee of 3% of the gross annual rental for the White Horse Property is charged. The term of the tenancy services agreement was extended in 2014, 2015, 2018 and 2021, respectively, and the current term will expire on 31 December 2023.

## Tenancy Agreements

The tenancy agreements entered into for the White Horse Property are generally for terms ranging from one year to five years. Typical tenancy agreements provide tenants with a right of first refusal to renew the tenancy agreement upon the expiry of the original lease term if the existing tenant is willing to match the same lease terms (including rental rates) as a prospective new tenant, subject to the tenant giving prior notice of its intention to renew to the landlord and on the condition that a tenant has not defaulted under its tenancy agreement.

Rental rates are subject to review and negotiation on renewal of leases. Typical tenancy agreements provide for annual rent revision. At the time of entering into a lease, tenants generally pay a security deposit in cash of an amount equal to two or three months' rent. Security deposits do not bear interest. Generally, tenants are required to pay their monthly rent in advance.

Typical tenancy agreements provide that a tenant can terminate its lease before the expiry of the lease term by submitting a written application to the landlord at least one month prior to the proposed termination date and obtaining the consent of the landlord for such early termination.

### ***Fortune Plaza Property***

#### *Overview*

Fortune Plaza is a mixed-use Grade A commercial building consisting of a podium with two tower blocks above a six-storey podium and two levels of underground car parks located at 114, 116 and 118 Ti Yu Dong Road, Guangzhou, the PRC. In connection with its initial public offering, Yuexiu REIT acquired its stake in Fortune Plaza on 7 December 2005, which comprises 35 strata units in the West tower, 43 strata units in the East tower and five strata units in the six-storey podium of Fortune Plaza (the “**Fortune Plaza Property**”). On 19 November 2019, Yuexiu REIT further acquired 110 carpark spaces located at Fortune Plaza Property. The Fortune Plaza Property was valued at RMB1,252 million as at the Valuation Reference Date by the Independent Property Valuer.

The Fortune Plaza Property represents approximately 51.9% of the GFA of Fortune Plaza, with the remaining GFA being owned by a subsidiary of Yuexiu Property (as to approximately 12.8%) and an Independent Third Party (as to approximately 35.3%). Net property income attributable to the Fortune Plaza Property amounted to RMB62.8 million and RMB62.5 million for the years ended 31 December 2018 and 2019, respectively. The REIT Manager continues to seek to increase the rental rates through various measures, such as improving its negotiating abilities as well as the property delivery standards.

#### *Certain Key Information*

The table below sets out certain key information on the Fortune Plaza Property as at 31 December 2019, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....		42,763.5
<b>Gross rentable area (sq.m.)</b> .....		41,355.2
<b>Occupancy rate</b> .....		99.2%
<b>Building completion</b> .....		2003
<b>Term of land use rights</b>	Podium, 1st to 5th floor	40
(Commencement date: 26 November 2002) .....	West tower, 8th to 19th, 24th floors, carpark	50
<b>Number of tenancy agreements</b> .....		79

### Top 10 tenants by rental income

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Guangzhou Friendship Baleno Company Limited .....	10.4%	9.9%
2. Guangdong AEON Teem CO., Ltd .....	10.4%	7.2%
3. Wall Street English Training Centre (Guangdong) Co., Ltd...	3.8%	6.3%
4. Shinyway Education Group and its subsidiaries.....	4.6%	4.3%
5. Shenzhen Qianhai Qimeng Space Investment Co., Ltd. ....	4.9%	3.9%
6. Kungfu Catering Management Co., Ltd.....	1.0%	3.5%
7. Guangzhou Shenshenfu Catering Management Co., Ltd. ....	0.6%	3.3%
8. Saatchi & Saatchi Guangzhou Yuexiu Branch.....	3.2%	2.7%
9. Guangdong Guohui Law Firm .....	2.9%	2.6%
10. Ping An Bank Co., Ltd. Guangzhou Branch.....	1.9%	2.6%
<b>Total</b> .....	<b>43.7%</b>	<b>46.3%</b>

### Tenancy Mix

The following table sets forth the mix of tenants of the Fortune Plaza Property, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	79.9%
Manufacturing .....	5.8%
Finance.....	5.1%
Information & technology.....	3.7%
Logistics services.....	2.4%
Food & beverage services.....	1.7%
Real estate.....	1.0%
Trade.....	0.4%
<b>Total</b> .....	<b>100%</b>

### Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Fortune Plaza Property as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Year ending 31 December 2020 .....	22.0%	23.1%
Year ending 31 December 2021 .....	10.1%	10.1%
Year ending 31 December 2022.....	48.2%	46.1%
Year ending 31 December 2023.....	5.4%	7.8%
Year ending 31 December 2024 and thereafter.....	14.3%	12.9%
<b>Total</b> .....	<b>100.0%</b>	<b>100.0%</b>



## *Material Agreements Relating to Fortune Plaza*

### Property Management Agreement

The owners' committee of Fortune Plaza entered into a property management agreement with Yicheng on 31 December 2013, pursuant to which Yicheng will provide property management services (including, among other things, repair, maintenance, clearing and security services) for a term of three years. The property management fee is charged to and payable by the tenants on a monthly basis. The property management agreement was renewed in 2014, 2017 and 2020, respectively and the current term thereof will expire on 31 December 2022.

### Tenancy Services Agreement

The REIT Manager and Moon King Limited (being the direct holder of the Fortune Plaza Property) entered into a tenancy services agreement on 31 December 2010 with Yicheng, pursuant to which Yicheng agreed to provide leasing, marketing and tenancy management services to the tenants of the Fortune Plaza Property for a term of three years and as consideration for such services, an annual leasing agents' fee of 4% of the gross annual rental for the Fortune Plaza Property is charged. The term of the tenancy services agreement was extended in 2013, 2015, 2018 and 2021, respectively, and the current term will expire on 31 December 2023.

### Tenancy Agreements

The tenancy agreements entered into for the Fortune Plaza Property are generally for terms ranging from one to five years. Some tenancy agreements provide tenants with a right of first refusal to renew the tenancy agreement upon the expiry of the original lease term if the existing tenant is willing to match the same lease terms (including rental rates) as a prospective new tenant, subject to the tenant giving prior notice of its intention to renew to the landlord and on the condition that a tenant has not defaulted under its tenancy agreement.

Rental rates are subject to review and negotiation on renewal of leases. At the time of entering into a lease, tenants generally pay a security deposit in cash of an amount equal to two or three months' rent. Security deposits do not bear interest. Generally, tenants are required to pay their monthly rent in advance.

Typical tenancy agreements for the Fortune Plaza Property do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered and the security deposit paid by such tenant will not be refunded. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

## *City Development Plaza Property*

### *Overview*

City Development Plaza is a 28-storey mixed-use Grade A commercial building consisting of a single tower block above a five-storey podium and two levels of underground car parks located at No. 185, 187 and 189 Ti Yu Xi Road, Tianhe District, Guangzhou, PRC. In connection with its initial public offering, Yuexiu REIT acquired its stake in City Development Plaza on 7 December 2005, which comprises six strata units in the first three storeys of a five-storey podium as well as 159 strata units in the single tower block of City Development Plaza (the "**City Development Plaza Property**"). On 19 November 2019,

Yuexiu REIT further acquired 179 underground carpark spaces located at the City Development Plaza Property. The City Development Plaza Property was valued at RMB1,033 million as at the Valuation Reference Date by the Independent Property Valuer.

The City Development Plaza Property represents 62.1% of the GFA of City Development Plaza, with the remaining GFA being owned by a subsidiary of Yuexiu Property (as to approximately 15.0%) and an Independent Third Party (as to approximately 22.9%). Net property income attributable to the City Development Plaza Property amounted to RMB55.9 million and RMB55.2 million for the years ended 31 December 2018 and 2019, respectively.

#### *Certain Key Information*

The table below sets out certain key information on the City Development Plaza Property as at 31 December 2019, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....		44,501.7
<b>Gross rentable area (sq.m.)</b> .....		42,397.4
<b>Occupancy rate</b> .....		96.3%
<b>Building completion</b> .....		1997
<b>Term of land use rights</b>	1st to 3rd floors	40
(Commencement date: 27 January 1997) .....	6th to 11th, 16th to 28th floors, carpark	50
<b>Number of tenancy agreements</b> .....		85

#### Top 10 tenants by rental income

<u>Name of Tenant</u>	<u>% of Total Gross Rented Area</u>	<u>% of Total Monthly Rentals</u>
1. Guangzhou Wisevalley Development Co., Ltd. ....	19.2%	11.4%
2. Shanghai Pudong Development Bank, Guangzhou Branch.....	3.7%	11.4%
3. Efund Management Co., Ltd. ....	9.0%	8.9%
4. Guangzhou City Construction & Development Xingye Property Agent Co., Ltd. ....	9.0%	8.7%
5. Guangdong Development Banking Co., Ltd. Guangzhou Branch.....	1.4%	3.5%
6. Ping An Bank Co., Ltd. Shanghai Branch.....	3.4%	3.4%
7. Taikang Life Insurance Co., Ltd. Guangdong Branch .....	3.6%	3.3%
8. Greatwall Life Insurance Co., Ltd. Guangdong Branch .....	3.1%	3.3%
9. Wangsu Science & Technology Co., Ltd. Guangzhou Branch	2.8%	2.6%
10. General Mills Trading (Shanghai) Co., Ltd. Guangzhou Branch.....	2.3%	2.2%
<b>Total</b> .....	<b>57.5%</b>	<b>58.7%</b>

### *Tenancy Mix*

The following table sets forth the mix of tenants of the City Development Plaza Property, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	49.4%
Finance.....	27.3%
Real estate.....	13.3%
Information & technology .....	7.3%
Manufacturing .....	1.1%
Food & beverage services .....	0.8%
Culture, sports and entertainment.....	0.5%
Others .....	0.3%
<b>Total</b> .....	<b>100%</b>

### *Schedule of Tenancy Expiries*

The following table sets forth details of the percentage of expiries in respect of the tenancies of the City Development Plaza Property as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Year ending 31 December 2020 .....	22.1%	30.0%
Year ending 31 December 2021 .....	50.6%	40.9%
Year ending 31 December 2022 .....	22.3%	21.9%
Year ending 31 December 2023 .....	3.0%	5.2%
Year ending 31 December 2024 and thereafter .....	2.0%	2.0%
<b>Total</b> .....	<b>100.0%</b>	<b>100.0%</b>

### *Material Agreements Relating to City Development Plaza Property*

#### Property Management Agreement

The owners' committee of City Development Plaza Property entered into a property management agreement with Yicheng on 12 July 2013, pursuant to which Yicheng will provide property management services (including, among other things, repair, maintenance, clearing and security services) for a term of three years. The property management fee is charged to and payable by the tenants on a monthly basis. The property management agreement was renewed in 2016 and 2019, and the current term thereof will expire on 18 July 2022.

## Tenancy Services Agreement

The REIT Manager and Full Estates Investment Limited (being the direct holder of the City Development Plaza Property) entered into a tenancy services agreement on 31 December 2010 with Yicheng, pursuant to which Yicheng agreed to provide leasing, marketing and tenancy management services to the tenants of the City Development Plaza Property for a term of three years and as consideration for such services, an annual leasing agents' fee of 4% of the gross annual rental for the City Development Plaza Property is charged. The term of the tenancy services agreement was extended in 2013, 2015, 2018 and 2021, respectively, and the current term will expire on 31 December 2023.

## Tenancy Agreements

The tenancy agreements entered into for the City Development Plaza Property are generally for terms ranging from two to five years. Typical tenancy agreements provide tenants with a right of first refusal to renew the tenancy agreement upon the expiry of the original lease term if the existing tenant is willing to match the same lease terms (including rental rates) as a prospective new tenant, subject to the tenant giving prior notice of its intention to renew to the landlord and on the condition that a tenant has not defaulted under its tenancy agreement.

Rental rates are subject to review and negotiation on renewal of leases. At the time of entering into a lease, tenants generally pay a security deposit in cash of an amount equal to two or three months' rent. Security deposits do not bear interest. Generally, tenants are required to pay their monthly rent in advance.

Typical tenancy agreements for the City Development Plaza Property do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered and the security deposit paid by such tenant will not be refunded. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

## *Victory Plaza Property*

### *Overview*

Victory Plaza is an integrated office and retail complex with four levels of underground car parks located at No. 101 Ti Yu Xi Road, Tianhe District, Guangzhou, PRC. In connection with its initial public offering, Yuexiu REIT acquired its stake in Victory Plaza on 7 December 2005, which comprises six levels above ground in the podium and the basement retail space in the first phase of Victory Plaza (the "**Victory Plaza Property**").

The Victory Plaza Property represents approximately 52.7% of the GFA of the first phase of Victory Plaza (comprising the integrated office and retail complex with four levels of underground car parks), with the remaining GFA of the first phase of Victory Plaza being owned by a subsidiary of Yuexiu Property (as to approximately 47.3%). The Victory Plaza Property was valued at RMB947 million as at the Valuation Reference Date by the Independent Property Valuer.

Net property income attributable to the Victory Plaza Property amounted to RMB58.9 million and RMB63.8million for the years ended 31 December 2018 and 2019, respectively.

### Certain Key Information

The table below sets out certain key information on the Victory Plaza Property as at 31 December 2019, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....	27,698.1
<b>Gross rentable area (sq.m.)</b> .....	27,262.3
<b>Occupancy rate</b> .....	98.2%
<b>Building completion</b> .....	2003
<b>Term of land use rights</b> (Commencement date: 8 March 2004) .....	40
<b>Number of tenancy agreements</b> .....	27

Top 10 tenants by rental income

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Fast Retailing (China) Trading Co., Ltd. Victory Plaza Shop .....	38.80%	41.60%
2. GU Shanghai Trading Co., Ltd. ....	5.40%	9.90%
3. China Merchants Bank Co., Ltd. Guangzhou Branch .....	2.90%	7.70%
4. Industrial and Commercial Bank of China Limited, Guangzhou Dezheng Zhong Road Sub-branch .....	1.60%	6.00%
5. Guangdong Sanyuan McDonald's Food Company Limited ...	4.80%	5.20%
6. J.M. Developments (Limited Partnership) .....	11.30%	4.40%
7. Guangzhou Meten Education Technology Co., Ltd .....	5.20%	3.10%
8. Guangzhou Libao Food & Beverage Catering Management Co., Ltd. ....	2.80%	2.00%
9. Guangzhou Xin Ying Dong Education Consultancy Co., Ltd. ....	2.60%	2.00%
10. Guangdong Starbucks Coffee Co., Ltd. ....	1.40%	1.90%
<b>Total</b> .....	<b>76.8%</b>	<b>83.8%</b>

### Tenancy Mix

The following table sets forth the mix of tenants of the Victory Plaza Property, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	57.0%
Food & beverage services .....	37.5%
Finance .....	4.5%
Information & technology .....	1.0%
<b>Total</b> .....	<b>100%</b>

### *Schedule of Tenancy Expiries*

The following table sets forth details of the percentage of expiries in respect of the tenancies of the Victory Plaza Property as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	<u>Percentage of Rental Area</u>	<u>Percentage of Total Basic Monthly Rental</u>
Year ending 31 December 2020 .....	20.5%	24.8%
Year ending 31 December 2021 .....	14.2%	21.2%
Year ending 31 December 2022 .....	0.8%	3.3%
Year ending 31 December 2023 .....	41.7%	13.6%
Year ending 31 December 2024 and thereafter .....	<u>22.8%</u>	<u>37.1%</u>
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

### *Material Agreements Relating to Victory Plaza Property*

#### Property Management Agreement

Keen Ocean Limited (being the direct holder of the Victory Plaza Property) and GCCD (the owner of the car park in Victory Plaza) entered into a property management agreement with Yicheng on 7 December 2005, pursuant to which Yicheng will provide property management services (including, among other things, repair, maintenance, clearing and security services), and has remained and will remain effective until the owners' committee is established. The property management fee is charged to and payable by the tenants on a monthly basis.

#### Tenancy Services Agreement

The REIT Manager and Keen Ocean Limited entered into a tenancy services agreement on 31 December 2010 with Yicheng, pursuant to which Yicheng agreed to provide leasing, marketing and tenancy management services to the tenants of the Victory Plaza Property for a term of three years and as consideration for such services, an annual leasing agents' fee of 4% of the gross annual rental for the Victory Plaza Property is charged. The term of the tenancy services agreement was extended in 2013, 2015, 2018 and 2021, respectively, and the current term will expire on 31 December 2023.

#### Tenancy Agreements

The tenancy agreements entered into for the Victory Plaza Property are generally for terms ranging from one year to ten years. Typical tenancy agreements provide tenants with a right of first refusal to renew the tenancy agreement upon the expiry of the original lease term if the existing tenant is willing to match the same lease terms (including rental rates) as a prospective new tenant, subject to the tenant giving prior notice of its intention to renew to the landlord and on the condition that a tenant has not defaulted under its tenancy agreement.

Rental rates are subject to review and negotiation on renewal of leases. At the time of entering into a lease, tenants generally pay a security deposit in cash of an amount equal to two or three months' rent. Security deposits do not bear interest. Generally, tenants are required to pay their monthly rent in advance.

Typical tenancy agreements for the Victory Plaza Property do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered and the security deposit paid by such tenant will not be refunded. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

### ***Shanghai Yue Xiu Tower***

#### *Overview*

Yue Xiu Tower (formerly known as "Hongjia Tower" comprises a 25-storey (plus two-level basement) Grade A office building with a retail portion and car parking spaces with a total gross floor area of 62,139.35 sq.m. located at 388 Fushan Road, Pudong New District, Shanghai Municipality, the PRC ("Shanghai Yue Xiu Tower").

Yuexiu REIT acquired the Hongjia Tower (now known as "Yue Xiu Tower") from an independent third party on 31 August 2015. The Hongjia Tower was renamed as "Yue Xiu Tower" in 2016. Yuexiu REIT owns 100% interest in the Shanghai Yue Xiu Tower. The Shanghai Yue Xiu Tower was valued at RMB3,156 million as at the Valuation Reference Date by the Independent Property Valuer.

Net property income attributable to the Shanghai Yue Xiu Tower amount to RMB130.9 million and RMB122.1 million for the years ended 31 December 2018 and 31 December 2019, respectively.

The Shanghai Yue Xiu Tower is strategically located in the Zhuyuan CBD of Pudong, Shanghai, two kilometres away from the Little Lujiazui Finance and Trade Zone, and is surrounded by a vast amount of retail and supporting facilities such as banks, convenience stores and restaurants. Zhuyuan, located in the Shanghai Pilot Free Trade Zone, serves as an extension of Shanghai's financial district and hosts key financial exchanges including Shanghai Futures Exchange, Shanghai Diamond Exchange and the Shanghai Stock Exchange as well as the China Securities Depository and Clearing Corporation. As such, the Shanghai Yue Xiu Tower has attracted many financial enterprises as tenants.

### Certain Key Information

The table below sets out certain key information on Shanghai Yue Xiu Tower as at 31 December 2019, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....	Office	39,769.63
	Retail	6,256.70
	Car park	13,502.58
	Area for special use (management office, owners' committee office, bicycle park, refuge floor)	2,610.44
	<b>Total</b>	<b>62,139.35</b>
<b>Gross rentable area (sq.m.)</b> .....	Office	39,769.63
	Retail	6,256.70
	Car park	13,502.58
	<b>Total</b>	<b>59,528.91</b>
<b>Number of car parking spaces</b> .....	Aboveground	27
	Underground	273
<b>Occupancy rate</b> .....		92.2%
<b>Building completion</b> .....		September 2010
<b>Term of land use rights</b>	Office and retail	50
(Commencement date: 7 January 2005) .....	Car park	50
<b>Number of tenancy agreements</b> .....		108

### Top 10 tenants by rental income

<u>Name of Tenant</u>	<u>% of Total Gross Rented Area</u>	<u>% of Total Monthly Rentals</u>
1. ABIE Enterprise Development (ShangHai) Co., Ltd .....	6.6%	6.7%
2. Hongta Securities Co., Ltd .....	4.6%	5.0%
3. Huashe Assets Management (ShangHai) Co., Ltd .....	4.2%	4.3%
4. Chong Hing Bank Limited .....	3.7%	3.9%
5. BAODE Financial Leasing (ShangHai) LTD .....	3.7%	3.8%
6. Shanghai Yaogu Biomedical Innovation Research Institute ....	3.0%	3.8%
7. Xingong (Shanghai) Information Technology Services Limited .....	4.2%	3.6%
8. Shanghai Nabtesco Business Management Co., Ltd .....	3.1%	3.1%
9. Tecan (Shanghai) Trading Co., Ltd .....	2.4%	2.8%
10. Access World (Shanghai) Logistics Co., Ltd .....	1.9%	2.1%
<b>Total</b> .....	<b>37.4%</b>	<b>39.1%</b>



### Tenancy Mix

The following table sets forth the mix of tenants of Shanghai Yue Xiu Tower, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

Industry Sector	Gross Rented Area by industry of tenants
Finance.....	47.9%
Commercial services .....	32.4%
Culture, sports and entertainment.....	5.0%
Manufacturing .....	5.0%
Information & technology .....	2.9%
Food & beverage services .....	2.7%
Logistics Services .....	2.0%
Real estate.....	1.7%
Trade.....	0.4%
<b>Total</b> .....	<u>100%</u>

### Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the retail space at Shanghai Yue Xiu Tower as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Year ending 31 December 2020 .....	18.7%	20.3%
Year ending 31 December 2021 .....	25.6%	26.9%
Year ending 31 December 2022 .....	29.3%	30.6%
Year ending 31 December 2023 .....	14.9%	10.3%
Year ending 31 December 2024 and thereafter .....	11.5%	11.9%
<b>Total</b> .....	<u>100%</u>	<u>100%</u>

### Material Agreements Relating to Shanghai Yue Xiu Tower

#### Property Management Agreement

Shanghai Hong Jia Real Estate Development Co., Ltd. (上海宏嘉房地產開發有限公司) and Yicheng Shanghai Branch entered into a property management agreement pursuant to which Yicheng Shanghai Branch shall act as the property manager of the Shanghai Yue Xiu Tower and provide overall management services in respect of the entire property for a term from 31 August 2017 to 31 December 2017. The property management agreement was renewed in 2018 and 2021, and the current term thereof will expire on 31 December 2023. The property management fees are paid by the tenants directly to Yicheng Shanghai Branch.

## Tenancy Services Agreement

The REIT manager and Shanghai Hong Jia Real Estate Development Co., Ltd. entered into a tenancy service agreement with GZAM Shanghai Branch pursuant to which GZAM Shanghai Branch will provide tenancy services to all tenants of the Shanghai Yue Xiu Tower for a term commencing from 31 August 2015 to 31 December 2017 and as consideration for such services, an annual leasing agents' fee of 3% of the gross annual rental for the Shanghai Yue Xiu Tower is charged. The term of the tenancy services agreement was extended in 2018 and 2021, and the current term will expire on 31 December 2023.

## Tenancy Agreements

The tenancy agreements entered into for the Shanghai Yue Xiu Tower are generally for terms ranging from 2 to 5 years, depending on factors such as the expiry and tenant profile of Shanghai Yue Xiu Tower. Most tenancies have fixed terms, but in some tenancy agreements the tenants and the landlord have agreed on an optional term for renewal apart from the fixed term, and in a few exceptional cases the parties have agreed on a cap for the rental increase rate within the optional term at the same time, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial office premises.

At the time of entering into a tenancy, the tenants of the Shanghai Yue Xiu Tower are required to provide a security deposit, which is generally the aggregate of not more than three months' rent and management fees. Security deposits do not bear interest. Most of the tenants are required to pay their rents before the fifth day of each month. Consistent with market practice, rent-free periods, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, are commonly granted to the tenants by the landlord.

Under the tenancy agreements, the tenants are responsible for payment of building management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure

The majority of the tenancy agreements do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises have defects which render the premises unusable and the circumstances are serious. If a tenant unilaterally terminates the tenancy agreement for reasons other than the ones mentioned above without the landlord's consent, the tenant shall compensate the landlord for any losses the latter has suffered therefrom and pay to the landlord an amount equivalent to three months' rental and management fees as liquidated damages. The landlord is entitled to forfeit all the security deposit paid and all the rental prepaid by such tenant to offset the liquidated damages and losses. In addition, the landlord has the right to terminate a tenancy upon the occurrence of certain events, such as delay in rental payment or breach of covenants by the tenant.

## ***Wuhan Property***

### *Overview*

Yuexiu REIT owns 67% of the Wuhan Property, which is located in Hankou Riverside Business District in Wuhan, the capital city of Hubei province in Central China. The Wuhan Property is part of a larger integrated development project, which also includes, among other things, a residential development known as "Starry Winking (星匯雲錦)" and its ancillary facilities. The "**Wuhan Property**" comprises: (a) the entire 68-storey office and commercial development known as "Wuhan Yuexiu Fortune Centre (武漢越秀財富中心)"; (b) the entire five-storey shopping arcade known as "Starry Victoria Shopping Centre (星匯維港購物中心)" (inclusive of a one-storey basement); (c) the 1,134 carpark spaces designated by Wuhan Yuexiu Property Development Limited (武漢越秀地產開發有限公司) ("**WH Project Company**") as spaces supporting the retail and office portions of the Wuhan Property; and (d) the 375 carpark spaces designated by WH Project Company as spaces supporting "Starry Winking".

The commercial carpark spaces and residential carpark spaces are situated in an underground carpark comprising a total of 3,188 spaces. The remaining 1,679 spaces are held by independent third parties and do not form part of the Wuhan Property.

Yuexiu REIT holds a 67% interest in WH Project Company, which in turns owns the Wuhan Property, with Yuexiu Property holding the remaining 33% interest in WH Project Company.

The Wuhan Property was valued at RMB3,674 million as at the Valuation Reference Date by the Independent Property Valuer. Net property income attributable to the Wuhan Property amounted to RMB105.6 million and RMB145.6 million for the years ended 31 December 2018 and 2019, respectively.

The Wuhan Property is located within the second ring of Hankou, the capital city of Hubei province, and enjoys easy accessibility with direct connections to the existing metro line 1 and planned metro line 10 intersecting at the Qiaokou Road station. Attracted by Wuhan's strategic location and established city infrastructure, many national institutions and corporations have located their headquarters or regional headquarters in Wuhan. The REIT Manager expects Wuhan to continue to attract ample capital investment and increase demand for premium office space. Wuhan Yuexiu Fortune Centre is the only operating International Grade A office building in the Hankou Riverside Business District and the tallest operating International Grade A office building in Wuhan. Starry Victoria Shopping Centre, being the retail portion of the Wuhan Property, differentiates itself from other retail properties in the Wuguang commercial area in terms of target consumers and trade mix by reason of it being a Hong Kong lifestyle oriented neighbourhood mall and the first shopping mall in Wuhan built with a covered walkway to the metro.

#### *Certain Key Information*

The table below sets out certain key information on the Wuhan Property as at the Valuation Reference Date, unless otherwise indicated.

GFA ( <i>sq.m.</i> ).....	Office	129,446.74
	Retail	43,546.60
	Commercial carpark spaces	47,182.94
	Residential carpark spaces	15,602.82
	Other	12,415.12
<b>Gross rentable area (<i>sq.m.</i>) .....</b>	Office	129,446.74
	Retail	43,546.60
<b>Number of car parking spaces.....</b>	Commercial	1,134
	Retail	375
<b>Occupancy rate.....</b>	Office	75.0%
	Retail	99.5%
<b>Building completion.....</b>		October 2015
<b>Term of land use rights</b>		50
(Commencement date: 27 May 2011) .....		
<b>Number of tenancy agreements .....</b>		245

Top 10 tenants by rental income

Grade A Office

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Yuexiu Group and its subsidiaries .....	17.9%	24.3%
2. Guangdong Guangxin Communication Service Co., Ltd. ....	10.3%	9.3%
3. Wuhan Universal Innovation Business Consultancy Co., Ltd. ....	10.3%	8.1%
4. New China Life Insurance Co., Ltd. Wuhan Central Branch..	3.3%	3.1%
5. Aviva-COFCO Life Insurance Co., Ltd. Hubei Branch .....	3.1%	2.8%
6. Wuhan Prolog Integrated Technology Co., Ltd. ....	2.6%	2.7%
7. Wuhan Today Dream Trade Co., Ltd.....	2.7%	2.6%
8. 51 TALK .....	3.2%	2.4%
9. Beijing FENBI TIANXIA CO., LTD. Wuhan Branch.....	2.5%	2.0%
10. Yuexiu Group and its subsidiaries .....	2.0%	1.9%
<b>Total</b> .....	<b>57.9%</b>	<b>59.2%</b>

Retail Shopping Mall

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Wuhan KINGZONE Fitness Management Co., Ltd. ....	8.0%	6.3%
2. Wuhan Insun Starry Victoria Cinema Co., Ltd.....	10.9%	5.3%
3. Wuhan Starry Victoria Hutaoli Restaurant Management Co., Ltd.....	2.2%	4.1%
4. Zhongbai Warehouse Supermarket Co., Ltd .....	8.0%	3.9%
5. China Construction Bank Corporation, Wuhan Qiaokou Sub-branch .....	1.0%	3.6%
6. Shanghai Yingxi Tianhao Catering Co., Ltd. Qiaokou Branch.....	4.8%	2.4%
7. Wuhan Today's Dream Trading Co., Ltd.....	0.8%	2.3%
8. Chen Hua .....	0.9%	1.9%
9. Wuhan Kengee Food Sales Co., Ltd.....	0.5%	1.6%
10. Wuhan Lianjia Hongye Real Estate Agency Co., Ltd.....	0.5%	1.5%
<b>Total</b> .....	<b>37.6%</b>	<b>32.9%</b>

### Tenancy Mix

The following table sets forth the mix of tenants of the Wuhan Property, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on 31 December 2019.

#### Grade A Office

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	42.1%
Information & technology .....	19.3%
Real estate.....	19.3%
Finance.....	11.1%
Manufacturing .....	4.6%
Trade.....	1.2%
Logistics Services .....	1.2%
Culture, sports and entertainment.....	1.1%
Food & beverage services .....	0.1%
<b>Total</b> .....	<u>100%</u>

#### Retail Shopping Mall

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	36.2%
Food & beverage services .....	31.5%
Culture, sports and entertainment.....	30.5%
Information & technology .....	0.9%
Finance.....	0.5%
Real estate.....	0.4%
<b>Total</b> .....	<u>100%</u>

### Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the retail space at the Wuhan Property as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

#### Grade A Office

	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Year ending 31 December 2020 .....	26.9%	31.0%
Year ending 31 December 2021 .....	25.5%	23.8%
Year ending 31 December 2022 .....	24.6%	23.7%
Year ending 31 December 2023 .....	17.7%	15.6%
Year ending 31 December 2024 and thereafter .....	5.3%	5.9%
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

## Retail Shopping Mall

	<u>Percentage of Rental Area</u>	<u>Percentage of Total Basic Monthly Rental</u>
Year ending 31 December 2020 .....	13.2%	23.1%
Year ending 31 December 2021 .....	14.2%	19.2%
Year ending 31 December 2022 .....	14.8%	17.4%
Year ending 31 December 2023 .....	23.7%	22.6%
Year ending 31 December 2024 and thereafter .....	34.1%	17.7%
<b>Total</b> .....	<u>100.0%</u>	<u>100.0%</u>

### *Material Agreements Relating to the Wuhan Property*

#### Support Arrangement

To enable Yuexiu REIT to mitigate its exposure to the start-up risks associated with the operation of the Wuhan Property and to ensure Yuexiu REIT receives expected, progressive and recurrent net income during these periods, Yuexiu Property agreed to provide support payments to Yuexiu REIT for the period from 1 January 2018 up to and including 31 December 2020 (the “**Wuhan Property Support Arrangement**”). Such support payments shall be made to Yuexiu REIT in the event that the actual adjusted net income as derived from WH Project Company’s accounts for the six months ending 30 June of each financial year or for the financial year ending 31 December of each financial year is less than the baseline adjusted net income for the relevant period. Yuexiu REIT will not be penalised under the Wuhan Property Support Arrangement where the actual adjusted net income is greater than the baseline adjusted net income for a relevant period.

#### Property Management Agreement

Yicheng Wuhan Branch acts as the property manager of the Wuhan Property and provide property management services in respect of such property for a term commencing from 21 December 2017 to 31 December 2020. The property management agreement was renewed in 2021, and the current term thereof will expire on 31 December 2023. Yicheng Wuhan Branch is entitled to collect a property management fee from the tenants of the office and retail portions of the Wuhan Property. No property management fees shall be payable under in respect of the 1,134 carpark spaces designated by the WH Project Company as spaces supporting the retail and office portions of the Wuhan Property and the 375 carpark spaces designated by the WH Project Company as spaces supporting “Starry Winking”.

#### Tenancy Services Agreement

Yicheng Wuhan Branch provides tenancy services to all tenants of the Wuhan Property for a term commencing from 21 December 2017 to 31 December 2020 and as consideration for such services, an annual leasing agents’ fee of 4% of the gross annual revenue for the Wuhan Property is charged. The term of the tenancy services agreement was extended in 2021, and the current term will expire on 31 December 2023.

## Tenancy Agreements

The tenancy agreements are generally for terms ranging from three to five years, depending on factors such as the size of lease premises, expiry and tenant profile of the Wuhan Property. Most tenancies have fixed terms, but in some tenancy agreements the tenants and the landlord have agreed on an optional term at the discretion of the tenants for renewal apart from the fixed term, and in a few exceptional cases the parties have agreed on a cap for the rental increase rate within the optional term at the same time, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial office premises.

Tenants of the Wuhan Property are required to provide a security deposit, which is generally the aggregate of not more than three months' rent and management fees. Security deposits do not bear interest. Under the tenancy agreements, the tenants are responsible for payment of building management fees, utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the landlord is responsible for repair costs relating to the main building structure.

The majority of the tenancy agreements do not enable tenants to terminate their tenancies ahead of the scheduled expiration dates, unless the landlord delays in delivery of the premises or the premises suffer from serious defects which render them unfit for use, in which case tenants may terminate their tenancies where the landlord fails to deliver or rectify those defects (as the case may be) within 30 days upon receiving tenants' written notices.

## Carpark Master Lease Agreements

Yicheng Wuhan Branch and WH Project Company entered into carpark master lease agreements pursuant to the 1,134 commercial carpark spaces and 375 residential carpark spaces are master-leased to Yicheng Wuhan Branch for the period commencing from 21 December 2017 to 31 December 2020. The carpark master lease agreements may be renewed at the option of Yuexiu REIT after expiry of the initial term, subject to agreement between the parties thereto. The term of the carpark master lease agreements was extended in 2021, and the current term will expire on 31 December 2023.

## *Hangzhou Victory Business Center*

### *Overview*

The Hangzhou Victory Business Center is located in Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province, PRC. The “**Hangzhou Victory Business Center**” comprises: (a) an 18-storey commercial building known as “Hangzhou Victory Business Center Tower 2 (杭州維多利商務中心2幢)” with a 16-storey office component and a 2-storey retail component; and (b) 315 underground Carpark Spaces. The Hangzhou Victory Business Center is part of a larger integrated development project that includes another 18-storey commercial building (Tower 1) and four blocks of detached villa-style office buildings (Towers 3 to 6), all of which are owned by independent third parties of Yuexiu REIT.

The Hangzhou Victory Business Center was valued at RMB608 million as at the Valuation Reference Date by the Independent Property Valuer. Net property income attributable to the Hangzhou Victory Business Center amounted to RMB0.2 million and RMB26.4 million for the years ended 31 December 2018 and 2019, respectively.

*Certain Key Information*

The table below sets out certain key information on the Hangzhou Victory Business Center as at the Valuation Reference Date, unless otherwise indicated.

<b>GFA (sq.m.)</b> .....	40,148.4
<b>Gross rentable area (sq.m.)</b> .....	22,484.8
<b>Number of car parking spaces</b> .....	315
<b>Occupancy rate</b> .....	92.1%
<b>Building completion</b> .....	2017
<b>Term of land use rights</b> (Commencement date: 2 August 2014) .....	50
<b>Number of tenancy agreements</b> .....	35

Top 10 tenants by rental income as at 31 December 2019

Name of Tenant	% of Total Gross Rented Area	% of Total Monthly Rentals
1. Yuexiu Group and its subsidiaries .....	23.0%	26.3%
2. Hangzhou Qiantang Wisevalley Industrial Construction Center .....	15.4%	17.1%
3. Sijiqing Street Government Office of Jianggan District, Hangzhou .....	17.4%	15.5%
4. Zhejiang Yiqiwan Internet Technology Co., Ltd. ....	6.1%	6.3%
5. Zhejiang Zhongdian Tourong Technology Co., Ltd. ....	6.1%	5.7%
6. Hangzhou Muzhuang Internet Technology Co., Ltd. ....	6.1%	4.7%
7. Sijiqing Street Qianyun Community Committee, Jianggan District, Hangzhou .....	5.1%	4.2%
8. Hangzhou Kunxin Real Estate Co., Ltd. ....	4.4%	3.9%
9. Hangzhou Long Yue Real Estate Co., Ltd. ....	2.8%	2.9%
10. Zhejiang Zhoushan Runshi Energy Co., Ltd. ....	2.8%	2.9%
<b>Total</b> .....	<b>89.2%</b>	<b>89.5%</b>



### Tenancy Mix

The following table sets forth the mix of tenants of the Hangzhou Victory Business Center, by their principal nature of business, as a percentage of Gross Rented Area leased for the month ended on the 31 December 2019.

Industry Sector	Gross Rented Area by industry of tenants
Commercial services .....	49.2%
Real estate.....	29.4%
Information & technology.....	12.4%
Finance.....	3.4%
Manufacturing.....	2.4%
Trade.....	1.8%
Culture, sports and entertainment.....	1.4%
<b>Total</b> .....	<b>100%</b>

### Schedule of Tenancy Expiries

The following table sets forth details of the percentage of expiries in respect of the tenancies of the retail space at the Hangzhou Victory Business Center as at 31 December 2019 that are scheduled to take place during the periods indicated (assuming no exercise of any lease renewal rights and that the tenancies are terminated after the expiration of the fixed term of the relevant lease).

	Percentage of Rental Area	Percentage of Total Basic Monthly Rental
Year ending 31 December 2020 .....	34.8%	35.2%
Year ending 31 December 2021 .....	27.0%	29.2%
Year ending 31 December 2022 .....	1.9%	1.7%
Year ending 31 December 2023 .....	5.2%	4.3%
Year ending 31 December 2024 and thereafter .....	31.1%	29.6%
<b>Total</b> .....	<b>100.0%</b>	<b>100.0%</b>

### Material Agreements Relating to Hangzhou Victory Business Center

#### Property Management Agreement

Yicheng Hangzhou Branch acts as the property manager of the Hangzhou Victory Business Center and provide property management services in respect of such property for a term expiring on 31 August 2020. Yicheng Hangzhou Branch is entitled to collect a property management fee from the tenants of the office and retail portions of the Hangzhou Victory Business Center. The property management agreement was renewed in 2020, and the current term thereof will expire on 31 August 2023.

## Tenancy Services Agreement

Yicheng Hangzhou Branch provides tenancy services to all tenants of the Hangzhou Victory Business Center for a term commencing from 28 December 2018 and expiring on 31 December 2020 and as consideration for such services, an annual leasing agents' fee of 4% of the gross annual revenue for the Hangzhou Victory Business Center is charged. The term of the tenancy services agreement was extended in 2021, and the current term will expire on 31 December 2023.

## Tenancy Agreements

The tenancy agreements are generally for terms ranging from three to six years, depending on factors such as the size of lease premises, expiry and tenant profile of the Hangzhou Victory Business Center.

## Carpark Master Lease Agreements

Yicheng Hangzhou Branch and Hangzhou Yuehui Real Estate Development Co., Ltd.\* (杭州越輝房地產開發有限公司) entered into a carpark master lease agreement, pursuant to which the 315 underground carpark spaces are master-leased to Yicheng Hangzhou Branch for the period commencing from 28 December 2018 and expiring on 31 December 2020. The carpark master lease agreement may be renewed at the option of Yuexiu REIT after expiry of the initial term, subject to agreement between the parties thereto. The term of the carpark master lease agreements was extended in 2021, and the current term will expire on 31 December 2023.

## Land Use Rights

There are two types of title registrations in the PRC, namely land registration and building registration. Land registration is effected by the issue of a land use right certificate by the relevant authority to the land user evidencing that the land user has obtained land use rights in respect of the land. The building registration is the issue of a building ownership certificate to the building owner evidencing that the building owner has obtained building ownership rights in respect of the building. According to the Land Registration Regulations (土地登記規則) promulgated by the State Land Administration Bureau on 18 November 1989 and amended on 28 December 1995 (which amendment became effective on 1 February 1996), all land use rights and building ownership rights which are duly registered are protected by law.

The Interim Regulations on Real Estate Registration (不動產登記暫行條例) was promulgated by the State Council on 24 November 2014 and came into effect on 1 March 2015, as amended on 24 March 2019. The MLR promulgated the Notice of the Ministry of Land and Resources on Implementing the Interim Regulations on Real Estate Registration (國土資源部關於貫徹實施《不動產登記暫行條例》的通知) on 29 December 2014 and Implementation Regulations for the Provisional Regulations on Real Estate Registration (不動產登記暫行條例實施細則) on 1 January 2016, as amended by the MNR on 24 July 2019. The new rules require the establishment of a unified registration system for real estate and creation of an information platform to manage the data. In addition to buildings, the new rules also cover land, maritime property and forests. The MNR is responsible for monitoring property registration overall, while local governments will set up institutions to implement the process. In places where the institutional integration has not been completed, the original documents of title will be issued until the authorising institutions complete the integration. No PRC government agencies may compel a real estate owner which has obtained the original document of title to apply for the new document of title and the original document of title will remain valid during its validity period.

Under the Provisional Regulations of the PRC concerning the Grant and Assignment of the Right to Use State-Owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council of the PRC on 19 May 1990, as amended on 29 November 2020, the use of state land is dependent on the grant of a land use right by the PRC Government to a land user for a definite period subject to the payment of a land premium by the land user. The maximum term of such grants depends on the use of the land, as follows:

- up to 70 years for residential use;
- up to 50 years for industrial use or for public (e.g. educational, technology, cultural, hygiene or sports) use;
- up to 40 years for commercial (which includes wholesale and retail), tourism and entertainment uses; and
- up to 50 years for comprehensive uses and all other uses (which include office and warehouse).

According to the Law of the PRC on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) (the “**Real Property Administration Law**”), if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for a land use right extension at least one year prior to expiry of the use term, provided that according to Book Two Property Rights of the Civil Code of the People’s Republic of China (中華人民共和國民法典) (the “**PRC Civil Code**”), the use term in respect of land for residential use will be extended automatically and the payment of the extension fees and the exemption or reduction thereof shall be handled in accordance with the provisions of relevant laws and regulations. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations.

## **Distribution Policy**

Pursuant to the REIT Trust Deed, Yuexiu REIT is required to ensure that the total amount distributed to Unitholders each year shall be no less than 90% of Total Distributable Income for each financial year.

For these purposes, and under the terms of the REIT Trust Deed, “**Total Distributable Income**” for a financial year means the amount calculated by the REIT Manager as representing the consolidated audited profit after tax of Yuexiu REIT and entities controlled by it for that financial year, as adjusted for accounting purposes to eliminate the effects of Adjustments (as defined below). After eliminating the effects of these Adjustments, Total Distributable Income may be different from the profit after tax recorded for the relevant financial year.

“**Adjustments**” means accounting adjustments which are charged or credited to the profit and loss account for the relevant financial year, including: (i) the effects of unrealised property valuation gains, including reversals of impairment provisions, (ii) realised gains on the disposal of properties, (iii) fair value gains on financial instruments, (iv) deferred tax charges/credits in respect of property valuation movements, (v) other material non-cash gains, (vi) expenses paid out of the Deposited Property in connection with the issue of new Units, and (vii) any adjustments in accordance with the Hong Kong Financial Reporting Standards which increase those recorded under generally accepted accounting principles in the PRC on which the accounts of cash available for distribution is based (including reversal of depreciation charge on investment properties, properties and equipment, being the “**Depreciation Charge Adjustment**”).

Pursuant to the REIT Trust Deed, the REIT Manager may, at its discretion from time to time, direct the REIT Trustee to make distributions over and above the minimum 90% of Total Distributable Income if Yuexiu REIT, in the REIT Manager's opinion, has funds surplus to its business requirements. The determination of "Total Distributable Amount" includes any additional amount (including capital) that the REIT Manager has determined is distributable, and pursuant to the REIT Trust Deed, Yuexiu REIT has the ability to make such distributions. When considering whether to exercise the above discretion, the REIT Manager shall have regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategy, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

The REIT Manager will disclose in its distribution statements the extent to which distributions declared or made by it are composed of, and the types of, income and capital. Further, the amount to be distributed from capital will be disclosed on a per Unit basis.



### **Deferred Units**


Part of the consideration for Yuexiu REIT's acquisition of Guangzhou IFC from Yuexiu Property was satisfied on 8 October 2012 by way of cash and issuance of Units to Yuexiu Property's nominee. The balance of such consideration, being HK\$2,933,121,976, will be satisfied by the issuance of Deferred Units at HK\$4.00 per Unit (subject to adjustment for consolidation, sub-division or reclassification of the Units and rights issues of Units or other securities (including open offers and options) at a discount greater than 10%, being the "Deferred Units Adjustment Events") to Yuexiu Property's nominee on 31 December of each year from 31 December 2016 onwards. Pursuant to an assignment entered into by and between Yuexiu Property and Yuexiu Capital, Yuexiu REIT issued the deferred units that were issuable to Yuexiu Property or its nominee on 31 December 2020 to Yuexiu Capital. The number of Deferred Units to be issued (assuming no Deferred Units Adjustment Events eventuate) is expected to be 733,280,494. 333,879,000 Units have been issued to date.

### **Insurance**

Yuexiu REIT has in place insurance coverage for its Properties that the REIT Manager believes is consistent with industry practice in the cities where the Properties are located. This includes comprehensive property insurance (including insurance against fire and flood) and public liability insurance. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, nuclear contamination, acts of terrorism (except for certain Properties), epidemics and acts of God.

### **Intellectual Property**

Yuexiu REIT has been using the trademarks, "  " and "  ", which have been registered by GZ Yuexiu with the PRC Trademark Office under various categories relating to real estate, finance, advertising, investment management, printing and others. GZ Yuexiu has permitted Yuexiu REIT to use these trademarks in its business operations.

Yuexiu REIT has also been using the trademark "  " which has been registered by GZ Yuexiu, with the Trademarks Registry in Hong Kong in Part A, classes 1, 3, 6, 9, 14, 16, 18, 25, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44 and 45. GZ Yuexiu has contractually licensed to Yuexiu REIT the use of this trademark. Yuexiu REIT is also the owner of the domain name of [www.yuexiureit.com](http://www.yuexiureit.com), the contents of which do not form part of this Offering Circular.

## **Employees**

As at 30 June 2020, Yuexiu REIT employed 493 and 131 employees in China for the Hotel's operation through its branch companies and for the Serviced Apartments operations through its subsidiaries, respectively. Yuexiu REIT is managed by the REIT Manager whereas the Hotel is managed by the Hotel Manager and the Serviced Apartments are managed by the Serviced Apartments Manager. Except the abovementioned, none of Yuexiu REIT and its subsidiaries (including the Issuer) employs any staff.

## **Environmental and Safety Matters**

The REIT Manager believes that it is in compliance in all material respects with applicable environmental regulations in the PRC which relate to Yuexiu REIT's business and operations. As at the date of this Offering Circular, the REIT Manager is not aware of any environmental proceedings or investigations to which the REIT Manager or Yuexiu REIT is or might become a party.

The REIT Manager is required under the Listing Rules to prepare an annual environmental, social and governance ("ESG") report, in which the REIT Manager evaluates and determines the ESG-related risks applicable to Yuexiu REIT and confirms that effective ESG risk management and internal control systems are in place in accordance reporting principles set out in the Listing Rules. The ESG Report also discloses the REIT Manager's ESG management approach, strategy, priorities and objectives and explains how they relate to Yuexiu REIT's business.

## **Government Regulations**

Yuexiu REIT's operations are subject to various laws and regulations of the PRC. Yuexiu REIT's Properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The REIT Manager believes that Yuexiu REIT is in compliance in all material respects with government safety regulations currently in effect. Yuexiu REIT has not experienced significant problems with any regulation with regard to these issues, and is not aware of any pending legislation on these issues that might have a material adverse effect on its Properties.

## **Legal Proceedings**

From time to time, Yuexiu REIT may be involved in litigation or administrative proceedings that may arise during the ordinary course of its business. As of the date of this Offering Circular, none of Yuexiu REIT, its subsidiaries or the REIT Manager is presently involved in any litigation or administrative proceedings which would have a material adverse effect on the business, results of operations and financial condition of Yuexiu REIT.

## MANAGEMENT

### The Board

The board of Directors (the “**Board**”) of the REIT Manager principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of Yuexiu REIT. The Board will also review major financial decisions and the performance of the REIT Manager. As at the date of this Offering Circular, the Board consists of three executive Directors, one non-executive Director and four independent non-executive Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. LIN Deliang (林德良)..... Mr. CHENG Jiuzhou (程九洲).....	51 49	Chairman, Executive Director and Chief Executive Officer Executive Director and Deputy Chief Executive Officer
Ms. OU Haijing (區海晶).....	43	Executive Director and Deputy Chief Executive Officer
Mr. LI Feng (李鋒) .....	52	Non-Executive Director
Mr. CHAN Chi On, Derek (陳志安).....	57	Independent Non-Executive Director
Mr. CHAN Chi Fai, Brian (陳志輝).....	65	Independent Non-Executive Director
Mr. CHEUNG Yuk Tong (張玉堂).....	63	Independent Non-Executive Director
Mr. CHEN Xiaoou (陳曉歐)....	51	Independent Non-Executive Director

### Directors’ Biographies

Details of the Directors of the REIT Manager are set forth below.

**Mr. LIN Deliang**, aged 51, was appointed as Chairman on 14 August 2018 and is an Executive Director and the Chief Executive Officer of the REIT Manager and one of the REIT Manager’s Responsible Officers licensed under the SFO and is authorised to carry out type 9 regulated activities. Prior to joining the REIT Manager, Mr. Lin participated in and was in charge of investment planning, sales and marketing programmes for various large scale residential and commercial properties of Yuexiu Property, a company listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (Stock Code: 00123)). After joining Guangzhou City Construction & Development Co. Ltd. (廣州市城市建設開發有限公司) (“GCCD”) in 1992, Mr. Lin held various managerial positions in the investment development department of GCCD as well as in Xingye Real Estate Agent Co., Ltd. (being a subsidiary of Yuexiu Property) and Guangzhou Investment (HK Property) Company Limited. He was responsible for the operations management of properties located in, among others, Hong Kong, Macau, France and Singapore from 2003 to 2005. In 2006, Mr. Lin was deputy general manager of Guangzhou Dongfang Hotel Group of Yue Xiu Group, responsible for financial revenue management, hotel brand development, and tourism affairs etc. Mr. Lin is a qualified Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent. After joining the Manager, Mr. Lin was responsible for implementing Yuexiu REIT’s acquisition of Guangzhou IFC and a series of major capital operation projects in Shanghai, Wuhan and Hangzhou since 2009. As a composite professional of “DOS” (develop, operate and securitise) in the real estate investment and securitisation field, Mr. Lin has accumulated nearly 30 years of practical experience in large property positioning and planning, investment development, commercial operations, and capital operations. Mr. Lin graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a bachelor’s degree in Economics. He completed an MBA postgraduate course at South China University of Technology from 2004 to 2005.

**Mr. CHENG Jiuzhou**, aged 49, is an Executive Director and the Deputy Chief Executive Officer of the REIT Manager and one of the REIT Manager's Responsible Officers licensed under the SFO. Mr. Cheng joined GCCD in 1996, following which he has held various managerial positions in GCCD and its subsidiaries. From 2006 to 2008, Mr. Cheng was the head supervisor of asset management and the Deputy Chief Executive Officer of the REIT Manager. Mr. Cheng subsequently became the general manager and chairman of Guangzhou Baima Business Operation Management Co., Ltd. and Yicheng (being the leasing agents of Yuexiu REIT) and held office from 2008 to 2014. Mr. Cheng was re-appointed as the Deputy Chief Executive Officer of the REIT Manager in 2014 and became one of the REIT Manager's Responsible Officers in 2016. Mr. Cheng has over 20 years of experience in real estate market research and the operation and management of commercial real estate. He also holds the practicing qualifications and titles of China Property Valuer, China Registered Property Manager and Senior Economist, and is hired by the Guangzhou Municipal People's Government as a major administrative decision making argumentation expert for Guangzhou City. Mr. Cheng graduated from the Hubei University in the PRC with a bachelor's degree in Law in 1993, and obtained a master's degree in Economics from the Jinan University in the PRC.

**Ms. OU Haijing**, aged 43, is an Executive Director and the Deputy Chief Executive Officer of the REIT Manager since 26 April 2019 and one of the REIT Manager's Responsible Officers licensed under the SFO since 27 September 2018. Since October 2016, Ms. Ou has been the head of asset management, primarily responsible for project management including leasing, property operation and asset enhancement. Prior to this role, Ms. Ou was responsible for the internal governance and human resources management of the REIT Manager from May 2009 to September 2015, and headed the investment team of the REIT Manager from 2007 to 2009. Before joining the REIT Manager, Ms. Ou was mainly engaged in the capital operations and had participated in various mergers and acquisitions of Yuexiu Group, including the listing of Yuexiu REIT. Ms. Ou has over 10 years of experience in internal governance in Yuexiu REIT. She is now a licensed person under the SFO and is authorised to carry out regulated activities of type 9. Ms. Ou graduated from Jinan University in the PRC with professional studies in international economics and trade and economic law, and obtained a bachelor's degree in Economics and a bachelor's degree in Law (i.e. a double degree). Subsequently, she completed postgraduate studies in Finance at the Lingnan College of Sun Yat-Sen University in 2003.

**Mr. LI Feng**, aged 52, is a Non-Executive Director of the REIT Manager. He is also an executive director of Yuexiu Property, a non-executive director of Chong Hing Bank Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01111), Chairman and an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport"), a company listed on the Hong Kong Stock Exchange (Stock Code: 01052), Chairman of Yue Xiu Securities Holdings Limited and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000987). Mr. Li is also a director of GCCD, and chairman and a non-executive director of Yuexiu Financial Holdings Limited. Besides, Mr. Li is also the chief capital officer of GZ Yuexiu and Yue Xiu Enterprises, and oversees the capital department, customer resource management and synergy department, and the information centre of GZ Yuexiu and Yue Xiu Enterprises. He is mainly responsible for formulating and implementing major capital management plans, organising and coordinating the investor relationship of the listed companies, optimising and upgrading the customer resource management and synergising, promoting and improving information construction. Mr. Li holds the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. He is also the president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr. Li joined Yuexiu in December 2001 and has successively held positions in GZ Yuexiu and Yue Xiu Enterprises including the assistant to general manager, general manager of capital department, assistant manager of the corporate management department, assistant to general manager of the supervision and auditing department and deputy general manager of Yue Xiu International Development Limited. Mr. Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of GZ Yuexiu and Yue Xiu Enterprises; before that, he was also involved in the successful listing of Yuexiu REIT, and has extensive

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

**Mr. CHAN Chi On, Derek**, aged 57, is an Independent Non-Executive Director of the REIT Manager. Mr. Derek Chan has over 30 years of experience in the financial services industry and is a co-author of a book on listing procedures and securities rules and regulation in Hong Kong. Mr. Derek Chan is currently the chairman of Halcyon Capital Limited and Halcyon Securities Limited, which are engaged in corporate finance and securities business in Hong Kong respectively. He worked for the Hong Kong Stock Exchange from 1989 to 1996 and was an executive director of Haitong International Securities Group Limited (Stock Code: 00665) (formerly known as Taifook Securities Group Limited), and had been the head of its corporate finance division for 16 years until end of 2012. Mr. Derek Chan is also currently an independent non-executive director of Longfor Properties Co. Ltd. (Stock Code: 00960) and China Conch Venture Holdings Limited (Stock Code: 00586). Until his resignation in April 2018, Mr. Derek Chan was an independent non-executive director of Tianli Holdings Group Limited (Stock Code: 00117). The shares of the companies mentioned above are listed on the Hong Kong Stock Exchange. Mr. Derek Chan graduated from the Hong Kong University of Science and Technology with a master's degree in Business Administration in 1994 and from The University of Hong Kong with a bachelor's degree in Social Sciences (majoring in Economics) in 1985.

**Mr. CHAN Chi Fai, Brian**, aged 65, is an Independent Non-Executive Director of the REIT Manager, Mr. Brian Chan is currently also a director of the Hong Kong Parkview Group. He has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, the PRC, Singapore and the United Kingdom, the Hong Kong Parkview Group is principally engaged in property development and hospitality. Prior to joining the Hong Kong Parkview Group, Mr. Brian Chan worked in the banking sector from 1978 to 1989, the first seven years of which was with a reputable international bank. The last position Mr. Brian Chan held before leaving his banking career was as Group Financial Controller of IBI Asia (Holding) Limited. During his 11 years in banking, Mr. Brian Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management. Mr. Brian Chan is a director of Primeline Energy Holdings Inc. which is listed on the TSX Venture Exchange (stock code: PEH.V). Mr. Brian Chan is a certified public accountant with professional accounting qualifications in Hong Kong and the United Kingdom, and has a higher diploma in business studies from the Hong Kong Polytechnic University.

**Mr. CHEUNG Yuk Tong**, aged 63, is an Independent Non-Executive Director of the REIT Manager. He joined Baker & McKenzie in 1982 and worked in the Chicago, Beijing, Shanghai and Hong Kong offices of the firm. He was a partner in the corporate group of Baker & McKenzie's Hong Kong office, and was co-head of its Hong Kong and China mergers and acquisitions practice until June 2013 when he ceased to be a partner of Baker & McKenzie. His practice was focused in the areas of mergers and acquisitions and corporate finance. Mr. Cheung was a member of the Judging Panel for the Corporate Governance Excellence Awards organised by the Hong Kong Chamber of Listed Companies from 2012 to 2015. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeals Committee of the Securities and Futures Commission of Hong Kong from 2012 to 2014. Mr. Cheung graduated from The University of Hong Kong with an LL.B. and a Postgraduate Certificate in Laws, and from the London School of Economics with an LL.M.. He was admitted as a solicitor in Hong Kong and England, and as an attorney-in-law in New York.

**Mr. CHEN Xiaoou**, aged 51, is an Independent Non-Executive Director of the REIT Manager. Mr. Chen has over 25 years of professional experience in large scale real estate asset management and investment, fund management, development, planning and design and international business operations. He has been living and working in the PRC, the United States, Hong Kong, Singapore and Australia for many years. He is the Fellow of The Building Owners and Managers Association China (“BOMA”) and



a BOMA-certified commercial real estate expert. Mr. Chen is the chairman of F.O.G. Capital & Asset Management Corporation, Asia-Pacific Real Estate Association (“APREA”) China Chapter Board Member and had been Vice President, China, of CDPQ-Ivanhoe Cambridge. His past experience also includes an executive position in New World China Land, the China property flagship of New World Development Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 00017). He had worked as an architectural designer and urban planner in the United States. Mr. Chen’s management record includes large scale mixed-use development, high-end residential, retail, office and hotel projects. Mr. Chen is a visiting professor of Cheung Kong Graduate School of Business, and is also the MBA Mentor for The School of Business of Renmin University of China. He received an AMDP (Advanced Management Development Program in Real Estate) certificate from the Harvard University Graduate School of Design in 2010, obtained a Master of Architecture degree from The University of New South Wales in Australia in 1999, and obtained a Bachelor of Architecture degree from Northwestern Polytechnical University in China in 1992.

### Senior Executives’ Biographies

Details of the senior executives of the REIT Manager, who are full-time employees of the REIT Manager, are set forth below.

**Mr. LIN Deliang** is the Chairman, Chief Executive Officer and Executive Director and one of the Responsible Officers of the REIT Manager. Information on his business and working experience has been set out in the subsection headed “Directors’ Biographies” above.

**Mr. CHENG Jiuzhou** is the Deputy Chief Executive Officer, Executive Director and one of the Responsible Officers of the REIT Manager. Information on his business and working experience has been set out in the subsection headed “Directors’ Biographies” above.

**Ms. OU Haijing** is the Deputy Chief Executive Officer, Executive Director and one of the Responsible Officers of the REIT Manager. Information on her business and working experience has been set out in the subsection headed “Directors’ Biographies” above.

**Mr. YU Tat Fung** is the company secretary and was appointed as the compliance manager of the REIT Manager on 1 March 2010. He is also the group general legal counsel of Yue Xiu Enterprises and is responsible for the company secretarial affairs and compliance of the REIT Manager. From October 2004, Mr. Yu has served as the company secretary of both Yuexiu Property and Yuexiu Transport, and he has also been appointed as the company secretary of Yue Xiu Enterprises since January 2014. Mr. Yu obtained a bachelor’s degree in Social Sciences from The University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining Yuexiu Property in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

**Mr. KWAN Chi Fai** is the Chief Financial Officer and one of the Responsible Officers of Yuexiu REIT. He is responsible for the financial management of the REIT Manager. Prior to joining Yue Xiu in January 2007, Mr. Kwan was the financial controller of two companies which are listed on the Hong Kong Stock Exchange. He has over 25 years of experience in finance, accounting and taxation. Mr. Kwan is a member of the Chartered Professional Accountants of Canada, the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a master’s degree in Business Administration and a bachelor’s degree in Accounting from The University of Hong Kong.

**Ms. YOU Quan** is the general manager of the project development department of the REIT Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations of Yuexiu REIT’s properties. Before joining the REIT Manager at the end of 2018, Ms. You was a project manager of TaiKoo Hui Guangzhou Development Co., Ltd. and the HVAC director of Guangzhou

City Construction & Development Design Institute Co., Ltd for nearly 10 years. Ms. You has successively held positions such as technology and design department director, design and engineering department deputy director, regional director, project management department general manager of subsidiaries of Yuexiu Property since 2010. She has rich experience in both engineering and operations management, involved in management of 5-star hotels such as Four Seasons Hotel Guangzhou, and super high-rise buildings and city level multi-functional commercial complexes such as Guangzhou IFC and TaiKoo Hui. Ms. You graduated from the HVAC, Gas and Refrigeration Department of Chongqing University of Architecture in 1995 with a master's degree in Engineering. She has a wide range of professional knowledge and holds the certified Public Utility Engineer (HVAC) qualification, senior HVAC engineer licence, fire facility design certificate and building equipment engineer licence.

**Mr. YU Xinyuan, Philip** is the Owner Representative of hotels and apartments of the REIT Manager. Mr. Yu joined the Yuexiu Property since 2008, he was involved in the Four Seasons Hotel and Ascott Serviced Apartment management contracts negotiation and related preopening works for IFC projects. Mr. Yu joined the REIT Manager in 2012, and was the deputy general manager of hotels and apartments department of the REIT Manager. Before joining the Yuexiu Property, Mr. Yu had served as the department manager and general manager in domestic high-star level hotels. Mr. Yu has accumulated abundant experiences in hotel operations, preopening works and asset management. Mr. Yu graduated from Quanzhou Huaqiao University in 1992 with a bachelor's degree in Economics. Mr. Yu is also the members of Hospitality Asset Managers Association Asia Pacific and China Branch.

**Mr. LIU Bihong** is the general manager of the internal audit department and the deputy general manager of the compliance department of the REIT Manager, and is also the deputy head of the legal department of Yue Xiu Enterprises. He is mainly responsible for the examination of correctness and completeness of records of the operations and transactions and risk management and control, and also responsible for the prevention and management of PRC legal risks, and provides PRC legal support for the REIT Manager's business and investment acquisitions. He assists in compliance work to ensure conformity with the requirements of the regulatory bodies such as the Hong Kong Stock Exchange and the SFC. He is also responsible for the corporate service of the REIT Manager. Mr. Liu joined the GCCD Group in 1999 and worked in legal department. He was involved in the successful listing of Yuexiu REIT. Mr. Liu obtained a bachelor's degree in Engineering from Jilin University of Technology (吉林工業大學) in 1994 and graduated from the Sun Yat-sen University (中山大學) in 2005 with a Juris Master degree. Mr. Liu has a wide range of professional knowledge and has gained professional qualifications successively in the PRC, including Chinese Lawyer Qualification (1996), Certified Public Accountant (1998), Enterprise Legal Consultant (2000) and the Qualification for Registered Tax Agent (2001).

**Mr. LIAO Ningjun** is the director of the Shanghai project and the responsible person of the Shanghai project posted by the REIT Manager. Mr. Liao joined the Yuexiu Group since 1992, he had been the general manager assistant of the finance and accounts department of the Yuexiu Group and was the director and deputy general manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. He was involved in the successful listing of Yuexiu REIT, and had been the general manager of the investment department, head of the investment department and assistant to Chief Executive Officer of the REIT Manager from 2005-2015. Before joining the REIT Manager, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure. Mr. Liao graduated from Guangzhou Financial School majoring in accounting and financial management, and obtained a master's degree in Business Administration from Murdoch University, Australia. He is a licensed person under the SFO and is authorised to carry out regulated activities of type 9.

**Mr. CHEN Yongqin** is currently the general manager of the finance department of the REIT Manager and is responsible for the finance, taxation and fund management of the Manager. Mr. Chen joined GCCD Group in 2005 and has successively held positions such as deputy manager and senior manager of the finance department of a subsidiary of GCCD. He has over 15 years of experience in finance and auditing in the real estate industry. Mr. Chen graduated from the accounting department of Sun Yat-sen

University in 2002 with a bachelor's degree in Management. Mr. Chen is a Certified Internal Auditor (CIA), U.S. Certified Information System Auditor (CISA), Certified Fraud Examiner, and U.S. Certified Risk Manager. Mr. Chen is also a member of Australia Institute of Public Accountants (IPA), U.K. Institute of Financial Accountants (IFA), International Forensic Certified Public Accountant Association.

### Interests of Management and Substantial Unitholders

As at 31 December 2020, the following persons had interests or short positions in the Units, underlying Units of Yuexiu REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO:

#### Directors

Name of Director	Nature of Interest	Beneficial interests in Units	Approximate% of Interest
Mr. LIN Deliang .....	—	Nil	—
Mr. CHENG Jiuzhou .....	Personal	480	0.000015%
Ms. OU Haijing <sup>(1)</sup> .....	Personal	1,000	0.000030%
Mr. LIANG Danqing <sup>(2)</sup> .....	—	Nil	—
Mr. LI Feng .....	Personal	1,825	0.000055%
Mr. CHAN Chi On, Derek .....	—	Nil	—
Mr. CHAN Chi Fai, Brian .....	—	Nil	—
Mr. CHEUNG Yuk Tong .....	—	Nil	—
Mr. CHEN Xiaou .....	—	Nil	—

#### Notes:

- (1) Ms. Ou Haijing was appointed as an Executive Director with effect from 20 November 2020.
- (2) Mr. LIANG Danqing has resigned of his own accord as a Non-executive Director with effect from 20 November 2020.

#### Substantial Unitholders

The following table sets forth substantial unitholders of Yuexiu REIT as at 31 December 2020:

Name of Substantial Unitholders	Nature of Interest	Interests in Units	Approximate% of Interest
GZ Yuexiu <sup>(1)</sup> .....	Deemed	1,727,319,338 <sup>(3)</sup>	52.29% <sup>(4)</sup>
	<b>Total</b>	<b>1,727,319,338<sup>(3)</sup></b>	<b>52.29%<sup>(4)</sup></b>
Yue Xiu Enterprises .....	Beneficial	27,320	—
	Deemed	1,727,292,018 <sup>(3)</sup>	52.29% <sup>(4)</sup>
	<b>Total</b>	<b>1,727,319,338<sup>(3)</sup></b>	<b>52.29%<sup>(4)</sup></b>
Yuexiu Property <sup>(2)</sup> .....	Beneficial	—	—
	Deemed	1,656,057,753 <sup>(3)</sup>	50.14% <sup>(4)</sup>
	<b>Total</b>	<b>1,656,057,753<sup>(3)</sup></b>	<b>50.14%<sup>(4)</sup></b>
Dragon Yield Holding Limited .....	Beneficial	1,570,125,730 <sup>(3)</sup>	47.53% <sup>(4)</sup>
(“Dragon Yield”) .....	Deemed	—	—
	<b>Total</b>	<b>1,570,125,730<sup>(3)</sup></b>	<b>47.53%<sup>(4)</sup></b>

#### Note:

- (1) Further information in relation to interests of corporations controlled by GZ Yuexiu.

Name of Controlled Corporation	Name of Controlling Shareholder	Number of Shares Long Position	Direct Interest (Y/N)	% Control	Short Position
Yue Xiu Enterprises .....	GZ Yuexiu	27,320	Y	100.00	—
Yue Xiu Enterprises .....	GZ Yuexiu	1,727,292,018 <sup>(3)</sup>	N	100.00	—
Bosworth International Limited.....	Yue Xiu Enterprises	5,698,282	Y	100.00	—
Yuexiu Property .....	Yue Xiu Enterprises	1,656,057,753 <sup>(3)</sup>	N	39.78	—
Dragon Yield .....	Yuexiu Property	1,570,125,730 <sup>(3)</sup>	Y	100.00	—
Novena Pacific Limited ....	Yue Xiu Enterprises	1,414,207	Y	100.00	—
Morrison Pacific Limited..	Yue Xiu Enterprises	395,122	Y	100.00	—
Greenwood Pacific Limited.....	Yue Xiu Enterprises	339,342	Y	100.00	—
Goldstock International Limited.....	Yue Xiu Enterprises	88,082	Y	100.00	—
Yuexiu Capital Holdings Limited.....	Yue Xiu Enterprises	62,000,000	Y	100.00	—
Yue Xiu Finance Company Limited.....	Yue Xiu Enterprises	1,299,230	Y	100.00	—
Yuexiu International Investment Limited (“YXII”) .....	Yuexiu Property	85,932,023	Y	100.00	—

*Notes:*

- (2) The deemed interest in 1,656,057,753 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of YXP.
- (3) The number of units includes 399,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or Yuexiu Property’s nominee) at an issue price of HK\$4.00 per Unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.
- (4) After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 40.202%, while the approximate interest in Yuexiu REIT held by Yuexiu Property and Dragon Yield will be approximately 38.045% and 35.443% respectively.

***Senior Executives of the REIT Manager***

The following table sets forth the interests of senior executives of the REIT Manager of Yuexiu REIT as of 31 December 2020:

Name of Senior Executive	Nature of Interest	Interests in Units	Approximate % of Interest
Mr. LIAO Ningjun .....	Personal	1,250	0.000038%
Mr. LIU Bihong .....	Personal	225	0.000007%

*Note:*

- (1) Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the REIT Manager believe that:
- (i) no person (other than a Director) was interested (or deemed to be interested) in Units of Yuexiu REIT, or holds any short position in Units of Yuexiu REIT which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 2, 3 and 4 of Part XV of the SFO; and

- (ii) none of the Directors or chief executives of the REIT Manager had any interests (or deemed to be interested) and short positions in the Units, underlying Units of Yuexiu REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO),

which the REIT Trust Deed, subject to certain exceptions, deems to apply to the Directors and chief executive of the REIT Manager, the REIT Manager and each Unitholder and all persons claiming through or under them.

## PRC REGULATIONS

*The following discussion summarises certain aspects of PRC laws and regulations that are relevant to the operations and business of Yuexiu REIT. These include laws relating to land, foreign invested enterprises, taxation and foreign exchange controls. For a description of the legal risks relating to government regulations of Yuexiu REIT's business in the PRC, see "Risk Factors".*

### The Land System of the PRC

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city is state-owned, and all land in the rural and suburban areas is, unless otherwise specified by law, collectively-owned. The state has the right to resume its ownership of land or the right to use land in accordance with law if required for the public interest. Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for which they are granted land use rights. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

### Property Leasing

Both the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Area (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Urban Land Regulations**") and the Real Property Administration Law permit leasing of granted land use rights and the buildings or properties constructed on the land. The Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法) (the "**Urban Buildings Leasing Measures**") were promulgated by the Ministry of Construction in May 1995 in accordance with the Real Property Administration Law in order to strengthen the administration of the leasing of urban buildings, which was subsequently replaced by the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the "**Leasing Measures**") promulgated by the MOHURD on 1 December 2010. According to the Leasing Measures, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent real estate authorities of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant real estate authorities are authorised to impose a fine below RMB1,000 on individuals, and a fine from RMB1,000 to RMB10,000 on other violators who are not natural persons and fail to comply with the regulations within the specified time limit. The Leasing Measures came into effect as at 1 February 2011 in replacement of the Urban Buildings Leasing Measures.

According to the Real Property Administration Law, rental income derived from the lease of buildings and the underlying land use rights by a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

According to Book Three Contract of the PRC Civil Code which came into effect on 1 January 2021, the term of a contract for leasing of premises and the underlying land use rights must not exceed a maximum term of 20 years.

In Guangdong Province and Guangzhou City, according to the Rules for Leasing of Urban Houses in Guangdong Province (廣東省城鎮房屋租賃條例), a tenant enjoys a right of first refusal to lease the property on similar terms if the landlord offers to lease the property to a third party. The landlord could take a security deposit from the tenant, which amount shall not exceed three months' rent pursuant to the contract. Refund of the security deposit is to be stipulated in the lease contract.

In Shanghai Municipality, according to the Administrative Measures of Shanghai Municipality on Residential Tenancy (上海市居住房屋租賃管理辦法), if the ownership of the house is transferred because of any transaction, exchange, bestowal or inheritance during the term of tenancy, the new owner of the house shall continue to fulfil the original tenancy agreement, and shall not terminate the tenancy agreement solely by reason of the transfer of the ownership of the house.

In Wuhan City, according to the Administrative Measures of Wuhan City on Residential Tenancy (武漢市房屋租賃管理辦法), the tenant shall obtain the written consent from the landlord before subletting the house.

In Hangzhou City, according to Hangzhou Municipal Housing Leasing Management Regulations (杭州市房屋租賃管理規定), in case of subletting the house, the subletter shall submit proof that the lessor agrees to the subletting.

## **Tenancy Laws**

Book Three Contract of the PRC Civil Code which came into effect on 1 January 2021 provides that the lease agreement shall be in writing if its term is over six months, and the term of any lease agreement shall not exceed twenty years; during the lease term, that any change of ownership to the leased property does not affect the valid leasing contract; that the tenant may sub-let the leased property if it is agreed by the landlord and the lease agreement between the landlord and the tenant is still valid and binding; and that when the landlord is to sell the leased property, it will be required to give the tenant a reasonable advance notice before the sale, and the tenant has the right of priority to purchase the leased property at substantially similar terms (with limited exceptions).

The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time. If the tenant fails to pay rent within the prescribed time limit, the landlord may terminate the lease.

Except as mentioned below, if the landlord wishes to terminate the lease before its expiry date, prior consent shall be obtained from the tenants who are entitled to be indemnified for any resulting loss.

The landlord has the right to terminate the lease and take back the property pursuant to the lease: (i) if the tenant sub-lets the property without prior consent from the landlord, or damages the property by using the property in a manner that is not compliant with the agreed uses that are stipulated in the lease or which arise from the nature of the property, (ii) if the tenant defaults in rental payment without reasonable cause and fails to remedy such default within the reasonable period as requested by the landlord, or (iii) if other circumstances occur allowing the landlord to terminate the lease under the relevant PRC laws and regulations.

## **Sale and Transfer of Property**

The PRC authorities have issued a series of laws, rules and regulations in relation to property transactions, for example, the Real Property Administration Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in 1995 and further amended in August 2001. Pursuant to such rules and regulations, the property owner has the right in accordance with law to dispose of a property by way of sale, gift, or other forms of transfer and to mortgage the property. The right to ownership of a building and the land use right to the land on which the building is constructed must be transferred or mortgaged at the same time.

The parties to a transfer must enter into a real estate transfer contract in writing and apply for registration of the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of transfer.

In Guangdong Province and Guangzhou City, according to the Rules for Urban Property Transfer in Guangdong Province (廣東省城鎮房地產轉讓條例), the Measures for Leasing of Urban Houses in Guangzhou (廣州市房屋租賃管理規定) and the Rules for Leasing of Urban Houses in Guangdong Province (廣東省城鎮房屋租賃條例), a joint holder, a mortgagee or a lessee of the property has a right of first refusal to purchase such property on the same terms.

In Shanghai Municipality, according to the Measures of Shanghai Municipality on Real Estate Transfers (上海市房地產轉讓辦法), the Administrative Measures of Shanghai Municipality on Residential Tenancy (上海市居住房屋租賃管理辦法), co-owners of a co-owned real estate shall have the pre-emptive right of purchase for the real estate, on equal or more favourable terms, and the tenants of a real estate shall have the pre-emptive right of purchase for the real estate, on equal or more favourable terms.

## **Property Management**

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and implemented on 1 September 2003, as most recently amended on 19 March 2018 and effective on the same date, the general meeting of owners in a property can appoint and dismiss the property management enterprise. Before the formal appointment of a property management enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property management enterprise.

According to the Rules on Property Management Service Fees (物業服務收費管理辦法) jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003 and effective on 1 January 2004, the amount of property management fees payable to a property management enterprise as remuneration may be set between the owners and property management enterprises by reference to a fixed management fee or a percentage based management fee. The property management enterprise may collect a fixed management fee from the property owners to cover all operating costs incurred for property management and shall account for any shortfall and retain any surplus. Or, management fees may be charged by reference to a fixed percentage of the total management fees collected. The balance of the fees will be used for covering the operating cost incurred for property management, and the property owners shall account for any shortfall and retain any surplus.

## **Macroeconomic Control Measures for Real Estate**

The General Office of the State Council enacted the Circular on Stabilising Housing Prices (關於切實穩定住房價格的通知) with effect on 26 March 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market.

On 26 May 2005, the Ministry of Construction, the NDRC, the Ministry of Finance, the MLR, the PBOC, the SAT and the China Banking Regulatory Commission (the “CBRC”, now known as the China Banking and Insurance Regulatory Commission, the “CBIRC”) jointly issued the Opinion of Stabilising Housing Prices (關於做好穩定住房價格工作的意見) with effect on the same date, followed by a set of new measures. As a result:

- since 1 June 2005, a business tax was levied on property sales proceeds subject to the length of the period for which the property has been held and type of property concerned;
- transfer of uncompleted properties by any pre-sale purchaser has been banned;
- planning review in respect of residential properties which fail to commence construction within two years shall be conducted, and if such residential properties are not in compliance with their respective planning permits, such residential properties will be revoked; and
- land provision for villa construction was banned and land provision for high-end residential property construction was restricted.



On 24 May 2006, the General Office of the State Council further issued a Notice on the Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties, (ii) enforce the collection of business taxes on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties), (iii) restrict housing mortgage loans to not more than 70 per cent. of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80 per cent. of the total property price), (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects, (v) moderate the progress and scale of demolition of old properties for redevelopment, (vi) local governments are also required to ensure that at least 70 per cent. of the total development and construction area also must consist of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction), and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35 per cent. of the total investment amount in an intended development project. On 31 August 2006, the State Council published the Notice by the State Council on Strengthening the Regulation and Control of the Land (關於加強土地調控有關問題的通知), which regulates the management of land in the PRC and also the protection of cultivated land. According to the notice, land designated for industrial purposes shall be granted by way of tender, auction and invitation for bidding, but in any event shall not be sold below the reserve price.

On 30 September 2007, the MLR issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply (關於認真貫徹國務院<關於解決城市低收入家庭住房困難的若干意見>進一步加強土地供應調控的通知) (amended and effective on 3 December 2010), pursuant to which, at least 70 per cent. of the land supply arranged by the relevant land administration authority at municipality or county level for residential property development for any given year must be used for developing low-to-medium-cost and small-to-medium-size units, low-cost rental properties and affordable housing.

On 18 November 2009, the Ministry of Finance, the MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down-payment for land premium to 50 per cent. and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

On 7 January 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) effective on the same date, which is also aimed at dampening speculation in the property market and slowing the rate of price increases. The notice, among other things, provides that the minimum down payment for the purchase of a second residential property by any household with mortgage on its first residential property shall be 40 per cent. of the purchase price.

On 8 March 2010, the MLR issued the Notice on Relevant Issues relating to Strengthening the Supply and Supervision of Land Use for Real Estate Property (關於加強房地產用地供應和監管有關問題的通知) effective on the same date. The notice, among other things, provides that: (i) land resource authorities shall strictly control the land supply for large-sized apartments and prohibit the land supply for villas, and (ii) the land use rights grant contract must be executed within ten days after a grant of land has been mutually agreed and a down payment of 50 per cent. of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount to be paid no later than one year after the execution of the land use rights grant contract.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知) effective on the same date, according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things: (i) for first-time family buyers (including the borrower, his/her spouse and his/her underage children) of apartments larger than 90 square metres, a minimum 30 per cent. down payment must be paid, (ii) the down payment requirement on second-home shall be at least 50 per cent. and also reiterated that the mortgage lending interest rate for such case shall be at least 110% of the benchmark rate, and (iii) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks can suspend housing loans to buyers who own two or more housing units in places where housing prices are rising too rapidly and are too high, and housing supply is insufficient.

Three authorities, including the MOHURD, the PBOC and the CBRC, jointly released the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知) on 26 May 2010, so as to regulate recognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the notice, the number of houses owned by a family in applications for commercial housing loans for individuals shall be calculated according to number of sets of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plans to purchase a house.

On 29 September 2010, the PBOC and the CBRC issued the Notice on Relevant Issues Relating to the Improvement of Differential Housing Loan Policy (關於完善差別化住房信貸政策有關問題的通知) effective on the same date, which, among other things:

- prohibits commercial banks from providing housing mortgage temporarily to any members of a family unit purchasing the third or the subsequent residential housing or non-local residents who fail to provide local one-year or longer tax payment certificates or social insurance payment certificates;
- prohibits commercial banks from granting or extending loans to property developers that violate laws and regulations such as: (i) holding idle land, (ii) changing the land use, (iii) delaying the commencement and completion of development, or (iv) intentionally holding properties for future sale, for the purpose of new property development; and
- increase the minimum down payment to at least 30 per cent. of the purchase price of the property.

On 2 November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20 per cent., where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30 per cent. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50 per cent., and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loans for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On 26 January 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) effective on the same date, as a general rule, municipalities, provincial capitals and cities with high housing prices shall make purchase restrictions for a specified period. In principle: (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (whether a new commodity residential house or a second hand one) and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the MLR and the MOHURD and effective on 19 July 2012, all local governments shall strictly enforce the macroeconomic policy on real estate property market. The grant of real estate property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (i) fail to pay land premium in time, (ii) leave the land idle, (iii) reserve lands for future development or speculation, (iv) commit to a construction scale beyond its actual development capacity, or (v) fail to perform land use contract.

The General Office of the State Council of China released the Circular to Further Enhance the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) on 26 February 2013, which requires the relevant government entities to strictly implement the existing policies while introducing a new series of cooling policies, both of which are intended to reduce speculation and control China's urban residential housing market.

On 29 September 2014, the PBOC and the CBRC issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知). The notice requires that: (i) for the first ordinary owner-occupied residential property, a 30 per cent. minimum down payment must be paid and the loan interest rate shall not be less than 0.7 times the benchmark lending rate; (ii) where a family that owns an existing property for which the property purchase loan has been paid up applies for a new loan to purchase the second set of ordinary owner-occupied residential property, banks shall adopt the lending policies applicable to the first ordinary owner-occupied property and (iii) in the cities where the residential property purchase restrictions have been cancelled or are not implemented, if a family that owns two or more properties for which the property purchase loans have been paid up applies for a new loan to purchase additional new property, banks shall determine the down payment ratio and the loan interest rate in a prudent manner based on the borrower's repayment capability, credit standing and other factors.

On 30 March 2015, the PBOC, the MOHURD and the CBRC issued the Circular on Issues Concerning Policies on Personal Housing Loan (中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知). Pursuant to the notice, where the commercial personal housing loan is used to buy the second ordinary self-use house for promoting the living conditions and in the meanwhile the loan used to buy the first self-use house has not been fully repaid, the down-payment proportion shall be no lower than 40 per cent.; where the personal housing provident fund loan is used to buy the first ordinary self-use house, the down-payment shall be no lower than 20 per cent.; where the personal housing provident fund loan is applied to buy a second house and who has fully repaid the loan in respect of the first house, the down-payment shall be no lower than 30 per cent..

On 30 March 2015, the Ministry of Finance issued the Notice concerning Adjustment of Business Tax Policies Applied on Individual Housing Transfer (關於調整個人住房轉讓營業稅政策的通知) which become effective on 31 March 2015, pursuant to which for the sale of an ordinary housing unit more than 2 years after the original purchase date, it shall be exempted from business tax.

On 24 September 2015, the PBOC and the CBRC jointly issued the Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving the Relevant Issues concerning the Differential Housing Credit Policy (中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知), which provides that in cities where "property purchase control measures" are not implemented the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of the first ordinary residential property is adjusted to 25 per cent..

On 29 September 2015, the MOHURD, Ministry of Finance and the PBOC jointly issued the Notice of the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and the People's Bank of China on Effectively Raising the Efficiency of Housing Provident Funds Use (住房和城鄉建設部、財政部、中國人民銀行關於切實提高住房公積金使用效率的通知), which took effect on 8 October 2015. The actual amount that can be borrowed by housing provident funds was increased. A city with districts where less than 85 per cent. of housing provident funds was used by the end of August 2015 shall take into comprehensive consideration the local housing price level, loan demand and borrowers' repayment abilities to increase the actual amount of personal housing loans that can be borrowed by housing provident funds. On the premise of ensuring the basic range of living standard of a borrower, the maximum monthly loan repayment by a borrower shall be controlled within the range of 50 per cent. to 60 per cent. of his/her monthly income. The loan repayment period may be extended to five years after a borrower's statutory retirement age, subject to a cap of 30 years. The business of monthly transfer of housing provident funds for loan service shall be pushed forward.

On 1 February 2016, the PBOC and the CBRC jointly issued the Circular of the People's Bank of China and China Banking Regulatory Commission on Issues Concerning Adjusting the Individual Housing Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知). This circular specifies that, in principle, in the cities where property purchase control measures are not implemented, the minimum down payment ratio of a personal housing commercial loan obtained by a household to finance the purchase of its first ordinary residential property shall be 25 per cent. of the purchase price. However, local authorities have been allowed to adjust such down payment ratio to 20 per cent.. Meanwhile, with respect to a household that already owns a residential property with unsettled personal housing commercial loan and applies for another personal housing commercial loan to purchase another ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio for such subsequent purchase shall be at least 30 per cent. of the corresponding purchase price.

On 10 October 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include but without limitation releasing false housing information and advertisements, maliciously pushing higher and artificially inflating house prices by spreading fabricated information on property price rises.

Since 2016, the PRC government has continuously strengthened regulations over the real estate market to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market under the principle that houses are for living in and not for speculative investment.

The MOHURD and the MLR jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) dated 1 April 2017 which provides, among others, that cities and counties that have

more than one million inhabitants should make three-year (2017-2019) and five-year (2017-2021) plans for housing land supply, and disclose the plan to the public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

On 19 May 2018, the MOHURD issued the Circular on Relevant Issues Concerning Further Works of Regulation and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provided for various broad directives and measures to strengthen regulations over, and to promote the healthy development of, the real estate market, including, (i) to continuously strengthen regulations over the real estate market and adhere to the principle that houses are for living in and not for speculative investment etc., (ii) to accelerate the formulation and implementation of housing development plan, (iii) to accelerate the adjust of the structure of housing and land supply, (iv) to effectively strengthen the monitoring and verification of the funds for housing purchase, (v) to enhance the punishments of violations of laws and regulations by real estate companies and intermediary agencies, (vi) to strengthen public opinion guidance and anticipation management, and (vii) to enhance the evaluation of the performance of duties by the local governmental authorities.

On 30 December 2020, the PBOC and the CBIRC jointly issued the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知) which becomes effective from 1 January 2021. This notice classifies the banks into five categories and set the upper limits on the proportion of real estate loans and the proportion of personal housing loans according the classification, the former being 40% and the latter being 32.5%, which is subject to certain range of adjustment based on the characteristics of the local economic and financial development level.

## **Regulation of Foreign Currency Exchange and Dividend Distribution**

### ***Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in the PRC are the Regulations of the PRC on Foreign Exchange (中華人民共和國外匯管理條例, the “**Foreign Exchange Regulations**”), promulgated by the State Council on 29 January 1996, as amended on 14 January 1997 and on 5 August 2008. Under the Foreign Exchange Regulations, a domestic institution or individual makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at SAFE. If the relevant state provisions require it to get the approval of the competent department or archive the issue with the competent department, it shall do so before handling the registration formalities. The State shall implement the scale management of foreign debts. Any institution or individual borrowing foreign debts shall abide by the relevant State provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. SAFE shall take charge of collecting statistical data about and monitoring the foreign debts of the whole nation, and publish the foreign debt situations on a regular basis.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). On 4 July 2014, SAFE promulgated the Circular on the Relevant Matters Concerning Foreign

Exchange Administration on Outbound Investment/Financing and Round-Tripping Investment through Special Purpose Companies by Domestic Residents (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, hereinafter referred to as “**Circular 37**”). Circular 37 supersedes the aforesaid notice of 2005. According to Circular 37, “special purpose vehicle” refers to an offshore company directly established or indirectly controlled by PRC residents (including PRC entities or PRC individuals) using the assets or rights and interests which they lawfully own in a company in China, or the assets or rights and interests which they lawfully own offshore, for the purpose of engaging in investment or financing activities. The definition of “round-tripping investment” under Circular 37 is broad as it refers to the direct investment activities conducted by PRC residents through a SPV, either directly or indirectly, including establishing foreign invested enterprises or projects in the PRC by way of new establishment, merger and acquisition and so forth, and obtaining rights and interests therein such as ownership, control, operating and management rights and so forth. Under Circular 37, SAFE registration is required to be completed before the injection of assets or interests into the “special purpose vehicle”.

On 1 September 2006, the Ministry of Construction and SAFE promulgated the Notice on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) as amended on 4 May 2015. This notice states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank, and the remitted funds shall be directly remitted by the bank to the CNY account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises, (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in CNY back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank, (iii) when selling real estates in the PRC and the purchase price received in CNY is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of SAFE, and (iv) if the relevant land use right certificate has not been obtained or the paid-in capital is less than 35 per cent. of the total investment amount of the project, a foreign-invested real estate enterprise is prohibited from borrowing any foreign loans from any foreign lenders and SAFE shall not approve the settlement of any foreign loans.

On 30 March 2015, SAFE promulgated Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) (“**Circular 19**”), which became effective on 1 June 2015 and was later amended on 30 December 2019. On 9 June 2016, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Management Policies Regarding the Settlement under Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“**Circular 16**”). Pursuant to Circular 19 and Circular 16, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement, which refers to that the foreign exchange capital in the capital account of foreign-invested enterprises can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100 per cent.. SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments.

On 25 September 1996, the PBOC issued the Measures for the Administration of Foreign Security by Domestic Institutions (境內機構對外擔保管理辦法) The said measures were abolished by the PBOC in 2014.

The Foreign Exchange Administrative Rules on Cross-border Security (跨境擔保外匯管理規定) (“**Circular 29**”) was issued by SAFE on 12 May 2014 and became effective on 1 June 2014. The Implementing Rules of the Administration of Foreign Security by Domestic Institutions (境內機構對外擔保管理辦法實施細則) and the Notice on Administration of Foreign Security by Domestic Institutions (國家外匯管理局關於境內機構對外擔保管理問題的通知) were abolished at the same time.

Under Circular 29, cross-border security (including guarantees, mortgages and pledges etc. for the purpose of Circular 29) will be classified into three categories: (i) onshore security and offshore lending (內保外貸), (ii) offshore security and onshore lending (外保內貸) and (iii) other cross-border security (其他形式跨境擔保).

The onshore security and offshore lending (內保外貸) arrangement will refer to a circumstance where the guarantor or security provider is a PRC entity and the beneficiary (creditor) and the party whose debt obligations is guaranteed/secured are offshore entities. In respect of such arrangement, Circular 29 sets forth that:

- PRC financial institutions, non-financial institutions and individuals may provide onshore securities to support offshore lending. They will need only to file with or report to SAFE (instead of prior approval).
- The funds so raised shall not be used by the party whose debt obligations is guaranteed/secured to engage in businesses outside its normal business scope. Such funds may not be repatriated for domestic use directly or indirectly by means of equity, debt, other investments, etc.

Under an offshore security and onshore lending (外保內貸) arrangement, the guarantor or security provider will be an offshore entity and the beneficiary (creditor) and the party whose debt obligations is guaranteed/secured will be both PRC entities. According to Circular 29, a PRC company may obtain a guarantee or security from an offshore entity for its onshore debts only if the lender of the onshore debt will be a PRC financial institution and such borrower will be a non-financial institution and such onshore debts will be loan debts (excluding entrusted loans).

Circular 29 provides that, in respect of other cross-border security (其他形式跨境擔保) which are in compliance with applicable laws and Circular 29, no filings with or reporting to SAFE will be necessary unless otherwise expressly required by SAFE.

On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“SAFE Circular 3”), which removes certain restrictions on the use of proceeds raised under an onshore security and offshore lending (內保外貸) structure and generally allows the proceeds raised under an onshore security and offshore lending (內保外貸) structure to be repatriated onshore and used in the PRC by way of loans and equity investments directly or indirectly.

### ***Dividend Distribution and Remittance***

The principal PRC regulations governing the distribution of dividends by PRC subsidiaries are: (i) the Company Law of the People’s Republic of China (中華人民共和國公司法), promulgated by the Standing Committee of the NPC on 29 December 1993, as most recently amended on 26 October 2018 and (ii) the Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法) (the “**Foreign Investment Law**”) promulgated by the Standing Committee of the NPC on 15 March 2019 and effective on 1 January 2020, which replaced the Wholly Foreign-Owned Enterprise Law of the People’s Republic of China (中華人民共和國外資企業法), the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) and the Law of the People’s Republic of China on Sino-foreign Co-operation Joint Ventures (中華人民共和國中外合作經營企業法) and their Implementation Regulation as of 1 January 2020 in principles

Under these PRC laws and regulations, subsidiaries in the PRC may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a subsidiary in the PRC is required to, after making up losses (including losses in previous years, if any), set aside at least 10.0 per cent. of its after-tax income each year, if any, to fund a reserve fund until

the accumulated reserve amounts to 50.0 per cent. of its registered capital. It is also required for subsidiaries that are foreign invested enterprises to set aside funds for the employee bonus and welfare fund or discretionary common reserve from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends. In addition, under the EIT Law and its implementing regulations, dividends received by a PRC non-resident enterprise from its direct equity investment in PRC resident enterprises shall be subject to withholding of PRC enterprise income tax at the rate of 10% or a preferential rate if tax treaty benefits are available, and the dividends (not including investment income from stocks issued publicly by other PRC resident enterprises and traded on stock exchanges where the holding period is less than 12 months consecutively) received by a PRC resident enterprise from its direct equity investment in other PRC resident enterprises shall be exempted from enterprise income tax.

Pursuant to the Circular on Further Improving and Adjusting Foreign Exchange Policies for Capital Accounts (國家外匯管理局關於進壹步改進和調整資本項目外匯管理政策的通知) issued by SAFE on 10 January 2014 and Circular on Further Promoting Trade and Investment Facilitation and Improving Authenticity Review (國家外匯管理局關於進一步促進貿易投資便利化完善真實性審核的通知) issued by SAFE on 26 April 2016 and SAFE Circular 3, in the case of any remittance of dividends of more than US\$50,000, certain documents, including the evidence that the relevant PRC taxes have been paid (the original of the tax record-filing form), resolution of the board of directors (or resolution of partners) for profit distribution and audited financial statements, shall be presented to the designated foreign exchange bank, while in the case of any remittance of dividends of US\$50,000 or less, the designated exchange bank, in principle, is not required to review relevant transaction documents (交易單證) unless the nature of such foreign exchange remittance is unclear.

#### ***Shareholder Loan and Foreign Debt***

A shareholder loan made by foreign investors as shareholders to foreign invested enterprises is regarded as foreign debt in the PRC, which is subject to a number of PRC laws and regulations, including the Foreign Exchange Regulations (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, as amended on 14 January 1997 and on 5 August 2008; the Statistical Monitoring of Foreign Debts Tentative Provisions (外債統計監測暫行規定) promulgated by SAFE and effective on 27 August 1987 and later amended on 29 November 2020 and the Detailed Rules for the Implementation of Statistics and Supervision of Foreign Debts (外債統計監測實施細則) promulgated by SAFE on 24 September 1997 and effective on 1 January 1998; the Regulations of Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the PBOC on 20 June 1996 and effective on 1 July 1996; and the Administrative Measures for the Registration of Foreign Debt and the Operational Guidelines for the Registration of Foreign Debt (外債登記管理辦法和外債登記管理操作指引) (the “**SAFE Measures**”) issued by SAFE on 28 April 2013 as amended on 4 May 2015; the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “**NDRC Circular**”) issued by the NDRC on 14 September 2015; the Circular of the People’s Bank of China on Matters relating to the Macro-prudential Management of Full-covered Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (“**PBOC Circular 9**”) issued by the PBOC in January 2017.

Under the SAFE Measures, a shareholder loan of a foreign debt nature made to foreign invested enterprises does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branch in accordance with relevant PRC laws and regulations. Foreign debts obtained by foreign invested enterprises are capped at the percentage of foreign capital injected multiplied by the difference between their respective amounts of “total investment” and “registered capital” as approved by the Ministry of Commerce of the People’s Republic of China or its local counterparts. “Total investment” is the projected amount of funds necessary for a foreign-invested enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, whereas, “registered capital” refers to the equity or capital contributions to be paid



in full by the foreign investors and their Chinese partners (if any). In addition, pursuant to the SAFE Measures, a foreign-invested real estate enterprise is prohibited from raising any foreign debt if (i) it was established on or after 1 June 2007; (ii) the relevant land use right certificate has not been obtained or the paid-in capital is less than 35 per cent. of the total investment amount of a project; or (iii) it fails to satisfy certain requirements related to the difference between their respective amounts of “total investment” and “registered capital”.

The NDRC Circular applies to the offshore bonds or loans with a maturity of more than one year, regardless of whether they are denominated in RMB or a foreign currency, that are issued by an onshore entity or its controlled offshore branches and subsidiaries, including international bond issuances and mid-and long-term international commercial loans.

Under PBOC Circular 9, non-financial institutions and financial institutions with legal person status incorporated in the PRC are permitted to incur foreign debts, provided that their cross-border financings risk-weighted balance (跨境融資風險加權餘額) does not exceed their individually calculated cross-border financing risk-weighted balance ceiling (跨境融資風險加權餘額上限). Pursuant to PBOC Circular 9, foreign-invested enterprises (excluding foreign-invested real estate enterprises) and foreign financial institutions are granted a one-year transitional period from the date of issue of PBOC Circular 9, during which they may either: (i) opt into the foreign debt quota regime under the PBOC Circular 9; or (ii) stick to the current foreign debt quota regime. Upon expiration of the transitional period, PBOC Circular 9 shall be applied to foreign financial institutions automatically, whilst the applicable regime of cross-border financing on foreign-invested enterprises will be decided by the PBOC and SAFE after evaluation of the roll out of the new regime (while the PBOC and SAFE have not promulgated the regulatory regime of cross-border financing on foreign-invested enterprises to date and there have been pilot policies in pilot areas which allow foreign-invested enterprises to change from the current foreign debt quota regime to the foreign debt quota regime under the PBOC Circular 9). Please also note that PBOC Circular 9 is not applicable to government financing platforms and real estate enterprises.

## **PRC Taxation**

### ***Enterprise Income Tax***

According to the EIT Law, a uniform income tax rate of 25 per cent. is applied equally to domestic enterprises, foreign invested enterprises and the institutions or establishments set up by non-PRC resident enterprises in China. Pursuant to the EIT Law, dividends and interests payable to a non-PRC resident enterprise are subject to a 20 per cent. withholding tax, the percentage of which was reduced to 10 per cent. in accordance with the Implementation Rules of EIT Law (see the below paragraph), unless the jurisdiction of incorporation for the foreign investor has a tax treaty with China that provides for a different withholding arrangement or such enterprises qualify for certain exemptions or enjoy preferential treatment.

According to the Implementation Rules of the PRC on the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) (the “**Implementation Rules of EIT Law**”) promulgated by the State Council on 6 December 2007 and effective 1 January 2008, as amended on 23 April 2019, a reduced income tax rate of 10 per cent. is applicable to any dividends payable to non-PRC resident enterprises from foreign-invested enterprises. The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transiting to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On 26 December 2007, the State Council issued the Circular to Implement the Transitional Preferential Policies for the Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知) with effect on the same date,

under which, for those enterprises then entitled to a preferential income tax rate of 15 per cent. and established before 16 March 2007, the transition income tax rate should be 22 per cent., 24 per cent. and 25 per cent., respectively, in 2010, 2011 and 2012.

Non-PRC resident enterprises, except for its institutions or establishments in China, directly owning and realising rental income or gains from Chinese real estate are taxable on their income and gains on a gross income withholding basis. The rate is 10 per cent. under the Implementation Rules of EIT Law.

Under the EIT Law, enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to the uniform 25 per cent. EIT rate on their global taxable income. The Implementation Rules of EIT Law defines “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, properties, etc. of an enterprise”. The State Administration of Taxation of the PRC promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) on 22 April 2009, as amended on 29 December 2017, which further defines in detail the term “de facto management bodies” in respect of an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder. However, no further detailed definition of “de facto management bodies” is provided for enterprises established offshore by private individuals or foreign enterprises.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), dividend payments to shareholders in Hong Kong would be withheld at a rate of 5 per cent. if their investment ratio in invested entities in the PRC is above 25 per cent., or 10 per cent. if their investment ratio in invested entities in the PRC is below 25 per cent.

#### **VAT**

According to Circular 36, VAT replaces business tax as of 1 May 2016 and VAT is applicable where entities or individuals provide taxable services related to value-added tax within the PRC. Provision of loans is a type of financial service and is subject to VAT at 6 per cent.

According to the Provisional Regulations on the Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) which was revised by the State Council on 19 November 2017 and came into effect on the same date, organizations or individuals who sell commodities, provide processing, repairing or replacement services, or other services, intangible assets or real property in PRC, or import commodities within PRC’s territories are subject to VAT. Under the said regulations, rental income derived from the leasing or sales of real estates is subject to VAT at a tax rate of 11.0% for general taxpayers while subject to VAT at a levy rate of 3% for small-scale taxpayers.

According to a decision made at a State Council executive meeting on 28 March 2018, starting from 1 May 2018, the tax rate of VAT has been lowered from 17 per cent. to 16 per cent. for manufacturing and some other industries, and from 11 per cent. to 10 per cent. for transportation, construction, leasing or sales of real estates, basic telecommunication services and some other industries and agricultural products.

According to the Announcement on Relevant Policies for Deepening Value-added Tax Reform (關於深化增值稅改革有關政策的公告) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019, starting from 1 April 2019, the tax rate of VAT has been further lowered from 16 per cent. to 13 per cent. for manufacturing and some other industries, and from 10 per cent. to 9 per cent. for transportation, construction, leasing or sales of real estates, basic telecommunication services and some other industries and agricultural products.

## ***Deed Tax***

Pursuant to the Provisional Regulations of the People's Republic of China On Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on 7 July 1997 and effective from 1 October 1997, as amended on 2 March 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of Deed Tax at a rate of 3 per cent. to 5 per cent. of the purchase price. The relevant local PRC government entities may, within the Deed Tax range, determine and report their effective tax rates to the Ministry of Finance and the SAT. The Deed Tax rate applicable in Guangdong Province is 3 per cent. pursuant to the Implementing Rules of Guangdong Province on Deed Tax (廣東省契稅實施辦法) issued by the Guangdong Provincial Government on 10 June 1998. The Deed Tax rate applicable in Shanghai Municipality is 3 per cent. pursuant to the Several Opinions on the Carrying Out the Provisional Regulations of the People's Republic of China on Deed Tax in Shanghai Municipality (關於本市貫徹《中華人民共和國契稅暫行條例》的若干意見) issued by the Shanghai Municipal Government on 28 April 2020 and effective from 1 May 2020. The Deed Tax rate applicable in Hubei Province is 4 per cent. pursuant to the Implementing Rules of Hubei Province on the Administration of Deed Tax Collection (湖北省契稅徵收管理實施辦法) issued by the Hubei Provincial Government on 21 February 2000. The Deed Tax rate applicable in Zhejiang Province is 3 per cent. pursuant to the Implementing Rules of Zhejiang Province on the Implementation of the Provisional Regulations of the People's Republic of China on Deed Tax (浙江省實施《中華人民共和國契稅暫行條例》辦法) issued by the Zhejiang Provincial Government on 28 December 2015.

However, the rate of Deed Tax applicable to the case that an individual purchases an house shall be subject to a series of rules enacted for the purpose of stabilising housing price, including the Circular on the Adjustments to Taxation on Real Property Transactions (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 22 October 2008 which took effect on 1 November 2008, the Circular on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property (財政部、國家稅務總局、住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the MOHURD on 29 September 2010 which took effect on 1 October 2010 and the Circular on Adjustment of Preferential Policies Regarding Deed Tax and Business Tax Incurred in Transfer of Real Property (財政部、國家稅務總局、住房城鄉建設部關於調整房地產交易環節契稅、營業稅優惠政策的通知) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the MOHURD on 17 February 2016 which took effect on 22 February 2016.

Furthermore, the Law of the People's Republic of China on Deed Tax (中華人民共和國契稅法) has been promulgated by the Standing Committee of the NPC on 11 August 2020 and will come into effect on 1 September 2021. The Provisional Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) will be abolished at the same time.

## ***Real Estate Tax***

Pursuant to the Provisional Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例) issued by the State Council on 15 September 1986 (with effect from 1 October 1986) and amended on 8 January 2011, the Real Estate Tax applies to real estate owners, with varying rates and computation methods. For self-use properties that are not held solely for investment, the Real Estate Tax is 1.20 per cent. of the adjusted cost (with a 10.0 per cent. to 30.0 per cent. deduction from original cost) of the property. The relevant deduction rate is 30.0 per cent. in Guangzhou pursuant to the Implementing Rules of Guangdong Province Regarding Real Estate Tax (廣東省房產稅施行細則) issued by the Guangdong Provincial Government on 31 December 1986. Where properties are held for lease, the tax is imposed at a rate of 12.0 per cent. (or 4 per cent. for individual owners under the lease) on annual rental income. The following categories of buildings shall be exempt from Real Estate Tax: (i) a building of governmental agencies, people's organisations and the armed forces for their own uses, (ii) a building of institutions whose operating expenses are allocated by State finance departments for their own uses,

(iii) a building of religious temples and shrines' parks and places of historic interest and scenic beauty for their own uses, (iv) a building owned by individuals for non-business purposes and (v) tax exemption approved by the Ministry of Finance for other buildings.

According to the Circular on Issues Relating to Assessment of Real Estate Tax against Foreign-invested Enterprises and Foreign Individuals (財政部、國家稅務總局關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Tax on 12 January 2009, foreign-invested enterprises, foreign enterprises and foreign individuals have been levied Real Estate Tax since 1 January 2009.

However, Real Estate Tax on part of individual residential properties has been levied on a trial basis in some cities, such as Shanghai Municipality and Chongqing Municipality.

### ***Urban Land Use Tax***

Pursuant to the Provisional Regulations of the People's Republic of China on Land Use Tax with respect to Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988 and as amended on 31 December 2006, on 7 December 2013 and on 2 March 2019, the Urban Land Use Tax with respect to urban land is levied according to the area of relevant land. Urban Land Use Tax shall be collected from domestic enterprises and individuals, foreign companies and foreign-invested enterprises, which enjoy land use rights in respect of land in cities, county towns, administrative towns and industrial and mining districts. The annual tax on every sq.m. of urban land shall be from RMB0.6 to RMB30.0. The specific rates will be determined by the local authorities, depending on the size of their locations, taking into account the local economies and property prices.

### ***Stamp Duty***

Under the Provisional Regulations of the People's Republic of China on Stamp Duty (印花稅暫行條例) promulgated by the State Council on 6 August 1988 and amended with effect on 8 January 2011, for building property transfer instruments, including those with respect to property ownership transfer, the duty rate shall be 0.05 per cent. of the amount stated therein; for building leases, the duty rates is 0.1 per cent. of the rental; for permits and certificates relating to rights, including property title certificates and land use rights certificates, Stamp Duty shall be levied on an item basis of RMB5 per item.

According to the Circular on the Adjustments to Taxation on Real Property Transactions (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 22 October 2008 which took effect on 1 November 2008, the selling or purchase of houses by individuals is exempted from paying Stamp Duty.

### ***Municipal Maintenance Tax***

Under the PRC Provisional Regulations on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 and amended with effect on 8 January 2011, any taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of consumption tax, value-added tax and business tax. The tax rate is 7 per cent. for a taxpayer whose domicile is in an urban area, 5 per cent. for a taxpayer whose domicile is in a county or a town, and 1 per cent. for a taxpayer whose domicile is not in any urban area or county or town.

Foreign-invested enterprises, foreign enterprises and foreign individuals were exempted from such tax before 1 December 2010. On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which provides that from 1 December 2010, the PRC Provisional Regulations on Municipal

Maintenance Tax promulgated in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals. Laws, regulations, rules and policies on municipal maintenance tax promulgated by the State Council and the competent finance and tax authorities of the State Council since 1985 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

Furthermore, the Law of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅法) has been promulgated by the Standing Committee of the NPC on 11 August 2020 and will come into effect on 1 September 2021. The PRC Provisional Regulations on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) will be abolished at the same time.

### ***Education Surcharge***

Under the Provisional Regulations on Imposition of Education Surcharge (徵收教育費附加的暫行規定), promulgated by the State Council on 28 April 1986 and amended on 7 June 1990, on 20 August 2005 and on 8 January 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for education surcharge, unless such taxpayer is required to pay rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知) promulgated and effective on 13 December 1984. The education surcharge rate is 3 per cent. calculated on the basis of consumption tax, value-added tax and business tax.

Foreign-invested enterprises, foreign enterprises and foreign individuals were exempted from such surcharge before 1 December 2010. On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which provides that from 1 December 2010, the Provisional Regulations on Imposition of Education Surcharge promulgated in 1986 shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals. Laws, regulations, rules and policies on education surcharge promulgated by the State Council and the competent finance and tax authorities of the State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

### ***Local Educational Surcharge***

Under the Notice to Unify the Issues on Policies of Levying Local Educational Surcharge (財政部關於統一地方教育附加政策有關問題的通知), similar to education surcharge, local educational surcharge is calculated and levied at 2% on the basis of consumption tax, value-added tax and business tax.

### ***Land Appreciation Tax***

Under the Provisional Regulations of the People's Republic of China On Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on 13 December 1993 with effected from 1 January 1994 as subsequently amended on 8 January 2011, Land Appreciation Tax is levied on certain gains realised from real property transactions at progressive rates from 30% to 60%, based on the "appreciation amount" which is the consideration amount received from the transfer of land use rights, buildings or other facilities on such land less the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and ancillary facilities;

- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- other deductible items allowed by the Ministry of Finance.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT, the Arrangers, the Dealers nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.*

### **British Virgin Islands**

No stamp duties or similar documentary taxes imposed by or in the British Virgin Islands are payable by the Issuer. The Issuer will not be required by any laws of the British Virgin Islands to make any deduction or withholding from any payment it may make.

Notwithstanding any provision of the Income Tax Ordinance of the British Virgin Islands, (a) the Issuer; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer; and (c) capital gains realised with respect to any shares, debt obligations or other securities of the Issuer, are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. The British Virgin Islands currently levies no estate, inheritance, succession or gift tax with respect to any shares, debt obligations or other securities of the Issuer.

### **Hong Kong**

#### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

#### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits tax arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112)) of Hong Kong (the "IRO") and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

As at the date of this Offering Circular, Hong Kong profits tax is imposed at the rate of 16.5 per cent. on corporations and 15.0 per cent. on unincorporated businesses. In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### **Stamp Duty**

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “SDO”)).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes, it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.



## United States

### *Foreign Account Tax Compliance Act (“FATCA”) Withholding Tax*

Subject to the proposed Treasury Regulations specified below, pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including BVI) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, the U.S. Treasury has issued Treasury Regulations pursuant to which such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

The Dealers have, in an amended and restated dealer agreement dated 22 January 2021 (the “**Dealer Agreement**”), agreed with the Issuer and the REIT Manager, a basis upon which they or any of them may from time to time agree to subscribe for the Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes”. The Issuer (failing which, the REIT Manager) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the REIT Manager) has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Dealer Agreement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer’s agents. The Dealers may also offer and sell Notes through certain of their affiliates.

In connection with the issue of any Tranche of the Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager**”) in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) may, to the extent permitted by applicable laws and directives, overallocate the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer, REIT Manager or the Guarantor. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallocation or stabilisation shall be for the account of the Dealers.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Dealers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer, the REIT Manager, the Guarantor and/or their respective subsidiaries or affiliates for which they have received, or will receive, fees and expenses.

In connection with the offering of each Tranche of the Notes issued under the Programme, the Dealers and/or their respective affiliates, or affiliates of the Issuer, the REIT Manager and/or the Guarantor, may act as investors and place orders, receive allocations and trade such Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, the REIT Manager, the Guarantor and/or their respective subsidiaries or affiliates, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of such Tranche of the Notes should be read as including any offering of such Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuer, the REIT Manager and/or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of such Notes may be impacted.

Furthermore, it is possible that a significant proportion of a Tranche or Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained. The Issuer, the REIT Manager, the Guarantor and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the REIT Manager, the Guarantor and/or their respective subsidiaries or affiliates, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, the REIT Manager, the Guarantor and/or their respective subsidiaries or affiliates, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer, the REIT Manager, the Guarantor and/or their respective subsidiaries or affiliates.

## **Selling Restrictions**

### ***British Virgin Islands***

Each Dealer has represented and agreed that it has not made and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands.

### ***United States of America***

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act. Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the U.S. or to U.S. persons. Each of the Dealers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver a Note in bearer form within the U.S. or to U.S. persons except as permitted by the Dealer Agreement.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement:

- (a) The Notes have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.
- (b) Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.
- (c) Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the U.S. by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### ***Prohibition of Sales to EEA Retail Investors***

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

#### ***Public Offer Selling Restriction under the Prospectus Regulation***

If the Pricing Supplement in respect of any Notes specifies “the Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “**Relevant State**”), each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

#### ***Prohibition of Sales to UK Retail Investors***

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***Public Offer Selling Restriction under the UK Prospectus Regulation***

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time, to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (c) at any time, to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time, in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000 (the “**FSMA**”),

provided that no such offer of Notes referred in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

### ***The United Kingdom***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Hong Kong***

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the SFO, other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***People’s Republic of China***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People’s Republic of China.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## *Singapore*

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.



*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

### **General**

None of the Issuer, the REIT Manager, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer, the REIT Manager, the Guarantor and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

The distribution of this Offering Circular, any Pricing Supplement or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, any Pricing Supplement or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular, any Pricing Supplement or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Relevant Dealers or any affiliate of the Relevant Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Relevant Dealer or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

## GENERAL INFORMATION

### Listing

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange.

### Authorisation

Each of the Issuer, the REIT Trustee and the REIT Manager has obtained all necessary consents, approvals and authorisations in Hong Kong and in the British Virgin Islands in connection with the establishment and update of the Programme, the issue and performance of any Notes under the Programme and the giving of the Guarantee. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer passed on 20 March 2013 by resolutions of the board committee of the REIT Manager passed on 20 March 2013 and by resolutions of the Board of the REIT Manager passed on 20 March 2013. The latest update of the Programme was authorised by resolutions of the board of directors of the Issuer passed on 20 January 2021, by resolutions of the board committee of the REIT Manager passed on 20 January 2021, and by resolutions of the Board of the REIT Manager passed on 20 January 2021. Pursuant to resolutions of the board of the REIT Trustee passed on 14 January 2008, the REIT Trustee is authorised to do all such things (including the giving of the Guarantee) in relation to any document executed by the REIT Trustee (on behalf of and as trustee for Yuexiu REIT), which would include the giving of the Guarantee.

### Legal and Arbitration Proceedings

From time to time, the Issuer, the REIT Trustee, the REIT Manager, Yuexiu REIT or any other members of the Group may be involved in litigation that arise during the ordinary course of business. However, none of the Issuer, the Guarantor, the REIT Manager, Yuexiu REIT or any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which any of them is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial condition or profitability of the Issuer, the Guarantor, Yuexiu REIT or the Group.

### No Material Adverse Change

Since 31 December 2019, save as disclosed in this Offering Circular, there has been no material adverse change or development or event involving a prospective change, in the condition (financial or otherwise) prospects, results of operations or general affairs of the Issuer, the Guarantor, Yuexiu REIT or the Group.

### Auditor

PricewaterhouseCoopers, Certified Public Accountants, the independent auditor of Yuexiu REIT, has audited Yuexiu REIT's consolidated financial statements as at and for the years ended 31 December 2018 and 2019 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

PricewaterhouseCoopers, Certified Public Accountants, the independent auditor of Yuexiu REIT, has reviewed Yuexiu REIT's interim condensed consolidated financial statements as at and for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

## **Documents on Display**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays and public holidays excepted) at the Issuer's registered office at 17B Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong and, in the case of the documents at (iii)-(vi) below and subject to the same being provided to the Trustee by the Issuer, at the principal place of business of the Trustee (being at the date of this Offering Circular at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong), for so long as the Notes are capable of being issued under the Programme:

- (i) the memorandum and articles of association of the Issuer;
- (ii) copies of the latest annual report and audited annual consolidated financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of Yuexiu REIT;
- (iii) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is not published will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent as to its holding of Notes and identity);
- (iv) a copy of this Offering Circular together with any supplement to this Offering Circular;
- (v) the Amended and Restated Trust Deed dated 22 January 2021; and
- (vi) the Amended and Restated Agency Agreement dated 22 January 2021.

## **Clearing of the Notes**

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and the CMU. The appropriate common code, International Securities Identification Number and CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

## DEFINITIONS

In this Offering Circular (other than in the Terms and Conditions of the Notes and the Form of Pricing Supplement), the following expressions have the meanings set out below unless the context otherwise requires:

Adjustments	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Distribution Policy”
Advisor	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Property Management — Guangzhou IFC — Hotel Management Agreement and Ancillary Agreements”
Agents	Citibank, N.A., London Branch, Citicorp International Limited and Citigroup Global Markets Europe AG, and each an “ <b>Agent</b> ”
Alternative Clearing System	has the meaning given to this term in the section headed “Summary of Provisions Relating to the Notes while in Global Form — Relationship of Accountholders with Clearing System”
Ancillary Agreements	the Hotel Pre-Opening Services Agreement, Hotel Pre-opening Purchasing Services Agreement, Hotel Services Agreement, Hotel Licence Agreement and Hotel Advisory Agreement, which are contemplated under and entered into on or about the same time as the Hotel Management Agreement
Arrangers and Dealers	DBS Bank Ltd., CCB International Capital Limited, ABCI Capital Limited, Bank of China (Hong Kong) Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Chong Hing Bank Limited, CMB International Capital Limited, CMBC Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and Yue Xiu Securities Company Limited
Ascott	Ascott Property Management (Shanghai) Limited
Board	has the meaning given to this term in the section headed “Management The Board”
CBD	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Diversified and strategically located property portfolio with landmark assets”
Circular 16	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution — Foreign Currency Exchange”
Circular 19	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution — Foreign Currency Exchange”

Circular 29	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution — Foreign Currency Exchange”
Circular 36	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
Circular 37	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution — Foreign Currency Exchange”
City Development Plaza Carpark Spaces	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Overview”
City Development Plaza Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — City Development Plaza Property”
Clearing System Business Day	has the meaning given to this term in the section headed “Summary of Provisions Relating to the Notes While in Global Form”
connected person	has the meaning as defined in paragraph 8.1 of the REIT Code
Deed of Top-up Payments	has the meaning given to this term in the section titled “Description of Yuexiu REIT — The Portfolio — Deed of Top-up Payments”
Deferred Units	has the meaning given to this term in the section titled “Description of Yuexiu REIT — The Portfolio — Deferred Units”
Deferred Units Adjustment Events	has the meaning given to this term in the section titled “Description of Yuexiu REIT — The Portfolio — Deferred Units”
Depreciation Charge Adjustment	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Distribution Policy”
Directors	the directors of the REIT Manager
EIT Law	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
ESG	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Environmental and Safety Matters”
Estimated Outstanding Construction Costs	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Material Agreements Relating to Guangzhou IFC”
FCA Announcement	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the Structure of a Particular Issue of Notes”
FED	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the Investments in Real Estate”

Foreign Exchange Regulations	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution — Foreign Currency Exchange”
Fortune Plaza Carpark Spaces	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Overview”
Fortune Plaza Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Fortune Plaza Property — Overview”
Four Seasons	Four Seasons Hotels Limited
Four Seasons Group	Four Seasons Hotels and Resorts Asia Pacific Pte. Ltd., a corporation incorporated under the laws of Singapore, having its registered office at 1 Orchard Spring Lane #04-01, Tourism Court, Singapore, 247729, and its affiliates
GCCD	廣州市城市建設開發有限公司 (Guangzhou City Construction & Development Co., Ltd.), a company incorporated in the PRC which is indirectly owned as to 95% by Yuexiu Property and as to 5% by the GZIFC Company Minority Shareholder
GDP	gross domestic product
GFA	gross floor area
GOP	gross operating profit, which, in relation to the Hotel and the Serviced Apartments, means the amount computed by deducting the cost and expense of maintaining, conducting and supervising the operation of the Hotel and the Serviced Apartments from all revenues and income of any kind derived directly or indirectly from the operation of the Hotel and the Serviced Apartments, in accordance with the Hotel Management Agreement and the Serviced Apartments Management Agreement, respectively. Pursuant to such agreements, the expenses referred to above exclude (amongst others) taxes, insurance premium and management fees
Group	the companies which are, from time to time, directly or indirectly owned and controlled by the REIT Trustee
Group Companies	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to Yuexiu REIT’s Organisation and Operations — Claims by Noteholders are structurally subordinated to those of the Group Companies”
Guangzhou IFC	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC”
Guangzhou IFC Acquisition Circular	the circular of Yuexiu REIT dated 30 June 2012, filed with the Hong Kong Stock Exchange, in relation to, among other things, the acquisition of Guangzhou IFC by Yuexiu REIT
Guarantor	the REIT Trustee in its capacity as guarantor

GZIFC Company Minority Shareholder	廣州市城市建設開發集團有限公司 (Guangzhou City Construction & Development Group Co., Ltd.), a company incorporated in the PRC which owns 1% of the equity interest of the Project Company
GZIFC Property Management Agreement	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Property Management Agreement”
GZ Yuexiu	Guangzhou Yuexiu Holdings Limited (廣州越秀集團股份有限公司)
Hangzhou Victory Business Center	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Hangzhou Victory Business Center — Overview”
HKFRS	has the meaning given to this term in the section headed “Information Incorporated by Reference”
HKICPA	has the meaning given to this term in the section headed “Information Incorporated by Reference”
Hotel	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC — Overview”
Hotel Advisory Agreement	the hotel advisory agreement dated 4 August 2009 entered into between Four Seasons Group and the Project Company
Hotel Licence Agreement	the hotel licence agreement dated 4 August 2009 entered into between Four Seasons Group and the Project Company
Hotel Management Agreement	the hotel management agreement dated 4 August 2009 between the Project Company and the Hotel Manager, in respect of the Hotel
Hotel Manager	FS Guangzhou B.V., a member of the Four Seasons Group
Hotel Pre-opening Purchasing Services Agreement	the hotel pre-opening purchasing services agreement dated 4 August 2009 entered into between Four Seasons Hotel Limited and the Project Company
Hotel Pre-Opening Services Agreement	the hotel pre-opening purchasing services agreement dated 4 August 2009 entered into between Four Seasons Hotel Limited and the Project Company
Hotel Services Agreement	the hotel services agreement dated 4 August 2009 entered into between Four Seasons Hotel Limited and the Project Company
IFC Grade A Offices	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC — Overview”
IFC Operating Company	廣州越秀資產管理有限公司 (Guangzhou Yuexiu Asset Management Company Limited), a company incorporated in the PRC and which is a connected person

IFC Retail Mall	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC”
IGAs	has the meaning given to this term in the section headed “Taxation — United States — Foreign Account Tax Compliance Act (“FATCA”) Withholding Tax”
IIT Law	has the meaning given to this term in the section headed “Taxation — PRC — Enterprise Income Tax”
Implementation Rules of EIT Law	has the meaning given to this term in the section headed “Description of Yuexiu REIT — PRC Taxation — Enterprise Income Tax”
Independent Property Valuer	means the independent property valuer appointed by Yuexiu REIT in accordance with the REIT code, being Savills Valuation and Professional Services Limited for the purposes of the valuation conducted as of the Valuation Reference Date
Independent Third Party	means persons who, so far as the REIT Manager is aware, after due enquiry, are not connected persons of Yuexiu REIT or Yuexiu Property and who are parties independent of Yuexiu REIT, Yuexiu Property and their respective connected persons and are not acting in concert with Yuexiu Property
Initial Transfer	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Property Management — Guangzhou IFC — Settlement Agency Agreement”
Investor’s Currency	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the Market Generally”
IRO	has the meaning given to this term in the section headed “Taxation — Hong Kong — Profits Tax”
Issuer	Yuexiu REIT MTN Company Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by the REIT Trustee in its capacity as trustee of Yuexiu REIT
Latest Practicable Date	19 January 2021, being the latest practicable date prior to the printing of this Offering Circular for the purpose of ascertaining certain information contained in this Offering Circular
Leasing Measures	has the meaning given to this term in the section headed “PRC Regulations — Property Leasing”
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Ministry of Finance	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
MLR	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”



MNR	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
MOHURD	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
NDRC	National Development and Reform Commission of the PRC
NDRC Circular	the Circular on Promoting the Reform of the Filings and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號))
Neo Metropolis Plaza Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Overview”
NPC	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
PBOC	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the Investments in Real Estate”
PBOC Circular 9	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution”
Professional Investors	as defined in Chapter 37 of the Listing Rules
Programme	US\$1,500,000,000 guaranteed Medium Term Note Programme, established by the Issuer as a US\$1,000,000,000 guaranteed Medium Term Note Programme on 21 March 2013, updated on 16 May 2014 and subsequently increased in size to US\$1,500,000,000 and further updated on 13 April 2018 and 22 January 2021
Project Company	廣州越秀城建國際金融中心有限公司 (Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.), a limited liability company incorporated in the PRC which developed and owns Guangzhou IFC
Properties	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Overview”
Real Property Administration Law	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Land Use Rights”
REIT	a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Hong Kong Stock Exchange), and the companies controlled by it, as the context requires
REIT Code	the Code on Real Estate Investment Trusts published by the SFC, as amended, supplemented or otherwise modified from time to time

REIT Manager	Yuexiu REIT Asset Management Limited (in its capacity as manager of Yuexiu REIT), a company incorporated under the laws of Hong Kong
REIT Trust Deed	the trust deed constituting Yuexiu REIT dated 7 December 2005 and entered into between the REIT Trustee and the REIT Manager, as the same may be amended and supplemented from time to time
REIT Trustee	HSBC Institutional Trust Services (Asia) Limited, a company incorporated under the laws of Hong Kong, in its capacity as trustee of Yuexiu REIT
RMB Clearing Bank	Bank of China (Hong Kong) Limited and Renminbi clearing and settlement systems with financial institutions in other major global financial centres
SAA Account	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC — Settlement Agency Agreement”
SAFE	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
SAFE Circular 3	has the meaning given to this term in the section headed “Risk Factors-Regulation of Foreign Currency Exchange and Dividend Distribution”
SAFE Measures	has the meaning given to this term in the section headed “PRC Regulations — Regulation of Foreign Currency Exchange and Dividend Distribution”
SAT	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the PRC”
SDO	has the meaning given to this term in the section headed “Taxation — Hong Kong — Stamp Duty”
Serviced Apartments	has the meaning given to this term in the section headed “The Portfolio — Guangzhou IFC”
Serviced Apartments Management Agreement	the serviced apartments management agreement dated 2 August 2010 entered into between the Guangzhou IFC Company and the Serviced Apartments Manager in respect of the Serviced Apartments
Serviced Apartments Manager	Ascott Property Management (Shanghai) Limited
Settlement Agency Agreement	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC — Settlement Agency Agreement”
Settlement Agent	GCCD, as the settlement agent under the Settlement Agency Agreement

Settlement Agreement	the Settlement Agreement on the Clearing of RMB Business (the “Settlement Agreement”) between the PBOC and the Bank of China (Hong Kong) Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Cap. 571) (as amended from time to time)
Shanghai Yue Xiu Tower	Yue Xiu Tower (formerly known as “Hongjia Tower”, comprising a 25-storey (plus two-level basement) Grade A office building with a retail portion and car parking spaces with a total gross floor area of 62,139.35 sq.m. located at 388 Fushan Road, Pudong New District, Shanghai Municipality, the PRC
SPV	special purpose vehicle
sq.m.	square metres
Subscription Deed	the deed for the subscription of shares in Tower Top dated 28 May 2012 entered into between the REIT Trustee (as subscriber, on behalf of Yuexiu REIT and acting on the instructions of the REIT Manager), the REIT Manager, Tower Top (as issuer) and Yuexiu Property (as co-warrantor) (as amended and supplemented by a supplemental deed dated 27 June 2012 entered into by the same parties)
Substantial Holder	has the meaning ascribed to this term in the REIT Code
Total Distributable Income	has the meaning given to this term in the section headed “Description of Yuexiu REIT — Distribution Policy”
Tower Top	Tower Top Development Ltd., a limited liability company incorporated under the laws of the BVI which is indirectly owned as to 99.99% by Yuexiu REIT and directly owned as to 0.01% by Yuexiu Property, and owns indirectly (through intermediate holding companies) 99% of the equity interest in the Project Company which in turn owns (and developed) Guangzhou IFC
Unit(s)	one undivided unit in the REIT, and Units shall be construed accordingly
Unitholder(s)	any person registered as holding a Unit on the register of Unitholders of Yuexiu REIT and any person holding Units through CCASS
Urban Buildings Leasing Measures	has the meaning given to this term in the section headed “PRC Regulations — Property Leasing”
Urban Land Regulations	has the meaning given to this term in the section headed “PRC Regulations — Property Leasing”
Valuation Reference Date	30 June 2020
VAT	has the meaning given to this term in the section headed “Taxation — PRC — Value-added Tax”

Victory Plaza Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Victory Plaza Property — Overview”
WH Completion Date	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property-Overview”
WH Project Company	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property — Overview”
WH Target Company	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property-Overview”
White Horse JV	廣州白馬服裝市場有限公司 (Guangzhou White Horse Clothing Market Ltd.), a sino-foreign joint venture incorporated in the PRC and a subsidiary of Yuexiu Property
White Horse Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — White Horse Property — Overview”
Withheld Construction Costs	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Guangzhou IFC — Overview — Material Agreements Relating to Guangzhou IFC”
Wuhan Property	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property — Overview”
Wuhan Property Acquisition Circular	the circular of Yuexiu REIT dated 15 November 2017, filed with the Hong Kong Stock Exchange, in relation to, among other things, the acquisition of 67% interest in the Wuhan Property by Yuexiu REIT
Wuhan Property Support Arrangement	has the meaning given to this term in the section headed “Description of Yuexiu REIT — The Portfolio — Wuhan Property — Support Arrangement”
Yicheng	廣州越秀怡城商業運營管理有限公司 (Guangzhou Yuexiu Yicheng Business Operation Management Ltd.), a company incorporated in the PRC and a subsidiary of Yuexiu Property
Yicheng Hangzhou Branch	廣州越秀怡城商業運營管理有限公司杭州分公司 (Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd., Hangzhou Branch), which is a limited liability company established in the PRC indirectly owned as to 99.28% by Yuexiu Property

Yicheng Shanghai Branch	廣州越秀怡城商業運營管理有限公司上海分公司 (Guangzhou Yuexiu Yicheng Business Operation Management Co., Limited Shanghai Branch), the Shanghai branch established on 29 May 2015 of 廣州怡城物業管理有限公司 (Guangzhou Yicheng Property Management Ltd), a limited liability company established in the PRC which is 99.28% indirectly owned by Yuexiu Property
Yicheng Wuhan Branch	廣州越秀怡城商業運營管理有限公司武漢分公司 (Guangzhou Yuexiu Yicheng Business Operation Management Co., Limited Wuhan Branch), the Wuhan branch of 廣州怡城物業管理有限公司 (Guangzhou Yicheng Property Management Ltd), which is a limited liability company established in the PRC indirectly owned as to 99.28% by Yuexiu Property
Yuexiu Capital	Yuexiu Capital Holdings Limited
Yue Xiu Enterprises	Yue Xiu Enterprises (Holdings) Limited
Yuexiu Group	has the meaning given to this term in the section headed “Risk Factors — Risks Relating to the Notes Issued Under the Programme”
Yuexiu JLL	廣州越秀城建仲量聯行物業服務有限公司 (Guangzhou Yue Xiu City Construction JLL Property Services Company Limited), a limited liability company established in the PRC which is owned as to 80% by Guangzhou Lexi Industrial Development Co., Ltd.* (廣州樂熹實業發展有限公司) and as to 20% by Jones Lang LaSalle (Beijing) Property Management Company Limited
Yuexiu Property	Yuexiu Property Company Limited (越秀地產股份有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 123) and on The Singapore Exchange Securities Trading Limited
Yuexiu REIT	Yuexiu Real Estate Investment Trust, a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO subject to applicable conditions from time to time (whose Units are listed on the Main Board of the Hong Kong Stock Exchange), and the companies controlled by it, as the context requires
% or per cent.	per cent.

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*Notes:*

- (1) The Report on Review of Interim Condensed Consolidated Financial Information on the consolidated financial statements of Yuexiu REIT for the six months ended 30 June 2020 set out therein is reproduced from the interim report of Yuexiu REIT for the six months ended 30 June 2020. Page reference referred to in the Report on Review of Interim Condensed Consolidated Financial Information refers to pages set out in such interim report.
- (2) The Independent Auditor's Reports on the consolidated financial statements of Yuexiu REIT for the years ended 31 December 2018 and 2019 set out therein are reproduced from the annual reports of Yuexiu REIT for the years ended 31 December 2018 and 2019. Page reference referred to in the relevant Independent Auditor's Report refers to pages set out in the relevant annual reports.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**To the Board of Directors of Yuexiu REIT Asset Management Limited**  
(as the “Manager” of Yuexiu Real Estate Investment Trust)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 46 to 86, which comprises the interim condensed consolidated balance sheet of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 6 August 2020

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	831,135	999,658
Operating expenses	7	(357,854)	(460,184)
Fair value (losses)/gains on investment properties	14	(256,858)	719,916
Change in fair value of			
– support arrangement asset	17	(1,760)	16,646
– derivative financial instruments	18	(36,851)	(1,726)
Write back of construction payable	24	174,882	—
Finance income	9	15,930	17,612
Finance expenses, net	10	(472,282)	(294,658)
(Loss)/profit before income tax and transactions with unitholders		(103,658)	997,264
Income tax expense	11	(108,421)	(266,595)
(Loss)/profit after income tax before transactions with unitholders		(212,079)	730,669
Transactions with unitholders	26	213,759	(697,617)
Profit after income tax after transactions with unitholders		1,680	33,052
Other comprehensive (loss)/income for the period			
<u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
– Gross		(2,893)	6,419
– Tax		813	(1,798)
Other comprehensive (loss)/income for the period, net of tax		(2,080)	4,621
Total comprehensive (loss)/income for the period		(400)	37,673



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Unaudited	Attributable to				
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 26) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	Total RMB'000
Profit/(loss) for the period ended 30 June 2019	693,044	(697,617)	(4,573)	37,625	33,052
Other comprehensive income: <u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	4,573	—	4,573	48	4,621
Total comprehensive income/(loss) for the period ended 30 June 2019	<u>697,617</u>	<u>(697,617)</u>	<u>—</u>	<u>37,673</u>	<u>37,673</u>
(Loss)/profit for the period ended 30 June 2020	<b>(211,698)</b>	<b>213,759</b>	<b>2,061</b>	<b>(381)</b>	<b>1,680</b>
Other comprehensive loss: <u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	<b>(2,061)</b>	—	<b>(2,061)</b>	<b>(19)</b>	<b>(2,080)</b>
Total comprehensive (loss)/income for the period ended 30 June 2020	<u><b>(213,759)</b></u>	<u><b>213,759</b></u>	<u><b>—</b></u>	<u><b>(400)</b></u>	<u><b>(400)</b></u>

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010, third supplemental deed on 25 July 2012 and fourth supplemental deed on 3 April 2020 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial period. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement.
- (ii) (Losses)/earnings per unit, based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 27.

The notes on page 54 to 86 are an integral part of these consolidated financial statements.



# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,230,821	2,270,852
Right-of-use assets	13	1,330,155	1,359,784
Investment properties	14	29,728,000	29,982,000
Deferred assets	15	247,052	205,430
Derivative financial instruments	18	—	6,166
Goodwill	16	859,868	859,868
		<b>34,395,896</b>	34,684,100
<b>Current assets</b>			
Inventories		3,398	4,071
Trade receivables	19	44,342	15,887
Amounts due from related parties	28	227,958	228,082
Prepayments, deposits and other receivables	20	69,662	85,112
Derivative financial instruments	18	65,526	37,209
Tax recoverable		4,072	4,072
Support arrangement asset	17	20,562	25,163
Short-term bank deposits	21	69,005	22,750
Cash and cash equivalents	21	1,375,190	1,319,010
		<b>1,879,715</b>	1,741,356
<b>Total assets</b>		<b>36,275,611</b>	36,425,456
<b>Equity</b>			
Revaluation reserve		417,594	419,655
Retained earnings		(417,594)	(419,655)
		—	—
Non-controlling interests		1,204,995	1,205,395
<b>Total equity</b>		<b>1,204,995</b>	1,205,395

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Current liabilities</b>			
Trade payables	23	13,424	14,205
Rental deposits, current portion	24	142,382	186,707
Receipts in advance	24	90,900	80,827
Accruals and other payables	24	454,973	735,140
Amounts due to related parties	28	137,667	98,262
Borrowings	25	4,419,846	3,217,958
Lease liabilities	13	9,593	9,164
Tax payables		108,379	117,750
		5,377,164	4,460,013
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	24	209,628	198,816
Borrowings	25	10,314,027	11,034,441
Deferred tax liabilities	22	4,977,005	4,906,156
Derivative financial instruments	18	80,775	1,249
Lease liabilities	13	15,086	20,026
		15,596,521	16,160,688
<b>Total liabilities, other than net assets attributable to unitholders</b>		20,973,685	20,620,701
<b>Net assets attributable to unitholders</b>	26	14,096,931	14,599,360
<b>Total equity and liabilities</b>		36,275,611	36,425,456
<b>Net current liabilities</b>		(3,497,449)	(2,718,657)
Units in issue ('000)	26	3,219,856	3,205,856
<b>Net assets attributable to unitholders per unit (RMB)</b>		4.38	4.55

On behalf of the Board of Directors of Yuexiu REIT Asset Management Limited as the Manager of Yuexiu REIT

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders	(211,698)	693,044
Adjustments for the total distributable income (i)		
– Fair value losses/(gains) on investment properties	227,717	(692,535)
– Deferred taxation in respect of fair value losses/(gains) on investment properties (credited)/charged to profit or loss	(36,977)	153,816
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")	(189,024)	(177,719)
– Fair value loss/(gain) on support arrangement asset	1,760	(16,646)
– Write back of construction payables, net of tax	(124,631)	—
Total distributable loss	(332,853)	(40,040)
<b>Additional items (ii)</b>		
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS	189,024	177,719
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")	65,109	63,962
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights	50,036	51,569
– Manager's fee paid and payable in units in lieu of cash	59,110	57,621
– Fair value losses on derivative financial instruments	36,851	1,726
– Gains on settlement of derivative financial instruments	(28,891)	—
– Foreign exchange losses on financing activities	235,073	41,199
– Support arrangement asset receivable	13,161	14,630
– Surplus cash from disposal of subsidiaries	—	55,900
– Surplus cash from write back of construction payables	32,000	—



The notes on page 54 to 86 are an integral part of these consolidated financial statements.

## DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Distributable income after additional items</b>	<b>318,620</b>	424,286
Distributable amount at 1 January	<b>336,948</b>	425,902
Distribution paid during the period (iii) 26	<b>(336,797)</b>	(425,828)
Interim distribution declared (iv)	<b>318,771</b>	424,360
Distribution per unit, declared (iv)	<b>RMB0.0990</b>	RMB0.1360

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant period.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A distribution of RMB0.1046 per unit, totaling RMB336,797,000 (equivalent to HK\$ 375,757,000), was paid to unitholders on 26 May 2020.
- (iv) A final distribution in respect of the six months ended 30 June 2020 of RMB0.0990 (equivalent to HK\$0.1098) per unit, totaling RMB318,771,000 (equivalent to HK\$353,540,000) was declared by the Board of the Manager on 6 August 2020.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2020 as disclosed in Note 26.

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Net assets attributable to unitholders RMB'000	Equity			Total RMB'000
		Accumulated losses RMB'000	Revaluation reserve RMB'000	Non-controlling interests RMB'000	
At 1 January 2019	14,454,122	(420,174)	420,174	1,141,812	15,595,934
Issuance of units (Note 26)	61,510	—	—	—	61,510
Profit for the period attributable to:					
– Unitholders	697,617	—	—	—	697,617
– Equity holders	—	(4,573)	—	37,625	33,052
Distributions paid to unitholders	(425,828)	—	—	—	(425,828)
Change in fair value of property, plant and equipment, net of tax	—	—	4,573	48	4,621
At 30 June 2019	<u>14,787,421</u>	<u>(424,747)</u>	<u>424,747</u>	<u>1,179,485</u>	<u>15,966,906</u>
At 1 January 2020	<b>14,599,360</b>	<b>(419,655)</b>	<b>419,655</b>	<b>1,205,395</b>	<b>15,804,755</b>
Issuance of units (Note 26)	<b>48,127</b>	—	—	—	<b>48,127</b>
(Loss)/profit for the period attributable to:					
– Unitholders	<b>(213,759)</b>	—	—	—	<b>(213,759)</b>
– Equity holders	—	<b>2,061</b>	—	<b>(381)</b>	<b>1,680</b>
Distributions paid to unitholders	<b>(336,797)</b>	—	—	—	<b>(336,797)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>(2,061)</b>	<b>(19)</b>	<b>(2,080)</b>
At 30 June 2020	<u><b>14,096,931</b></u>	<u><b>(417,594)</b></u>	<u><b>417,594</b></u>	<u><b>1,204,995</b></u>	<u><b>15,301,926</b></u>



The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	400,149	621,533
Interest paid	(250,553)	(238,947)
Corporate income tax paid	(46,133)	(64,413)
Support arrangement asset received (Note 17)	2,841	4,170
Net cash generated from operating activities	106,304	322,343
<b>Cash flows from investing activities</b>		
Additions of investment properties (Note 14)	(2,858)	(2,084)
Additions of property, plant and equipment (Note 12)	(4,032)	(3,522)
Interest received (Note 9)	15,930	17,612
Increase in short-term bank deposits with original maturity of more than three months	(46,255)	(59)
Net cash (used in)/generated from investing activities	(37,215)	11,947
<b>Cash flows from financing activities</b>		
Distribution paid (Note 26)	(336,797)	(425,828)
Proceeds from borrowings, net of transaction costs	2,187,107	1,245,871
Repayment of borrowings	(1,956,047)	(1,367,229)
Issuance of units (Note 26)	48,127	61,510
Settlement of derivative financial instruments	49,861	—
Principal elements of lease payments	(5,160)	—
Net cash used in financing activities	(12,909)	(485,676)
<b>Net increase/(decrease) in cash and cash equivalents</b>	56,180	(151,386)
Cash and cash equivalents at beginning of the period	1,319,010	1,458,755
<b>Cash and cash equivalents at end of the period</b>	1,375,190	1,307,369

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the "Trustee") on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010, Third Supplemental Deed dated 25 July 2012 and Fourth Supplemental Deed dated 3 April 2020) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time. The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 6 August 2020.

This condensed consolidated interim financial information has not been audited.

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

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with HKFRS.

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB3,497,449,000 (31 December 2019: RMB2,718,657,000) mainly as the bank and other borrowings of RMB4,419,846,000 (31 December 2019: RMB3,217,958,000) fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the bank and other borrowings based on the Group's past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds, new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing this condensed consolidated interim financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

#### (A) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

(B) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management policies since the last year end.

### 6 REVENUE AND SEGMENT INFORMATION

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

The executive directors consider the business by nature of business activities and assess the performance of hotel and serviced apartments, office rental and wholesale and retail 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 condensed consolidated financial information.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
<b>Period ended 30 June 2020</b>				
Revenue from external customers	120,114	468,356	242,665	831,135
Segment results	(46,979)	250,601	127,554	331,176
Depreciation	70,740	31	—	70,771
Fair value losses on investment properties	—	(167,548)	(89,310)	(256,858)
<b>Period ended 30 June 2019</b>				
Revenue from external customers	267,626	452,438	279,594	999,658
Segment results	43,183	902,863	438,089	1,384,135
Depreciation	64,583	43	—	64,626
Fair value gains on investment properties	—	517,302	202,614	719,916
<b>As at 30 June 2020</b>				
Total reportable segments' assets	4,177,089	20,791,179	10,320,866	35,289,134
<b>As at 31 December 2019</b>				
Total reportable segments' assets	4,230,914	20,758,404	10,541,698	35,531,016

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Segment results	331,176	1,384,135
Fair value losses on derivative financial instruments	(36,851)	(1,726)
Unallocated operating costs (Note)	(114,753)	(124,745)
Operating profit	179,572	1,257,664
Write back of construction payable	174,882	—
Finance income	15,930	17,612
Finance expenses, net	(472,282)	(294,658)
Change in fair value of support arrangement asset	(1,760)	16,646
(Loss)/profit before income tax and transactions with unitholders	(103,658)	997,264

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

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Total reportable segments' assets	35,289,134	35,531,016
Corporate assets	986,477	894,440
Total assets	36,275,611	36,425,456

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

	Revenue Unaudited		Total assets	
	Six months ended 30 June		Unaudited 30 June	Audited 31 December
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
China	<b>831,135</b>	999,658	<b>35,289,134</b>	35,531,016
Unallocated assets			<b>986,477</b>	894,440
			<b>36,275,611</b>	36,425,456

The Group's revenue by nature is as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Hotel and serviced apartments operations		
Room rentals	<b>80,390</b>	162,362
Food and beverages	<b>34,537</b>	95,307
Property rentals	<b>711,021</b>	732,032
Others	<b>5,187</b>	9,957
	<b>831,135</b>	999,658

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

	Unaudited 30 June 2020 RMB'000	Unaudited 30 June 2019 RMB'000
	Revenue recognised at a point in time	<b>37,987</b>
Revenue recognised overtime	<b>80,390</b>	162,362
Other sources	<b>712,758</b>	733,553
	<b>831,135</b>	999,658

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Property management fee (i)	22,348	22,984
Employee benefit expense	43,367	60,301
Real estate tax	49,501	87,513
Flood prevention fee, urban construction and maintenance tax, educational surcharge and local educational surcharge	4,812	6,418
Withholding tax (ii)	26,468	29,477
Depreciation of property, plant and equipment (Note 12)	41,142	39,984
Depreciation of right-of-use assets (Note 13)	29,629	24,642
Cost of inventories sold or consumed in operation	23,445	35,576
Other direct expenses on hotel and serviced apartments	24,694	55,798
Manager's fee (Note 8)	73,887	72,027
Trustee's fee	5,229	5,149
Valuation fee	498	429
Legal and professional fee	3,510	3,847
Auditor's remuneration	2,024	1,850
Bank charges	134	367
Exchange losses from operating activities	1,223	9,836
Others	5,943	3,986
<b>Total operating expenses</b>	<b>357,854</b>	<b>460,184</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Ltd., Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 28).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 MANAGER'S FEE

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Manager's fee:		
In the form of units	59,110	57,621
In the form of cash	14,777	14,406
	<b>73,887</b>	<b>72,027</b>

Note:

- (i) Pursuant to the circular of Yuexiu REIT dated 30 June 2012 and subsequent announcement dated 15 January 2018, 15 January 2019 and 15 January 2020, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019 and 1 January 2020 to 31 December 2020 respectively, will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the period ended 30 June 2020 are expected to be issued on 26 August 2020. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 26 August 2020 and (ii) the average closing price of the units in the 10 trading days immediately preceding 26 August 2020.

### 9 FINANCE INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income from bank deposits	6,575	8,232
Interest income from a related company (Note 28)	9,355	9,380
	<b>15,930</b>	<b>17,612</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 FINANCE EXPENSES, NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest expense for bank borrowings	165,570	171,818
Interest expense for other borrowings	84,983	67,129
Interest and finance charges paid/payable for lease liabilities (Note 13)	649	—
Amortisation of transaction costs for borrowings	15,344	14,512
Foreign exchange losses on financing activities	235,073	41,199
Gain on settlement of derivative financial instruments	(29,337)	—
	<b>472,282</b>	<b>294,658</b>

### 11 INCOME TAX EXPENSES

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

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 7(ii).

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	36,759	20,372
Deferred income tax (Note 22)	71,662	246,223
	<b>108,421</b>	<b>266,595</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Six months ended 30 June 2019				
Opening net book amount				
as at 1 January 2019	2,340,000	366	568	2,340,934
Additions	3,522	—	—	3,522
Depreciation	(39,941)	(43)	—	(39,984)
Fair value gain on revaluation	6,419	—	—	6,419
Closing net book amount				
as at 30 June 2019	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
At 30 June 2019				
At fair value	2,310,000	—	—	2,310,000
At cost	—	323	568	891
	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
Six months ended 30 June 2020				
Opening net book amount				
as at 1 January 2020	2,270,000	367	485	2,270,852
Additions	4,032	—	—	4,032
Disposal	(28)	—	—	(28)
Depreciation	(41,111)	(31)	—	(41,142)
Fair value loss on revaluation	(2,893)	—	—	(2,893)
Closing net book amount				
as at 30 June 2020	<u>2,230,000</u>	<u>336</u>	<u>485</u>	<u>2,230,821</u>
At 30 June 2020				
At fair value	2,230,000	—	—	2,230,000
At cost	—	336	485	821
	<u>2,230,000</u>	<u>336</u>	<u>485</u>	<u>2,230,821</u>

If hotel and serviced apartments had not been revalued, it would have been included in the condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,643,838,000 (31 December 2019: RMB1,680,945,000).

As at 30 June 2020, property, plant and equipment with an aggregate carrying amount of RMB1,983 million (31 December 2019: RMB2,017 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening balance	2,270,000	2,340,000
Additions	4,032	3,522
Disposal	(28)	—
Depreciation	(41,111)	(39,941)
Unrealised (losses)/gains recognised in reserve	(2,893)	6,419
Closing balance	2,230,000	2,310,000
Changes in unrealised (losses)/gains for the period included in other comprehensive income at the end of the period	(2,893)	6,419

#### VALUATION PROCESSES OF THE GROUP

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2020 and 31 December 2019.

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

At each financial year end the finance department:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### VALUATION TECHNIQUES

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

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

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

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

#### As at 30 June 2020

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

#### As at 31 December 2019

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASE

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
<b>Right-of-use assets</b>			
At 1 January 2019	—	—	—
Change in accounting policies	1,379,969	—	1,379,969
Depreciation	(24,642)	—	(24,642)
At 30 June 2019	1,355,327	—	1,355,327
At 1 January 2020	1,330,684	29,100	1,359,784
Depreciation	(24,642)	(4,987)	(29,629)
At 30 June 2020	1,306,042	24,113	1,330,155

#### LEASE LIABILITIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current portion	9,593	9,164
Non-current portion	15,086	20,026
	24,679	29,190

As at 30 June 2020, the fair value of land-use-rights is approximately RMB2,641 million (31 December 2019: RMB2,709 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2020, rights-of-use assets were pledged with an aggregate net book amount of approximately RMB1,217 million (31 December 2019: RMB1,240 million) as collateral for the Group's bank borrowings (Note 25).

As at 30 June 2020, all of the lease liabilities are due to a subsidiary of Yuexiu Property Company Limited ("YXP").

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASE (continued)

The interim condensed consolidated statement of comprehensive income shows the following amount relating to leases:

#### DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Land-use-rights	24,642	24,642
Staff quarter	4,987	—
	<b>29,629</b>	<b>24,642</b>
Interest and finance charge paid/payable for lease liabilities (Note 10)	649	—

### 14 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	29,982,000	29,115,000
Additions during the period	2,858	2,084
Fair value (losses)/gains during the period, included in profit or loss under 'Fair value (losses)/gains on investment properties'	(256,858)	719,916
End of the period	<b>29,728,000</b>	<b>29,837,000</b>

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB4,914,000 (2019: RMB5,895,000) relating to investment properties that were vacant.

As at 30 June 2020, investment properties with an aggregate carrying value of approximately RMB3,697 million (31 December 2019: RMB3,708 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

#### VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2020 and 31 December 2019.

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

At each financial year end the finance department:

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

#### VALUATION TECHNIQUES

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation rate and discount rates are estimated by Savills Valuation and Professional Services Limited for 30 June 2020 and 31 December 2019 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

#### As at 30 June 2020

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 333	4.00% to 7.25%
Wholesale and shopping mall	42 to 1,464	4.00% to 7.75%

#### As at 31 December 2019

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

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

#### As at 30 June 2020

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 333	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	42 to 1,464	6.75% to 8.75%	98.00% to 99.50%



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

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

As at 31 December 2019

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

### 15 DEFERRED ASSETS

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

### 16 GOODWILL

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Net book amount	859,868	859,868
Cost	859,868	859,868
Accumulated impairment	—	—
	859,868	859,868

### 17 SUPPORT ARRANGEMENT ASSET

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SUPPORT ARRANGEMENT ASSET (continued)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	25,163	11,645
Fair value (loss)/gain during the period	(1,760)	16,646
Support arrangement asset received	(2,841)	(4,170)
	20,562	24,121
Less: current portion of support arrangement asset	(20,562)	(14,874)
Non-current portion of support arrangement	—	9,247

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Interest rate swap contracts	—	6,166
Current assets		
Capped foreign exchange forward contracts	65,526	37,209
Non-current liability		
Interest rate swap contracts	80,775	—
Capped foreign exchange forward contracts	—	1,249

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2020 were HK\$1,444,648,000 and USD400,000,000 (31 December 2019: HK\$3,294,648,000 and USD50,000,000).

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2020 were HK\$400,000,000, HK\$1,000,000,000 and HK\$1,400,000,000 (31 December 2019: HK\$400,000,000 and HK\$1,000,000,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

### 19 TRADE RECEIVABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade receivables	44,551	15,887
Loss allowance	(209)	—
	<b>44,342</b>	<b>15,887</b>

The fair values of trade receivables approximate their carrying amounts.

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0 - 30 days	27,501	14,001
31 - 90 days	14,619	1,278
91 - 180 days	1,021	264
181 - 365 days	1,410	344
	<b>44,551</b>	<b>15,887</b>

### 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Cash at bank and on hand	1,265,511	1,280,590
Short-term bank deposits with original maturity of less than three months	109,679	38,420
Cash and cash equivalents	1,375,190	1,319,010
Short-term bank deposits with original maturity of more than three months	69,005	22,750
Total	<b>1,444,195</b>	1,341,760
Maximum exposure to credit risk	<b>1,443,698</b>	1,341,264

As at 30 June 2020, included in the cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,155,734,000 (31 December 2019: RMB1,186,060,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

The carrying amounts of short-term bank deposits and cash and cash equivalents approximate their fair values.

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
HK\$	285,274	140,804
RMB	1,156,230	1,186,555
USD	2,691	14,401
	<b>1,444,195</b>	1,341,760

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 22 DEFERRED TAX LIABILITIES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	4,906,156	4,536,795
Deferred taxation charged to profit or loss (Note 11)	71,662	246,223
Deferred taxation (credited)/charged to reserve	(813)	1,798
End of the period	4,977,005	4,784,816

### 23 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts. The ageing analysis of the trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 - 30 days	7,200	9,311
31 - 90 days	4,223	3,923
91 - 180 days	1,663	971
180-360 days	338	—
	13,424	14,205

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 24 RENTAL DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Rental deposits		
Current portion	142,382	186,707
Non-current portion	209,628	198,816
	<b>352,010</b>	385,523
Receipts in advance		
Current portion	90,900	80,827
Provision for urban real estate tax	13,689	13,445
Provision for withholding tax payable	5,354	8,436
Provision for urban land use tax, value-added tax, urban construction and maintenance tax, education surcharge, local education surcharge	11,197	11,927
Construction fee payable (Note)	292,117	571,795
Accruals for operating expenses	132,616	129,537
Accruals and other payables	<b>454,973</b>	735,140
	<b>897,883</b>	1,201,490

Note:

During the six months ended 30 June 2020, the Group has written back the construction fee payable totalling of RMB174,882,000 (31 December 2019: RMB163,608,000) in relation to construction contracts of GZ IFC, of which final accounts have been agreed.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 25 BORROWINGS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current		
Short-term borrowings		
Bank borrowings		
Unsecured	274,032	—
Current portion of long-term borrowings		
Bank borrowings		
Secured	—	268,440
Unsecured	1,319,599	2,949,518
Other borrowings, unsecured (Note)	2,826,215	—
	<b>4,145,814</b>	<b>3,217,958</b>
	<b>4,419,846</b>	<b>3,217,958</b>
Non-current		
Long-term borrowings		
Bank borrowings		
Secured	1,552,840	1,821,280
Unsecured	9,059,307	8,647,912
Other borrowings, unsecured (Note)	3,847,694	3,783,207
	<b>14,459,841</b>	<b>14,252,399</b>
Less: current portion of long-term borrowings	<b>(4,145,814)</b>	<b>(3,217,958)</b>
Total long-term borrowings	<b>10,314,027</b>	<b>11,034,441</b>
Total borrowings	<b>14,733,873</b>	<b>14,252,399</b>
Analysed into:		
Unsecured	<b>13,181,033</b>	<b>12,431,119</b>
Secured	<b>1,552,840</b>	<b>1,821,280</b>
	<b>14,733,873</b>	<b>14,252,399</b>

As at 30 June 2020, syndicated and entrustment loans totalling RMB1,552,840,000 (31 December 2019: RMB1,821,280,000) are secured by certain parts of GZIFC with carrying value of RMB6,897 million (31 December 2019: RMB6,965 million).

Note:

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 26 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	14,599,360	14,454,122
Issuance of units	48,127	61,510
Transfer from the statement of comprehensive income	(213,759)	697,617
Distribution paid during the period	(336,797)	(425,828)
End of the period	14,096,931	14,787,421

The movement of numbers of existing units is as below:

	Unaudited Six months ended 30 June	
	2020	2019
Units in issued ('000)		
Beginning of the period	3,205,856	3,106,450
Units issued during the period	14,000	13,168
End of the period	3,219,856	3,119,618

Note:

During the period, 14,000,000 units were issued for the payment of manager's fee (2019: 13,168,000 units). Pursuant to the announcement of Yuexiu REIT dated 3 April 2020, RMB12,257,000 (equivalent to approximately HK\$13,442,000) of the manager's fee for the period from 1 July 2019 to 31 December 2019 to be settled in the form of units would be deferred and settled after the manager fee units reference date.

In 2019, a total of 25,406,000 units were issued for the payment of manager's fee. At 31 December 2019, the Group also issued 74,000,000 units from deferred units to YXP. Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year, 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 that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeover Code for all units owned or agreed to be acquired by YXP at the relevant time. After the issuance of 74,000,000 units at 31 December 2019, the outstanding deferred units were approximately 461,401,000 units.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 27 (LOSSES)/EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

#### (A) BASIC

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(211,698)	693,044
Weighted average number of units in issue ('000)	3,212,626	3,114,380
Basic (losses)/earnings per unit (RMB)	(0.07)	0.22

#### (B) DILUTED

Diluted (losses)/earnings per unit based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the period which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 30 June 2020.

	Unaudited	
	Six months ended 30 June	
	2020	2019
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(211,698)	693,044
Weighted average number of units in issue ('000)	3,212,626	3,114,380
Adjustments for deferred units ('000)	461,401	535,401
Adjustments for manager's fee in form of units ('000)	21,898	12,267
Weighted average number of units for diluted (losses)/earnings per unit ('000)	3,695,925	3,662,048
Diluted (losses)/earnings per unit (RMB)	(0.06)	0.19

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 June 2020, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 38.4% (31 December 2019: 38.1%) of Yuexiu REIT's units. The remaining units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 30 June 2020:

Connected/related companies	Relationship with Yuexiu REIT
YXP <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	An associate of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	An associate of YXP
Guangzhou Yuexiu Yicheng Property Management Ltd. ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Business Operation Management Co., Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Xiu Enterprises Development Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Securities Company Limited (renamed as "中信証券華南股份有限公司") <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Futures Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited ("Chong Hing") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXE
廣州悅停網絡科技有限公司 <sup>1</sup>	An associate of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,3</sup>	A subsidiary of GZYFHG
廣州越秀資本投資管理有限公司 <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
武漢越秀商業管理有限公司 <sup>1</sup>	A subsidiary of YXP
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXE
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀星寓公寓管理有限公司 <sup>1</sup>	A subsidiary of YXP
Yue Xiu Consultants (Shenzhen) Co., Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州越榮房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州盛寅房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州豐勝房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅秀智訊科技信息諮詢有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀興業地產代理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州白馬電子商務股份有限公司 <sup>1</sup>	A subsidiary of YXE
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Valuer")	The principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

<sup>2</sup> The companies ceased to be connected companies of the Group since 10 January 2020.

<sup>3</sup> The company ceased to be connected company of the Group since 28 March 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**
**(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES**

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Manager's fee paid/payable to the Manager (ii)	(73,887)	(72,027)
Management fee paid/payable to Yicheng	(8,143)	(7,805)
Management fee paid/payable to Baima BM	(4,857)	(5,557)
Management fee paid/payable to GZ AM	(9,348)	(9,622)
Rental income received/receivable from Xingye	4,271	3,549
Rental income received/receivable from Yicheng	11,986	8,976
Rental income received/receivable from GCCD	6,681	7,134
Rental income received/receivable from YXE	19,796	18,315
Rental income received/receivable from Guang Zheng	60	1,148
Rental income received/receivable from Suiqiao	296	295
Rental income received/receivable from Guangzhou Securities Company Limited	788	15,676
Rental income received/receivable from Guangzhou Futures Co., Ltd.	2,241	1,895
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	152	643
Rental income received/receivable from GZ JLL	8,324	8,124
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	700	687
Rental income received/receivable from GZ AM	4,864	5,171
Rental income received/receivable from 廣州市祥港房地產開發有限公司	4,682	4,657
Rental income received/receivable from 廣州市東耀房地產開發有限公司	6,921	6,831
Rental income received/receivable from GZYFHG	8,446	8,416
Rental income received/receivable from Yue Tong	385	383
Rental income received/receivable from Yue Peng	394	391
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,298	4,460
Rental income received/receivable from Guangzhou Paper Group Ltd.	142	136
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	—	23
Rental income received/receivable from Chong Hing Tianhe	—	25

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Rental income received/receivable from Chong Hing Guangzhou	—	128
Rental income received/receivable from Chong Hing Shanghai	<b>2,383</b>	257
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	<b>148</b>	57
Rental income received/receivable from 廣州悅停網絡科技有限公司	—	47
Rental income received/receivable from 廣州鵬燁貿易有限公司	<b>558</b>	547
Rental income received/receivable from 廣州友誼集團有限公司	—	7,663
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	<b>156</b>	462
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	<b>1,879</b>	1,868
Rental income received/receivable from 武漢越秀商業管理有限公司	<b>7,493</b>	3,608
Rental income received/receivable from 武漢康景實業投資有限公司	<b>15,672</b>	14,582
Rental income received/receivable from 廣州城建開發設計院有限公司	<b>193</b>	192
Rental income received/receivable from 廣州越秀地產工程管理有限公司	<b>2,371</b>	2,365
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	<b>331</b>	278
Rental income received/receivable from 越秀諮詢深圳有限公司	—	442
Rental income received/receivable from 廣州越秀資本投資管理有限公司	<b>2,026</b>	1,093
Rental income received/receivable from 廣州越秀星寓公寓管理有限公司	<b>972</b>	162
Rental income received/receivable from Guangzhou Yue Xiu Enterprises Development Ltd.	<b>142</b>	113
Rental income received/receivable from Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd.	<b>330</b>	316
Rental income received/receivable from Chong Hing	—	52

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

## (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Rental income received/receivable from 杭州越秀房地產開發有限公司	2,168	2,046
Rental income received/receivable from 杭州越榮房地產開發有限公司	312	311
Rental income received/receivable from 杭州盛寅房地產開發有限公司	249	245
Rental income received/receivable from 杭州豐勝房地產開發有限公司	538	535
Rental income received/receivable from Guangzhou Yuexiu Business Operation Management Co.,Ltd.	13	8
Rental income received/receivable from 廣州悅秀智訊科技信息諮詢有限公司	1,021	—
Rental income received/receivable from 廣州白馬電子商務股份有限公司	268	—
Rental income received/receivable from 廣州越秀興業地產代理有限公司	170	—
Interest income received/receivable from GCCD	9,355	9,380
Naming right income received/receivable from GCCD	6,857	1,143
Principal element of lease payments paid/payable to 廣州越秀星寓公寓管理有限公司	(5,160)	—
Trustee's fee paid/payable to the Trustee	(5,229)	(5,149)
Valuation fee paid/payable to the Valuer	(498)	(429)
Interest expense paid/payable to the HSBC Group	(13,512)	(12,178)
Bond underwriter's fee paid/payable to the HSBC Group	(1)	—
Interest income received/receivable from the HSBC Group	—	6
Interest expense paid/payable to Chong Hing Tianhe	(3,793)	(5,979)
Interest income received/receivable from Chong Hing Tianhe	423	481

## Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (B) BALANCES WITH RELATED COMPANIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Amount due from GCCD (i)	227,958	228,082
Amount due to Yicheng	(11,278)	(5,004)
Amount due to Baima BM	(23,415)	(950)
Amount due to the Manager	(83,886)	(79,198)
Amount due to GZ AM	(7,858)	(1,749)
Amount due to GCD (China)	(1,362)	(1,361)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from the HSBC Group	(758,155)	(933,129)
Bank borrowing from Chong Hing Tianhe	(153,146)	(185,146)
Trade receivables from related companies	2,480	13
Rental deposits from related companies (ii)	(60,483)	(65,632)

Except for an amount due from GCCD of approximately RMB218 million (31 December 2019: RMB218 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and reasonable approximation to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Yuexiu REIT, GCCD would be responsible for settling the outstanding construction cost related to the construction of GZIFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Yuexiu REIT. The receivable balance of RMB228 million (31 December 2019: RMB228 million) as at period end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the condensed consolidated balance sheet.

#### (C) KEY MANAGEMENT COMPENSATION

There was no key management compensation for the period ended 30 June 2020 (2019: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 29 CAPITAL COMMITMENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	<b>33,121</b>	23,238

### 30 FUTURE MINIMUM RENTAL RECEIVABLES

At 30 June 2020 and 31 December 2019, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Within one year	<b>1,173,459</b>	1,102,973
Between one year and five years	<b>1,757,644</b>	1,540,848
Over five years	<b>76,441</b>	102,305
	<b>3,007,544</b>	2,746,126



# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the Unitholders of Yuexiu Real Estate Investment Trust

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

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

#### What we have audited

The consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries together (the "Group") set out on pages 174 to 244, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to Unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### BASIS FOR OPINION

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

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

### Independence

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

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羅兵咸永道

## KEY AUDIT MATTERS

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

### Key Audit Matter

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

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

The Group's investment properties amounting to RMB29,982 million and the building portions of hotel and serviced apartments included in property, plant and equipment (together the "Subject Properties") amounting to RMB2,270 million were carried at fair value at 31 December 2019. Changes in the fair values of the investment properties and hotel and serviced apartments during the year ended 31 December 2019 were recorded in profit or loss and other comprehensive loss of RMB752,700,000 and RMB729,000 respectively.

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

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

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

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

### How our audit addressed the Key Audit Matter

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

We read the Valuer's report prepared in accordance with HKIS Valuation Standards (2017 Edition) and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)", and assessed the Valuer's qualifications and experience in the markets where the Subject Properties are located. We also assessed the Valuer's independence and objectivity by reading their terms of engagement with the Group and considering their fee arrangements and any other services provided to the Group.

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

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

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

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

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

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

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



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#### OTHER INFORMATION

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

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

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

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

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

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to the Unitholders, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

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

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



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

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

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 5 March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	2,058,112	2,031,876
Operating expenses, net	6	(952,948)	(921,657)
Fair value gain on investment properties	15	752,700	905,159
Changes in fair value of			
– support arrangement asset		32,318	22,736
– derivative financial instruments	20	72,331	56,638
Gain on disposal of subsidiaries	21	—	302,779
Write back of construction payable	27	163,608	—
Finance income	9	33,748	35,517
Finance expenses, net	10	(777,633)	(1,008,160)
Profit before income tax and transactions with unitholders		1,382,236	1,424,888
Income tax expense	11	(441,828)	(458,369)
Profit after income tax before transactions with unitholders		940,408	966,519
Transactions with unitholders	29	(876,300)	(876,720)
Income after income tax and transactions with unitholders		64,108	89,799
Other comprehensive loss for the year:			
<u>Items that will not be reclassified to profit or loss</u>			
Change in fair value of property, plant and equipment			
– Gross		(729)	(49,183)
– Tax		204	13,776
Other comprehensive loss for the year, net of tax		(525)	(35,407)
Total comprehensive income for the year		63,583	54,392

	Attributable to				
	Unitholders before transactions with unitholders	Transactions with unitholders (Note 29)	Unitholders after transactions with unitholders	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year ended 31 December 2018	911,758	(876,720)	35,038	54,761	89,799
Other comprehensive loss:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(35,038)	—	(35,038)	(369)	(35,407)
Total comprehensive income for the year ended 31 December 2018	876,720	(876,720)	—	54,392	54,392
<b>Profit/(loss) for the year ended 31 December 2019</b>	<b>876,819</b>	<b>(876,300)</b>	<b>519</b>	<b>63,589</b>	<b>64,108</b>
Other comprehensive loss:					
<u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(519)	—	(519)	(6)	(525)
<b>Total comprehensive loss for the year ended 31 December 2019</b>	<b>876,300</b>	<b>(876,300)</b>	<b>—</b>	<b>63,583</b>	<b>63,583</b>

## Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement on page 178.
- (ii) Earnings per unit is based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 12.

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	2,270,852	2,340,934
Right-of-use assets	14	1,359,784	—
Land use rights	14	—	1,379,969
Investment properties	15	29,982,000	29,115,000
Deferred assets	17	205,430	219,847
Goodwill	18	859,868	859,868
Derivative financial instruments	20	6,166	—
		<b>34,684,100</b>	<b>33,915,618</b>
<b>Current assets</b>			
Inventories		4,071	4,337
Trade receivables	22	15,887	26,785
Amounts due from related parties	32	228,082	238,915
Prepayments, deposits and other receivables	23	85,112	147,852
Derivative financial instruments	20	37,209	—
Tax recoverable		4,072	8,526
Support arrangement asset	19	25,163	11,645
Short-term bank deposits	24	22,750	22,633
Cash and cash equivalents	24	1,319,010	1,458,755
		<b>1,741,356</b>	<b>1,919,448</b>
<b>Total assets</b>		<b>36,425,456</b>	<b>35,835,066</b>
<b>Current liabilities</b>			
Trade payables	26	14,205	17,689
Rental deposits, current portion	27	186,707	172,221
Receipts in advance	27	80,827	85,625
Accruals and other payables	27	735,140	998,607
Amounts due to related parties	32	98,262	103,227
Derivative financial instruments	20	—	113,745
Borrowings	28	3,217,958	2,276,543
Lease liabilities	14	9,164	—
Tax payable		117,750	144,845
		<b>4,460,013</b>	<b>3,912,502</b>



	Note	2019 RMB'000	2018 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	27	198,816	184,377
Borrowings	28	11,034,441	11,599,185
Deferred tax liabilities	25	4,906,156	4,536,795
Derivative financial instruments	20	1,249	6,273
Lease liabilities	14	20,026	—
		<b>16,160,688</b>	<b>16,326,630</b>
<b>Total liabilities, other than net assets attributable to unitholders</b>			
		<b>20,620,701</b>	<b>20,239,132</b>
Net assets attributable to unitholders	29	<b>14,599,360</b>	<b>14,454,122</b>
<b>Total liabilities</b>			
		<b>35,220,061</b>	<b>34,693,254</b>
<b>Net assets</b>			
		<b>1,205,395</b>	<b>1,141,812</b>
<b>Equity</b>			
Revaluation reserve		419,655	420,174
Retained earnings		(419,655)	(420,174)
		—	—
Non-controlling interests		1,205,395	1,141,812
<b>Total equity</b>			
		<b>1,205,395</b>	<b>1,141,812</b>
<b>Units in issue ('000)</b>	29	<b>3,205,856</b>	<b>3,106,450</b>
<b>Net assets attributable to unitholders per unit (RMB)</b>			
		<b>RMB4.55</b>	<b>RMB4.65</b>

On behalf the Board of Directors of the Manager

Director

Director

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		876,819	911,758
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(723,188)	(868,555)
– Fair value gain on derivative financial instruments		(72,331)	(56,638)
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		160,296	175,807
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(383,647)	(355,727)
– Gain on disposal of a subsidiary, after income tax		—	(245,300)
– Fair value gain on support arrangement asset		(32,318)	(7,475)
– Write back of construction payables, net of tax		(116,596)	—
<b>Total distributable loss</b>		<b>(290,965)</b>	<b>(446,130)</b>
<b>Additional items (ii)</b>			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		383,647	355,727
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		128,458	128,215
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		102,281	107,068
– Manager’s fee paid and payable in units in lieu of cash		118,009	117,810
– Foreign exchange loss in financing activities		243,580	527,548
– Expenses incurred in connection with the acquisition of a subsidiary		—	8,799
– Expenses incurred in connection with the acquisition of investment properties		2,859	—
– Support arrangement asset received/receivable		17,471	—
– Discretionary distribution related to the disposal of subsidiaries		55,900	50,500

	Note	2019 RMB'000	2018 RMB'000
<b>Distributable income after additional items</b>		<b>761,240</b>	849,537
Distributable amount at 1 January		425,902	431,127
Distributions paid during the year (iii)	29	(850,194)	(854,762)
<b>Final distribution declared</b>		<b>336,948</b>	425,902
<b>Distribution per unit, declared (iv)</b>		<b>RMB0.1051</b>	RMB0.1371

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A final distribution for the period from 1 July 2018 to 31 December 2018 of RMB0.1365 (equivalent to HK\$0.1589) per unit and interim distribution for the period from 1 January 2019 to 30 June 2019 of RMB0.1355 (equivalent to HK\$0.1540) per unit, totaling RMB850,194,000 (2018: RMB854,762,000), were paid to unitholders on 27 May 2019 and 17 October 2019 respectively.
- (iv) A final distribution for the period from 1 July 2019 to 31 December 2019 of RMB0.1051 (equivalent to HK\$0.1172) per unit, totaling RMB336,948,000 (equivalent to HK\$375,726,000) was declared by the Board of the Manager on 5 March 2020.

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

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

FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity				
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units	110,780	—	—	—	110,780
Profit/(loss) for the year ended 31 December 2018 attributable to:					
– Unitholders	876,720	—	—	—	876,720
– Equity holders	—	35,038	—	54,761	89,799
Distributions paid to unitholders	(854,762)	—	—	—	(854,762)
Change in fair value of property, plant and equipment, net of tax	—	—	(35,038)	(369)	(35,407)
At 31 December 2018	14,454,122	(420,174)	420,174	1,141,812	15,595,934
At 1 January 2019	14,454,122	(420,174)	420,174	1,141,812	15,595,934
Issuance of units	119,132	—	—	—	119,132
Profit/(loss) for the year ended 31 December 2019 attributable to:					
– Unitholders	876,300	—	—	—	876,300
– Equity holders	—	519	—	63,589	64,108
Distributions paid to unitholders	(850,194)	—	—	—	(850,194)
Change in fair value of property, plant and equipment, net of tax	—	—	(519)	(6)	(525)
At 31 December 2019	14,599,360	(419,655)	419,655	1,205,395	15,804,755

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	1,369,896	1,288,633
Interest paid		(505,248)	(438,117)
China income tax paid		(94,905)	(86,235)
Support arrangement assets received		18,800	11,091
Net cash generated from operating activities		788,543	775,372
<b>Cash flows from investing activities</b>			
Additions of investment properties		(114,300)	(14,841)
Additions of property, plant and equipment		(11,212)	(19,325)
Disposal of property, plant and equipment		55	—
Interest received		33,748	35,517
(Increase)/decrease in short-term bank deposits with original maturity of more than three months		(117)	4,069
Settlement of deferred payment		—	(822,737)
Acquisition of a subsidiary, net of cash acquired	31	—	(530,575)
Disposal of a subsidiary	21	—	995,472
Net cash used in investing activities		(91,826)	(352,420)
<b>Cash flows from financing activities</b>			
Distributions paid		(850,194)	(854,762)
Proceeds from borrowings, net of transaction costs		4,454,458	5,276,630
Repayment of borrowings		(4,351,359)	(4,683,244)
Settlement of derivative financial instruments		(88,508)	(6,725)
Principal elements of lease payments		(859)	—
Net cash used in financing activities		(836,462)	(268,101)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(139,745)</b>	<b>154,851</b>
Cash and cash equivalents at beginning of the year		1,458,755	1,303,904
<b>Cash and cash equivalents at end of the year</b>	24	<b>1,319,010</b>	<b>1,458,755</b>

The notes on pages 182 to 244 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) BASIS OF PREPARATION

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

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

As at 31 December 2019, the Group’s current liabilities exceeded its current assets by RMB2,718,657,000 (31 December 2018: RMB1,993,054,000) mainly as the bank borrowings of RMB3,217,958,000 (31 December 2018: RMB2,276,543,000) fall due within twelve months from the balance sheet date. The Manager has been discussing with the Group’s principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group’s past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (i) *New and amended standards effective for the year ended 31 December 2019*

Annual Improvements to HKFRS	Annual Improvements 2015-2017 Cycle
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The adoption of these new and amended standards did not result in any significant impact on the results and financial position of the Group except for HKFRS 16 as set out below.

#### HKFRS 16 "Leases"— Impact of adoption

The new accounting policies have been applied from 1 January 2019 as set out in note 2(m). The Group has adopted the modified retrospective approach to which the reclassifications resulting from the adoption of HKFRS 16 are recognised on the date of initial application, i.e. as at 1 January 2019. The comparative figures as at 31st December 2018 and for the year ended 31st December 2018 have not been restated.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As at 1 January 2019		
	As previously stated RMB'million	Effects of adoption RMB'million	As restated RMB'million
Right-of-use assets	—	1,380	1,380
Land use rights	1,380	(1,380)	—

There was no impact on retained earnings on 1 January 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(A) BASIS OF PREPARATION (continued)**

(ii) *New and amended standards have been issued but are not yet effective for the year ended 31 December 2019 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendment to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

**(B) CONSOLIDATION***(i) Subsidiaries*

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2019.

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (B) CONSOLIDATION (continued)

#### (ii) Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with 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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

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

### (C) SEGMENT REPORTING

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(D) FOREIGN CURRENCY TRANSLATION***(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

**(E) PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

### (F) INVESTMENT PROPERTIES

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(G) GOODWILL**

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

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

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

**(H) DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

**(J) OFFSETTING FINANCIAL INSTRUMENTS**

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

**(K) INVENTORIES**

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (L) OTHER FINANCIAL ASSETS

#### (i) Classification

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

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

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of the profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating expense, net in the period in which it arise.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(L) OTHER FINANCIAL ASSETS (continued)***(i) Classification (continue)*

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

**(M) LEASES**

As explained in Note 2(a)(i) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2(a)(i).

Until 31 December 2018, the upfront prepayments made for the land use rights are expensed in the profit or loss on a straight-line basis over the period of the rights or when there is impairment, the impairment is expensed in the profit or loss.

From 1 January 2019, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (M) LEASES (continued)

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.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(M) LEASES (continued)**

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

**(N) RENTAL DEPOSITS**

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

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

**(O) CASH AND CASH EQUIVALENTS**

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

**(P) TRADE PAYABLES**

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (Q) PROVISIONS

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

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

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

### (R) BORROWINGS

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

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

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

### (S) BORROWING COSTS

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

### (T) CURRENT AND DEFERRED INCOME TAX

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(T) CURRENT AND DEFERRED INCOME TAX (continued)***(i) Current income tax*

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

*(ii) Deferred income tax*

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

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

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

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

*(iii) Offsetting*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (U) REVENUE RECOGNITION

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

#### (i) *Rental income*

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

#### (ii) *Hotel and serviced apartment income*

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

#### (iii) *Interest income*

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

### (V) DISTRIBUTIONS TO UNITHOLDERS

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

### (W) EMPLOYEE BENEFIT

#### i) *Pension obligations*

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(W) EMPLOYEE BENEFIT (continued)***ii) Termination benefits*

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

**3 FINANCIAL RISK MANAGEMENT****(A) FINANCIAL RISK FACTORS**

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

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

*(i) Market risk***(a) Foreign exchange risk**

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

At 31 December 2019 and 2018, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2019 would have been approximately RMB617,571,000 (2018: RMB570,034,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits, borrowings and amount due to the Manager.

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

##### (i) Market risk (continued)

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

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

With regard to cash flow interest rate risk of borrowings, when opportunities arise, the Group considers the use of interest rate swaps to fix the interest costs for the long term. In case of funding requirement, other than bank borrowings, the Group may issue fixed-rate instruments, such as bonds, to avoid fluctuation of interest costs over the period of the instruments. During the year, the Group has entered into two floating-to-fixed interest rate swap contracts. At 31 December 2019 and 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB83,367,000 (2018: RMB130,696,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (ii) Credit risk

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

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

	2019 RMB'000	2018 RMB'000
<b>Counterparty</b>		
China Construction Bank	528,180	378,467
Bank of China	461,235	593,825
DBS Bank Ltd. Hong Kong Branch	213,148	219,070
Chong Hing Bank	51,589	125,407
Industrial Bank Co., Ltd.	514	13,733
Other banks	86,598	150,439
Short-term bank deposits and cash and cash equivalent	1,341,264	1,480,941

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**3 FINANCIAL RISK MANAGEMENT (continued)****(A) FINANCIAL RISK FACTORS (continued)***(ii) Credit risk (continued)*

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

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

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

*(iii) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB 1,341,760,000 as at 31 December 2019 (2018: RMB1,481,388,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

##### (iii) Liquidity risk (continued)

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

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2019					
Rental deposits	186,707	73,795	130,601	17,717	408,820
Trade payables	14,205	—	—	—	14,205
Accruals and other payables	735,140	—	—	—	735,140
Amounts due to related parties	98,262	—	—	—	98,262
Bank borrowings					
- Principal to be repaid	3,217,958	637,373	6,134,781	479,080	10,469,192
- Interest payables	369,571	285,825	376,537	37,477	1,069,410
Other borrowings					
- Principal to be repaid	—	2,781,674	1,001,533	—	3,783,207
- Interest payables	168,666	102,393	90,297	—	361,356
Derivative financial instruments	—	1,249	—	—	1,249
Lease liabilities	10,356	10,768	10,231	—	31,355
As at 31 December 2018					
Rental deposits	172,221	76,026	123,291	12,241	383,779
Trade payables	17,689	—	—	—	17,689
Accruals and other payables	998,607	—	—	—	998,607
Amounts due to related parties	103,227	—	—	—	103,227
Bank borrowings					
- Principal to be repaid	2,276,543	4,112,138	3,577,847	1,179,080	11,145,608
- Interest payables	422,730	763,389	645,710	245,622	2,077,451
Other borrowings					
- Principal to be repaid	—	—	2,730,120	—	2,730,120
- Interest payables	129,681	129,681	43,227	—	302,589
Derivative financial instruments	113,745	6,273	—	—	120,018

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**3 FINANCIAL RISK MANAGEMENT (continued)****(B) CAPITAL RISK MANAGEMENT**

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

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

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Total borrowings (Note 28)	14,252,399	13,875,728
Total asset value	36,425,456	35,835,066
Gearing ratio	39%	39%

The gearing ratio stays stable at 39% in 2019 (2018: 39%).

**(C) FAIR VALUE ESTIMATION**

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

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

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

**4 CRITICAL ACCOUNTING ESTIMATES**

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

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



#### **4 CRITICAL ACCOUNTING ESTIMATES (continue)**

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

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

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

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

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

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

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

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

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

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**5 REVENUE AND SEGMENT INFORMATION**

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

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

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

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

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2019				
Revenue from external customers	552,499	941,682	563,931	2,058,112
Segment results	87,654	1,335,306	694,684	2,117,644
Depreciation and amortisation	129,713	83	—	129,796
Fair value gain on investment properties	—	533,042	219,658	752,700
Year ended 31 December 2018				
Revenue from external customers	542,519	945,942	543,415	2,031,876
Segment results	81,648	1,366,272	796,258	2,244,178
Depreciation and amortisation	129,425	147	—	129,572
Fair value gain on investment properties	—	564,852	340,307	905,159
As at 31 December 2019				
Total reportable segments' assets	4,230,914	20,758,404	10,541,698	35,531,016
As at 31 December 2018				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793

## 5 REVENUE AND SEGMENT INFORMATION (continued)

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Segment results	2,117,644	2,244,178
Fair value gain on derivatives financial instruments	72,331	56,638
Unallocated operating costs (Note)	(259,780)	(228,800)
Operating profit	1,930,195	2,072,016
Write back of construction payable	163,608	—
Gain on disposal of a subsidiary	—	302,779
Finance income	33,748	35,517
Finance expenses, net	(777,633)	(1,008,160)
Change in fair value of support arrangement asset	32,318	22,736
Profit before income tax and transactions with unitholders	1,382,236	1,424,888

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

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total reportable segments' assets	35,531,016	34,893,793
Corporate assets	894,440	941,273
Total assets	36,425,456	35,835,066

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FOR THE YEAR ENDED 31 DECEMBER 2019

**5 REVENUE AND SEGMENT INFORMATION** (continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
China	2,058,112	2,031,876	35,531,016	34,893,793
Unallocated assets			894,440	941,273
			36,425,456	35,835,066

The Group's revenue by nature is as follows:

	2019	2018
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	329,840	314,698
Food and beverages	200,877	208,727
Property rentals	1,505,613	1,489,357
Others	21,782	19,094
	2,058,112	2,031,876

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

	2019	2018
	RMB'000	RMB'000
Revenue recognised at a point in time	218,702	224,840
Revenue recognised over time	329,840	314,698
Other sources	1,509,570	1,492,338
	2,058,112	2,031,876

**6 EXPENSES BY NATURE, NET**

	2019 RMB'000	2018 RMB'000
Property management fees (i)	47,456	47,002
Employee benefit expenses (Note 7)	124,382	122,187
Real estate tax	179,741	179,487
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	12,356	12,244
Withholding tax (ii)	59,174	58,277
Depreciation of property, plant and equipment (Note 13)	80,510	80,287
Amortisation of land use rights (Note 14)	—	49,285
Depreciation of right-of-use-assets (Note 14)	50,116	—
Cost of inventories sold or consumed in operation	73,313	60,240
Other direct expenses on hotel and serviced apartment	119,583	131,020
Manager's fee (Note 8)	147,511	147,263
Trustee's fee	10,481	10,710
Valuation fees	948	1,439
Legal and professional fee	14,944	25,259
Auditor's remuneration	3,842	3,154
Bank charges	662	531
Foreign exchange loss/(gain) arising from operating activities	18,988	(21,282)
Others	8,941	14,554
<b>Total operating expenses, net</b>	<b>952,948</b>	<b>921,657</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd., Guangzhou Baima Business Operation Management Co. Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 32).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

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**7 EMPLOYEE BENEFIT EXPENSES**

	2019 RMB'000	2018 RMB'000
Wages, salaries and bonus	84,367	79,856
Pension costs	2,566	4,735
Medical benefits costs	2,965	3,245
Social security costs	5,141	5,551
Staff welfare	29,343	28,800
	<b>124,382</b>	<b>122,187</b>

**PENSION SCHEME ARRANGEMENTS**

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

**8 MANAGER'S FEE**

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

	2019 RMB'000	2018 RMB'000
Manager's fee:		
In the form of units	118,009	117,810
In the form of cash	29,502	29,453
	<b>147,511</b>	<b>147,263</b>

Pursuant to the announcement of Yuexiu REIT dated 15 January 2019, a portion of the manager's fee for the year ended 31 December 2019 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2019 are expected to be issued on 3 April 2020. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 3 April 2020 and (ii) the average closing price of the units in the 10 trading days immediately preceding 3 April 2020.

**9 FINANCE INCOME**

	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	15,362	7,502
Interest income from a related company	18,386	28,015
	<b>33,748</b>	<b>35,517</b>

**10 FINANCE EXPENSES, NET**

	2019 RMB'000	2018 RMB'000
Interest expense for bank borrowings	353,585	326,066
Interest expense for other borrowings	151,663	112,051
Interest expenses to a related party	—	18,474
Interest and finance charges paid/payable for lease liabilities	118	—
Gains on settlement of derivative financial instruments	(1,305)	—
Amortisation of transaction costs for borrowings	29,992	24,020
Foreign exchange loss on financing activities	243,580	527,549
	<b>777,633</b>	<b>1,008,160</b>

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**11 INCOME TAX EXPENSE**

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

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

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

	2019 RMB'000	2018 RMB'000
Current income tax		
- China corporate income tax	63,839	95,297
- Under-provision in prior years	1,108	1,562
- PRC withholding tax	7,316	15,108
Deferred income tax (Note 25)	369,565	346,402
	<b>441,828</b>	<b>458,369</b>

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

	2019 RMB'000	2018 RMB'000
Profit before income tax and transactions with unitholders	1,382,236	1,424,888
Tax calculated at domestic tax rate of 25%	345,559	356,222
Income not subject to tax	(255,190)	(284,680)
Expenses not deductible for tax purposes	298,765	348,450
Under-provision in prior years	1,108	1,562
Withholding tax on unremitted earnings of subsidiaries	57,260	54,104
Recognition of previously unrecognised tax losses	(3,489)	(14,680)
Utilisation of previously unrecognised tax losses	(2,185)	(2,609)
	<b>441,828</b>	<b>458,369</b>



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

### (A) BASIC

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

	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	876,819	911,758
Weighted average number of units in issue ('000)	3,121,515	3,029,200
Basic earnings per unit (RMB)	0.28	0.30

### (B) DILUTED

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2019.

	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	876,819	911,758
Weighted average number of units in issue ('000)	3,121,515	3,029,200
Adjustments for deferred units ('000)	461,401	535,401
Adjustments for manager's fee in form of units ('000)	12,768	13,984
Weighted average number of units for diluted earnings per unit ('000)	3,595,684	3,578,585
Diluted earnings per unit (RMB)	0.24	0.25

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**13 PROPERTY, PLANT AND EQUIPMENT**

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018				
Cost	2,324,914	13,083	9,649	2,347,646
Accumulated depreciation	(513,881)	(12,640)	(9,011)	(535,532)
Fair value gain on revaluation	638,967	—	—	638,967
Net book amount	2,450,000	443	638	2,451,081
Year ended 31 December 2018				
Opening net book amount	2,450,000	443	638	2,451,081
Additions	19,325	—	—	19,325
Disposal	(2)	—	—	(2)
Depreciation (Note 6)	(80,140)	(76)	(71)	(80,287)
Fair value loss on revaluation	(49,183)	—	—	(49,183)
Closing net book amount	2,340,000	367	567	2,340,934
At 31 December 2018				
Cost	2,344,185	13,083	9,649	2,366,917
Accumulated depreciation	(593,969)	(12,716)	(9,082)	(615,767)
Fair value gain on revaluation	589,784	—	—	589,784
Net book amount	2,340,000	367	567	2,340,934

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

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2019				
Opening net book amount	2,340,000	367	567	2,340,934
Additions	11,212	—	—	11,212
Disposal	(55)	—	—	(55)
Depreciation (Note 6)	(80,428)	—	(82)	(80,510)
Fair value loss on revaluation	(729)	—	—	(729)
Closing net book amount	2,270,000	367	485	2,270,852
At 31 December 2019				
Cost	2,354,304	13,083	9,649	2,377,036
Accumulated depreciation	(673,359)	(12,716)	(9,164)	(695,239)
Fair value gain on revaluation	589,055	—	—	589,055
Net book amount	2,270,000	367	485	2,270,852

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 RMB1,680,945,000 (2018: RMB1,750,216,000).

As at 31 December 2019, property, plant and equipment with an aggregate carrying amount of RMB2,017 million (2018: RMB2,023 million) were pledged as collateral for the Group's bank borrowings (Note 28).

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

	2019 RMB'000	2018 RMB'000
Opening balance	2,340,000	2,450,000
Additions	11,212	19,325
Disposal	(55)	(2)
Depreciation	(80,428)	(80,140)
Unrealised losses recognised in reserve	(729)	(49,183)
Closing balance	2,270,000	2,340,000
Unrealised losses for the year included in other comprehensive income at the end of the year	(729)	(49,183)

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**13 PROPERTY, PLANT AND EQUIPMENT (continued)****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 being independent qualified valuer not related to the Group at 31 December 2019 and 2018 respectively.

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

At each financial year end the finance department:

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

**VALUATION TECHNIQUES***Fair value measurements using significant unobservable inputs*

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

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

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

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

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

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

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

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

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

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

#### As at 31 December 2018

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

#### As at 31 December 2019

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

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**14 LEASES**

	RMB'000
Land use rights	
At 1 January 2018	1,429,254
Amortisation (Note 6)	(49,285)
At 31 December 2018	1,379,969
Change in accounting policies (Note 2(a)(i))	(1,379,969)
At 1 January 2019	—

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2019	—	—	—
Change in accounting policies (Note 2(a)(i))	1,379,969	—	1,379,969
Addition	—	29,931	29,931
Depreciation (Note 6)	(49,285)	(831)	(50,116)
At 31 December 2019	1,330,684	29,100	1,359,784

Lease liabilities as at 31 December 2019	RMB'000
Current portion	9,164
Non-current portion	20,026
	29,190

As at 31 December 2019, the fair value of land-use-rights assets is approximately RMB2,709 million (2018: land-use-rights of RMB2,515 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2019, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,240 million (2018: RMB1,498 million) as collateral for the Group's bank borrowings (Note 28).

As at 31 December 2019, all of the lease liabilities are due to a subsidiary of Yuexiu Property Company Limited ("YXP").

## 14 LEASES (continued)

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2019 RMB'000	31 December 2018 RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Land-use rights	49,285	—
Staff quarter	831	—
	<b>50,116</b>	<b>—</b>
Interest and finance charges paid/payable for lease liabilities (note 10)	118	—

Total cash outflows for leases in 2019 was RMB859,000. The Group leases a staff quarter for a fixed period of 36 months.

## 15 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	29,115,000	28,706,000
Additions during the year	114,300	14,841
Acquisition of a subsidiary (Note 31)	—	601,000
Disposal of a subsidiary (Note 21)	—	(1,112,000)
Fair value gains during the year, included in profit or loss under 'Fair value gain on investment properties'	752,700	905,159
At 31 December	<b>29,982,000</b>	<b>29,115,000</b>
Fair value gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	<b>752,700</b>	<b>905,159</b>

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

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB229,349,000 (2018: RMB228,673,000). Included in the direct operating expenses, RMB8,260,000 (2018: RMB9,381,000) was related to investment properties that were vacant.

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**15 INVESTMENT PROPERTIES (continued)**

Yuexiu REIT acquired the carpark spaces in Fortune Plaza and City Delevopment Plaza from Guangzhou City Construction and Development Co., Ltd. for consideration of RMB98,000,000 on 19 November 2019 (2018: Hangzhou Victory Business Centre Tower 2 and the related carparks ("Hangzhou Property")). In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2019, investment properties with an aggregate carrying value of approximately RMB3,708 million (2018: RMB3,551 million) were pledged as collateral for the Group's bank borrowings (Note 28).

**VALUATION PROCESSES OF THE GROUP**

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services, being independent qualified valuers not related to the Group at 31 December 2019 and 2018 respectively.

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

At each financial year end the finance department:

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

**VALUATION TECHNIQUES***Fair value measurements using significant unobservable inputs*

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

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

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

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

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



## 15 INVESTMENT PROPERTIES (continued)

### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation and discount rates are estimated by Savills Valuation and Professional Services Limited for 2019 and 2018 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

#### As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 322	4.00% to 7.25%
Wholesale and shopping mall	41 to 1,400	4.00% to 7.75%

#### As at 31 December 2019

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

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

#### As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 322	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	41 to 1,400	6.75% to 8.75%	98.00% to 99.50%

#### As at 31 December 2019

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

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**16 SUBSIDIARIES**

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited ("HoldCo 2005")	Hong Kong, limited liability company	Investment holding	1 ordinary share	100%
Yuexiu REIT 2012 Company Limited ("REIT 2012")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited ("REIT MTN")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited ("REIT 2013")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Tower Top Development Ltd. ("Tower Top")	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary shares of USD1	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%

## 16 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd.	China, Limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing in China	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management in China	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%

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FOR THE YEAR ENDED 31 DECEMBER 2019

**16 SUBSIDIARIES (continued)**

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held (Note)
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK\$257,614,000	100%
Fully Cheer Management Ltd.	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holding Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Wuhan Yuexiu Property Development Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB2,200,000,000	67%
Yuexiu REIT 2017 Company Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Wealthy Reach Holdings Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Prime Glory Group Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Guangzhou Xiujiang Industries Development Co., Limited	China, limited liability company	Investment holding in China	Registered Capital of RMB550,000,000	100%
Hangzhou Yuehui Real Estate Development Co., Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB470,000,000	100%
Yuexiu REIT 2018 Company Limited	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT Secure Shell Limited ("Secure Shell")	British Virgain Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

Note:

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

## 17 DEFERRED ASSETS

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 twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

## 18 GOODWILL

	2019 RMB'000	2018 RMB'000
<b>At 1 January</b>		
Cost	859,868	845,325
Accumulated impairment	—	—
<b>Net book amount</b>	<b>859,868</b>	<b>845,325</b>
<b>Year ended 31 December</b>		
Opening net book amount	859,868	845,325
Acquisition of a subsidiary (Note 31)	—	15,833
Disposal of a subsidiary (Note 21)	—	(1,290)
<b>Net book amount</b>	<b>859,868</b>	<b>859,868</b>
<b>At 31 December</b>		
Cost	859,868	859,868
Accumulated impairment	—	—
<b>Net book amount</b>	<b>859,868</b>	<b>859,868</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**19 SUPPORT ARRANGEMENT ASSET**

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

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

**20 DERIVATIVE FINANCIAL INSTRUMENTS**

	2019 RMB'000	2018 RMB'000
Non-current assets		
Interest rate swap contracts	6,166	—
Current assets		
Capped foreign exchange forward contracts	37,209	—
Non-current liabilities		
Capped foreign exchange forward contracts	1,249	6,273
Current liabilities		
Capped foreign exchange forward contracts	—	113,745

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2019 were HK\$3,294,648,000 (2018: HK\$2,900,000,000) and USD50,000,000 (2018: Nil).

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were HK\$400,000,000 (2018: Nil) and HK\$1,000,000,000 (2018: Nil).

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

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

## 21 DISPOSAL OF A SUBSIDIARY

	2018 RMB'000
Gain on disposal of:	
Metrogold Development Ltd ("Metrogold")	302,779

On 21 December 2018, the Group disposed of the entire interest held in Metrogold, subsidiary of the Group, to an independent third party for a cash consideration of RMB1,100 million.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2018 RMB'000
Assets and liabilities disposed of:	
Investment properties	1,112,000
Deferred assets	3,019
Goodwill	1,290
Tax recoverable	2,320
Prepayments, deposits and other receivables	1,433
Cash and cash equivalents	37,372
Rental deposits	(15,225)
Receipt in advance	(2,651)
Accruals and other payables	(44)
Amounts due to related parties	(100,000)
Tax payable	(4,225)
Deferred tax liabilities	(251,952)
Net assets disposed of	783,337
Cash consideration received	1,032,844
Less: Cash disposed	(37,372)
Net cash consideration received	995,472
Consideration receivable	67,155
Less: Net assets disposed of, excluding cash	(745,965)
Less: Transaction cost	(13,883)
Gain on disposal of Metrogold	302,779

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**22 TRADE RECEIVABLES**

	2019 RMB'000	2018 RMB'000
Trade receivables	15,887	26,785

The fair values of trade receivables approximate their carrying amounts.

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

	2019 RMB'000	2018 RMB'000
0 - 30 days	14,001	22,405
31 - 90 days	1,278	3,182
91 - 180 days	264	905
181-365 days	344	293
	15,887	26,785

As at 31 December 2019, trade receivables of approximately RMB15,279,000 (2018: RMB25,587,000) were fully performing.

As at 31 December 2019, the Group has insignificant trade receivables which are past due but not impaired.

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

**23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax on rental deposits and deposits for utilities. During the year ended 31 December 2019, the Group received the residual cash consideration of RMB75 million in relation to the disposal of a subsidiary on 28 December 2018. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

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



**24 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS**

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	1,280,590	1,345,300
Short-term bank deposits with original maturity of less than three months	38,420	113,455
Cash and cash equivalents	1,319,010	1,458,755
Short-term bank deposits with original maturity of more than three months	22,750	22,633
Total	1,341,760	1,481,388
Maximum exposure to credit risk	1,341,264	1,480,941

As at 31 December 2019, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,186,060,000 (2018: RMB1,167,013,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

	2019 RMB'000	2018 RMB'000
HK\$	140,804	231,073
RMB	1,186,555	1,167,653
USD	14,401	82,662
	1,341,760	1,481,388

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25 DEFERRED TAX LIABILITIES**

	2019 RMB'000	2018 RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	4,906,156	4,536,795

The movements in the deferred tax liabilities are as follows:

	2019 RMB'000	2018 RMB'000
Beginning of the year	4,536,795	4,428,310
Deferred taxation charged to profit or loss (Note 11)	369,565	346,402
Deferred taxation credited to reserve	(204)	(13,776)
Acquisition of a subsidiary (Note 31)	—	27,811
Disposal of a subsidiary (Note 21)	—	(251,952)
End of the year	4,906,156	4,536,795

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

	Tax losses RMB'000
At 1 January 2018	154,429
Charged to profit or loss	(37,433)
Acquisition of a subsidiary (Note 31)	284
At 31 December 2018	117,280
At 1 January 2019	117,280
Charged to profit or loss	(35,979)
At 31 December 2019	81,301

## 25 DEFERRED TAX LIABILITIES (continued)

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

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2018				
At 1 January 2018	3,552,274	485,644	544,821	4,582,739
Charged to profit or loss	225,571	38,087	45,311	308,969
Credited to reserve	(12,296)	(1,480)	—	(13,776)
Acquisition of a subsidiary (Note 31)	7,623	20,063	409	28,095
Disposal of a subsidiary (Note 21)	(206,754)	(9,637)	(35,561)	(251,952)
At 31 December 2018	3,566,418	532,677	554,980	4,654,075
Year ended 31 December 2019				
At 1 January 2019	3,566,418	532,677	554,980	4,654,075
Charged to profit or loss	201,327	30,335	101,924	333,586
Credited to reserve	(182)	(22)	—	(204)
At 31 December 2019	3,767,563	562,990	656,904	4,987,457

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**26 TRADE PAYABLES**

	2019 RMB'000	2018 RMB'000
Trade payables	14,205	17,689

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	2019 RMB'000	2018 RMB'000
0 - 30 days	9,311	10,157
31 - 90 days	3,923	5,896
91 - 180 days	971	1,636
	14,205	17,689

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

**27 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES**

	2019 RMB'000	2018 RMB'000
Rental deposits		
Current portion	186,707	172,221
Non-current portion	198,816	184,377
	<b>385,523</b>	356,598
Receipts in advance		
Current portion	80,827	85,625
Accrued urban real estate tax	13,445	15,455
Accrued withholding tax payable	8,436	9,493
Accrued value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	11,927	11,412
Construction fee payable (note)	571,795	820,409
Accruals for operating expenses	129,537	141,838
Accruals and other payables	735,140	998,607
	<b>1,201,490</b>	1,440,830

Note:

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

The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate their fair values.

Majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**28 BORROWINGS**

	2019 RMB'000	2018 RMB'000
Current portion of long term borrowings		
Bank borrowings, Secured	268,440	268,440
Bank borrowings, Unsecured	2,949,518	2,008,103
	<b>3,217,958</b>	<b>2,276,543</b>
Long-term borrowings		
Bank borrowings		
- Secured (Note a)	1,821,280	2,521,280
- Unsecured	8,647,912	8,624,328
Other borrowings, unsecured (Note b)	3,783,207	2,730,120
Total long-term borrowings outstanding	<b>14,252,399</b>	<b>13,875,728</b>
Less: current portion of long-term borrowings	<b>(3,217,958)</b>	<b>(2,276,543)</b>
Non-current portion of long-term borrowings	<b>11,034,441</b>	<b>11,599,185</b>
Analysed into:		
Unsecured	12,431,119	11,354,448
Secured	1,821,280	2,521,280
	<b>14,252,399</b>	<b>13,875,728</b>

Note a:

Syndicated and entrustment loans totalling RMB1,821 million (2018: RMB2,521 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB6,965 million (2018: RMB7,750 million).

The Group's borrowings are repayable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	3,217,958	2,276,543
Between one year and five years	10,555,361	10,420,105
Over five years	479,080	1,179,080

**28 BORROWINGS (continued)**

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

	2019	2018
RMB	4.31%	4.31%
HK\$	3.95%	3.65%
USD	4.99%	4.99%

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

	2019 RMB'000	2018 RMB'000
RMB	1,821,280	2,521,280
HK\$	9,649,445	8,624,328
USD	2,781,674	2,730,120
	<b>14,252,399</b>	<b>13,875,728</b>

The Group has an undrawn bank borrowing facility of HKD2,100 million as at 31 December 2019 (2018: nil).

Note b:

On 28 May 2019 and 14 June 2019, Yuexiu REIT MTN Company Limited, issued and sold HK\$770 million and HK\$350 million principal amount of 3.6% additional notes both due in May 2024 to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**29 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

	2019 RMB'000	2018 RMB'000
At 1 January	14,454,122	14,321,384
Issuance of units	119,132	110,780
Transfer from the consolidated statement of comprehensive income	876,300	876,720
Distributions paid during the year	(850,194)	(854,762)
At 31 December	<b>14,599,360</b>	<b>14,454,122</b>

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

Units in issue ('000)	2019	2018
At 1 January	3,106,450	3,014,285
Units issued during the year (Note a)	25,406	25,165
Issuance of deferred units during the year (Note b)	74,000	67,000
At 31 December	<b>3,205,856</b>	<b>3,106,450</b>

Note a:

During 2019, 25,406,124 units were issued for payment of manager's fee (2018: 25,164,531 units).

Note b:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. During 2019, 74,000,000 units were issued and the outstanding deferred units at 31 December 2019 was 461,401,000 (31 December 2018: 535,401,000 units).



### 30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 RMB'000	2018 RMB'000
Profit before income tax and transactions with unitholders	1,382,236	1,424,888
Adjustments for:		
- Depreciation expenses of property, plant and equipment	80,510	80,287
- Amortisation of land use right	—	49,285
- Depreciation of right-of-assets	50,116	—
- Amortisation of transaction costs for bank borrowings	29,992	24,020
- Foreign exchange loss on financing activities	243,580	527,549
- Fair value gains on investment properties	(752,700)	(905,159)
- Fair value gain on derivative financial instruments	(73,636)	(56,638)
- Fair value gain on support arrangement asset	(32,318)	(22,736)
- Gain on disposal of a subsidiary	—	(302,779)
- Loss on disposal of property, plant and equipment	—	2
- Write back of construction payables	(163,608)	—
- Interest income	(33,748)	(35,517)
- Interest and finance charges paid/payable for lease liabilities	118	—
- Interest expenses	505,248	456,471
Changes in working capital:		
- Deferred assets	14,417	2,455
- Inventories	266	(1,210)
- Trade receivables	10,898	(6,748)
- Amounts due from related parties	10,833	27,442
- Prepayments, deposits and other receivables	62,740	(26,882)
- Trade payables	(3,484)	78
- Rental deposits	28,925	13,640
- Receipts in advance	(4,798)	3,847
- Accruals and other payables	19,274	(83,771)
- Amounts due to related parties	(4,965)	120,109
Cash generated from operations	<b>1,369,896</b>	<b>1,288,633</b>

(b) Major non-cash transaction:

During the year ended 31 December 2019, 25,406,124 units (2018: 25,164,531 units) amounting to RMB119,132,000 (2018: RMB110,780,000) were issued for payment of manager's fee.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**31 BUSINESS COMBINATION**

On 23 December 2018, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Wealthy Reach Holding Limited and its subsidiaries, Prime Glory Group Holdings Limited, GuangzhouXiujiang Industries Development Co Ltd and Hangzhou Yuehui Real Estate Development Co Ltd (hereafter collectively referred to as "Wealthy Reach Group"). The Wealthy Reach Group holds 100% interest in Hangzhou Property. The transaction was completed on 28 December 2018.

The financial impact to the Group from acquisition date to 31 December 2018 was insignificant.

Had Wealthy Reach Group been consolidated from 29 December 2018 to 31 December 2018, the consolidated statement of comprehensive income would show pro-forma revenue of RMB2,050 million and profit before income tax of RMB977 million from its leasing operations.

The following table summarises the consideration paid for Wealthy Reach Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2018 RMB'000
Purchase consideration	
At 28 December 2018	
Consideration	563,421
Fair value of net assets acquired – shown as below	(547,588)
<b>Goodwill</b>	<b>15,833</b>
	<b>Fair value RMB'000</b>
Investment property	601,000
Deferred assets	978
Trade and other receivables and prepayments	9,538
Tax recoverable	4,072
Cash and cash equivalents	26,136
Accruals and other payables	(28,494)
Rental deposits	(5,930)
Receipts in advance	(4,888)
Amount due to a fellow subsidiary	(97)
Tax payable	(26,916)
Deferred income tax liabilities	(27,811)
Net assest acquired	547,588

**31 BUSINESS COMBINATION** (continued)

Cash outflow to acquire business, net of cash acquired:	2018 RMB'000
Purchase consideration settled in cash	556,711
Cash and cash equivalents acquired	(26,136)
	<hr/>
Cash outflow on acquisition	530,575
Consideration payable	6,710
	<hr/>
Total consideration less cash acquired	<u>537,285</u>

Acquisition-related costs of RMB8,799,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisition, the Group expanded its footprint beyond Guangzhou, Shanghai and Wuhan and diversified its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

As at 31 December 2019, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 38% (2018: 36%) of Yuexiu REIT's units. The remaining 62% (2018: 64%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2019:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Yicheng Business & Operation Management Co., Ltd ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Holdings (China) Limited ("GCD (China)") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") <sup>1</sup>	A subsidiary of GZYG
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yue Xiu Enterprises (Holdings) Ltd ("YXE") <sup>1</sup>	A subsidiary of GZYG
Guangzhou Yue Xiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou City Construction and Development Group Co. Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
Guangzhou Guang Zheng Hang Seng Research Co., Ltd ("Guang Zheng") <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Suiqiao Development Company Limited ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Securities Company Limited <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co.Ltd <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co.,Ltd <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Holdings Group Co., Ltd <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yue Xiu Enterprises Development Ltd <sup>1</sup>	A subsidiary of YXE

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited("Chong Hing") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd <sup>1</sup>	A subsidiary of YXE
Guangzhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
Guangzhou Futures Co., Ltd <sup>1</sup>	A subsidiary of GZYFHG
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅停網絡科技有限公司 <sup>1</sup>	A subsidiary of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
Yue Xiu Consultant (Shenzhen) Co., Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州越榮房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州盛寅房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州豐勝房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
武漢越秀商業管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市品秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Business Operation Management Co.,Ltd. <sup>1</sup>	A subsidiary of YXP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Connected/related companies	Relationship with Yuexiu REIT
廣州越秀星寓公寓管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州雋越房地產開發有限責任公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀資本投資管理有限公司 <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited ("the Valuer")	The current principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

<sup>2</sup> The company ceased to be connected company of the Group since 28 March 2019.

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

**(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES**

	2019 RMB'000	2018 RMB'000
Asset management fee paid/payable to the Manager (note ii)	(147,511)	(147,263)
Management fee paid/payable to Yicheng	(16,719)	(16,359)
Management fee paid/payable to Baima BM	(11,182)	(11,022)
Management fee paid/payable to GZAM	(19,555)	(19,621)
Rental income received/receivable from Xingye	8,042	6,567
Rental income received/receivable from Yicheng	18,813	14,387
Rental income received/receivable from GCCD	14,387	11,018
Rental income received/receivable from White Horse JV	—	1,203
Rental income received/receivable from Guangzhou Securities Company Limited	33,036	31,706
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	759	5,184
Rental income received/receivable from GZ JLL	16,248	15,323
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	1,395	423
Rental income received/receivable from GZAM	10,452	9,812
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd	—	9,060
Rental income received/receivable from GZYFHG	16,517	3,039
Rental income received/receivable from Yue Tong	773	773
Rental income received/receivable from Yue Peng	789	789

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)

	2019 RMB'000	2018 RMB'000
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	8,531	8,718
Rental income received/receivable from YXE	37,352	34,028
Rental income received/receivable from Chong Hing	2,050	—
Rental income received/receivable from Chong Hing Tianhe	50	2,070
Rental income received/receivable from Chong Hing Guangzhou	258	417
Rental income received/receivable from Chong Hing Shanghai	930	518
Rental income received/receivable from Guangzhou Paper Group Ltd.	279	271
Rental income received/receivable from Guangzhou Titanium Dioxide Factory	23	271
Rental income received/receivable from 廣州市祥港房地產開發有限公司	9,391	—
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	—	17,619
Rental income received/receivable from Guangzhou Futures Company Limited	3,821	2,843
Rental income received/receivable from 廣州東耀房地產開發有限公司	13,935	4,331
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	114	100
Rental income received/receivable from 廣州悅停網絡科技有限公司	47	191
Rental income received/receivable from 廣州鵬燁貿易有限公司	1,104	1,104
Rental income received/receivable from 廣州友誼集團有限公司	7,663	32,328
Rental income received/receivable from Guangzhou Yuexiu Financial Technology CO.,Ltd.	614	1,147
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	3,768	3,768
Rental income received/receivable from 武漢越秀商業管理有限公司	10,843	1,954
Rental income received/receivable from 武漢康景實業投資有限公司	33,295	20,096
Rental income received/receivable from 廣州城建開發設計院有限公司	386	390
Rental income received/receivable from 廣州越秀地產工程管理有限公司	4,749	2,319

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)**

	2019 RMB'000	2018 RMB'000
Rental income received/receivable from Guangzhou Grandcity Development Ltd	—	2,113
Rental income received/receivable from Guang Zheng	2,388	2,226
Rental income received/receivable from Suiqiao	595	595
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	560	527
Rental income received/receivable from Yue Xiu Consultants (Shenzhen) Co., Ltd.	1,339	523
Rental income received/receivable from 杭州越秀房地產開發有限公司	4,238	31
Rental income received/receivable from 杭州越榮房地產開發有限公司	626	5
Rental income received/receivable from 杭州盛寅房地產開發有限公司	486	4
Rental income received/receivable from 杭州豐勝房地產開發有限公司	1,079	9
Rental income received/receivable from 廣州市品秀房地產開發有限公司	189	—
Rental income received/receivable from Guangzhou Yue Xiu Enterprises Development Ltd	256	—
Rental income received/receivable from Guangzhou Yuexiu Business Operation Management Co.,Ltd	16	—
Rental income received/receivable from 廣州越秀星寓公寓管理有限公司	1,153	—
Rental income received/receivable from 廣州越秀資本投資管理有限公司	2,976	—
Rental income received/receivable from 廣州雋越房地產開發有限責任公司	186	—
Rental income received/receivable from Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd.	649	—
Naming right income received/receivables from GCCD	8,000	—
Interest income received/receivable from GCCD	18,852	21,698
Trustee fee paid/payable to Trustee	(10,481)	(10,710)
Valuation fee paid/payable to the Valuer	(948)	(1,439)



**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (continued)**

	2019 RMB'000	2018 RMB'000
Principal element of lease payments paid to 廣州越秀星寓公寓管理有限公司	(859)	—
Interest expense paid/payable to GCD (China)	—	(18,474)
Interest expense paid/payable to the HSBC Group	(24,683)	(22,158)
Interest income received/receivable from the HSBC Group	12	3
Interest expense paid/payable to the Chong Hing Bank	(10,858)	(14,662)
Interest income received/receivable from Chong Hing Bank	1,184	399

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction of 0.5% of the gross sale price of the disposal of any part of Deposited property comprising of Real Estate, as defined in the Trust Deed (Note 8).

**(B) BALANCES WITH RELATED COMPANIES**

	2019 RMB'000	2018 RMB'000
Amount due from GCCD (i)	228,082	238,915
Amount due to Yicheng	(5,004)	(6,456)
Amount due to Baima BM	(950)	(696)
Amount due to the Manager	(79,198)	(77,670)
Amount due to GZAM	(1,749)	(1,676)
Amount due to GCD (China)	(1,361)	(6,729)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(185,146)	(290,400)
Rental income receivables from related companies	13	5,711
Rental deposits from related companies (ii)	(65,632)	(51,897)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(B) BALANCES WITH RELATED COMPANIES (continued)**

An amount due from GCCD of approximately RMB218 million (2018: RMB 227 million) is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable. The remaining amount is unsecured, interest free and repayable on demand.

All other balances with related companies are unsecured, interest-free, repayable on demand and a reasonable approximation to their fair values.

All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB228 million (2018: RMB238 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million. To the extent that there are residual funds after settlement of all outstanding construction costs, GCCD will be required to refund the surplus cash to Tower Top after the settlement of such costs.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

**(C) KEY MANAGEMENT COMPENSATION**

There was no key management compensation for the year ended 31 December 2019 (2018: nil).

**33 CAPITAL COMMITMENTS**

	2019 RMB'000	2018 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	23,238	21,832

### 34 FUTURE MINIMUM RENTAL RECEIVABLE

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

	2019 RMB'000	2018 RMB'000
Within one year	1,102,973	1,202,567
Between one year and five years	1,540,848	1,918,346
Over five years	102,305	133,985
	<b>2,746,126</b>	<b>3,254,898</b>

### 35 NET DEBT RECONCILIATION

	Cash and cash equivalents RMB'000	Other assets		Borrowings - repayable within one year RMB'000	Liabilities from financing activities	
		Short term deposits RMB'000	Derivative financial instrument RMB'000		Borrowings - repayable after one year RMB'000	Total RMB'000
<b>Net debt as at 1 January 2018</b>	1,303,904	26,702	(183,381)	(4,408,474)	(8,322,299)	(11,583,548)
Cash flows	154,851	(4,069)	6,725	—	—	157,507
Proceeds from new borrowings	—	—	—	—	(5,276,630)	(5,276,630)
Repayment of borrowings	—	—	—	500,000	4,183,244	4,683,244
Other non-cash movements	—	—	56,638	1,631,931	(2,183,500)	(494,931)
<b>Net debt as at 31 December 2018</b>	<b>1,458,755</b>	<b>22,633</b>	<b>(120,018)</b>	<b>(2,276,543)</b>	<b>(11,599,185)</b>	<b>(12,514,358)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

**35 NET DEBT RECONCILIATION (continued)**

	Other assets			Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Short term deposits RMB'000	Lease liabilities RMB'000	Derviative financial instrument, Net RMB'000	Borrowings - repayable within one year RMB'000	Borrowings - repayable after one year RMB'000	
<b>Net debt as at 1 January 2019</b>	1,458,755	22,633	—	(120,018)	(2,276,543)	(11,599,185)	(12,514,358)
<b>Cash flows</b>	(139,745)	117	859	88,508	—	—	(50,261)
Acquisition - Lease	—	—	(29,931)	—	—	—	(29,931)
Proceeds from new borrowings	—	—	—	—	(623,830)	(3,830,629)	(4,454,459)
Repayment of borrowings	—	—	—	—	2,952,570	1,398,789	4,351,359
Other non-cash movements	—	—	(118)	73,636	(3,270,155)	2,996,584	(200,053)
<b>Net debt as at 31 December 2019</b>	<b>1,319,010</b>	<b>22,750</b>	<b>(29,190)</b>	<b>42,126</b>	<b>(3,217,958)</b>	<b>(11,034,441)</b>	<b>(12,897,703)</b>

**36 SUBSEQUENT EVENT**

The entire property portfolio of Yuexiu REIT is situated in the PRC, with one property located in Wuhan, which has been affected by the coronavirus outbreak in early 2020. To abide by its corporate social responsibility and to alleviate the operating pressure of tenants whose businesses are adversely affected by the outbreak, the Group will offer certain temporary rental concessions to tenants on a case-by-case basis. Based on the present circumstances, it is estimated that the rental concessions will result in a reduction in the Group's revenue on a cash basis of approximately RMB 90 million.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the Unitholders of Yuexiu Real Estate Investment Trust

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

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

#### What we have audited

The consolidated financial statements of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (the "Group") set out on pages 168 to 234, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the distribution statement for the year then ended;
- the consolidated statement of net assets attributable to Unitholders and changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### BASIS FOR OPINION

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

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

### Independence

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

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### KEY AUDIT MATTERS

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

#### Key Audit Matter

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

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

The Group's investment properties amounting to RMB29,115,000,000 and the building portions of hotel and serviced apartments included in property, plant and equipment (together the "Subject Properties") amounting to RMB2,340,000,000 were carried at fair value at 31 December 2018. Changes in the fair values of the investment properties and hotel and serviced apartments during the year ended 31 December 2018 were recorded in profit or loss and other comprehensive loss of RMB905,159,000 and RMB49,183,000 respectively.

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

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

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

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

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

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

We read the Valuer's report prepared in accordance with HKIS Valuation Standards (2017 Edition) and the relevant charters in "Code on Real Estate Investment Trusts (August 2014 Fifth Edition)", and assessed the Valuer's qualifications and experience in the markets where the Subject Properties are located. We also assessed the Valuer's independence and objectivity by reading their terms of engagement with the Group and considering their fee arrangements and any other services provided to the Group.

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

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

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

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

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

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

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



**OTHER INFORMATION**

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

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

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

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

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

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Hong Kong Securities and Futures Commission (the "REIT Code").

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

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## INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to the Unitholders, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

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

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





## 羅兵咸永道

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

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

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 February 2019

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	2,031,876	1,853,899
Operating expenses, net	6	(921,657)	(973,584)
Fair value gain on investment properties	15	905,159	885,792
Fair value gain/(loss) on derivative financial instruments	20	56,638	(258,008)
Gain on disposal of subsidiaries	21	302,779	—
Finance income	9	58,253	573,527
Finance expenses	10	(1,008,160)	(366,987)
Profit before income tax and transactions with unitholders		1,424,888	1,714,639
Income tax expense	11	(458,369)	(277,544)
Profit after income tax before transactions with unitholders		966,519	1,437,095
Transactions with unitholders	29	(876,720)	(1,511,377)
Income/(loss) after income tax and transactions with unitholders		89,799	(74,282)
Other comprehensive (loss)/income for the year:			
<u>Items that will not be reclassified to profit or loss</u>			
Change in fair value of property, plant and equipment			
– Gross		(49,183)	114,231
– Tax		13,776	(31,993)
Other comprehensive (loss)/income for the year, net of tax		(35,407)	82,238
Total comprehensive income for the year		54,392	7,956

	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 29) RMB'000	Unitholders after transactions with unitholders RMB'000	Non- controlling interests RMB'000	
Profit/(loss) for the year ended 31 December 2017	1,429,996	(1,511,377)	(81,381)	7,099	(74,282)
Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	81,381	—	81,381	857	82,238
Total comprehensive income for the year ended 31 December 2017	1,511,377	(1,511,377)	—	7,956	7,956
<b>Profit/(loss) for the year ended 31 December 2018</b>	<b>911,758</b>	<b>(876,720)</b>	<b>35,038</b>	<b>54,761</b>	<b>89,799</b>
Other comprehensive income: <u>Items that will not be reclassified to profit or loss</u>					
Change in fair value of property, plant and equipment, net of tax	(35,038)	—	(35,038)	(369)	(35,407)
<b>Total comprehensive income for the year ended 31 December 2018</b>	<b>876,720</b>	<b>(876,720)</b>	<b>—</b>	<b>54,392</b>	<b>54,392</b>

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010 and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement on page 172.
- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 12.

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	13	2,340,934	2,451,081
Land use rights	14	1,379,969	1,429,254
Investment properties	15	29,115,000	28,706,000
Deferred assets	17	219,847	224,343
Goodwill	18	859,868	845,325
		<b>33,915,618</b>	33,656,003
<b>Current assets</b>			
Inventories		4,337	3,127
Trade receivables	22	26,785	19,746
Amounts due from related parties	32	238,915	266,357
Prepayments, deposits and other receivables	23	147,852	59,885
Tax recoverable		8,526	—
Support arrangement asset	19	11,645	—
Short-term bank deposits	24	22,633	26,702
Cash and cash equivalents	24	1,458,755	1,303,904
		<b>1,919,448</b>	1,679,721
<b>Total assets</b>		<b>35,835,066</b>	35,335,724
<b>Current liabilities</b>			
Trade payables	26	17,689	17,611
Rental deposits, current portion	27	172,221	151,145
Receipts in advance	27	85,625	76,743
Accruals and other payables	27	998,607	1,158,000
Amounts due to related parties	32	103,227	887,404
Derivative financial instruments	20	113,745	46,457
Borrowings	28	2,276,543	4,408,474
Tax payable		144,845	89,646
		<b>3,912,502</b>	6,835,480

	Note	2018 RMB'000	2017 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	27	184,377	201,109
Receipt in advance	27	—	2,798
Borrowings	28	11,599,185	8,322,299
Deferred tax liabilities	25	4,536,795	4,428,310
Derivative financial instruments	20	6,273	136,924
		<b>16,326,630</b>	13,091,440
<b>Total liabilities, other than net assets attributable to unitholders</b>			
		<b>20,239,132</b>	19,926,920
Net assets attributable to unitholders	29	14,454,122	14,321,384
<b>Total liabilities</b>			
		<b>34,693,254</b>	34,248,304
<b>Net assets</b>			
		<b>1,141,812</b>	1,087,420
<b>Equity</b>			
Revaluation reserve		420,174	455,212
Retained earnings		(420,174)	(455,212)
		—	—
Non-controlling interests		1,141,812	1,087,420
<b>Total equity</b>			
		<b>1,141,812</b>	1,087,420
<b>Units in issue ('000)</b>	29	<b>3,106,450</b>	3,014,285
<b>Net assets attributable to unitholders per unit (RMB)</b>		<b>RMB4.65</b>	RMB4.75

On behalf of the Board of Directors of the Manager.

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Director

\_\_\_\_\_  
Director

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		911,758	1,429,996
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(868,555)	(885,792)
– Fair value gain on derivative financial instruments		(56,638)	—
– Foreign exchange gain in financing activities		—	(542,552)
– Deferred taxation in respect of fair value gain on investment property charged to profit or loss		175,807	165,083
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(355,727)	(296,173)
– Gain on disposal of a subsidiary, after income tax		(245,300)	—
– Fair value gain on support arrangement asset		(7,475)	—
<b>Total distributable loss</b>		<b>(446,130)</b>	<b>(129,438)</b>
<b>Additional items (ii)</b>			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		355,727	296,173
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		128,215	145,777
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		107,068	83,871
– Manager’s fee paid and payable in units in lieu of cash		117,810	107,069
– Fair value loss on derivatives financial instruments		—	258,008
– Foreign exchange loss in financing activities		527,548	—
– Expenses incurred in connection with the acquisition of subsidiaries		8,799	64,921
– Surplus cash from the disposal of subsidiaries		50,500	—
<b>Distributable income after additional items</b>		<b>849,537</b>	<b>826,381</b>
Distributable amount at 1 January		431,127	440,245
Distributions paid during the year (iii)	29	(854,762)	(835,499)
<b>Final distribution declared</b>		<b>425,902</b>	<b>431,127</b>
<b>Distribution per unit, declared (iv)</b>		<b>RMB0.1371</b>	<b>RMB0.1430</b>

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant year.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed. For the year ended 31 December 2018, most of the expenses incurred in connection with the acquisition of subsidiaries of approximately RMB8,799,000 will be distributed.
- (iii) A final distribution for the period from 1 July 2017 to 31 December 2017 of RMB0.1424 (equivalent to HK\$0.1768) per unit and interim distribution for the period from 1 January 2018 to 30 June 2018 of RMB0.1394 (equivalent to HK\$0.1608) per unit, totaling approximately RMB854,762,000 (2017: RMB835,499,000), were paid to unitholders on 16 May 2018 and 24 October 2018 respectively.
- (iv) A final distribution for the period from 1 July 2018 to 31 December 2018 of RMB0.1371 (equivalent to HK\$0.1595) per unit, totaling RMB0.2765 (equivalent to HK\$0.3203) was declared by the Board of the Manager on 25 February 2019.

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



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

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity				Total RMB'000
	Net assets attributable to unitholders RMB'000	Retained earnings RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units	111,106	—	—	—	111,106
Acquisition of a subsidiary	—	—	—	979,480	979,480
Profit/(loss) for the year ended					
31 December 2017 attributable to:					
– Unitholders	1,511,377	—	—	—	1,511,377
– Equity holders	—	(81,381)	—	7,099	(74,282)
Distributions paid to unitholders	(835,499)	—	—	—	(835,499)
Change in fair value of property, plant and equipment, net of tax	—	—	81,381	857	82,238
At 31 December 2017	14,321,384	(455,212)	455,212	1,087,420	15,408,804
At 1 January 2018	<b>14,321,384</b>	<b>(455,212)</b>	<b>455,212</b>	<b>1,087,420</b>	<b>15,408,804</b>
Issuance of units	<b>110,780</b>	—	—	—	<b>110,780</b>
Profit/(loss) for the year ended					
31 December 2018 attributable to:					
– Unitholders	<b>876,720</b>	—	—	—	<b>876,720</b>
– Equity holders	—	<b>35,038</b>	—	<b>54,761</b>	<b>89,799</b>
Distributions paid to unitholders	<b>(854,762)</b>	—	—	—	<b>(854,762)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>(35,038)</b>	<b>(369)</b>	<b>(35,407)</b>
At 31 December 2018	<b>14,454,122</b>	<b>(420,174)</b>	<b>420,174</b>	<b>1,141,812</b>	<b>15,595,934</b>

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018



	Note	2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	1,288,633	986,508
Interest paid		(438,117)	(345,525)
Corporate income tax paid		(86,235)	(35,625)
Support arrangement assets received		11,091	—
Top-up payment received		—	17,184
Net cash generated from operating activities		775,372	622,542
<b>Cash flows from investing activities</b>			
Additions of investment properties		(14,841)	(35,708)
Additions of property, plant and equipment		(19,325)	(19,107)
Interest received		35,517	30,975
Decrease/(increase) in short-term bank deposits with original maturity of more than three months		4,069	(4,302)
Settlement of deferred payment		(822,737)	—
Acquisition of subsidiaries, net of cash acquired	31	(530,575)	(963,062)
Disposal of subsidiaries	21	995,472	—
Net cash used in investing activities		(352,420)	(991,204)
<b>Cash flows from financing activities</b>			
Distributions paid		(854,762)	(835,499)
Proceeds from borrowings, net of transaction costs		5,276,630	3,777,732
Repayment of bank borrowings		(4,683,244)	(2,450,495)
Settlement of derivative financial instruments		(6,725)	—
Net cash (used in)/generated from financing activities		(268,101)	491,738
<b>Net increase in cash and cash equivalents</b>		154,851	123,076
Cash and cash equivalents at beginning of the year		1,303,904	1,180,828
<b>Cash and cash equivalents at end of the year</b>	24	1,458,755	1,303,904

The notes on pages 176 to 234 are an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) BASIS OF PREPARATION

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

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

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RMB1,993,054,000 (2017: RMB5,155,759,000) mainly because of the borrowings of RMB2,276,543,000 (2017: RMB:4,408,474,000) which fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the borrowings based on the Group's past experience, its assets quality and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the consolidated financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (i) *New and amended standards effective for the year ended 31 December 2018*

HKFRS 15 and HKFRS 15 (Amendments)	Revenue from contracts with customers
Amendments to HKAS 40	Transfer of investment properties
Amendments to HKFRS 1 HKAS 28	Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts applying HKFRS 9 Financial Instructions with HKFRS 4 Insurance Contracts
HK(IFRIC) 22	Foreign currency transactions and advance consideration
HKFRS 9	Financial Instruments

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

#### (ii) *New and amended standards have been issued but are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Annual improvements 2015-2017 Cycle (Amendments)	Improvements to HKFRSs	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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



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

#### (B) CONSOLIDATION

##### (i) *Subsidiaries*

The consolidated financial statements include the financial statements of Yuexiu REIT and all of its subsidiaries made up to 31 December 2018.

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

##### (ii) *Business combinations*

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with 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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Manager that 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 prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

### (E) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

#### (F) INVESTMENT PROPERTIES

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (G) GOODWILL

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

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

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

### (H) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

### (J) OFFSETTING FINANCIAL INSTRUMENTS

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

### (K) INVENTORIES

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



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

#### (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 or OCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

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

Debt instruments are subsequently measured depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's financial assets are classified into two categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss, in the period in which it arises.

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (M) LAND USE RIGHTS

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

### (N) RENTAL DEPOSITS

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

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

### (O) CASH AND CASH EQUIVALENTS

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

### (P) TRADE PAYABLES

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

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

### (Q) PROVISIONS

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

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

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



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

#### (R) BORROWINGS

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

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

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

#### (S) BORROWING COSTS

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

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

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

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

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

##### (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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

#### (i) *Rental income*

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

#### (ii) *Hotel and serviced apartment income*

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

#### (iii) *Interest income*

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

### (V) DISTRIBUTIONS TO UNITHOLDERS

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



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

#### (W) EMPLOYEE BENEFITS

##### (i) Pension obligations

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

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

##### (ii) Termination benefits

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

### 3 FINANCIAL RISK MANAGEMENT

#### (A) FINANCIAL RISK FACTORS

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

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

##### (i) *Market risk*

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

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

At 31 December 2018 and 2017, if RMB had weakened/strengthened by 5% against HK\$ and USD with all other variables held constant, post-tax profit for the year ended 31 December 2018 would have been approximately RMB570,034,000 (2017: RMB511,282,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ and USD denominated cash and cash equivalents, short-term bank deposits and borrowings.

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

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

Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future. The Group did not enter into any swaps for its floating-rate borrowing for the year ended 31 December 2018 and 2017. At 31 December 2018 and 2017, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB130,696,000 (2017: RMB124,291,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

##### (ii) Credit risk

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

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

	2018 RMB'000	2017 RMB'000
<b>Counterparty</b>		
The Hongkong and Shanghai Banking Corporation Ltd.	11,868	62,802
Bank of China	593,825	511,447
BNP Paribas Hong Kong Branch	63,465	—
DBS Bank Ltd. Hong Kong Branch	219,070	273,197
China Construction Bank	378,467	342,467
Other banks	214,246	140,246
Short-term bank deposits and cash and cash equivalent	<b>1,480,941</b>	1,330,159

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (continued)

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

##### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and operating cash flow. The Group has short-term bank deposits and cash and cash equivalents of RMB1,481,388,000 as at 31 December 2018 (2017: RMB1,330,606,000). Due to the nature of the underlying business, the Manager maintains flexibility by adjusting the amount of distributions to be paid for the percentage in excess of 90% of the distributable income.

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

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total RMB'000
As at 31 December 2018					
Rental deposits	172,221	76,026	123,291	12,241	383,779
Trade payables	17,689	—	—	—	17,689
Accruals and other payables	998,607	—	—	—	998,607
Amounts due to related parties	103,227	—	—	—	103,227
Bank borrowings					
- Principal to be repaid	2,276,543	4,112,138	3,577,847	1,179,080	11,145,608
- Interest payables	422,730	763,389	645,710	245,622	2,077,451
Other borrowings					
- Principal to be repaid	—	—	2,730,120	—	2,730,120
- Interest payables	129,681	129,681	43,227	—	302,589
Derivative financial instruments	113,745	6,273	—	—	120,018
As at 31 December 2017					
Rental deposits	151,145	101,493	98,464	19,068	370,170
Trade payables	17,611	—	—	—	17,611
Accruals and other payables	1,158,000	—	—	—	1,158,000
Amounts due to related parties	887,404	—	—	—	887,404
Bank borrowings					
- Principal to be repaid	2,123,815	2,175,877	4,467,342	1,679,080	10,446,114
- Interest payables	202,909	152,798	383,892	154,651	894,250
Other borrowings					
- Principal to be repaid	2,284,659	—	—	—	2,284,659
- Interest payables	29,510	—	—	—	29,510
Derivative financial instruments	46,457	136,924	—	—	183,381



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### (B) CAPITAL RISK MANAGEMENT

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

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

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Total borrowings (Note 28)	13,875,728	12,730,773
Total asset value	35,835,066	35,335,724
Gearing ratio	39%	36%

The gearing ratio increased to 39% in 2018 (2017: 36%) mainly due to the increase in borrowings during the year.

#### (C) FAIR VALUE ESTIMATION

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

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

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



## 4. CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

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

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

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

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

### (B) ESTIMATE OF IMPAIRMENT OF GOODWILL

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Year ended 31 December 2018				
Revenue from external customers	542,519	945,942	543,415	2,031,876
Segment results	81,648	1,366,272	796,258	2,244,178
Depreciation and amortisation	129,425	147	—	129,572
Fair value gain on investment properties	—	564,852	340,307	905,159
Year ended 31 December 2017				
Revenue from external customers	527,253	824,005	502,641	1,853,899
Segment results	51,017	1,556,271	446,832	2,054,120
Depreciation and amortisation	144,621	1,156	—	145,777
Fair value gain on investment properties	—	861,592	24,200	885,792
As at 31 December 2018				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793
As at 31 December 2017				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657

## 5 REVENUE AND SEGMENT INFORMATION (continued)

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Segment results	2,244,178	2,054,120
Unallocated operating costs (Note)	(228,800)	(288,013)
Operating profit	2,015,378	1,766,107
Fair value gain/(loss) on derivative financial instruments	56,638	(258,008)
Gain on disposal of a subsidiary	302,779	—
Finance income	58,253	573,527
Finance expenses	(1,008,160)	(366,987)
Profit before income tax and transactions with unitholders	1,424,888	1,714,639

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total reportable segments' assets	34,893,793	34,368,657
Corporate assets	941,273	967,067
Total assets	35,835,066	35,335,724



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 REVENUE AND SEGMENT INFORMATION (continued)

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
China	2,031,876	1,853,899	34,893,793	34,368,657
Unallocated assets			941,273	967,067
			35,835,066	35,335,724

The Group's revenue by nature is as follows:

	2018	2017
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	314,698	299,705
Food and beverages	208,727	209,535
Property rentals	1,489,357	1,326,647
Others	19,094	18,012
	2,031,876	1,853,899

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

	2018	2017
	RMB'000	RMB'000
Revenue recognised at a point in time	224,840	223,213
Revenue recognised overtime	314,698	299,705
Other sources	1,492,338	1,330,981
	2,031,876	1,853,899

## 6 EXPENSES BY NATURE, NET

	2018 RMB'000	2017 RMB'000
Property management fees (i)	47,002	40,471
Employee benefit expenses (Note 7)	122,187	120,307
Real estate tax	179,487	164,877
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	12,244	10,792
Withholding tax (ii)	58,277	56,581
Depreciation of property, plant and equipment (Note 13)	80,287	96,492
Amortisation of land use rights (Note 14)	49,285	49,285
Cost of inventories sold or consumed in operation	60,240	61,612
Other direct expenses on hotel and serviced apartment	131,020	129,314
Manager's fee (Note 8)	147,263	133,836
Trustee's fee	10,710	10,230
Valuation fees	1,439	1,193
Legal and professional fee	25,259	65,589
Auditor's remuneration	3,154	3,000
Bank charges	531	1,390
Foreign exchange (gain)/loss arising from operating activities	(21,282)	8,395
Others	14,554	20,220
<b>Total operating expenses, net</b>	<b>921,657</b>	<b>973,584</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. (previously known as Guangzhou Yicheng Property Management Ltd.), Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 32).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 EMPLOYEE BENEFIT EXPENSES

	2018 RMB'000	2017 RMB'000
Wages, salaries and bonus	79,856	78,928
Pension costs	4,735	4,533
Medical benefits costs	3,245	3,155
Social security costs	5,551	5,301
Staff welfare	28,800	28,390
	<b>122,187</b>	120,307

#### PENSION SCHEME ARRANGEMENTS

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

### 8 MANAGER'S FEE

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

	2018 RMB'000	2017 RMB'000
Manager's fee:		
In the form of units	117,810	107,069
In the form of cash	29,453	26,767
	<b>147,263</b>	133,836

Pursuant to the announcement of Yuexiu REIT dated 15 January 2018, a portion of the manager's fee for the year ended 31 December 2018 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the year ended 31 December 2018 are expected to be issued on 14 March 2019. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 14 March 2019 and (ii) the average closing price of the units in the 10 trading days immediately preceding 14 March 2019.

## 9 FINANCE INCOME

	2018 RMB'000	2017 RMB'000
Interest income from bank deposits	13,819	9,489
Interest income from a related company	21,698	21,486
Foreign exchange gain on financing activities	—	542,552
Fair value gain on support arrangement asset (Note 19)	22,736	—
	<b>58,253</b>	<b>573,527</b>

## 10 FINANCE EXPENSES

	2018 RMB'000	2017 RMB'000
Interest expense for bank borrowings	326,066	272,052
Interest expense for other borrowings	112,051	73,473
Interest expenses to a related party	18,474	360
Amortisation of transaction costs for borrowings	24,020	21,102
Foreign exchange loss on financing activities	527,549	—
	<b>1,008,160</b>	<b>366,987</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11 INCOME TAX EXPENSE

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

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

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

	2018 RMB'000	2017 RMB'000
Current income tax		
- China corporate income tax	95,297	42,742
- Under-provision in prior years	1,562	—
- PRC withholding tax	15,108	—
Deferred income tax (Note 25)	346,402	234,802
	<b>458,369</b>	<b>277,544</b>

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

	2018 RMB'000	2017 RMB'000
Profit before income tax and transactions with unitholders	1,424,888	1,714,639
Tax calculated at domestic tax rate of 25%	356,222	428,660
Income not subject to tax	(284,680)	(349,448)
Expenses not deductible for tax purposes	348,450	170,352
Under-provision in prior years	1,562	—
Withholding tax on unremitted earnings of subsidiaries	54,104	27,980
Recognition of previously unrecognised tax losses	(14,680)	—
Utilisation of previously unrecognised tax losses	(2,609)	—
	<b>458,369</b>	<b>277,544</b>



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

### (A) BASIC

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

	2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	911,758	1,429,996
Weighted average number of units in issue ('000)	3,029,200	2,937,991
Basic earnings per unit (RMB)	0.30	0.49

### (B) DILUTED

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the year which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. For the purpose of calculating diluted earnings per unit, the number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 31 December 2018.

	2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	911,758	1,429,996
Weighted average number of units in issue ('000)	3,029,200	2,937,991
Adjustments for deferred units ('000)	535,401	602,401
Adjustments for manager's fee in form of units ('000)	13,984	10,338
Weighted average number of units for diluted earnings per unit ('000)	3,578,585	3,550,730
Diluted earnings per unit (RMB)	0.25	0.40



## NOTES TO THE FINANCIAL STATEMENTS

### 13 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017				
Cost	2,305,808	12,692	9,503	2,328,003
Accumulated depreciation	(418,545)	(12,627)	(7,868)	(439,040)
Fair value gain on revaluation	524,736	—	—	524,736
Net book amount	2,411,999	65	1,635	2,413,699
Year ended 31 December 2017				
Opening net book amount	2,411,999	65	1,635	2,413,699
Additions	19,106	1	—	19,107
Depreciation (Note 6)	(95,336)	(13)	(1,143)	(96,492)
Acquisition of subsidiaries (Note 31)	—	390	146	536
Fair value gain on revaluation	114,231	—	—	114,231
Closing net book amount	2,450,000	443	638	2,451,081
At 31 December 2017				
Cost	2,324,914	13,083	9,649	2,347,646
Accumulated depreciation	(513,881)	(12,640)	(9,011)	(535,532)
Fair value gain on revaluation	638,967	—	—	638,967
Net book amount	2,450,000	443	638	2,451,081

**13 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	2,450,000	443	638	2,451,081
Additions	19,325	—	—	19,325
Disposal	(2)	—	—	(2)
Depreciation (Note 6)	(80,140)	(76)	(71)	(80,287)
Fair value loss on revaluation	(49,183)	—	—	(49,183)
Closing net book amount	2,340,000	367	567	2,340,934
At 31 December 2018				
Cost	2,344,185	13,083	9,649	2,366,917
Accumulated depreciation	(593,969)	(12,716)	(9,082)	(615,767)
Fair value gain on revaluation	589,784	—	—	589,784
Net book amount	2,340,000	367	567	2,340,934

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 RMB1,750,216,000 (2017: RMB1,811,033,000).

As at 31 December 2018, property, plant and equipment with an aggregate carrying amount of RMB2,023 million (2017: RMB2,171 million) were pledged as collateral for the Group's bank borrowings (Note 28).

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

	2018 RMB'000	2017 RMB'000
Opening balance	2,450,000	2,411,999
Additions	19,325	19,106
Disposal	(2)	—
Depreciation	(80,140)	(95,336)
Unrealised (losses)/gains recognised in reserve	(49,183)	114,231
Closing balance	2,340,000	2,450,000
Unrealised (losses)/gains for the year included in other comprehensive income at the end of the year	(49,183)	114,231



## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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, being independent qualified valuer not related to the Group at 31 December 2018 and 2017.

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

At each financial year end the finance department:

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

#### VALUATION TECHNIQUES

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

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

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

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

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

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

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

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

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

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

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

*As at 31 December 2017*

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

*As at 31 December 2018*

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



## NOTES TO THE FINANCIAL STATEMENTS

### 14 LAND USE RIGHTS

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

	2018 RMB'000	2017 RMB'000
At 1 January	1,429,254	1,478,539
Amortisation (Note 6)	(49,285)	(49,285)
At 31 December	1,379,969	1,429,254

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
In China:		
Land use rights between 10 and 50 years	1,379,969	1,429,254

As at 31 December 2018, the fair value of land use rights is approximately RMB2,515 million (2017: RMB2,200 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2018, land use rights were pledged with an aggregate net book amount of approximately RMB1,288 million (2017: RMB1,343 million) as collateral for the Group's bank borrowings (Note 28).

## 15 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At 1 January	28,706,000	24,197,500
Additions during the year	14,841	35,708
Acquisition of subsidiaries (Note 31)	601,000	3,587,000
Disposal of subsidiaries (Note 21)	(1,112,000)	—
Fair value gain during the year, included in profit or loss under 'Fair value gain on investment properties'	905,159	885,792
At 31 December	29,115,000	28,706,000
Fair value gain for the year included in profit or loss for assets held at the end of the year, under 'Fair value gain on investment properties'	905,159	885,792

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

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB228,673,000 (2017: RMB208,594,000). Included in the direct operating expenses, RMB9,381,000 (2017: RMB3,072,000) was related to investment properties that were vacant.

Yuexiu REIT acquired Hangzhou Victory Business Centre Tower 2 and the related carparks ("Hangzhou Property") on 28 December 2018. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 31 December 2018, investment properties with an aggregate carrying value of approximately RMB3,551 million (2017: RMB3,471 million) were pledged as collateral for the Group's bank borrowings (Note 28).

### VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services, being independent qualified valuer not related to the Group at 31 December 2018 and 2017.

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

At each financial year end the finance department:

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



## NOTES TO THE FINANCIAL STATEMENTS

### 15 INVESTMENT PROPERTIES (Continued)

#### VALUATION TECHNIQUES

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

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

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

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

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

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation and discount rates are estimated by Savills Valuation and Professional Services Limited for 2018 and 2017 respectively based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

*As at 31 December 2017*

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



## 15 INVESTMENT PROPERTIES (Continued)

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

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 322	4.00% to 7.25%
Wholesale and shopping mall	41 to 1,400	4.00% to 7.75%

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

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	98.00% to 99.50%

As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 322	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	41 to 1,400	6.75% to 8.75%	98.00% to 99.50%



## NOTES TO THE FINANCIAL STATEMENTS

### 16 SUBSIDIARIES

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited ("HoldCo 2005")	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share	100%
Yuexiu REIT 2012 Company Limited ("REIT 2012")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT MTN Company Limited ("REIT MTN")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT 2013 Company Limited ("REIT 2013")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1	100%
Tower Top Development Ltd. ("Tower Top")	British Virgin Islands, limited liability company	Investment holding	10,000 ordinary share of USD1 each	99.99%
Bliss Town Holdings Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Hoover Star International Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%

**16 SUBSIDIARIES (Continued)**

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
Miller Win Group Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Shinning Opal Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	99.99%
Ever Joint Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Long Grace Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Profit Link Investment International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
San Bright Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	99.99%
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Investment holding in China	Registered capital of HK\$300 million	99.99%
Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd	China, limited liability company	Property management and property leasing in China	Registered capital of RMB2,650 million	98.99%
Guangzhou IFC Hospitality Management Co. Ltd	China, limited liability company	Hospitality management in China	Registered capital of RMB5 million	98.99%
Shanghai Hong Jia Real Estate Development Co., Ltd.	China, limited liability company	Leasing of commercial properties in China	Registered capital of USD28.5 million	100%



## NOTES TO THE FINANCIAL STATEMENTS

### 16 SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held (Note)
Bestget Enterprises Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	257,614,000 ordinary shares of HK\$257,614,000	100%
Fully Cheer Management Ltd.	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Sure Win International Holding Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK\$1	100%
Wuhan Yuexiu Property Development Limited	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB 2,200,000,000	67%
Yuexiu REIT 2017 Company Limited ("REIT 2017")	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Wealthy Reach Holdings Limited <sup>1</sup>	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Prime Glory Group Holdings Limited <sup>1</sup>	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HKD1	100%
Guangzhou Xiujiang Industries Development Co., Limited <sup>1</sup>	China, limited liability company	Investment holding in China	Registered Capital of RMB 550,000,000	100%
Hangzhou Yuehui Real Estate Development Co., Limited <sup>1</sup>	China, limited liability company	Leasing of commercial properties in China	Registered Capital of RMB 470,000,000	100%
Yuexiu REIT 2018 Company Limited <sup>2</sup>	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%
Yuexiu REIT Secure Shell Limited <sup>2</sup>	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of USD1	100%

<sup>1</sup> These subsidiaries are acquired during the year ended 31 December 2018.

<sup>2</sup> These subsidiaries are incorporated during the year ended 31 December 2018.

## 16 SUBSIDIARIES (Continued)

Note:

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

## 17 DEFERRED ASSETS

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 twelve months after the balance sheet date are classified as non-current assets. The deferred assets are denominated in RMB.

## 18 GOODWILL

	2018 RMB'000	2017 RMB'000
<b>At 1 January</b>		
Cost	845,325	824,459
Accumulated impairment	—	—
<b>Net book amount</b>	<b>845,325</b>	<b>824,459</b>
<b>Year ended 31 December</b>		
Opening net book amount	845,325	824,459
Acquisition of subsidiaries (Note 31)	15,833	20,866
Disposal of subsidiaries (Note 21)	(1,290)	—
<b>Net book amount</b>	<b>859,868</b>	<b>845,325</b>
<b>At 31 December</b>		
Cost	859,868	845,325
Accumulated impairment	—	—
<b>Net book amount</b>	<b>859,868</b>	<b>845,325</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 18 GOODWILL (Continued)

#### IMPAIRMENT TEST FOR GOODWILL

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

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

	2018	2017
Growth rate per annum	3.00% - 5.50%	3.00% - 5.50%
Discount rate per annum	7.75% - 8.50%	7.75% - 8.50%

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

### 19 SUPPORT ARRANGEMENT ASSET

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

Support arrangement asset is initially recognised at fair value. In determining the fair value of the support arrangement asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 January 2018 until 31 December 2020. Support arrangement asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of support arrangement asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income" (Note 9).

## 20 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Capped foreign exchange forward contracts	6,273	136,924
Current liabilities		
Capped foreign exchange forward contracts	113,745	46,457

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 31 December 2018 were HK\$2,900,000,000 (2017: USD177,000,000 and HK\$2,300,000,000).

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 21 DISPOSAL OF SUBSIDIARIES

On 14 December 2018, the Trustee (in its capacity as the trustee of Yuexiu REIT) and the Manager entered into a sale and purchase agreement with an independent third party to dispose 100% equity interest in Metrogold Development Limited ("Metrogold") and its subsidiary of the Group, including an investment property named Neo Metropoils Plaza. The transaction was completed on 21 December 2018 for a total cash consideration of RMB1,100 million.

Details of the assets and liabilities of Metrogold disposed of and the gain on disposal are as follows:

	2018 RMB'000
Assets and liabilities disposed of:	
Investment properties	1,112,000
Goodwill	1,290
Cash and cash equivalents	37,372
Other assets	6,772
Deferred tax liabilities	(251,952)
Amounts due to related parties	(100,000)
Other liabilities	(22,145)
Net assets disposed of	783,337
Cash consideration received	1,032,844
Less: Cash disposed	(37,372)
Net cash consideration received	995,472
Consideration receivable	67,155
Less: Net assets disposed of, excluding cash	(745,965)
Less: Transaction costs	(13,883)
Gain on disposal of Metrogold	302,779



## 22 TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	26,785	19,746

The fair values of trade receivables approximate their carrying amounts.

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

	2018 RMB'000	2017 RMB'000
0 - 30 days	22,405	16,293
31 - 90 days	3,182	3,040
91 - 180 days	905	413
181-365 days	293	—
	26,785	19,746

As at 31 December 2018, trade receivables of approximately RMB25,587,000 (2017: RMB19,333,000) were fully performing.

As at 31 December 2018, the Group has insignificant trade receivables which are past due but not impaired (2017: nil).

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

## 23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 24 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	1,345,300	1,299,718
Short-term bank deposits with original maturity of less than three months	113,455	4,186
Cash and cash equivalents	1,458,755	1,303,904
Short-term bank deposits with original maturity of more than three months	22,633	26,702
Total	1,481,388	1,330,606
Maximum exposure to credit risk	1,480,941	1,330,159

As at 31 December 2018, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB1,167,013,000 (2017: RMB1,086,661,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

	2018 RMB'000	2017 RMB'000
HK\$	231,073	204,766
RMB	1,167,653	1,099,367
USD	82,662	26,473
	1,481,388	1,330,606

## 25 DEFERRED TAX LIABILITIES

	2018 RMB'000	2017 RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	4,536,795	4,428,310

The movements in the deferred tax liabilities are as follows:

	2018 RMB'000	2017 RMB'000
Beginning of the year	4,428,310	3,891,364
Deferred taxation charged to profit or loss (Note 11)	346,402	234,802
Deferred taxation (credited)/charged to reserve	(13,776)	31,993
Acquisition of subsidiaries (Note 31)	27,811	270,151
Disposal of subsidiaries (Note 21)	(251,952)	—
End of the year	4,536,795	4,428,310

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

	Tax losses RMB'000
At 1 January 2017	113,889
Credited to profit or loss	26,040
Acquisition of subsidiaries (Note 31)	14,500
At 31 December 2017	154,429
At 1 January 2018	154,429
Credited to profit or loss	(37,433)
Acquisition of subsidiaries (Note 31)	284
At 31 December 2018	117,280



## NOTES TO THE FINANCIAL STATEMENTS

### 25 DEFERRED TAX LIABILITIES (Continued)

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

	Fair value gains RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2017				
At 1 January 2017	3,097,222	438,268	469,763	4,005,253
Charged to profit or loss	165,083	26,634	69,125	260,842
Charged to reserve	31,993	—	—	31,993
Acquisition of subsidiaries (Note 31)	257,976	20,742	5,933	284,651
At 31 December 2017	3,552,274	485,644	544,821	4,582,739
Year ended 31 December 2018				
At 1 January 2018	3,552,274	485,644	544,821	4,582,739
Charged to profit or loss	225,571	38,087	45,311	308,969
Charged to reserve	(12,296)	(1,480)	—	(13,776)
Acquisition of subsidiaries (Note 31)	7,623	20,063	409	28,095
Disposal of subsidiaries (Note 21)	(206,754)	(9,637)	(35,561)	(251,952)
At 31 December 2018	3,566,418	532,677	554,980	4,654,075

## 26 TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	17,689	17,611

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	2018 RMB'000	2017 RMB'000
0 - 30 days	10,157	10,394
31 - 90 days	5,896	4,473
91 - 180 days	1,636	2,744
	17,689	17,611

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



## NOTES TO THE FINANCIAL STATEMENTS

### 27 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Rental deposits		
Current portion	172,221	151,145
Non-current portion	184,377	201,109
	356,598	352,254
Receipts in advance		
Current portion	85,625	76,743
Non-current portion	—	2,798
	85,625	79,541
Accrued urban real estate tax	15,455	13,509
Accrued withholding tax payable	9,493	11,697
Accrued urban land use tax, value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	11,412	11,272
Construction fee payable	796,897	943,171
Accruals for operating expenses	165,350	178,351
Accruals and other payables	998,607	1,158,000
	1,440,830	1,589,795

The carrying amounts of rental deposits, receipts in advance and accruals and other payables approximate their fair values.

Majority of the Group's rental deposits, receipts in advance and accruals and other payables are denominated in RMB.

## 28 BORROWINGS

	2018 RMB'000	2017 RMB'000
Current portion of long term borrowings		
Bank borrowings, secured	268,440	268,440
Bank borrowings, unsecured	2,008,103	1,855,375
Other borrowings, unsecured (Note b)	—	2,284,659
	<b>2,276,543</b>	4,408,474
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	2,521,280	3,021,280
– Unsecured	8,624,328	7,424,834
Other borrowings, unsecured (Note b)	2,730,120	2,284,659
	<b>13,875,728</b>	12,730,773
Less: current portion of long-term borrowings	<b>(2,276,543)</b>	(4,408,474)
Total long-term borrowings	<b>11,599,185</b>	8,322,299
Analysed into:		
Unsecured	11,354,448	9,709,493
Secured	2,521,280	3,021,280
	<b>13,875,728</b>	12,730,773

Note a:

Syndicated and entrustment loans totalling to RMB2,521 million (2017: RMB3,021 million) which are secured by certain parts of Guangzhou IFC with carrying value of RMB6,862 million (2017: RMB7,107 million).

The Group's borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	2,276,543	4,408,474
Between one year and five years	10,420,105	6,643,219
Over five years	1,179,080	1,679,080
	<b>13,875,728</b>	12,730,773



## NOTES TO THE FINANCIAL STATEMENTS

### 28 BORROWINGS (Continued)

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

	2018	2017
RMB	4.31%	4.31%
HK\$	3.65%	2.47%
USD	4.99%	3.26%

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

	2018 RMB'000	2017 RMB'000
RMB	2,521,280	3,021,280
HK\$	8,624,328	5,569,459
USD	2,730,120	4,140,034
	<b>13,875,728</b>	<b>12,730,773</b>

The Group has no undrawn bank borrowing facility as at 31 December 2017 and 2018.

Note b:

On 27 April 2018, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$400 million principal amount of 4.75% notes due 2021 (the "USD Bond") to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018. During the year, the US\$350 million principal amount of 3.10% notes was matured and settled.



## 29 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2018 RMB'000	2017 RMB'000
At 1 January	14,321,384	13,534,400
Issuance of units	110,780	111,106
Transfer from the consolidated statement of comprehensive income	876,720	1,511,377
Distributions paid during the year	(854,762)	(835,499)
At 31 December	<b>14,454,122</b>	14,321,384

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

Units in issue ('000)	2018	2017
At 1 January	3,014,285	2,921,780
Units issued during the year (Note a)	25,165	26,505
Issuance of deferred units during the year (Note b)	67,000	66,000
At 31 December	<b>3,106,450</b>	3,014,285

Note a:

During 2018, 25,164,531 units were issued for payment of manager's fee (2017: 26,505,412 units).

Note b:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued to YXP each year, when aggregated with the Manger Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. During 2018, 67,000,000 units were issued and the outstanding deferred units at 31 December 2018 was 535,401,000 units (31 December 2017: 602,401,000 units).



## NOTES TO THE FINANCIAL STATEMENTS

### 30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2018 RMB'000	2017 RMB'000
Profit before income tax and transactions with unitholders	1,424,888	1,714,639
Adjustments for:		
- Depreciation expenses	80,287	96,492
- Amortisation of land use right	49,285	49,285
- Amortisation of transaction costs for bank borrowings	24,020	21,102
- Foreign exchange loss/(gain) on financing activities	527,549	(542,552)
- Fair value gains on investment properties	(905,159)	(885,792)
- Fair value (gain)/loss on derivative financial instruments	(56,638)	258,008
- Fair value gain on support arrangement asset	(22,736)	—
- Gains on disposal of a subsidiary	(302,779)	—
- Loss on disposal of property, plant and equipment	2	—
- Interest income	(35,517)	(30,975)
- Interest expenses	456,471	345,885
Changes in working capital:		
- Deferred assets	2,455	11,741
- Inventories	(1,210)	1,210
- Trade receivables	(6,748)	8,916
- Amounts due from related parties	27,442	(135,006)
- Prepayments, deposits and other receivables	(26,882)	(18,311)
- Trade payables	78	1,099
- Rental deposits	13,640	15,187
- Receipts in advance	3,847	(4,128)
- Accruals and other payables	(83,771)	79,908
- Amounts due to related parties	120,109	(200)
Cash generated from operations	1,288,633	986,508

(b) Major non-cash transaction:

During the year ended 31 December 2018, 25,164,531 units (2017: 26,505,412 units) amounting to RMB110,780,000 (2017: RMB111,106,000) were issued for payment of manager's fee.

### 31 BUSINESS COMBINATION

On 23 December 2018, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Wealthy Reach Holding Limited and its subsidiaries, Prime Glory Group Holdings Limited, GuangzhouXiujiang Industries Development Co Ltd and Hangzhou Yuehui Real Estate Development Co Ltd (hereafter collectively referred to as "Wealthy Reach Group"). The Wealthy Reach Group holds 100% interest in Hangzhou Property. The transaction was completed on 28 December 2018.

The financial impact to the Group from acquisition date to 31 December 2018 was insignificant.

Had Wealthy Reach Group been consolidated from 1 January 2018 to 31 December 2018, the consolidated statement of comprehensive income would show pro-forma revenue of RMB2,050 million and profit before income tax of RMB977 million for its leasing operations.

The following table summarises the consideration paid for Wealthy Reach Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2018 RMB'000
Purchase consideration	
At 28 December 2018	
Total cash consideration	563,421
Fair value of net assets acquired – shown as below	(547,588)
<b>Goodwill</b>	<b>15,833</b>
	Fair value RMB'000
Investment property	601,000
Deferred assets	978
Trade and other receivables and prepayments	9,538
Tax recoverable	4,072
Cash and cash equivalents	26,136
Accruals and other payables	(28,494)
Rental deposits	(5,930)
Receipts in advance	(4,888)
Amount due to a fellow subsidiary	(97)
Tax payable	(26,916)
Deferred income tax liabilities (Note 25)	(27,811)
Net asset acquired	547,588



## NOTES TO THE FINANCIAL STATEMENTS

### 31 BUSINESS COMBINATION (Continued)

	2018 RMB'000
<b>Cash outflow to acquire business, net of cash acquired:</b>	
Purchase consideration settled in cash	556,711
Cash and cash equivalents acquired	(26,136)
Cash outflow on acquisition	530,575
Consideration payable	6,710
Total consideration less cash acquired	537,285

Acquisition-related costs of RMB8,799,000 have been charged to operating expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The goodwill from the acquisition was calculated based on the total consideration less the fair value of total identifiable net assets acquired. As a result of the acquisition, the Group expanded its footprint beyond Guangzhou, Shanghai and Wuhan and diversified its property portfolio. It also benefits through economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

On 14 November 2017, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)"), a subsidiary of YXP, to acquire Fully Cheer Management Limited and its subsidiaries, Sure Win International Holdings Limited and Wuhan Yuexiu Property Development Limited (hereafter collectively referred to as "Fully Cheer Group"). The Fully Cheer Group holds 67% interest in Wuhan Property. The transaction was completed on 21 December 2017.

### 31 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid for Fully Cheer Group, the fair value of assets acquired and liabilities assumed at the acquisition date and the relating goodwill.

	2017 RMB'000
Purchase consideration	
At 21 December 2017	
– Cash	1,205,705
– Deferred completion payment	803,803
Total consideration	2,009,508
Non-controlling interest	979,480
Fair value of net assets acquired – shown as below	(2,968,122)
Goodwill	20,866
	Fair value RMB'000
Property, plant and equipment	536
Deferred assets	16,171
Investment property	3,587,000
Trade and other receivables	13,797
Cash and cash equivalents	242,643
Trade payables	(1,236)
Rental deposits, current portion	(712)
Receipts in advance	(70)
Accruals and other payables	(530,090)
Amount due to a related party	(1,088)
Tax payable	(72,108)
Rental deposits, non-current portion	(16,570)
Deferred tax liabilities (Note 25)	(270,151)
Net asset acquired	2,968,122
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration settled in cash	1,205,705
Cash and cash equivalents acquired	(242,643)
Cash outflow on acquisition	963,062



## NOTES TO THE FINANCIAL STATEMENTS

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2018, the Group was significantly influenced by Yuexiu Property Company Limited (incorporated in Hong Kong), which owns approximately 36% (2017: 37%) of Yuexiu REIT's units. The remaining 64% (2017: 63%) of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 31 December 2018:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Yicheng Business Operation Management Co.,Ltd. (previously known as "Guangzhou Yicheng Property Management Ltd." ("Yicheng")) <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE") <sup>1</sup>	A subsidiary of GZYX
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") <sup>1,2</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Securities Co., Limited <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Futures Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG

**32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-Branch) ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅停網絡科技有限公司 <sup>1</sup>	A subsidiary of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1,2</sup>	A subsidiary of GZYFHG
武漢越秀商業管理有限公司 (previously known as "武漢越秀維港商業管理有限公司") <sup>1</sup>	A subsidiary of YXP
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
Yue Xiu Consultants (Shenzhen) Co., Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州越榮房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州盛寅房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州豐勝房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Valuer")	The former principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

<sup>2</sup> These connected companies became related companies of the Group from 17 August 2017.



## NOTES TO THE FINANCIAL STATEMENTS

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES

	2018 RMB'000	2017 RMB'000
Asset management fee paid/payable to the Manager (ii)	(147,263)	(133,836)
Management fee paid/payable to Yicheng	(16,359)	(10,851)
Management fee paid/payable to Baima BM	(11,022)	(10,964)
Management fee paid/payable to GZAM	(19,621)	(18,656)
Rental income received/receivable from Xingye	6,567	5,132
Rental income received/receivable from Yicheng	14,387	2,409
Rental income received/receivable from GCCD	11,018	10,533
Rental income received/receivable from White Horse JV	1,203	1,236
Rental income received/receivable from Guangzhou Securities Company Limited	31,706	11,580
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	5,184	1,513
Rental income received/receivable from GZ JLL	15,323	14,572
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	423	304
Rental income received/receivable from GZAM	9,812	9,120
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Co., Ltd	9,060	4,604
Rental income received/receivable from GZYPFHG	3,039	—
Rental income received/receivable from Yue Tong	773	769
Rental income received/receivable from Yue Peng	789	786
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	8,718	8,678
Rental income received/receivable from YXE	34,028	32,102
Rental income received/receivable from Chong Hing Tianhe	2,070	2,698
Rental income received/receivable from Chong Hing Guangzhou	417	305
Rental income received/receivable from Chong Hing Shanghai	518	519
Rental income received/receivable from Guangzhou Paper Group Ltd.	271	271
Rental income received/receivable from Guangzhou Titanium Dioxide Factory	271	271



### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (Continued)

	2018 RMB'000	2017 RMB'000
Rental income received/receivable from 廣州市祥港房地產開發有限公司	—	2,801
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	17,619	17,619
Rental income received/receivable from Guangzhou Futures Company Limited	2,843	1,067
Rental income received/receivable from 廣州東耀房地產開發有限公司	4,331	3,891
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	100	92
Rental income received/receivable from 廣州悅停網絡科技有限公司	191	145
Rental income received/receivable from 廣州鵬燁貿易有限公司	1,104	683
Rental income received/receivable from 廣州友誼集團有限公司	32,328	12,131
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	1,147	326
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd	3,768	1,414
Rental income received/receivable from 武漢越秀商業管理有限公司	1,954	40
Rental income received/receivable from 武漢康景實業投資有限公司	20,096	136
Rental income received/receivable from 廣州城建開發設計院有限公司	390	5
Rental income received/receivable from 廣州越秀地產工程管理有限公司	2,319	7
Rental income received/receivable from Guangzhou Grandcity Development Ltd	2,113	2,113
Rental income received/receivable from Guang Zheng	2,226	854
Rental income received/receivable from Suiqiao	595	592
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	527	—
Rental income received/receivable from Yuexiu Consultants (Shenzhen) Limited	523	—
Rental income received/receivable from 杭州越秀房地產開發有限公司	31	—
Rental income received/receivable from 杭州越榮房地產開發有限公司	5	—
Rental income received/receivable from 杭州盛寅房地產開發有限公司	4	—



## NOTES TO THE FINANCIAL STATEMENTS

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES (Continued)

	2018 RMB'000	2017 RMB'000
Rental income received/receivable from 杭州豐勝房地產開發有限公司	9	—
Interest income received/receivable from GCCD	21,698	19,568
Trustee fee paid/payable to Trustee	(10,710)	(10,230)
Valuation fee paid/payable to the Former Valuer	—	(875)
Valuation fee paid/payable to the Incumbent Valuer	(1,439)	(318)
Interest expense paid/payable to GCD (China)	(18,474)	(360)
Interest expense paid/payable to the HSBC Group	(22,158)	(10,327)
Interest income received/receivable from the HSBC Group	3	—
Interest expense paid/payable to the Chong Hing Tianhe	(14,662)	(16,604)
Interest income received/receivable from the Chong Hing Tianhe	399	—

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of real estate, as defined in the Trust Deed (Note 8).

#### (B) BALANCES WITH RELATED COMPANIES

	2018 RMB'000	2017 RMB'000
Amount due from GCCD (i)	238,915	266,357
Amount due to Yicheng	(6,456)	(1,930)
Amount due to Baima BM	(696)	(698)
Amount due to the Manager	(77,670)	(68,883)
Amount due to GZAM	(1,676)	(1,610)
Amount due to GCD (China)	(6,729)	(804,283)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(290,400)	(361,000)
Rental deposits from related companies (ii)	(51,897)	(40,883)

### 32 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (B) BALANCES WITH RELATED COMPANIES (Continued)

An amount due from GCCD of approximately RMB227 million (2017: RMB254 million) is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable. The remaining amount is unsecured, interest free and repayable on demand.

All other balances with related companies are unsecured, interest-free, repayable on demand and a reasonable approximation to their fair value.

All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction costs related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB239 million (2017: RMB266 million) as at year end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the consolidated balance sheet.

#### (C) KEY MANAGEMENT COMPENSATION

There was no key management compensation for the year ended 31 December 2018 (2017: nil).

### 33 CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	21,832	16,120



## NOTES TO THE FINANCIAL STATEMENTS

### 34 FUTURE MINIMUM RENTAL RECEIVABLE

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

	2018 RMB'000	2017 RMB'000
Within one year	1,202,567	1,161,671
Between one year and five years	1,918,346	1,564,887
Over five years	133,985	176,550
	<b>3,254,898</b>	<b>2,903,108</b>

### 35 NET DEBT RECONCILIATION

	Other assets		Liabilities from financing activities		Total RMB'000
	Cash and cash equivalents RMB'000	Short term deposits RMB'000	Borrowings - repayable within one year RMB'000	Borrowings - repayable after one year RMB'000	
<b>Net debt as at 1 January 2017</b>	1,180,828	22,400	(1,503,357)	(10,421,629)	(10,721,758)
Cash flows	123,076	4,302	—	—	127,378
Proceeds from new bank borrowings	—	—	—	(3,777,732)	(3,777,732)
Repayment of bank borrowings	—	—	1,543,257	907,238	2,450,495
Other non-cash movements	—	—	(4,448,374)	4,969,824	521,450
<b>Net debt as at 31 December 2017</b>	1,303,904	26,702	(4,408,474)	(8,322,299)	(11,400,167)
<b>Net debt as at 1 January 2018</b>	<b>1,303,904</b>	<b>26,702</b>	<b>(4,408,474)</b>	<b>(8,322,299)</b>	<b>(11,400,167)</b>
Cash flows	154,851	(4,069)	—	—	150,782
Proceeds from new bank borrowings	—	—	—	(5,276,630)	(5,276,630)
Repayment of bank borrowings	—	—	500,000	4,183,244	4,683,244
Other non-cash movements	—	—	1,631,931	(2,183,500)	(551,569)
<b>Net debt as at 31 December 2018</b>	<b>1,458,755</b>	<b>22,633</b>	<b>(2,276,543)</b>	<b>(11,599,185)</b>	<b>(12,394,340)</b>

## ANNEX A CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (collectively, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer, the REIT Manager, Yuexiu REIT and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the REIT Manager, Yuexiu REIT, the Guarantor, the Trustee or the Agents or any director, officer, employee, adviser, agent, representative or affiliate of any such person will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

### **Bearer Notes**

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depository for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream. Each Global Note will have an International Securities Identification Number (“ISIN”) and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note through Euroclear or Clearstream or the CMU, as the case may be.

### **Registered Notes**

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream or the CMU, as the case may be.

### **Individual Certificates**

Registration of title to Registered Notes in a name other than a depository or its nominee for Euroclear and Clearstream or the CMU will be permitted only in the circumstances set forth in “Summary of Provisions Relating to the Notes while in Global Form – Exchange”. In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

### **The Clearing Systems**

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

### *Euroclear and Clearstream*

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant Clearing System's rules and procedures.

### *CMU*

The CMU is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "HKMA") for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Notes") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear or Clearstream), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated Paying Agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated Paying Agent) will make the necessary payments of interest or principal directly to the relevant CMU Members. Notices to the holders of Notes of the relevant Series may be given via the CMU Corporate Action Platform to the CMU Members shown in the records of the CMU as having an interest in the Notes of that Series. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

## ANNEX B FORM OF PRICING SUPPLEMENT

*[The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.]*

**[MiFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”) and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market.]* Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)] [distributor] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II]/[Directive 2014/65/EU (as amended, “**MiFID II**”)]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).]<sup>1</sup> Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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<sup>1</sup> Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

**[UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS —**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[.]/[; or] [(iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.]<sup>2</sup> Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>3</sup>

**[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (“Professional Investors”) only.**

**Notice to Hong Kong investors: The Issuer, the REIT Manager and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer, the REIT Manager and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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<sup>2</sup> Paragraph (iii) is not required where the programme contains a blanket prohibition on the issue of notes with a denomination of less than €100,000 or equivalent.

<sup>3</sup> For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.



[This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer, the Guarantor, Yuexiu REIT, the REIT Manager and the Group. The Issuer and the REIT Manager accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

**Pricing Supplement dated [●]**

Yuexiu REIT MTN Company Limited

(Incorporated in the British Virgin Islands with limited liability)  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the US\$1,500,000,000 Guaranteed Medium Term Note Programme  
guaranteed by  
HSBC Institutional Trust Services (Asia) Limited  
in its capacity as trustee, and with recourse limited to the assets, of Yuexiu Real Estate Investment  
Trust

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Offering Circular dated [date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [date] [and the supplemental Offering Circular dated [date]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]*

- 1 Issuer: Yuexiu REIT MTN Company Limited
- 2 Guarantor: HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee, and with recourse limited to the assets, of Yuexiu Real Estate Investment Trust)
- 3 REIT Manager: Yuexiu REIT Asset Management Limited (in its capacity as manager of Yuexiu Real Estate Investment Trust)
- 4 [(i) Series Number:] [●]

	[(ii) Tranche Number:	[●] ( <i>If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible</i> ).
5	Specified Currency or Currencies:	[●]
6	Aggregate Nominal Amount:	[●]
	[(i) [Series]:	[●]
	[(ii) Tranche:	[●]
7	(i) Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] ( <i>in the case of fungible issues only, if applicable</i> )]
	(ii) Net Proceeds:	[●] (Required only for listed issues)]
8	(i) Specified Denominations <sup>4, 5</sup> :	[●]
	(ii) Calculation Amount:	[●]
9	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]
10	Maturity Date:	[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] <sup>6</sup>
11	Interest Basis:	[[●] per cent. Fixed Rate]  [[Specify reference rate] + /-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other ( <i>Specify</i> )] (further particulars specified below)
12	Redemption/Payment Basis:	[Index Linked Redemption] [Dual Currency] [Redemption at par] [Partly Paid] [Instalment] [Other ( <i>Specify</i> )]

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<sup>4</sup> If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in other currencies.

<sup>5</sup> If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

<sup>6</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- 13 Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
- 14 Put/Call Options: [Investor Put]  
[Change of Control Put Option]  
[Issuer Call]  
[(further particulars specified below)]
- 15 [(i)] Date of the Pre-issuance NDRC Registration Certificate evidencing the registration of the issue of the Notes with the NDRC: [●]  
[(ii)] [Date of [Board] approval for issuance of Notes obtained: [●]] (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
- 16 Listing: [The Hong Kong Stock Exchange/Other (specify)/None] (For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)
- 17 Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 18 **Fixed Rate Note Provisions:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount<sup>7</sup>
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360/Actual/Actual – [ISDA or Actual/Actual-ICMA]/other]

<sup>7</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 (CNY0.005 being rounded upwards for the case of Renminbi denominated Fixed Rate Notes) or to the nearest HK\$0.01 (HK\$0.005 being rounded upwards for the case of Hong Kong dollar denominated Fixed Rate Notes).

- (vi) [Determination Dates: ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual – ICMA*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 19 Floating Rate Note Provisions:** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Interest Period(s):
- (ii) Specified Period:  (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”*)
- (iii) Specified Interest Payment Dates:   
(*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert “Not Applicable”*)
- (iv) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (v) Business Centre(s): [Not Applicable/give details]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Issuing and Paying Agent]): [[*Name*] shall be the Calculation Agent (*no need to specify if the Issuing and Paying Agent is to perform this function*)]
- (viii) Screen Rate Determination:
- Reference Rate: [*For example, LIBOR or EURIBOR*]
  - Interest Determination Date(s):
  - Relevant Screen Page: [*For example, Reuters LIBOR 01/EURIBOR 01*]

- Relevant Time: *[For example, 11.00 a.m. London time/Brussels time]*
  - Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]*
- (ix) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (x) Margin(s): [+ /-] [●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- 20 Zero Coupon Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [●] per cent. per annum
  - (ii) Day Count Fraction: [●]
  - (iii) Any other formula/basis of determining amount payable: [●]
- 21 Index-Linked Interest Note/other variable-linked interest Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
  - (ii) Party, if any, responsible for calculating the rate(s) of Interest and/or Interest Amount(s) (if not [●] as Calculation Agent): [●]

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (iv) Interest or calculation period(s): [●]
- (v) Specified Interest Payment Dates: [●]
- (vi) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vii) Business Centre(s): [●]
- (viii) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (ix) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (x) Day Count Fraction: [●]

**22 Dual Currency Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Party, if any, responsible for calculating the rate(s) of Interest and/or Interest Amount(s) (if not [●] as Calculation Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

**PROVISIONS RELATING TO REDEMPTION**

**23 Call Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount

- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 24 Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
- 25 Change of Control Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Change of Control Redemption Amount: [●]
- [(ii) Put Period: [●]]
- [(iii) Put Date: [●]]
- 26 Final Redemption Amount of each Note:** [●] per Calculation Amount [Specify other/see Appendix]
- 27 Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable/[●] per Calculation Amount/Specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 28 Form of Notes:**
- Bearer Notes:**  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<sup>8</sup>

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<sup>8</sup> if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]", the Temporary Global Note shall not be exchangeable on [●] days notice.

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

**Registered Notes:**

[Global Certificate exchangeable for Individual Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Certificate]

- 29 Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 19(vi) relates*]
- 30 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
- 31 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details]
- 32 Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- 33 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
- 34 Any applicable currency disruption/fallback provisions: [Not Applicable/give details]
- 35 Other terms or special conditions: [Not Applicable/give details]

**DISTRIBUTION**

- 36 (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- 37 If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- 38 U.S. Selling Restrictions: Reg. S Category [1/2];  
(*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA Not Applicable]  
(*In the case of Registered Notes*) – TEFRA Not Applicable
- 39 Additional selling restrictions: [Not Applicable/give details]



## OPERATIONAL INFORMATION

- 40 ISIN Code: [●]
- 41 Common Code: [●]
- 42 CMU Instrument Number: [●]
- 43 Any clearing system(s) other than [Euroclear/Clearstream]/[the CMU] and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- 44 Delivery: Delivery [against/free of] payment
- 45 Additional Paying Agent(s) (if any): [●]

## GENERAL

- 46 The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars): [Not Applicable/US \$]
- 47 [Ratings: The Notes to be issued are expected to be rated:  
[Moody's: [●]]  
[S&P: [●]]  
[Other: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- 48 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- 49 Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

## **[USE OF PROCEEDS**

*Give details if different from the “Use of Proceeds” section in the Offering Circular.]*

## **[STABILISING**

In connection with this issue, [insert name of Stabilising Manager] (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

## **PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue [and admission to trading on [the Hong Kong Stock Exchange]] of the Notes described herein pursuant to the US\$1,500,000,000 Guaranteed Medium Term Note Programme.

## **RESPONSIBILITY**

The Issuer and the REIT Manager accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Yuexiu REIT MTN Company Limited:

By: \_\_\_\_\_

Duly authorised

Signed on behalf of Yuexiu REIT Asset Management Limited  
(in its capacity as manager of Yuexiu Real Estate Investment Trust)

By: \_\_\_\_\_

Duly authorised

**ACKNOWLEDGEMENT**

HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu Real Estate Investment Trust) (the “**REIT Trustee**”) acknowledges the existence of the obligations of the Issuer in respect of the Notes described in this Pricing Supplement, to be read in conjunction with the terms and conditions of the Notes set out in Schedule 2 Part C of the amended and restated trust deed dated [●], and made between the Issuer, the REIT Trustee, the REIT Manager and Citicorp International Limited as the Trustee (as further amended and supplemented from time to time, the “**Trust Deed**”), and agrees that such obligations will be guaranteed by the REIT Trustee on the terms set out in the Trust Deed.

Signed on behalf of HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu Real Estate Investment Trust):

By: \_\_\_\_\_ By: \_\_\_\_\_  
Duly authorised Duly authorised

**REGISTERED OFFICE IN THE BRITISH VIRGIN ISLANDS AND  
PRINCIPAL PLACE OF BUSINESS IN HONG KONG OF THE ISSUER**

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P.O. Box 438  
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British Virgin Islands

*Principal Place of Business*  
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Wanchai, Hong Kong

**REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS  
IN HONG KONG OF THE REIT MANAGER**

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**REIT TRUSTEE**

**HSBC Institutional Trust Services (Asia) Limited**  
1 Queen's Road Central  
Hong Kong

**TRUSTEE**

**Citicorp International Limited**  
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83 Hoi Bun Road,  
Kwun Tong,  
Kowloon, Hong Kong

**REGISTRAR**  
(for Notes not cleared through the CMU)

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Germany

**ISSUING AND PAYING AGENT,  
PAYING AGENT AND TRANSFER AGENT**  
(for Notes not cleared through the CMU)  
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**CMU LODGING AND PAYING AGENT,  
REGISTRAR AND TRANSFER AGENT**  
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as to Hong Kong law*

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*To the Issuer as to British Virgin Islands law*

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*To the Dealers and the Trustee as to English law*

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*To the Issuer and Yuexiu REIT  
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**INDEPENDENT AUDITOR TO YUEXIU REIT**

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Registered Public Interest Entity Auditor  
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Central, Hong Kong