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

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

(Stock code: 00405)

Managed by

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors ("Board") of Yuexiu REIT Asset Management Limited ("Manager") is pleased to announce the audited consolidated results of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries for the year ended 31 December 2022 ("Reporting Year") together with comparative figures for the corresponding period in 2021 as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's audited consolidated results for the year ended 31 December 2022 together with comparative figures for the corresponding period in 2021:

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

	Financial Year ended 31 December 2022	**Financial Year ended 31 December 2021**	**Increase/ (decrease)**
Gross income (Note a)	**1,872,860,000**	1,796,686,000	4.2%
Net property income	**1,355,872,000**	1,298,399,000	4.4%
(Loss) profit after tax	**(510,940,000)**	674,562,000	(175.7)%
(Losses) earnings per Unit – Basic	**(0.12)**	0.19	(163.2)%
Portfolio valuation	**42,359,232,000**	42,395,000,000	(0.1)%
Net assets attributable to Unitholders per Unit	**3.37**	4.31	(21.8)%
Net assets attributable to Unitholders per Unit – Equivalent to HK$	**3.77**	5.27	(28.5)%
Units issued (units)	**4,783,780,325**	3,417,224,428	40.0%
Total borrowings as a percentage of gross assets (Note b)	**45.4%**	40.2%	5.2 percentage point
Gross liabilities as a percentage of gross assets (Note c)	**60.5%**	63.7%	(3.2) percentage point

Distribution			
Total distribution (including additional items)	**533,324,000**	798,212,000	(33.2)%
Distribution per Unit (HK$)	**0.1306**	0.2451	(46.7)%

Note a: The revenue of Guangzhou Yuexiu Financial Tower was recorded since 24 December 2021. The revenue of 17th and 23rd floors of Hong Kong Yue Xiu Building newly acquired was recorded since 21 December 2022.

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

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

DISTRIBUTION

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

In light of the above, the Manager has determined that the final distribution to the Unitholders for the period from 1 July 2022 to 31 December 2022 ("2022 Final Period") will be approximately RMB0.0399 which is equivalent to HK$0.0453 (2021: RMB0.0985 which is equivalent to HK$0.1218) per Unit. Such final distribution per Unit is subject to adjustment once new units are issued to the Manager (in satisfaction of the Managers fees) prior to the record date for the 2022 Final Period distribution. A further announcement will be made to inform Unitholders of the final Distribution per Unit for the 2022 Final Period.

The final distribution for the 2022 Final Period, together with the interim distribution of Yuexiu REIT for the six-month period from 1 January 2022 to 30 June 2022 ("2022 Interim Period") being approximately RMB0.0734 which is equivalent to HK$0.0853 (2021: RMB0.1025 which is equivalent to HK$0.1233) per Unit, represents a total distribution to each Unitholder for the Reporting Year of approximately RMB0.1133 which is equivalent to HK$0.1306 (2021: approximately RMB0.2010 which is equivalent to HK$0.2451).

The total distribution amount for the Reporting Year, being approximately RMB533,324,000 (2021: RMB798,212,000), includes an amount of approximately RMB223,000,000 (2021: RMB298,000,000), that is capital in nature. The total distribution amount for the Reporting Year comprises the distributable amount calculated pursuant to the formula set out in the OC (being approximately RMB477,324,000) plus a further distribution of approximately RMB56,000,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

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

Yuexiu REIT aims at providing steady returns to its Unitholders derived from the gross income of its Properties. It has been distributing no less than 100% of Total Distributable Income for 17 consecutive years after listing in 2005.

Distribution Yield

Disregarding new units to be issued prior to the relevant record date with respect to the Manager's fees, Distribution per Unit ("DPU") for the Reporting Year is approximately HK$0.1306 (2021: HK$0.2451), of which approximately HK$0.0528 (2021: HK$0.0790) is attributable to capital items, represents a yield of approximately 6.63% (2021: 7.59%) per Unit based on the closing price of HK$1.97 per Unit as at 31 December 2022 (2021: HK$3.23).

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 13 April 2023. The register of Unitholders will be closed from 13 April 2023 to 14 April 2023, both days inclusive, during which period no transfer of units will be effected. In order to be qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 17/F Far East Finance Center, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 12 April 2023. The final distribution will be paid on 25 May 2023 to the Unitholders whose names appear on the register of Unitholders on 13 April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2022 has been the most difficult year in the three years of the COVID-19 pandemic prevention and control. The sporadic resurgences of the pandemic accompanying with concentrated outbreak across China, coupled with the overall stagnant business activities and the sustained sluggish market demand had resulted in a significant impact on the operation of the existing properties of Yuexiu REIT. The Manager has adopted a proactive approach in tackling the challenges of the volatile external environment and unexpected pressure, and the Manager has done a good job in pandemic prevention and control, managed to deliver great value to the unitholders for their investment through sound property operation and management and dedicated efforts in the stabilization, optimization and expansion of customer base.

PROPERTY PORTFOLIO AND VALUATION

As of 31 December 2022, Yuexiu REIT's portfolio of properties consisted of ten properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units and certain Carpark Spaces ("Fortune Plaza"), City Development Plaza Units and certain Carpark Spaces ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), Yuexiu Financial Tower ("Yuexiu Financial Tower"), located in Guangzhou; Yue Xiu Tower ("Shanghai Yue Xiu Tower"), located in Shanghai; Wuhan Yuexiu Fortune Center, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), located in Wuhan; Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory") located in Hangzhou; and 17th and 23rd Floors of Yue Xiu Building Units ("17th and 23rd Floors of Hong Kong Yue Xiu Building"), located in Hong Kong. The total gross floor area of the properties was 1,184,156.5 sq.m. and the total rentable area was 803,984.1 sq.m. (excluding 1,408.3 sq.m. of parking space of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Shanghai Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; 17,663.6 sq.m. of parking space of Hangzhou Victory; 10,289.1 sq.m. of parking space and 29,797.1 sq.m. of common facilities area of Yuexiu Financial Tower, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

PARTICULARS OF THE PROPERTIES ARE AS FOLLOWS:

Property	Type	Location	Year of Completion	Gross Floor Area (sq.m.)	Rentable Area (sq.m.)	Property Occupancy Rate[1]	Number of Lease[1]	Unit Rent[1] (RMB/sq.m./ month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	81.3%	752	504.9
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2[2]	95.1%	85	152.5
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4[3]	88.4%	71	141.5
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	93.5%	26	213.9
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	89.4%	267	223.0
Including:	Grade A office			267,804.4	183,539.6[4]	87.6%	210	238.8
	Retail shopping mall			46,989.2	46,727.3	96.3%	57	166.4
	Hotel			91,460.9[5]	N/A	N/A	N/A	N/A
	Serviced apartment			51,102.3	N/A	N/A	N/A	N/A
Shanghai Yue Xiu Tower	Grade A office	Pudong New District, Shanghai	2010	62,139.4	46,026.3[6]	90.9%	123	232.8
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	67.9%	232	81.1
Including:	Grade A office		2016	139,937.1	129,446.7[7]	62.1%	147	93.8
	Retail shopping mall		2015	45,471.4	43,546.6[8]	85.1%	85	53.5
	Commercial parking space		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking space		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Shangcheng District, Hangzhou	2017	40,148.4	22,484.8[9]	100%	31	123.2
Yuexiu Financial Tower	Grade A office	Tianhe District, Guangzhou	2015	210,282.9	170,196.8[10]	91.6%	219	199.7
17th and 23rd Floors of Hong Kong Yue Xiu Building	Grade A office	Wanchai, Hong Kong	1985	872.2	872.2	100%	4	316.2
Total				1,184,156.5	803,984.1	85.5%	1,810	198.8

Notes:

(1) As at 31 December 2022;

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

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

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

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

(6) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);

(7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;

(8) Excluding 1,924.8 sq.m. of common facilities area;

(9) Excluding 17,663.6 sq.m. of parking space area;

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

SEGMENTS OF THE PROPERTIES ARE AS FOLLOWS:

Rental Property	Gross Floor Area (sq.m.)	Rentable Area (sq.m.)	Occupancy Rate [(1)]	Percentage point increase as compared to the same period in 2021	Unit Rent (VAT exclusive) [(1)] (RMB/sq.m./month)	Percentage increase as compared to the same period in 2021	Operating Income[(2)] (RMB'000)
Office	871,235.3	636,319.1[(3)]	84.7%	-6.2	187.7	0.0%	1,275,385
Retail Shopping Mall	120,158.7	117,536.1[(4)]	91.5%	-6.5	138.8	-0.5%	153,682
Wholesale	50,199.3	50,128.9[(5)]	81.3%	-10.2	504.9	-3.3%	93,262

Notes:

(1) As at 31 December 2022;

(2) For the year ended 31 December 2022;

(3) Excluding 1,408.3 sq.m. of parking space area of Fortune Plaza; 2,104.3 sq.m. of parking space area of City Development Plaza; 76,512.3 sq.m. of parking space area and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor) of Shanghai Yue Xiu Tower; 62,785.8 sq.m. of parking space and 10,490.3 sq.m. of specific purpose area (common facilities area and refuge floor) of Wuhan Yuexiu Fortune Center, 17,663.6 sq.m. of parking space area of Hangzhou Victory and 10,289.1 sq.m. of parking space and 29,797.1 sq.m. of common facilities area of Yuexiu Financial Tower;

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

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

Operational Property	Type	Commencement of Operation	Gross Floor Area (sq.m.)	No. of Units (units)	Average Occupancy Rate[1]	Average Daily Rate[1] (RMB)
Four Seasons Hotel Guangzhou	Five star hotel	August 2012	91,460.9	344	56.4%	1,688
Ascott Serviced Apartment GZIFC	High-end serviced apartments	September 2012	51,102.3	314	87.1%	1,004

Notes:

(1) From 1 January 2022 to 31 December 2022;

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

PROPERTY VALUATION

On 31 December 2022, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Colliers International (Hong Kong) Limited, an independent professional valuer, and the revalued market value was approximately RMB42.359 billion.

The following table summarizes the valuation of each of the properties as at 31 December 2022 and 31 December 2021:

Name of Property	Valuation as at 31 December 2022 RMB million	Valuation as at 31 December 2021 RMB million	Increase/ (decrease) percentage
White Horse Building	4,861	5,007	(2.9)%
Fortune Plaza	1,252	1,253	(0.1)%
City Development Plaza	1,044	1,056	(1.1)%
Victory Plaza	955	955	—%
GZIFC	18,720	18,786	(0.4)%
Shanghai Yue Xiu Tower	3,031	3,060	(0.9)%
Wuhan Properties	3,598	3,629	(0.9)%
Hangzhou Victory	625	619	1.0%
Yuexiu Financial Tower	8,158	8,030	1.6%
Subtotal	42,244	42,395	(0.4)%
17th and 23rd Floors of Hong Kong Yue Xiu Building	115	N/A	N/A
Total	42,359	42,395	(0.1)%

LEASE EXPIRY OF THE PROPERTIES

In the next five years and beyond, in respect of the rental area, ratios of lease expiry of Yuexiu REIT Properties each year will be 27.5%, 27.3%, 25.2%, 11.7% and 8.3% respectively. In respect of basic monthly rentals, ratios of lease expiry each year will be 26.7%, 30.9%, 25.8%, 10.6% and 6.0% respectively.

The properties of Yuexiu REIT

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	27.5%	26.7%
FY2024	27.3%	30.9%
FY2025	25.2%	25.8%
FY2026	11.7%	10.6%
FY2027 and beyond	8.3%	6.0%
Total	100.0%	100.0%

White Horse Building

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	21.7%	18.7%
FY2024	34.0%	35.8%
FY2025	22.6%	33.3%
FY2026	19.4%	11.3%
FY2027 and beyond	2.3%	0.9%
Total	100.0%	100.0%

Fortune Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	12.5%	16.6%
FY2024	28.3%	27.6%
FY2025	30.8%	29.5%
FY2026	15.2%	15.0%
FY2027 and beyond	13.2%	11.3%
Total	100.0%	100.0%

City Development Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	27.3%	29.7%
FY2024	13.5%	12.2%
FY2025	23.1%	31.4%
FY2026	31.6%	22.5%
FY2027 and beyond	4.5%	4.2%
Total	100.0%	100.0%

Victory Plaza

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	44.8%	41.8%
FY2024	6.4%	6.5%
FY2025	9.1%	10.0%
FY2026	9.3%	7.4%
FY2027 and beyond	30.4%	34.3%
Total	100.0%	100.0%

GZIFC

	Office		Retail shopping mall	
Year	Percentage of rented area	Percentage of total basic monthly rentals	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	20.6%	20.2%	12.5%	17.9%
FY2024	36.7%	41.1%	6.2%	6.0%
FY2025	22.4%	21.1%	69.0%	60.8%
FY2026	11.3%	9.9%	6.1%	8.1%
FY2027 and beyond	9.0%	7.7%	6.2%	7.2%
Total	100.0%	100.0%	100.0%	100.0%

Shanghai Yue Xiu Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	37.5%	38.2%
FY2024	28.6%	31.5%
FY2025	26.5%	23.2%
FY2026	5.0%	4.4%
FY2027 and beyond	2.4%	2.7%
Total	100.0%	100.0%

Wuhan Properties

	Office		Retail shopping mall	
Year	Percentage of rented area	Percentage of total basic monthly rentals	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	45.1%	46.6%	32.3%	41.1%
FY2024	34.0%	32.2%	15.4%	23.0%
FY2025	16.0%	16.8%	16.4%	14.8%
FY2026	3.3%	2.8%	5.3%	6.6%
FY2027 and beyond	1.6%	1.6%	30.6%	14.5%
Total	100.0%	100.0%	100.0%	100.0%

Hangzhou Victory

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	21.0%	19.8%
FY2024	53.4%	56.3%
FY2025	20.8%	20.2%
FY2026	1.7%	1.2%
FY2027 and beyond	3.1%	2.5%
Total	100.0%	100.0%

Yuexiu Financial Tower

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	29.8%	32.3%
FY2024	24.0%	26.7%
FY2025	24.6%	23.7%
FY2026	15.4%	14.2%
FY2027 and beyond	6.2%	3.1%
Total	100.0%	100.0%

17th and 23rd Floors of Hong Kong Yue Xiu Building

Year	Percentage of rented area	Percentage of total basic monthly rentals
FY2023	0.0%	0.0%
FY2024	50.0%	50.1%
FY2025	50.0%	49.9%
FY2026	0.0%	0.0%
FY2027 and beyond	0.0%	0.0%
Total	100.0%	100.0%

Revenue increased

In 2022, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,872,860,000 representing an increase of 4.2% as compared to the same period of the previous year. Among which, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Shanghai Yue Xiu Tower, Wuhan Properties, Hangzhou Victory, Yuexiu Financial Tower and 17th and 23rd Floors of Hong Kong Yue Xiu Building accounted for approximately 5.0%, 3.7%, 3.6%, 3.5%, 47.0%, 5.8%, 7.0%, 1.8% 22.6% and 0.0% of the total revenue, respectively.

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

Name of Property	**Revenue in 2022 RMB million**	Revenue in 2021 RMB million	Increase/ (Decrease) Compared to 2021 RMB million	Increase/ (Decrease) %
White Horse Building	**93.3**	259.8	(166.5)	(64.1)%
Fortune Plaza	**70.0**	73.7	(3.7)	(5.0)%
City Development Plaza	**67.0**	70.6	(3.6)	(5.1)%
Victory Plaza	**64.9**	67.8	(2.9)	(4.3)%
GZIFC				
Office	**465.1**	494.5	(29.4)	(5.9)%
Retail shopping mall	**64.6**	64.0	0.6	0.9%
Hotel	**248.2**	302.9	(54.7)	(18.1)%
Serviced apartment	**102.3**	100.2	2.1	2.1%
Shanghai Yue Xiu Tower	**108.5**	118.1	(9.6)	(8.1)%
Wuhan Properties	**130.6**	183.5	(52.9)	(28.8)%
Hangzhou Victory	**34.5**	33.3	1.2	3.6%
Yuexiu Financial Tower(1)	**423.8**	28.3	395.5	1,397.5%
Sub-total	**1,872.8**	1,796.7	76.1	4.2%
17th and 23rd Floors of Hong Kong Yue Xiu Building(2)	**0.1**	N/A	0.1	N/A
Total	**1,872.9**	1,796.7	76.2	4.2%

Notes:

(1) The revenue of Yuexiu Financial Tower was recorded since 24 December 2021;

(2) The revenue of 17th and 23rd Floors of Hong Kong Yue Xiu Building was recorded since 21 December 2022.

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

Name of Property	**Net Property Income in 2022 RMB million**	Net Property Income in 2021 RMB million	Increase/ (Decrease) Compared to 2021 RMB million	Increase/ (Decrease) %
White Horse Building	**79.6**	218.8	(139.2)	(63.6)%
Fortune Plaza	**58.7**	62.0	(3.3)	(5.3)%
City Development Plaza	**56.1**	58.8	(2.7)	(4.6)%
Victory Plaza	**54.4**	57.4	(3.0)	(5.2)%
GZIFC				
Office	**389.5**	415.6	(26.1)	(6.3)%
Retail shopping mall	**55.2**	55.0	0.2	0.4%
Hotel	**14.2**	54.9	(40.7)	(74.1)%
Serviced apartment	**60.0**	59.4	0.6	1.0%
Shanghai Yue Xiu Tower	**99.0**	108.5	(9.5)	(8.8)%
Wuhan Properties	**102.6**	153.5	(50.9)	(33.2)%
Hangzhou Victory	**27.6**	27.5	0.1	0.4%
Yuexiu Financial Tower(1)	**358.9**	27.0	331.9	1,229.3%
Sub-total	**1,355.8**	1,298.4	57.4	4.4%
17th and 23rd Floors of Hong Kong Yue Xiu Building(2)	**0.1**	N/A	0.1	N/A
Total	**1,355.9**	1,298.4	57.5	4.4%

Notes:

(1) The revenue of Yuexiu Financial Tower was recorded since 24 December 2021;

(2) The revenue of 17th and 23rd Floors of Hong Kong Yue Xiu Building was recorded since 21 December 2022.

GZIFC – OPTIMIZATION, STABILIZATION AND EXPANSION OF CUSTOMER BASE FOR THE OFFICE, PROACTIVE ADJUSTMENT AND RENOVATION FOR THE SHOPPING MALL TO OPTIMIZE MARKET POSITIONING

GZIFC's office building is committed to customer structure optimization and service quality enhancement to comprehensively improve project operation level. With a focus on seizing the opportunity to relet large-area high-quality units, also paving the way for a long-term optimization of customer structure with greater investment in renovation projects and customized services, it aims at introducing high-quality customers, expanding its customer base and eventually, reshaping the project's landmark image. By virtue of its continued adherence to high international standards of operation and management, GZIFC successfully passed the examination at the end of 2022 and obtained BOMA CHINA COE renewal certifications, with 15 items well above the international standards.

In 2022, GZIFC Shopping Mall proactively pushed forward adjustments and renovations, completed the positioning adjustment of the B1 floor "Landmark Parlor" to optimize asset positioning. Despite the overall unstable market conditions, new tenants were successfully introduced and contracted rental leases over 3,000 sq.m. of area during the year through resource integration and multi-channel tenant acquisition, which further enhanced the awareness and diversification of brands in the building. In addition, GZIFC Shopping Mall organized brand portfolios to carry out scenario-based marketing, which elevated the efficiency of resource integration and facilitated connections between tenants. Through dedicated efforts in integrated marketing communication, as well as optimization of member management and services, it has enhanced the overall customers experience with a focus on operation support.

Hotel and serviced apartment experienced in different stages volatilities in their operations resulting from the pandemic in China, but their overall performance remained as the market benchmark.

Four Seasons Hotel actively participated in the leading media platform live events and large-scale marketing promotions to boost hotel's exposure. By continuously launching creative themed rooms and gift packages, hotel captured high net worth leisure customers and improved overall revenue. However, affected by the prevailing sluggish market environment, the average occupancy rate of the hotel was 56.4% in 2022, representing a decrease of 6.4 percentage points year-on-year. The average room rate was RMB1,688, representing a decrease of 7.6% year-on-year. The RevPAR was RMB952, representing a decrease of 17.0% year-on-year. Since its opening in 2012, the hotel has been in full operation for over ten years, as its core competitors entered the market successively or completed their renovation and upgrading, the leading edge of the hotel's product competitiveness has declined year by year. The annual RevPAR competitive index of the hotel was 109.1, representing a decrease of 13.1 year-on-year. The hotel continues to provide high standard of services to the customers as always, and has been awarded the "2022 Forbes Travel Guide Five-star Hotel" by Forbes Travel Guide in its eight consecutive years.

While facing restrictions on international business travel, Ascott Serviced Apartments actively explored domestic accommodation demand. The long-term rental business remained stable, while the short-term rental business, which relied on flexible prices and expanding promotion channels, recorded a year-on-year increase of 10.7% in revenue, effectively promoting the overall operation performance of the Ascott Serviced Apartments. In 2022, its average occupancy rate was 87.1%, representing an increase of 1.3 percentage points year-on-year. The average room rate was RMB1,004, representing an increase of 1.5% year-on-year. RevPAR was RMB874, representing an increase of 3.1% year-on-year. Thanks to the stabilizing effect of the long-term rental business, the annual RevPAR competitive index of the Ascott Serviced Apartments reached 156.3, making a record high. Ascott Serviced Apartments at GZIFC ranked first both in operating revenue and GOP in Ascott China for seven consecutive years since 2016.

YUEXIU FINANCIAL TOWER – ACTIVE RESPONSES TO MARKET SLOWDOWN, PROPER MANAGEMENT IN LEASE RENEWALS AND NEW CONTRACTS

Facing a severe economic slump and a significant drop in the occupancy rate in Zhujiang New Town, Yuexiu Financial Tower negotiated lease renewals with important tenants in advance and successfully renewed leases with key tenants such as isuwang.com (快塑電子), Easylink Payment Co. Ltd. (易聯支付) and GD Technology Assets (粵科資產), with a total renewed leasing area of 15,000 sq.m. for the year, laying a solid foundation for the stable operation of Yuexiu Financial Tower. Meanwhile, with deepened customers relationships via multi-channels and proactively explored customers' demand for lease expansion, which eventually led to expansion of lease area by key customers such as Kaiyue Hotel Consulting Service (Guangzhou) Co., Ltd. (凱粵諮詢), CSSC (Hong Kong) Shipping Company Limited (中船租賃) and CR Assets (華潤資產), with a total newly contracted area of 18,000 sq.m. for the year, contributing to a stable occupancy rate.

WHITE HORSE BUILDING – STABILIZING AND RETAINING TENANTS IN ADVERSITY, SEEKING INNOVATION AND TRANSFORMATION IN COMPETITION

Due to the impact of the pandemic prevention and control, White Horse Building was closed three times in 2022, and customer flow in the market continued to drop sharply, which made it even more difficult for tenants' operation. Without being intimated by various difficulties, the operation management team of the White Horse Building actively explored high-quality external customers, broadly engaged leading customers in major competitive markets in Guangzhou through "cross-border" activities in different sectors, and successfully introduced and contracted with two top brands in fast fashion professional markets. Integrating the upstream and downstream of the industry chain and a cross-industry portfolio, the team established a reserve of a total of 702 potential customers and successfully introduced 104 high-quality customers. It also actively facilitated a breakthrough in business format and drove innovation in business model. For example, it introduced a number of well-known catering brands to the atrium of the first floor, which boosted customer flow significantly; it applied the innovative joint operation leasing model in standalone area of the 25th passage on the second floor and introduced high-quality customers of selected designer brands from Guangzhou and Shenzhen, which improved the overall product competitiveness. Meanwhile, it continued to carry out collaborative marketing activities combining festival promotion, sales events and customer services, with a focus on the demand of purchasers, to attract customers and facilitate transactions with targeted services.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA – ADJUSTING POSITIONING TO SEEK STABILITY, ELIMINATING RISKS AND OPTIMIZING PRODUCTS

Fortune Plaza proactively adjusted the business positioning of the podium by making use of the expiring lease area to bring in a number of stable customers, and facilitating COSCO Logistics (中遠物流), a Fortune 500 company, an existing tenant to expand its lease area to the entire floor, and the proportion of high-quality customers has increased persistently. City Development Plaza actively eliminated the risk of lease termination by swiftly introducing high-quality customers such as WUYIGE Certified Public Accountants LLP, and at the same time vigorously promoted product upgrading to optimize the layout and user experience of rental units.

VICTORY PLAZA – ACTIVELY ELIMINATING THE RISK OF LEASE TERMINATION AND EMPOWERING TENANTS WITH INTEGRATED MARKETING

Due to the impact of repeated pandemic outbreaks, Victory Plaza continued to experience early lease termination by struggling tenants. In response to the situation, the operation team proactively adjusted the positioning and brand, promptly terminated the leases with high-risk customers, and seamlessly introduced the popular Cantonese cuisine brand Xiao Li Yuan (小荔園) and the well-known hair care brand Hairology (絲域). Furthermore, a number of impressive large-scale events were organized with the support of both internal and external resources, empowering tenants and project operations both internally and externally. In 2022, Victory Plaza has been successively given the titles of "Top 10 Fashion Shops in Flower City (花城時尚十大名店)" and "Caring Charity Unit (愛心公益單位)", which have been fully recognized by the industry.

SHANGHAI YUE XIU TOWER – MAKING UP FOR THE DEFICIENCY TO MAINTAIN QUALITY AND IMPROVING LEASE RENEWALS FOR STABLE OPERATION

Shanghai Yue Xiu Tower formulated unique lease renewal plans for high-quality customers in the building, with a primary goal of retaining customers with all efforts. Through the provision of a wide range of matching products for the office building and flexible combination of leasing conditions, combined with various value-added services, the annual renewal rate was approximately 78%, hitting a new high in the last three years. In terms of new leasing, there were strict requirements on the qualifications of the tenant enterprises. Five target customers were introduced throughout the year, resulting in a more balanced tenant structure for the building and improved risk resistance. Some long-term vacant units were renovated and reconstructed according to the market demand, and most of the renovated units with refined decoration were sold quickly. The sell-through rate of renovated units reached 91%.

WUHAN PROPERTIES – FACILITATING THE CONVERSION INTO NEW LEASE CONTRACTS AND STABILIZING EXISTING CUSTOMERS

In 2022, stagnant market demand due to continued lockdown to curb the pandemic resulted in a dramatic increase in high-risk customers of Wuhan Yuexiu Fortune Center, as reflected by a noticeable termination of leases by many micro, small and medium-sized enterprises, which led to a sharp drop in the occupancy rate. The operation team actively intensified its efforts in business solicitation, organized activities targeting different industries and sectors to attract and sign tenancy contracts with new customers, and promoted product transformation according to market demand, achieving newly contracted lease area of approximately 16,000 sq.m. for the year. At the same time, it engaged in renewal negotiations in advance to set up an early reserve for potential customers; whereas for high-risk customers, it implemented one distinctive policy for each different customer to ensure stability. In 2022, Yuexiu Fortune Center won the title of LEED EB platinum certification and "Model Property of Wuhan".

Due to the severe adversity caused by the pandemic, Starry Victoria Shopping Centre experienced a drastic decline in sales and lease termination by many tenants. In response, the operation team strived to expand various channels in building up tenant reserve, engaged more potential tenants and improved the contract conversion rate. During the year, it successfully entered into contracts with branded customers including "Chow Tai Fook", "Luckin Coffee" and "Pizza Hut", which enriched the variety of brands in various industries, improved the overall retail environment and attracted more family customers. In 2022, Starry Victoria Shopping Centre offered two rounds of rental concessions to tenants affected by the pandemic and established the support mechanism of an unique strategy for each shop, thereby effectively stabilizing the operation of tenants.

HANGZHOU VICTORY – VACATING THE PROPERTY FOR NEW TENANTS TO SEEK A BREAKTHROUGH IN STABILITY

Hangzhou Victory actively removed high-risk customers, and engaged new customers in advance to shorten the vacancy period. Successfully introduced a number of premium enterprises including China Railway 15th Bureau (中鐵十五局), a Fortune 500 company, and supported powerful state-owned enterprises with a strong ability to afford a higher rental, such as Shanxi Road & Bridge (山西路橋) and Yuexiu Financial Leasing (越秀融資租賃), to expand their lease areas, vacant units had been quickly leased. As of the end of 2022, Hangzhou Victoria achieved a property occupancy rate of 100%.

SUSTAINABLE DEVELOPMENT

The Manager values the strategic importance in building up the strength of ESG, regards it as an important means to enhance the core competitiveness, and fully supports the achievement of the Trust's sustainable development goals under the guidance of the Board. In the past year, we made remarkable progress in the areas of sustainable development governance, green building, green and sustainable finance, information disclosure and ESG rating.

To better adapt to climate change and promote low-carbon transformation, we have carried out climate scenario analysis with the assistance of professional consultants with reference to the framework proposed by the Task Force on Climate-related Financial Disclosures ("TCFD"), in order to gain better understanding of risks and opportunities associated with climate change. We have also set up a special team focusing on a new mechanism for energy conservation and consumption reduction driven by technology, as well as further deepened energy conservation and carbon reduction planning, which is critical for the sustainable development of the Trust.

In the past year, GZIFC successfully obtained LEED O+M platinum renewal certification and BOMA CHINA COE renewal certification, and Wuhan Yuexiu Fortune Center obtained LEED O+M platinum certification for the first time. The Trust also entered into its first sustainability-linked loan with a total amount of HK$3.8 billion, and recorded an increase in both the proportion of green buildings and the proportion of green and sustainable finance.

Thanks to the effectiveness of the Manager's ESG management, the annual MSCI ESG rating of the Trust was raised to "BB"; Global Real Estate Sustainability Benchmark ("GRESB") rating was raised to the green "Four Star", with a highest rating of "A" in public disclosure for the second consecutive year; Sustainalytics ESG risk rating was improved to "low risk"; and the S&P Global ESG score also increased by 13.3% compared to last year.

Looking ahead, the Manager will seize the opportunity brought by the country's high-quality development, consolidate the sustainable development mechanism, strengthen ESG management capabilities, and continue to integrate the responses to climate change into investment management, risk management and day-to-day operations, so as to generate greater economic and social benefits in collaboration with our stakeholders.

CONTINUOUS OPTIMIZATION OF THE PROPERTY PORTFOLIO, PROMOTING A SOLID BUSINESS GROWTH

The Manager adhered to a prudent and reliable investment development strategy, developed high development potential cities based on the Guangdong-Hong Kong-Macao Greater Bay Area, and expanded the evaluation scope of investment properties to include sustainable development standards. In 2022, the Group acquired two commercial properties in Hong

Kong, which led to a more diversified asset portfolio. The Manager will review the operation and investment returns of its properties from time to time. Upholding the policy of continuous optimization of asset portfolio, the Manager will also dispose non-core projects with weakening growth in a timely manner and strive to create steady and sustainable returns for the Unitholders.

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

In 2022, the Manager continued to invest in a number of asset upgrading and renovation projects, which included the upgrading and renovation project of swimming pool in Ascott Serviced Apartment GZIFC; the replacement and retrofit of heat medium pipelines, the water leakage retrofit of the corridor on the 1st floor and the roof glass on the 103rd floor, the replacement of the air-conditioning cooling tower and the foam fire suppression system of the aircraft parking apron on the roof, the ground renovation project of the logistics passage on the B2 floor and the logistics passage of the 1F banquet hall for Four Seasons Hotel Guangzhou; the structural safety monitoring project for GZIFC; the retrofit of fan coil unit of air conditioners on the third floor and the retrofit project of fire-fighting main engine in White Horse Building; the replacement of wind cabinet on the second and third floors of the podium, the replacement and retrofit project of certain air-conditioning system terminal in Fortune Plaza; the retrofit project of surveillance system in Victoria Plaza; the retrofit project of fan coil unit of air conditioners in City Development Plaza; safety inspection of glass curtain walls for GZIFC, Yuexiu Financial Tower, City Development Plaza and Victory Plaza; rainwater and sewage pipeline retrofit project of Hangzhou Victory; the capital expenditure renovation for the fire water pumps to switch to star-delta starting, quality improvement and public area facilities renovation project for Wuhan Yuexiu Fortune Center and Starry Victoria Shopping Centre; the retrofit project of the collecting well of pumping and drainage system for rainwater catchment for the office building of Shanghai Yue Xiu Tower; decoration of shops in Shanghai Yue Xiu Tower, Fortune Plaza, City Development Plaza, Yuexiu Financial Tower, Wuhan Fortune Center and White Horse Building with a total area of approximately 17,000 sq.m.. The renovated units of these projects had effectively shortened the vacancy period and increased the level of rent, which improved the operating efficiency and business environment of the projects on a continuous basis. The investment for the above renovation projects amounted to approximately RMB53.54 million.

In 2023, the Manager is planning to invest mainly in capital expenditure renovation projects for White Horse Building, GZIFC, Four Seasons Hotel, Shanghai Yue Xiu Tower, Wuhan Fortune Center and Hangzhou Victory, in order to achieve value preservation and appreciation of the properties and to improve the operation level of leasing.

ACTIVE MANAGEMENT IN FINANCING RISKS AND EFFECTIVE REDUCTION OF FINANCING COST

In terms of liquidity management, with regard to the 3-year syndicated loan of HK$3.1 billion and the 3-year bank loan of approximately HK$123 million due in 2022, the Manager introduced a 3-year syndicated sustainable loan totaling HK$3.8 billion obtained in 2022 to refinance the maturing loans so as to ensure effective monitor on the liquidity risk.

As for the interest rate management, in order to curb US inflation in 2022, the US Federal Reserve announced a total of seven interest rate hikes during the year, with a cumulative increase of 425 basis points. Hong Kong dollar followed the sharp interest rate hike, while in contrast, the RMB interest rate market entered a downward trend. Taking advantage of the bottom window of the RMB interest rate market, the Manager completed the onshore financing of approximately RMB1,284 million in July 2022, effectively reducing the overall financing cost. At the end of 2022, 1-month HIBOR and 1-month LIBOR increased by 412 and 429 basis points respectively from those at the beginning of year. The Manager mitigated the impact of the interest rate market by maintaining appropriate floating interest rate exposure. At the end of 2022, the average financing cost of Yuexiu REIT was 4.83%, an increase of 258 basis points from 2.25% at the beginning of the year.

With regard to foreign exchange management, both US dollar and Hong Kong dollar appreciated significantly against RMB in 2022 due to the combined effects of US dollar interest rate hikes and RMB interest rate cuts. The Manager continued its focus on market dynamics by adopting effective management strategies and foreign exchange hedging tools at reasonable cost to monitor foreign exchange exposure. In 2022, Yuexiu REIT's accumulated exchange loss for the whole year was RMB944 million (2021 exchange gain: RMB341 million), the fair value gain of hedging products was RMB322 million (2021 fair value loss: RMB115 million), and the net loss for the whole year was RMB622 million (2021 net gain: RMB226 million). In addition, an amount of HK$3.1 billion for which foreign exchange hedging have been arranged was due for settlement, resulting in a hedging gain of approximately RMB106 million.

Finance Outlook

As the US Federal Reserve raised interest rates aggressively to curb domestic inflation since 2022, Hong Kong dollar has entered the interest rate hike cycle due to the pegged exchange rate system. On the other hand, China has been cutting RMB interest rates in a bid to stimulate economic recovery after the pandemic. In light of the rising foreign interest rates and the relatively low cost of RMB, the Manager will continue to review and make reasonable adjustments to its financing structure depending on expectations of market developments, such as introducing low-cost RMB capital through onshore bond issuance or cross-border financing, in order to seek more favorable financing costs and offset interest rate risks.

LOOK FORWARD TO 2023

Regarding the economic trend in 2023, the global environment remains complex and challenging, with rising risk of global stagflation. China's economy has been steadily recovering since the country optimized and adjusted its pandemic prevention and control policies. According to the World Economic Outlook Update released by the International Monetary Fund (IMF), forecast for China's economic growth was significantly raised to 5.2% for this year. In addition, Morgan Stanley, Goldman Sachs, Credit Suisse, UBS and other leading investment banks have also forcasted a rising economic growth in China.

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

FINANCIAL REVIEW

FINANCIAL RESULTS

Yuexiu REIT gross income and net property income were higher than the corresponding period of 2021. The following is a summary of Yuexiu REIT financial results for the Reporting Year:

	2022	2021	Increase/ (Decrease)
	RMB'000	RMB'000	%
Gross income	**1,872,860**	1,796,686	4.2%
Hotel and serviced apartment direct expenses	**(260,396)**	(277,142)	(6.0)%
Leasing agent fees	**(46,713)**	(43,861)	6.5%
Property related taxes (Note 1)	**(207,039)**	(175,141)	18.2%
Other property expenses (Note 2)	**(2,840)**	(2,143)	32.5%
Total property operating expenses	**(516,988)**	(498,287)	3.8%
Net property income	**1,355,872**	1,298,399	4.4%
Withholding tax	**(29,468)**	(47,359)	(37.8)%
Depreciation and amortisation	**(136,791)**	(134,701)	1.6%
Manager's fees	**(166,530)**	(139,733)	19.2%
Trustee fees	**(12,703)**	(10,248)	24.0%
Other trust expenses (Note 3)	**(89,413)**	(17,793)	402.5%
Total non-property expenses	**(434,905)**	(349,834)	24.3%
Profit before finance income, finance expenses and income tax	**920,967**	948,565	(2.9)%
Finance income	**25,511**	366,703	(93.0)%
Finance expenses	**(1,521,382)**	(390,086)	290.0%

	2022	2021	Increase/ (Decrease)
	RMB'000	RMB'000	%
(Loss)/profit before tax	**(574,904)**	925,182	(162.1)%
Income tax expense	**(237,986)**	(263,608)	(9.7)%
(Loss)/profit after income tax before fair value (loss)/gain on investment properties and fair value gain/(loss) on derivative financial instruments	**(812,890)**	661,574	(222.9)%
Fair value (loss)/gain on investment properties	**(95,813)**	78,668	(221.8)%
Fair value gain/(loss) on derivative financial instruments	**397,763**	(65,680)	(705.6)%
Net (loss)/profit after income tax before transactions with Unitholders	**(510,940)**	674,562	(175.7)%

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

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

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

Gross income and net property income during the Reporting Year were approximately RMB1,872,860,000 (2021: RMB1,796,686,000) and RMB1,355,872,000 (2021: RMB1,298,399,000) respectively, which represented an increase of approximately 4.2% and 4.4% respectively while comparing with 2021.

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

	Mainland China RMB'000	Hong Kong RMB'000	**2022 RMB'000**	2021 RMB'000
Office (Note 1, 2)	1,275,310	75	**1,275,385**	973,345
Wholesales (Note 2)	93,262	—	**93,262**	259,793
Retail (Note 2)	153,682	—	**153,682**	160,437
Hotel and serviced apartment (Note 3)	350,531	—	**350,531**	403,111
Total	1,872,785	75	**1,872,860**	1,796,686

Net property income amounted to approximately RMB1,355,872,000 (2021: RMB1,298,399,000) representing approximately 72.4% (2021: 72.3%) of total gross income, after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agent fees and other property expenses. Net property income analysis is listed in the following table:

	Mainland China RMB'000	Hong Kong RMB'000	**2022 RMB'000**	2021 RMB'000
Office (Note 1, 2)	1,073,322	75	**1,073,397**	829,530
Wholesales (Note 2)	79,641	—	**79,641**	218,857
Retail (Note 2)	128,660	—	**128,660**	135,780
Hotel and serviced apartment (Note 3)	74,174	—	**74,174**	114,232
Total	1,355,797	75	**1,355,872**	1,298,399

Note 1 The revenue of Guangzhou Yuexiu Financial Tower was recorded since 24 December 2021. The revenue of 17th and 23rd floors of Hong Kong Yue Xiu Building newly acquired was recorded since 21 December 2022.

Note 2 In 2022, due to the re-emergence of the COVID-19, Yuexiu REIT provide temporary rent concessions to certain micro, small and medium tenants of its office, wholesales mall and retail mall.

Note 3 Due to the relapse of the COVID-19, Four Seasons Hotel Guangzhou recorded a drop in its average occupancy rate and average room rate.

Hotel and serviced apartment direct expenses were approximately RMB260,396,000 (including depreciation expense of approximately RMB10,086,000 incurred in connection with right-of-use asset and interest expense of approximately RMB342,000 incurred in connection with lease liability), a decrease of 6.0% as compared with 2021. It was mainly due to a decrease in the occupancy rate of hotels and serviced apartments in 2022.

Leasing agent fees slightly increased by approximately 6.5% as compared with 2021. It was mainly because of an increase of rental income.

Property related tax increased by approximately 18.2% as compared with 2021. It was mainly due to an increase of rental income and the PRC Government had provided tax relief after the rent concession provided by Yuexiu REIT to its tenants in 2021 which did not occur in 2022.

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

Other trust expenses increased by approximately 402.5%. It was mainly due to an increase of the foreign exchange loss from operation. Excluding this foreign exchange loss from operation of approximately RMB48,564,000 (2021: foreign exchange gain from operation of approximately RMB1,882,000), other trust expenses incurred for the Reporting Year amounted to approximately RMB40,849,000 (2021: RMB19,675,000).

Overall, the Manager's fees increased by approximately 19.2%. The Trustee fees increased by approximately 24.0%. It was mainly due to the new acquisition.

The finance income received for the Reporting Year amounted to approximately RMB25,511,000 (2021: RMB26,142,000 excluding an exchange gain of approximately RMB340,561,000 due to Renminbi appreciated against Hong Kong Dollar and United States Dollar).

During the Reporting Year, the depreciation of Renminbi against Hong Kong Dollar and United States Dollar resulted in an exchange loss of approximately RMB944,353,000. Excluding the exchange loss, the finance expenses incurred for the Reporting Year amounted to approximately RMB577,029,000 (2021: the finance expenses was approximately RMB390,086,000). The average one-month Hong Kong Interbank Offered Rate ("HIBOR") for 2022 was higher than that of 2021 by approximately 137 basis points and led to an increase of interest cost on the floating portion of debt.

Loss after tax before transactions with Unitholders amounted to approximately RMB510,940,000 (2021: profit after income tax before transactions with Unitholders of RMB674,562,000) which represented a decrease of 175.7%, mainly due to Renminbi depreciated against Hong Kong Dollar and United States Dollar and a fair value loss on Properties valuation.

THE IMPACT OF THE OUTBREAK OF COVID-19 AND THE ACQUISITION OF YUEXIU FINANCIAL TOWER ON YUEXIU REIT

Multiple outbreaks of coronavirus disease 2019 (the "**COVID-19**") have emerged in the People's Republic of China ("PRC") since the beginning of 2022. The Manager regards all of Yuexiu REIT's tenants as its long-term business partners. As such, having considered various factors, including (i) Yuexiu REIT's corporate social responsibility, (ii) the Rental Concession Guidelines issued by certain provincial or municipal governments in the PRC, (iii) the relevant profiles of Yuexiu REIT's tenants, and (iv) the operating pressure of tenants whose businesses were and may continue to be adversely affected by the outbreak, Yuexiu REIT will offer temporary rental concessions to certain tenants of offices, retail malls and the wholesale mall held by Yuexiu REIT (namely White Horse Building (白馬大廈) in Guangzhou, Yue Xiu Tower (上海越秀大廈) in Shanghai and Starry Victoria Shopping Centre (星匯維港購物中心) in Wuhan, but shall not include International Grade A office buildings) in support of the affected tenants and commercial and retail industry generally during this challenging time. At the same time, the hotel industry in the PRC has been adversely affected by the COVID-19 outbreak and the COVID-19 Measures, and Four Seasons Hotel Guangzhou, being the only hotel in Yuexiu REIT's property portfolio, was expected to have a negative impact on the gross revenue. The acquisition of Yuexiu Financial Tower was completed on 23 December 2021. It is an international Grade-A office building and has borne less impact under this outbreak of COVID-19.

Yuexiu Financial Tower achieved operating results in line with acquisition expectations during the Reporting Year, providing a distribution enhancement of 8% per unit to Yuexiu REIT. The following is a summary of Yuexiu REIT's financial results, after the acquisition of Yuexiu Financial Tower and under the outbreaks of COVID-19, during the Reporting Period:

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

	Existing Properties Portfolio (excluding Yuexiu Financial Tower)	**Yuexiu Financial Tower**	**Total**
Operation:			
Revenue	1,449,053,000	423,807,000	1,872,860,000
Net Property Income	997,017,000	358,855,000	1,355,872,000
Distribution:			
Total Distribution	372,014,000		533,324,000
Number of Units issued (units)	3,549,377,287		4,783,780,325
DPU	0.1048		0.1133

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2022 was approximately RMB3.37 (2021: RMB4.31), which represented a decrease of approximately 21.8%.

Deferred Units

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

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

Accordingly, following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as described in the announcement on 31 December 2021), and assuming no other Deferred Units Adjustment Events eventuate, it is expected that the balance of the Assignment consideration will be fully settled by 31 December 2025 by the issue of 329,808,584 Deferred Units (the "Further Deferred Units") in aggregate at HK$3.861652 per Unit.

On 31 December 2022, the Yuexiu REIT issued 75,000,000 Units (being the "2022 Deferred Units") at a price of HK$3.861652 per Unit to a wholly-owned subsidiary of YXP Property in partial satisfaction of the outstanding consideration from the Yuexiu REIT's investment in Guangzhou International Finance Center in 2012.

New Units Issued and Unit Activity

On 26 January 2022, the Right Issue on the basis of 37 units for every 100 units held on the Rights Issue Record Date was completed, and Yuexiu REIT issued 1,234,403,038 units, of which 454,547,406 units were issued to independent third parties and 779,855,632 units were issued to YXP and its associates. The fund was used for partial payment of the acquisition cost of Guangzhou Yuexiu Financial Tower.

In respect of the partial settlement of the Manager's Fee during the relevant periods, Yuexiu REIT newly issued 20,160,589 and 36,992,270 units at HK$3.35 and HK$2.573 per Unit on 22 March 2022 and 19 August 2022 respectively. On 31 December 2021, referring to the terms disclosed in the Circular dated 30 June 2012 and the Circular dated 13 November 2021, Yuexiu REIT issued 75,000,000 Units at a price of HK$3.861652 per Unit to Dragon Yield Holding Limited (a wholly-owned subsidiary of YXP) in partial satisfaction of the outstanding consideration from its investment in GZIFC in 2012.

As at 31 December 2022, a total of 4,783,780,325 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK$3.47 and a low of HK$1.32 during the Reporting Year. The average trading volume amounted to approximately 3,854,000 Units per day during the Reporting Year (2021: approximately 2,460,000 Units).

The closing price of the Units as at 31 December 2022 was HK$1.97, representing a discount of approximately 45.00% as compared to the net assets (including net assets attributable to deferred Unitholders) attributable to Unitholders per Unit as at 31 December 2022.

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 31 December 2022	As at 31 December 2021
	RMB'000	RMB'000
Bank borrowings and notes		
Denominated in RMB	**1,234,400**	1,284,400
Denominated in HK$	**15,885,279**	13,793,799
Denominated in USD	**2,785,478**	2,544,240
Total bank borrowings and notes	**19,905,157**	17,622,439
Maturity analysis		
Within one year	**4,364,124**	2,893,984
Two to five year	**15,541,033**	14,557,455
Beyond five year	**—**	171,000
The effective interest rate (per annum) of the borrowings and notes at the balance sheet day		
RMB	**3.45%**	4.31%
HK$	**5.31%**	1.98%
USD	**2.72%**	2.72%

The overall interest rate per annum of the borrowings and notes at the balance sheet day is 4.83% (2021: 2.25%). The average interest rate was approximately 3.05% (2021: 2.52%) for the year.

In 2022, the Manager adopted a series of liquidity management measures. It managed the annual interest rate at a reasonable level and has been alert of the foreign exchange risk.

As at 31 December 2022, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total amount of hedged loans and bonds was approximately RMB5,279,029,000 (2021: RMB2,525,377,000).

As at 31 December 2022, Yuexiu REIT held certain hedging financial derivatives with fair value asset of approximately RMB76,854,000 (2021: fair value liabilities of approximately RMB213,933,000).

On 21 June 2022, Yuexiu REIT, through its onshore project company, entered into a facility agreement with certain bank in connection with a five-year secured and fixed rate term (3.5% per annum) loan facility of RMB2,000,000,000. Thereafter the total loan amount was changed to RMB1,700,000,000 with floating rate on 13 December 2022. RMB713,400,000 was drawn down on 21 June 2022, RMB271,000,000 was drawn down on 30 June 2022 and RMB300,000,000 was drawn down on 7 July 2022 for the purpose of repayment of certain RMB bank loan facility.

On 2 November 2022 and 12 December 2022, Yuexiu REIT, through its SPV's company, entered into a sustainability-linked term loan facility agreement with certain banks in connection with a three-year unsecured and floating rate term loan facility of HK$3,800,000,000. On 7 November 2022, 18 November 2022 and 16 December 2022, the loan were drawn down respectively for repayment of certain matured HK$ bank Loan Facility.

As at 31 December 2022, total borrowings of Yuexiu REIT amounted to approximately RMB19,905,157,000 (calculation of total borrowings based on bank loan and other borrowings, excluding capitalization of debt-related expenses), representing approximately 45.4% of total assets. The gearing ratio was below the maximum borrowing limit of 50% as stipulated in the REIT Code (which was amended in December 2020).

As at 31 December 2022, total liabilities of Yuexiu REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB26,544,795,000, representing approximately 60.5% of total assets of Yuexiu REIT.

CASH POSITION

Cash and cash equivalents and short-term bank deposits of Yuexiu REIT as at 31 December 2022 amounted to approximately RMB1,383,773,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

ACCOUNTING TREATMENTS

Units recorded as Financial Liabilities; Distributions to Unitholders as Finance Costs

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

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

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

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

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

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

During the Reporting Year, Yuexiu REIT carried out the following acquisition:

Acquired two storeys of Yuexiu Building, located in Wan Chai, Hong Kong, for the consideration of approximately HK$126 million. The acquisition was completed on 20 December 2022. Referring to the announcement on 20 December 2022 for details.

REAL ESTATE AGENTS ENGAGED BY YUEXIU REIT

During the Reporting Year, Yuexiu REIT had engaged Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ("Yicheng"), Guangzhou Baima Business Operation Management Co., Ltd ("Baima BM") and Guangzhou Yue Xiu Asset Management Company Limited ("GZ AM")(1) to provide designated leasing, marketing, tenancy management and property management services (collectively, "Leasing Agents") to the Properties.

During the Reporting Year, Yuexiu REIT paid/payable service fees to Yicheng, Baima BM and GZ AM in the amounts of RMB26,095,000, RMB2,798,000 and RMB17,820,000 respectively.

(1) GZ AM changed its name to Guangzhou IFC Business Management Co., Ltd. (廣州國金商業經營管理有限公司) ("GZ IFC Management") with effect from 21 February 2023.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Yuexiu REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange.

During the Reporting Year, there was no repurchase, sale or redemption of Units by Yuexiu REIT or its subsidiaries.

EMPLOYEES

As at 31 December 2022, Yuexiu REIT employed 544 and 128 employees in China for hotel operation through its branch company and for serviced apartments operation through its subsidiary respectively, mainly to fulfill its operating functions and provision of services for hotel and serviced apartments.

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

REVIEW OF FINANCIAL RESULTS

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated distribution statement, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE

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

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

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

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

ISSUANCE OF ANNUAL REPORT

The annual report of Yuexiu REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2023.

ANNUAL GENERAL MEETING

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**Year ended 31 December** **2022** **RMB'000**	2021 RMB'000
Revenue	3	**1,872,860**	1,796,686
Operating expenses, net	4	**(951,551)**	(847,386)
Fair value (losses)/gains on investment properties	13	**(95,813)**	78,668
Change in fair value of derivative financial instruments	16	**397,763**	(65,680)
Finance income	7	**25,511**	366,703
Finance expenses	8	**(1,521,724)**	(390,821)
(Loss)/profit before income tax and transactions with unitholders		**(272,954)**	938,170
Income tax expense	9	**(237,986)**	(263,608)
(Loss)/profit after income tax before transactions with unitholders		**(510,940)**	674,562
Transactions with unitholders	23	**1,086,845**	(692,023)
Profit/(loss) after income tax after transactions with unitholders		**575,905**	(17,461)
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss			
Change in fair value of property, plant and equipment			
– Gross	11	**95,951**	66,002
– Tax		**(26,873)**	(18,485)
		69,078	47,517
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(626,159)**	—
Other comprehensive (loss)/income for the year, net of tax		**(557,081)**	47,517
Total comprehensive income for the year		**18,824**	30,056

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to				
	Unitholders before transactions with unitholders	**Transactions with unitholders (note 23)**	**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 2021	645,003	(692,023)	(47,020)	29,559	(17,461)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	47,020	—	47,020	497	47,517
Total comprehensive income/(loss) for the year ended 31 December 2021	692,023	(692,023)	—	30,056	30,056
(Loss)/profit for the year ended 31 December 2022	**(529,044)**	**1,086,845**	**557,801**	**18,104**	**575,905**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Change in fair value of property, plant and equipment, net of tax	**68,358**	**—**	**68,358**	**720**	**69,078**
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	**(626,159)**	**—**	**(626,159)**	**—**	**(626,159)**
Total comprehensive (loss)/income for the year ended 31 December 2022	**(1,086,845)**	**1,086,845**	**—**	**18,824**	**18,824**

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, fourth supplemental deed dated 3 April 2020 and fifth supplemental deed dated 28 May 2021 (the "Trust Deed"), Yuexiu REIT is required to distribute to the unitholders not less than 90% of its total distributable income for each financial year. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of 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 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 consolidated 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 10.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**2,183,683**	2,158,714
Right-of-use assets	12	**1,215,748**	1,241,260
Investment properties	13	**37,702,232**	37,657,000
Deferred assets, prepayments, deposits and other receivables	14	**235,425**	259,740
Goodwill	15	**859,868**	859,868
Long-term bank deposits	17	**30,000**	—
		42,226,956	42,176,582
Current assets			
Inventories		**3,080**	3,254
Trade and lease receivables	18	**32,673**	26,147
Amounts due from related parties		**45,228**	62,089
Deferred assets, prepayments, deposits and other receivables	14	**100,579**	113,224
Derivative financial instruments	16	**100,005**	—
Tax recoverable		**4,138**	4,072
Short-term bank deposits	17	**20,000**	23,524
Cash and cash equivalents	17	**1,333,773**	1,453,356
		1,639,476	1,685,666
Total assets		**43,866,432**	43,862,248

		As at 31 December	
	Note	**2022**	2021
		RMB'000	RMB'000
Equity			
Reserves		**(135,257)**	422,544
Retained earnings		**135,257**	(422,544)
Non-controlling interests		**1,217,242**	1,206,026
Total equity		**1,217,242**	1,206,026
Current liabilities			
Trade payables	20	**25,190**	27,561
Rental deposits, current portion	21	**186,238**	181,124
Receipts in advance	21	**96,553**	118,064
Accruals and other payables	21	**453,448**	530,637
Amounts due to related parties		**142,036**	3,643,438
Derivative financial instruments	16	**—**	174,942
Borrowings	22	**4,364,124**	2,893,984
Lease liabilities	12	**10,485**	9,993
Tax payable		**89,062**	142,910
		5,367,136	7,722,653
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	21	**209,987**	246,756
Borrowings	22	**15,541,033**	14,728,455
Deferred tax liabilities	19	**5,380,971**	5,201,515
Derivative financial instruments		**23,151**	38,991
Lease liabilities	12	**22,517**	—
		21,177,659	20,215,717

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Total liabilities, other than net assets attributable to unitholders		**26,544,795**	27,938,370
Net assets attributable to unitholders	23	**16,104,395**	14,717,852
Total equity and liabilities		**43,866,432**	43,862,248
Net current liabilities		**(3,727,661)**	(6,036,987)
Units in issue ('000)	23	**4,783,780**	3,417,224
Net assets attributable to unitholders per unit (RMB)		**RMB 3.37**	RMB 4.31

CONSOLIDATED DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders		**(529,044)**	645,003
Adjustments for the total distributable income (i)			
– Fair value losses/(gains) on investment properties		**83,785**	(94,769)
– Deferred taxation in respect of fair value gains on investment properties charged to profit or loss		**27,591**	59,624
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")		**(393,752)**	(377,870)
– Foreign exchange gains on financing activities	7	**—**	(340,561)
– Fair value gains on derivative financial instruments	16	**(397,763)**	—
		(1,209,183)	(108,573)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		**393,752**	377,870
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")		**135,408**	133,325
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		**102,464**	98,123
– Manager's fee paid and payable in units in lieu of cash		**166,530**	111,787
– Foreign exchange losses on financing activities	8	**944,353**	—
– Fair value losses on derivative financial instruments		**—**	65,680
– Surplus cash		**—**	120,000

	Note	Year ended 31 December **2022** **RMB'000**	 2021 RMB'000
Distributable income after additional items		**533,324**	798,212
Distributable amount at 1 January		**457,990**	329,990
Distributions paid during the year (iii)	23	**(800,634)**	(670,212)
Final distribution declared		**190,680**	457,990
Distribution per unit, declared (iv)		**RMB0.0399**	RMB0.0985

Note:

(i) Under the terms of the Trust Deed, the total distributable income is the consolidated (loss)/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, 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 2021 to 31 December 2021 of RMB0.0980 (equivalent to HK$0.1213) per unit and interim distribution for the period from 1 January 2022 to 30 June 2022 of RMB0.0728 (equivalent to HK$0.0847) per unit, totaling RMB800,634,000 (2021: RMB670,212,000), were paid to unitholders on 26 May 2022 and 21 October 2022 respectively.

(iv) A final distribution for the period from 1 July 2022 to 31 December 2022 of RMB0.0399 (equivalent to HK$0.0453) per unit, totaling RMB190,680,000 (equivalent to HK$216,574,000) was declared by the Board of the Manager on 9 March 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**Year ended 31 December**	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		**1,033,418**	1,178,481
Interest paid		**(539,957)**	(326,478)
Income tax paid		**(139,317)**	(87,252)
Support arrangement asset received		**—**	9,786
Net cash generated from operating activities		**354,144**	774,537
Cash flows from investing activities			
Additions of investment properties		**(54,243)**	(52,548)
Additions of property, plant and equipment		**(15,421)**	(17,742)
Payment for acquisition of subsidiaries, net of cash acquired	24	**(3,640,741)**	(4,117,221)
Disposal of property, plant and equipment		**13**	34
Interest received		**25,511**	26,142
Increase in bank deposits		**(73,196)**	(23,585)
Decrease in bank deposits		**46,720**	23,196
Net cash used in investing activities		**(3,711,357)**	(4,161,724)
Cash flows from financing activities			
Distributions paid		**(893,242)**	(682,345)
Proceeds from borrowings, net of transaction costs		**5,445,263**	7,708,228
Repayment of borrowings		**(4,591,568)**	(3,774,199)
Issuance of units		**3,221,968**	—
Settlement of derivative financial instruments		**102,748**	(205,249)
Principal elements of lease payments		**(10,847)**	(10,768)
Net cash genrerate from financing activities		**3,274,322**	3,035,667
Net decrease in cash and cash equivalents		**(82,891)**	(351,520)
Cash and cash equivalents at beginning of the year		**1,453,356**	1,802,495
Effects of exchange rate changes on cash and cash equivalents		**(36,692)**	2,381
Cash and cash equivalents at end of the year	17	**1,333,773**	1,453,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between the Manager and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Yuexiu REIT (the "Trustee") and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to the applicable conditions imposed by Securities and Futures Commission from time to time.

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB3,727,661,000 (31 December 2021: RMB6,036,987,000) due to the borrowings of RMB4,364,124,000 fall due within twelve months from the balance sheet date (31 December 2021: borrowings of RMB2,893,984,000 fall due within twelve months from the balance sheet date and an amount due to Yuexiu Property Company Limited of approximately RMB3,500,000,000). The Manager is in the process of arranging various sources of funding, which include discussing with the Group's existing principal bankers for refinancing, obtaining new RMB cross-border financing facilities from financial institutes in the PRC and issuance of new RMB bonds, to meet with the settlement of the bank borrowings fall due within twelve months from the balance sheet date. Taking into account the financial resources available, including existing undrawn bank facilities and further limit available under the MTN program, as well as the abovementioned refinancing plan, the Manager considers the Group has adequate resources to meet its liabilities as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the directors consider it is appropriate in preparing the consolidated financial statements on a going concern basis.

(i) New and amended standards effective for the year ended 31 December 2022

Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRS 16	COVID-19-related rent concessions
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Annual Improvements to HKFRSs 2018 - 2020	Annual improvements
Amendments to Accounting Guideline 5	Merger accounting for common control combinations

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 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information	1 January 2023
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
HK Interpretation 5 (revised)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidary. 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 those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

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

(e) Property, plant and equipment

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

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

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

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

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

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:

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

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

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

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

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

(f) Investment properties

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

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

(g) Goodwill

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

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

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

(h) Derivative financial instruments

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

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

(i) Impairment of non-financial assets

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

(j) Offsetting financial instruments

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

(k) Inventories

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

(l) Financial assets

(i) Classification

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

Purchases and sales of financial assets are recognised on 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 gains/losses, net in the period in which it arise.

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

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

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

(ii) Impairment

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

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease 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.

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

(n) Rental deposits

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the Group enters into lease 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.

(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 the PRC where Yuexiu REIT and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authoritie.

(ii) Deferred income tax

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

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

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

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

(iii) Offsetting

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

(u) Revenue recognition

(i) Rental income

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

(ii) Hotel and serviced apartment income

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

(iii) Interest income

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

(iv) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(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 and presented under "net assets attributable to unitholders" in accordance with HKAS 32 and, accordingly, the distributions paid to unitholders represent finance costs and are therefore presented as "transactions with unitholders" 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.

(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 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 2022				
Revenue from external customers	**350,531**	**1,275,385**	**246,944**	**1,872,860**
Segment results	**(62,261)**	**1,128,701**	**57,164**	**1,123,604**
Depreciation	**146,858**	**19**	**—**	**146,877**
Fair value gains/(losses) on investment properties	**—**	**55,324**	**(151,137)**	**(95,813)**
Year ended 31 December 2021				
Revenue from external customers	403,111	973,345	420,230	1,796,686
Segment results	(19,685)	978,951	283,836	1,243,102
Depreciation	144,631	47	—	144,678
Fair value gains/(losses) on investment properties	—	149,469	(70,801)	78,668
As at 31 December 2022				
Total reportable segments' assets	**3,735,044**	**29,863,243**	**9,321,980**	**42,920,267**
As at 31 December 2021				
Total reportable segments' assets	3,660,669	29,801,658	9,499,958	42,962,285

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Segment results	**1,123,604**	1,243,102
Changes in fair value of derivatives financial instruments	**397,763**	(65,680)
Finance income	**25,511**	366,703
Finance expenses	**(1,521,724)**	(390,821)
Unallocated operating costs *(Note)*	**(298,108)**	(215,134)
(Loss)/profit before income tax and transactions with unitholders	**(272,954)**	938,170

Note: Unallocated operating costs include mainly manager's 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	
	2022	2021
	RMB'000	RMB'000
Total reportable segments' assets	**42,920,267**	42,962,285
Unallocated assets	**946,165**	899,963
Total assets	**43,866,432**	43,862,248

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China and Hong Kong	**1,872,860**	1,796,686	**42,920,267**	42,962,285
Unallocated assets			**946,165**	899,963
			43,866,432	43,862,248

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

The Group's revenue by nature is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Hotel and serviced apartments operations		
– Room rentals	**215,068**	241,408
– Food and beverages	**123,588**	149,516
– Others	**11,875**	12,187
Property rentals	**1,522,329**	1,393,575
	1,872,860	1,796,686

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised at a point in time	**128,312**	155,046
Revenue recognised over time	**219,928**	247,928
Other sources	**1,524,620**	1,393,712
	1,872,860	1,796,686

4 Expenses by nature, net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Property management fees (i)	**46,713**	43,861
Employee benefit expenses (Note 5)	**97,196**	116,517
Real estate tax	**193,544**	163,536
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	**10,042**	8,852
Withholding tax (ii)	**29,468**	47,359
Depreciation of property, plant and equipment (Note 11)	**87,509**	85,416
Depreciation of right-of-use assets (Note 12)	**59,368**	59,262
Cost of inventories sold or consumed in operation	**88,871**	89,940
Other direct expenses on hotel and serviced apartment	**63,899**	59,971
Manager's fee (Note 6)	**166,530**	139,733
Trustee's fee	**12,703**	10,248
Valuation fees	**856**	745
Legal and professional fee	**14,056**	10,996
Auditor's remuneration	**3,889**	3,933
Bank charges	**386**	473
Foreign exchange losses/(gains) arising from operating activities	**48,564**	(1,882)
Others	**27,957**	8,426
Total operating expenses, net	**951,551**	847,386

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 IFC Business Management Co., Ltd. (formerly named as Guangzhou Yuexiu Asset Management Company Limited).

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

5 Employee benefit expenses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonus	**59,671**	75,913
Pension costs	**8,301**	7,821
Social security costs and staff welfare	**29,224**	32,783
	97,196	116,517

Pension scheme arrangements

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

6 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.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Manager's fee:		
In the form of units	**166,530**	111,787
In the form of cash	**—**	27,946
	166,530	139,733

Pursuant to the announcement dated 15 January 2021, a portion of the manager's fee for the year ended 31 December 2021, will be paid in the form of units. Pursuant to the circular of Yuexiu REIT dated 13 November 2021 ("2021 Circular") and subsequent announcement dated 14 January 2022, all of the manager's fee for the year ended 31 December 2022, will be paid in the form of units.

7 Finance income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income from bank deposits	**22,058**	22,639
Interest income from a related company	**3,453**	3,503
Foreign exchange gains on financing activities	**—**	340,561
	25,511	366,703

8 Finance expenses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest expense for bank borrowings	**434,035**	189,559
Interest expense for other borrowings	**105,580**	135,847
Interest and finance charges paid/payable for lease liabilities (Note 12)	**342**	735
Losses on settlement of derivative financial instruments	**6,716**	35,437
Amortisation of transaction costs for borrowings	**27,079**	28,171
Interest expense due to a related party	**3,619**	1,072
Foreign exchange losses on financing activities	**944,353**	—
	1,521,724	390,821

9 Income tax expense

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

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 4 (ii).

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– corporate income tax	**53,518**	81,085
– withholding tax	**31,885**	8,016
Deferred income tax (Note 19)	**152,583**	174,507
	237,986	263,608

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax and transactions with unitholders	**(272,954)**	938,170
Tax calculated at domestic tax rate of 25%	**(68,239)**	234,543
Income not subject to tax	**(75,856)**	—
Expenses not deductible for tax purposes	**1,864**	—
Under-provision in prior years	**7,390**	2,045
Withholding tax on unremitted earnings of subsidiaries (Note a)	**61,297**	41,647
Utilisation of previously unrecognised tax losses	**(539)**	—
Tax losses for which no deferred income tax asset was recognised	**46,191**	8,495
Effect of different tax rates	**265,878**	(23,122)
	237,986	263,608

Note a:

According to the China CIT Law, a withholding tax of 10% or 5% will be levied on the immediate holding companies outside mainland China when their mainland China subsidiaries pay dividend out of profits earned after 1 January 2008. Accordingly, deferred income tax liabilities of RMB635,601,000 (31 December 2021: RMB603,304,000) was recognised for the withholding tax that would be payable on the unremitted earnings of the Group's mainland China subsidiaries.

10 (Losses)/earnings per unit based upon (loss)/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 year.

	Year ended 31 December	
	2022	2021
		Restate
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	**(529,044)**	645,003
Weighted average number of units in issue ('000)	**4,596,839**	3,368,303
Basic (losses)/earnings per unit (RMB)	**(0.12)**	0.19

(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 year which are dilutive potential units. The deferred units outstanding and manager's fee in form of units during the year are not included in the calculation of diluted losses per unit because they are anti-dilutive as at 31 December 2022. Therefore, diluted losses per unit equals basic losses per unit for the year ended 31 December 2021 (earnings per unit for 2021: RMB0.17 per unit).

11 Property, plant and equipment

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2021				
Cost	2,385,784	13,083	9,649	2,408,516
Accumulated depreciation	(755,895)	(12,773)	(9,164)	(777,832)
Fair value gain on revaluation	527,111	—	—	527,111
Net book amount	2,157,000	310	485	2,157,795
Year ended 31 December 2021				
Opening net book amount	2,157,000	310	485	2,157,795
Additions	20,367	—	—	20,367
Disposal	—	—	(34)	(34)
Depreciation (Note 4)	(85,369)	(47)	—	(85,416)
Fair value gains on revaluation	66,002	—	—	66,002
Closing net book amount	2,158,000	263	451	2,158,714
At 31 December 2021				
Cost	2,406,151	13,083	8,977	2,428,211
Accumulated depreciation	(841,264)	(12,820)	(8,526)	(862,610)
Fair value gains on revaluation	593,113	—	—	593,113
Net book amount	2,158,000	263	451	2,158,714

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net book amount	**2,158,000**	**263**	**451**	**2,158,714**
Additions	**16,618**	**—**	**—**	**16,618**
Disposal	**(79)**	**—**	**(12)**	**(91)**
Depreciation (Note 4)	**(87,490)**	**(19)**	**—**	**(87,509)**
Fair value gains on revaluation	**95,951**	**—**	**—**	**95,951**
Closing net book amount	**2,183,000**	**244**	**439**	**2,183,683**
At 31 December 2022				
Cost	**2,421,202**	**13,083**	**8,747**	**2,443,032**
Accumulated depreciation	**(927,266)**	**(12,839)**	**(8,308)**	**(948,413)**
Fair value gains on revaluation	**689,064**	**—**	**—**	**689,064**
Net book amount	**2,183,000**	**244**	**439**	**2,183,683**

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 RMB1,428,462,000 (2021: RMB1,551,207,000).

As at 31 December 2022, property, plant and equipment with an aggregate carrying amount of RMB1,944 million (2021: RMB1,921 million) were pledged as collateral for the Group's bank borrowings (Note 22).

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balance	**2,158,000**	2,157,000
Additions	**16,618**	20,367
Disposal	**(79)**	—
Depreciation	**(87,490)**	(85,369)
Unrealised gains recognised in reserve	**95,951**	66,002
Closing balance	**2,183,000**	2,158,000
Unrealised gains for the year included in other comprehensive income at the end of the year	**95,951**	66,002

<u>Valuation processes of the Group</u>

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Colliers International (Hong Kong) Limited being independent qualified valuer not related to the Group as at 31 December 2022 and 2021.

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 Centre ("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 portions) of hotel and serviced apartments in mainland 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 12, 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.

The building portion of hotel and serviced apartments in property, plant and equipment are included in Level 3 (2021: Level 3) of the fair value hierarchy.

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

Significant inputs used to determine fair value

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

Discount rates are estimated by Colliers International (Hong Kong) Limited based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartmenkts in mainland 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 2021

	Depreciated replacement cost method		
	Building cost (RMB/m^2)	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	20,140	4.65	6
Serviced apartments	16,430	4.65	6

As at 31 December 2022

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

12 Leases

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

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
Right-of-use assets			
At 1 January 2021	1,281,399	19,123	1,300,522
Depreciation (Note 4)	(49,285)	(9,977)	(59,262)
At 31 December 2021	1,232,114	9,146	1,241,260
At 1 January 2022	1,232,114	9,146	1,241,260
Addition	—	33,856	33,856
Depreciation (Note 4)	(49,282)	(10,086)	(59,368)
At 31 December 2022	1,182,832	32,916	1,215,748

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

	As at 31 December	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Lease liabilities		
Current portion	**10,485**	9,993
Non-current portion	**22,517**	—
	33,002	9,993

As at 31 December 2022, the fair value of land use rights is approximately RMB2,474 million (2021: RMB2,580 million). The change in fair value is not reflected in the consolidated financial statements.

As at 31 December 2022, right-of-use assets were pledged with an aggregate net book amount of approximately RMB1,101 million (2021: RMB1,214 million) as collateral for the Group's bank borrowings (Note 22).

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**49,282**	49,285
Staff quarter	**10,086**	9,977
	59,368	59,262
Interest expense (included in finance cost)(Note 8)	**342**	735
	342	735

The total cash outflows for leases in 2022 was RMB11,189,000 (2021: RMB10,768,000).

13 Investment properties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balance	**37,657,000**	29,700,000
Addition from acquisition of subsidiaries (Note 24)	**113,207**	7,752,623
Capitalisation of transaction costs for the acquisition of subsidiaries	**1,653**	78,329
Exchange differences	**(601)**	—
Capitalised subsequent expenditure	**26,786**	47,380
Fair value (losses)/gains during the year, included in profit or loss under 'Fair value (losses)/gains on investment properties'	**(95,813)**	78,668
Closing balance	**37,702,232**	37,657,000
Fair value (losses)/gains for the year included in profit or loss for assets held at the end of the year, under 'Fair value (losses)/gains on investment properties'	**(95,813)**	78,668

The investment properties located in mainland China are held on land use rights of 40 years to 50 years, expiring in 2045 through 2055. The investment properties located in HongKong are held on land use rights of 198 years, expiring in 2127.

In the consolidated statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB516,989,000 (2021: RMB344,068,000). Included in the direct operating expenses, RMB79,033,000 (2021: RMB22,170,000) was related to investment properties that were vacant.

As at 31 December 2022, investment properties with an aggregate carrying value of approximately RMB3,847 million (2021: RMB3,832 million) were pledged as collateral for the Group's bank borrowings (Note 22).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Colliers International (Hong Kong) Limited ("Colliers") being independent qualified valuers not related to the Group as at 31 December 2022 and 2021.

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

(a) Investment properties in mainland China

As at 31 December 2022 and 2021, Colliers relied on the income capitalsation method as the primary approach and cross-checked by the market approach. The use of income capitalisation method is in line with market practice of property valuation for income-producing commercial assets which are the main asset class of the Group.

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

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

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

(b) Investment properties in Hong Kong

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

The investment properties are included in Level 3 (2021: Level 3) of the fair value hierarchy.

Significant inputs used to determine fair value

(a) Investment properties in mainland China

Capitalisation rates are estimated by Colliers as at 31 December 2022 and 2021 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 2022

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

As at 31 December 2021

	Fair value (RMB'000)	Monthly market unit rent (RMB per sq.m.)	Capitalisation rate (per annum)
Office	28,248,000	90 to 317	4.00% to 6.50%
Wholesale and shopping mall	9,409,000	65 to 1,040	4.00% to 7.25%

(b) Investment properties in Hong Kong

Sales prices are estimated based on recent market tranactions. The higher the prices, the higher the fair value.

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

As at 31 December 2022

	Fair value (RMB'000)	**Unit sales price (RMB per sq.m.)**
17/F, Yue Xiu Building	56,544	16,400
23/F, Yue Xiu Buiding	58,688	17,040

14 Deferred assets, prepayments, deposits and other receivables

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

15 Goodwill

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cost	**859,868**	859,868
Accumulated impairment	**—**	—
Net book amount	**859,868**	859,868

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
The PRC	**859,868**	859,868

Goodwill of the Group mainly represents the deferred income tax liabilities in relation to the investment properties acquired through business combinations. In assessing whether goodwill has suffered any impairment, the carrying value of the respective investment properties as at year end is compared with their fair value as at acquisition completion dates. Key assumptions used for goodwill impairment are consistent with those used in the valuation of investment properties. The results of the tests undertaken as at 31 December 2022 and 2021 indicated no impairment existed.

16 Derivative financial instruments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current assets		
Interest rate swap contracts	**37,254**	—
Capped foreign exchange forward contracts	**38,627**	—
Foreign exchange forward contracts	**24,124**	—
	100,005	—
Non-current liabilities		
Foreign exchange forward contracts	**23,151**	—
Interest rate swap contracts	**—**	38,991
	23,151	38,991
Current liabilities		
Foreign exchange forward contracts	**—**	174,942

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 2022 were HK$1,500,000,000 due on 21 December 2023 and HK$2,800,000,000 due on 18 August 2023. The notional principal amounts of the outstanding foreign exchange forward contracts at 31 December 2022 were HK$500,000,000 due on 21 December 2023 and HK$1,120,000,000 due on 28 May 2024.

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2022 were HK$2,800,000,000 due on 21 August 2023 (31 December 2021: HK$2,800,000,000 due on 21 August 2023).

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

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net gain/(loss) on derivative financial instruments not qualifying as hedges included in change in fair value of derivative financial instruments	**397,763**	(65,680)

17 Long-term bank deposits, short-term bank deposits and cash and cash equivalents

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank and in hand	**1,154,625**	1,433,605
Short-term bank deposits with original maturity of less than three months	**179,148**	19,751
Cash and cash equivalents	**1,333,773**	1,453,356
Short-term bank deposits with original maturity of more than three months and less than twelve months	**20,000**	23,524
Total	**1,353,773**	1,476,880
Long-term bank deposits with original maturity of more than twelve months	**30,000**	—
Maximum exposure to credit risk	**1,383,423**	1,476,384

As at 31 December 2022, included in the long-term bank deposits, short-term bank deposits and cash and cash equivalents of the Group are bank deposits of approximately RMB949,818,000 (2021: RMB1,182,502,000) 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 mainland China is subject to exchange control restrictions imposed by the Chinese government.

The carrying amounts of long-term bank deposits, short-term bank deposits and cash and cash equivalents approximate their fair values.

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

	As at 31 December	
	2022	2021
Long-term bank deposits with original maturity of more than twelve months	**2.60%**	—
Short-term bank deposits with original maturity of less than three months	**2.00% to 4.50%**	1.55%

Long-term bank deposits, short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**950,168**	1,182,998
HK$	**378,224**	258,647
USD	**55,381**	35,235
	1,383,773	1,476,880

18 Trade and lease receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade and lease receivables	**33,438**	26,797
Loss allowance	**(765)**	(650)
Trade and lease receivables,net	**32,673**	26,147

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 - 30 days	**19,520**	13,105
31 - 90 days	**12,025**	12,406
91 - 180 days	**925**	345
181-365 days	**318**	332
Over 1 year	**650**	609
	33,438	26,797

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.

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

19 Deferred tax liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**5,362,510**	5,180,747
– Deferred tax liabilities to be recovered within 12 months	**18,461**	20,768
	5,380,971	5,201,515

The movements in the deferred tax liabilities are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	**5,201,515**	4,996,679
Acquisition of subsidiaries	**—**	11,844
Deferred taxation charged to profit or loss	**152,583**	174,507
Deferred taxation charged to reserve	**26,873**	18,485
End of the year	**5,380,971**	5,201,515

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

	Tax losses and others
	RMB'000
At 1 January 2021	38,924
Charged to profit or loss	(11,407)
At 31 December 2021	27,517
At 1 January 2022	27,517
Charged to profit or loss	(8,884)
At 31 December 2022	18,633

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

	Fair value change RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Accelerated depreciation allowance and others RMB'000	Total RMB'000
Year ended 31 December 2021				
At 1 January 2021	3,703,024	567,689	764,890	5,035,603
Acquisition of subsidiaries	—	—	11,844	11,844
Charged to profit or loss	43,238	33,631	86,231	163,100
Charged to reserve	16,501	1,984	—	18,485
At 31 December 2021	3,762,763	603,304	862,965	5,229,032
Year ended 31 December 2022				
At 1 January 2022	3,762,763	603,304	862,965	5,229,032
Charged to profit or loss	18,303	29,412	95,984	143,699
Charged to reserve	23,988	2,885	—	26,873
At 31 December 2022	3,805,054	635,601	958,949	5,399,604

20 Trade payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**25,190**	27,561

The fair values of trade payables approximate their carrying amounts.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0 - 30 days	**15,038**	16,430
31 - 90 days	**7,630**	7,734
91 - 180 days	**2,402**	3,168
180 - 365 days	**115**	77
Over 1 year	**5**	152
	25,190	27,561

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

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Rental deposits		
Current portion	**186,238**	181,124
Non-current portion	**209,987**	246,756
	396,225	427,880
Receipts in advance		
Current portion	**96,553**	118,064
Accrued urban real estate tax	**60,702**	66,559
Accrued withholding tax payable	**11,285**	14,059
Accrued surcharge tax	**16,753**	16,409
Construction payable	**186,625**	211,232
Transaction costs payable for the acquisition of Gain Force Investments Limited ("Gain Force") (the "Acquisition") (i)	**7,731**	78,329
Accruals for operating expenses	**170,352**	144,049
Accruals and other payables	**453,448**	530,637
	946,226	1,076,581

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

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

22 Borrowings

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current portion of long term borrowings		
Bank borrowings		
– Secured (Note a)	**85,000**	268,440
– Unsecured	**4,279,124**	2,625,544
	4,364,124	2,893,984
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	**1,234,400**	1,284,400
– Unsecured	**14,885,374**	12,878,957
Other borrowings, unsecured (Note b)	**3,785,383**	3,459,082
Total long-term borrowings	**19,905,157**	17,622,439
Less: current portion of long-term borrowings	**(4,364,124)**	(2,893,984)
Non-current portion of long-term borrowings	**15,541,033**	14,728,455
Analysed into:		
Unsecured	**18,670,757**	16,338,039
Secured	**1,234,400**	1,284,400
	19,905,157	17,622,439

Note a:

As at 31 December 2022, syndicated and entrustment loans totalling approximately RMB1,234 million (2021: RMB1,284 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB6,892 million (2021: RMB6,966 million).

The Group's borrowings are repayable as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	**4,364,124**	2,893,984
Between one year and five years	**15,541,033**	14,557,455
Over five years	**—**	171,000
	19,905,157	17,622,439

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

	As at 31 December	
	2022	2021
RMB	**3.45%**	4.31%
HK$	**5.31%**	1.98%
USD	**2.72%**	2.72%

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**1,234,400**	1,284,400
HK$	**15,885,279**	13,793,799
USD	**2,785,478**	2,544,240
	19,905,157	17,622,439

The Group has undrawn bank borrowing facility of RMB466 million as at 31 December 2022 (2021: HK$300 million).

Note b:

On 2 February 2021, Yuexiu REIT MTN Company Limited ("REIT MTN") issued and sold a total of USD400 million principal amount of 2.65% notes due in 2026 to investors under the USD1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018 (the "MTN Programme"), which was updated in January 2021.

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

23 Net assets attributable to unitholders

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Openning balance	**14,717,852**	14,584,563
Issuance of units	**3,359,022**	111,478
Transfer from the consolidated statement of comprehensive income	**(1,086,845)**	692,023
Distributions paid during the year	**(800,634)**	(670,212)
Special distribution for the Acquisition	**(85,000)**	—
Closing balance	**16,104,395**	14,717,852

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

	Year ended 31 December	
Units in issue ('000)	**2022**	2021
Openning balance	**3,417,224**	3,303,113
Manager's fee in form of units (Note a)	**57,153**	33,111
Issuance of deferred units during the year (Note b)	**75,000**	81,000
Rights issue for the Acquisition (the "Rights Issue") (Note c)	**1,234,403**	—
Closing balance	**4,783,780**	3,417,224

Note a:

During 2022, 57,152,859 units were issued for payment of manager's fee (2021: 33,110,763 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 "Deferred Units"). The number of Deferred Units to be issued to YXP each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. Accordingly, 75,000,000 Deferred Units were issued on 31 December 2022 (2021: 81,000,000 Deferred Units).

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

The adjusted Deferred Units Issue Price is HK$ 3.86 per Unit and the Deferred Units to be issued was adjusted to 329,809,000 units following the Deferred Units Issue Price Adjustment.

Note c:

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

24 Acquisition of subsidiaries

On 20 December 2022, Yuexiu REIT completed the acquisition of the 100% equity interest in Artform Investments Limited and Blow Light Investment Limited (the "Target Companies") at cash consideration of RMB108 million and procured to repay the amounts due to Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE") of RMB6 million ("Intercompany Payables"). The Target Companies are engaged in the leasing of the 17^{th} and 23^{rd} floors of Yue Xiu Building, an office building located in Hong Kong. The Manager applies the optional test to identify concentration of fair value as prescribed by HKFRS 3 "Business Combination" and considers that the acquired set of activities and assets of Target Companies are not a business. Accordingly, the Manager accounts for the transaction as an acquisition of assets and the consideration should be attributable to the individual assets acquired and liabilities assumed.

	Target Companies RMB'000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Investment properties	113,207
Deferred assets, prepayments, deposits and other receivables	265
Lease receivables	134
Cash and cash equivalents	5
Rental deposits	(416)
Amounts due to YXE	(5,672)
Net assets acquired	107,523
Outflow of cash to acquire the Target Companies, net of cash acquired	
Cash consideration for the acquisition of net assets	107,523
Cash consideration for repayment of Intercompany Payables	5,672
	113,195
Less: cash balance acquired	(5)
Less: cash consideration to be paid for the acquisition of net assets and Intercompany Payables	(237)
Net outflow of cash for the acquisition of 2022	112,953
Payment for the remaining consideration of the Acquisition of 2021	3,527,788
Net outflow of cash – investing activities	3,640,741

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

Hong Kong, 9 March 2023

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

Executive Directors:	*Mr. LIN Deliang (Chairman) and Ms. OU Haijing*
Non-executive Directors:	*Mr. LI Feng and Mr. ZENG Zhizhao*
Independent Non-executive Directors:	*Mr. CHAN Chi On Derek, Mr. CHAN Chi Fai Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaoou*