



# 越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

A Hong Kong collective investment scheme under section 104 of the Securities and Futures Ordinance  
<chapter 571 of the Laws of Hong Kong>

(Stock Code : 00405)

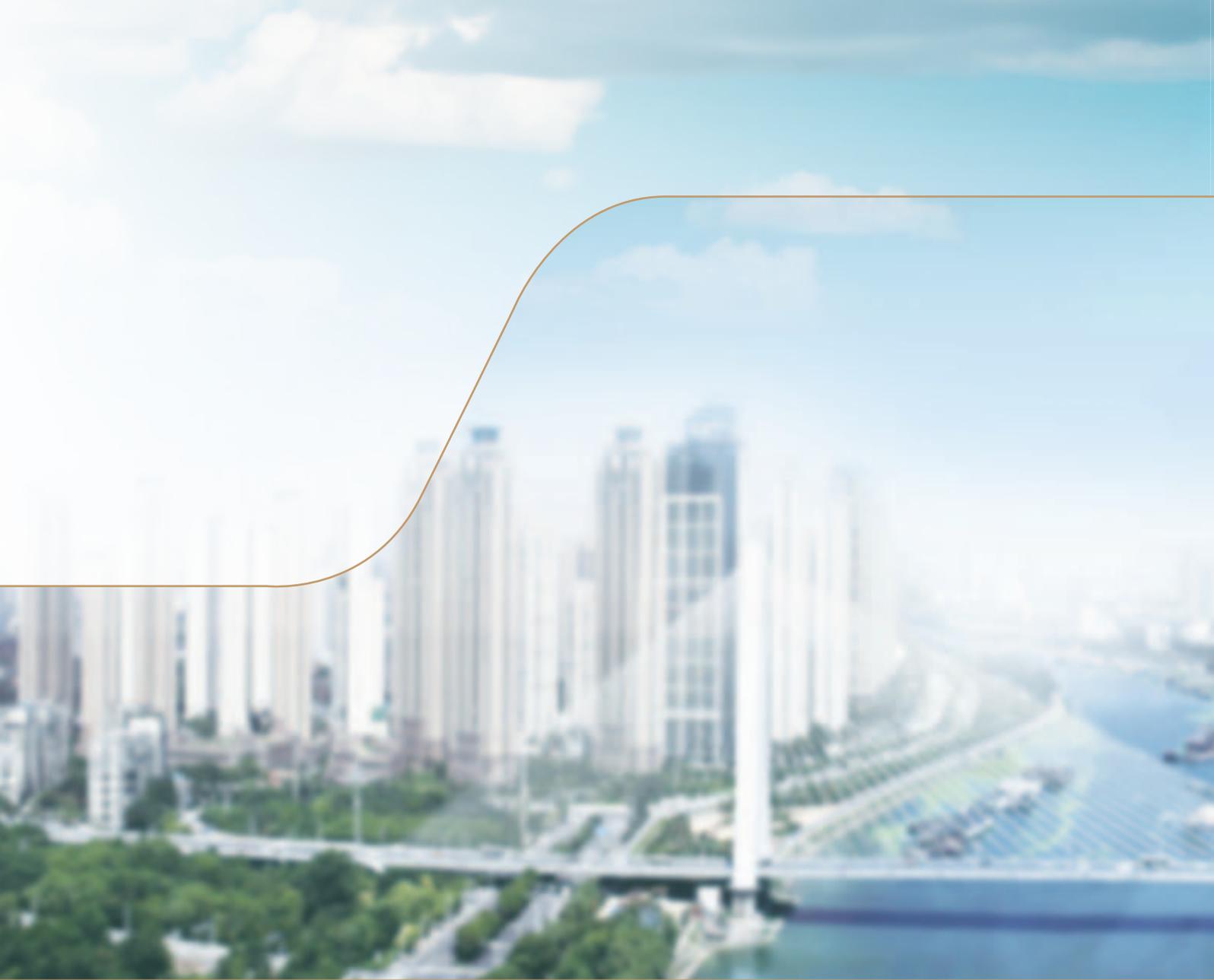
## VISION FOR A STEADY FORTUNE



## INTERIM REPORT 2018

Manager

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





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## PERFORMANCE SUMMARY

The following is a summary of Yuexiu REIT's financial results during the 2018 Interim Period and the 2017 Interim Period:

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

	Six months ended 30 June		Change Increase/ (Decrease)%
	2018	2017	
Gross income	<b>1,002,794,000</b>	909,229,000	10.3%
Net property income	<b>726,800,000</b>	644,816,000	12.7%
Net profit after tax before transactions with Unitholders	<b>616,788,000</b>	1,005,596,000	(38.7)%
Interim distribution	<b>423,811,000</b>	395,412,000	7.2%
Earnings per unit	<b>0.2038</b>	0.3416	(40.3)%
Distribution per unit	<b>0.1400</b>	0.1341	4.4%
Equivalent to HK\$	<b>0.1615</b>	0.1560	3.5%

	30 June	31 December	Change Increase %
	2018	2017	
Portfolio valuation	<b>34,072,000,000</b>	33,356,000,000	2.1%
Net assets attributable to Unitholders	<b>14,478,124,000</b>	14,321,384,000	1.1%
Net assets attributable to Unitholders per unit	<b>4.78</b>	4.75	0.6%

## CHAIRMAN'S STATEMENT



### Dear Unitholders of Yuexiu REIT,

On behalf of the management team of Yuexiu REIT Asset Management Limited ("Manager"), the Manager of Yuexiu Real Estate Investment Trust ("Yuexiu REIT"),

I am very pleased to present to you the interim report of Yuexiu REIT for the first half of 2018.

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**LIN ZHAOYUAN**  
*Chairman*

## RESULTS AND DISTRIBUTION

During the first half of 2018, China's economy maintained a stable and positive operation. Yuexiu REIT continued to record good operating results with the portfolio of premium properties and excellent efforts made by all members of the management team, and all key operating indicators presented outstanding performance.

On 30 June 2018, the eight properties currently owned by Yuexiu REIT include White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC") which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower") which is located in Shanghai, and Wuhan Properties which are located in Wuhan, with a total rentable area of 660,317.6 sq.m.. The aggregate rented area was 594,845.1 sq.m. and the overall occupancy rate of the properties was 90.1%. Among them, the occupancy rate of Wuhan Yuexiu Fortune Centre was 59.4%, and that of Starry Victoria Shopping Centre was 93.7%, representing an increase by 18.9 and 11.6 percentage points respectively as compared with the end of last year.

## CHAIRMAN'S STATEMENT

For the period from 1 January 2018 to 30 June 2018 ("2018 Interim Period"), Yuexiu REIT recorded total operating revenue of approximately RMB1,002,794,000. Operations of all properties under Yuexiu REIT were stable with continuous steady upward growth.

For the 2018 Interim Period, Yuexiu REIT recorded a total distributable income of approximately RMB423,811,000, representing an increase of approximately RMB28,399,000 or approximately 7.2% as compared to the total distributable income of approximately RMB395,412,000 for corresponding period of the previous year. The distribution per unit is approximately HK\$0.1615. Based on the closing price of HK\$5.27 as at 30 June 2018, the interim distribution yield was approximately 3.06%.

### MARKET REVIEW

The first half of 2018 was accompanied by an increased uncertainty and instability in the international environment. Momentum of stable operation of China economy was consolidated, with steadily improved quality and efficacy as well as further enhanced stability, coordination, inclusiveness and sustainability of development. According to statistics released by the National Bureau of Statistics, the GDP in the first half of 2018 increased by 6.8% year-on-year, and the national economy operated smoothly.

The macro economy shifted from high-speed growth to high-quality development. Under such background, Guangzhou's economy continued to maintain a stable momentum, while industries and products of IAB (new generation of information technology, artificial intelligence, biopharmaceutical) new economies played an increasing leading role. In the first half of the year, Guangzhou's GDP was about RMB1,065.298 billion, representing a year-on-year increase of 6.2%. In the first half, investment in IAB industry amounted to RMB 35.475 billion, representing a growth of 16.6%. Shanghai's economy continued a stable and favorable development trend, with a steady advance in transformation and upgrade, coordinated action of new and old driving forces, and enhanced quality and efficacy. Shanghai's GDP was about RMB1,555.815 billion, representing a year-on-year increase of 6.9% which is in line with national economic growth rate. Wuhan's economic operation was generally stable, showing a good development trend of first mover advantage, increased quality and effectiveness, and enhanced social vitality. Wuhan's GDP was about RMB678.038 billion, representing an increase of 8.2%. Investment in infrastructure was up by 10.6%, a few years ahead, a batch of significant infrastructures will be put into operation subsequently, such as urban expressway, metro, roads and bridges (airport expressway and Yue Hu bridge), the transportation capacity will be increased significantly. In the first half of 2018, GDP of Shanghai, Guangzhou and Wuhan ranked the first, the fourth and the ninth in China, respectively.

In the first half of the year, under the dual influence of supply shortage and strong market demand in Guangzhou's Grade A office market, inventory of Guangzhou's Grade A office remained at approximately 5,330,000 sq.m., with overall vacancy rate dropping to a historical low of 6.9%. In the first half of the year, Guangzhou's overall rental growth was 8.3%, and the half-year increase was the highest in the past seven years. In particular, Zhujiang New Town recorded a rent increase by 9.9% over the same period and continued to lead the rental growth in Guangzhou.

## CHAIRMAN'S STATEMENT

Shanghai has several office building projects completed and entered the market. In the first half of the year, the vacancy rate rose to 10.8%, and the total market stock reached 6,556,000 sq.m.. Despite the great number of new projects, the rents for central business districts remained stable mainly due to strong leasing demand. The asset management types of financial services industry continued to be the main driver of demand for Grade A office buildings, while demands for offices from co-working office operators have eased the rental pressure on the owners to a certain extent.

In the first half of the year, quality Grade A office buildings in Wuhan increased by 89,000 sq.m, driving the total stock to 1,825,000 sq.m.. Benefited from active leasing activities in the market, the average rent of Grade A office buildings in the Hankou Riverside Business District recorded RMB134.9/sq.m./month in the second quarter, net take-up of 181,000 sq.m. was recorded in the first half.

For the specialized market, competition in apparel wholesale was increasingly fierce, industry reshuffle intensified, and market adjustments entered into the "deep water period". More and more manufacturers were adopting flexible production models of short-cycle, small-batch and multi-variety, to gradually reduce cost to quickly satisfy consumers. In the first half, the apparel industry recovered and the customer flow of purchasers recorded a slight increase on a year-on-year basis.

For the retail market, in the first half of the year, Guangzhou's premium retail market ushered two new projects into the market, pushing up the quality commercial stock to 3,193,000 sq.m..

Despite further progress in adjustment and upgrade of shopping malls, there were frequent phenomena of major department stores withdrawing from shopping centers. The newly opened shopping malls have also shifted more attention to boutique supermarkets and new retail brands to enhance their competitiveness by creating differentiated consumer experiences.

In the first half of the year, there was no new supply in quality retail market in Wuhan's core business circles. The total market stock remained at 2,327,000 sq.m., and the vacancy rate in the business circles dropped slightly to 3.1%. In the second quarter, the first tier of core business circles recorded average rent of RMB638.4/sq.m./month, representing a slight QoQ increase of 0.1%.

For high-end hotel market, new supply in high-end hotel market in Guangzhou region further diverted source of high-end business customers, intensified competition in the regional high-end hotel markets, making more market-oriented and diversified market demand. As of June 2018, the average occupancy rate of high-end hotels market was 78.7%, an increase of 2.8 percentage points year-on-year, and the average daily room rate increased by 1.3% on a year-on-year basis to RMB 1,150.68 per room. As for high-end serviced apartments, high-end serviced apartments in Guangzhou maintained a stable long-term rental market, and short-term rental market gradually became a major growing point. Younger foreign tourists and postnatal care centers have quickly become one of the focus for changes in customer source. As of June 2018, average occupancy rate of high-end serviced apartments in Guangzhou was 86%, increased by 0.5 percentage point on a year-on-year basis, and an increase of 1.0% in average rental on a year-on-year basis.

## CHAIRMAN'S STATEMENT

### BUSINESS OPERATING STRATEGIES

In response to the dynamic changes in the market, the Manager implemented proactive and flexible tenancy strategies to deeply tap into the commercial value of the properties, proactively adjusted operation model and continued to upgrade tenants mix and capital improvement aiming at achieving long-term sustained business growth and stable rental returns.

The operating performance of GZIFC offices, Fortune Plaza, City Development Plaza, Neo Metropolis and Yue Xiu Tower under Yuexiu REIT have remained sound. In particular, GZIFC, as the most mature super high-rise building in the core CBD operation, has given full play to the advantage of urban landmark to pursue supreme service experience of customers and attract world-renowned enterprises to make their debut, which finance industry accounted for about 70%. Fortune Plaza, City Development Plaza and Neo Metropolis have effectively managed matured leases and explored potential customer demands. Yue Xiu Tower has focused on stabilizing occupancy rate and gradually increase the rental value of the property; and Yuexiu Fortune Center in Wuhan has introduced a growing customer base to create a unique high-end building brand through multi-channel investment.

With respect to retail shopping malls, the GZIFC has constructed a scenario-based online smart business circle for the "GZIFC Shopping Mall", and enhanced the brand awareness of "GZIFC Shopping Mall" through theme-based marketing, member interaction and self-media communication to enrich customer consumption experience and enhance the brand image of the mall. Average daily customer flow in shopping mall hit 48,000, while cumulative members reached 17,000. The "VT101" mall of Victory Plaza has integrated quality merchant resources inside and outside the mall and carry out topical and eye-catching marketing activities to enhance its continuous appeal to consumers. Starry Victoria Shopping Center in Wuhan has vigorously enhanced the customer flow in the mall to activate a robust commercial atmosphere and cultivate mature commercial facilities in the surrounding areas.

With respect to the specialized apparel market, the Manager has grasped the upgrade trend of domestic consumption to focus on building a sale platform for branded clothing and accelerating channel expansion and formation; implemented the "Double-Hundred Plans", strongly encouraged merchants to promote new products and improve clothing quality; continued to promote hardware upgrades and build White Horse's core competitiveness to consolidate its position in the industry.

For hotel and serviced apartments, the Manager has implemented an effective strategy for price increments, carried out a targeted product upgrade, improved the quality of catering and realized the 3C service concepts to enhance guest experience and the reputation of the Four Seasons Hotel. The Manager has also optimized customer source structure, tapped into the potential of operation space, and introduced high-tech service means to maximize the income of the apartments.

### INVESTMENT AND FINANCIAL STRATEGIES

In the first half of 2018, further to the completion of the Wuhan property transaction, geographical diversity of investment was realized, the Manager implemented proactive and prudent investment strategies and continued to identify quality commercial projects in core cities. The Manager believes that through ongoing enhancement of portfolio quality and asset scale, new growth momentum will be injected into Yuexiu REIT and bring sustained and stable returns to Unitholders.

## CHAIRMAN'S STATEMENT

Yuexiu REIT implemented stable and prudent financial policies, and the ratio of total borrowings to total assets of the REIT as at 30 June 2018 was maintained at the level of 36.0%, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager has paid close attention to the change in interest rates and exchange rates, and has successfully issued 400 million US dollars bonds in the first half of the year which has augmented the financing channels and managed finance costs. The Manager will further study currency rate or interest rate hedge products and purchase subject to the market conditions.

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

### ASSET ENHANCEMENT STRATEGIES

The Manager continued to implement strategic asset enhancement plan and explore opportunities for asset enhancement by reviewing the property portfolio of the REIT on a regular basis, thereby maintaining competitive advantage in the market and increasing returns of the projects. Meanwhile, the Manager also targeted at access points of customers to carry out asset optimization to improve customer satisfaction and experience, achieving continuous enhancement in the rental value of properties of Yuexiu REIT.

### PROSPECTS

Looking forward to the second half of 2018, it is expected that fundamentals of the global economy will continue to fluctuate moderately and market concerns will continue. The global economic risks are mainly coming from the trade protectionism initiated by the United States and the conversion to loose global monetary policy.

China's economy is currently still in a critical period of conversion of the old to new kinetic energy, and has not yet really entered into the so-called "new cycle". Tighter and stricter financial policies have produced a strong contraction effect on the economy. Overall, in spite of the short-term pressure on its economy, China's supply-side reform has begun to take effect and become the cornerstone of China's new economic resilience.

As one of the growth poles of the Guangdong-Hong Kong-Macau Greater Bay Area ( 粵港澳大灣區 ), Guangzhou is accelerating the steady development of the new economy, increasing industry guidance, improving the business environment, strengthening innovation drive and enhancing the standard of openness to fully promote high-quality economic development. In the next 12 months, Guangzhou Grade A office market will have six Grade A office buildings completed, and with new supplies vacancy rate may rebound. However, given the favorable pre-lease condition of future projects, overall rental growth rate remains at a high level. In the next 12 months, more than 500,000 sq.m. of new supplies are expected to be launched in the Guangzhou retail market. In particular, it is not expected that the launch of several projects in the market will be concentrated at the end of this year, which will slightly push up the city's vacancy rate. It is expected that the rent will maintain a slight and slow rising trend. Accelerated transformation and upgrade of traditional wholesale market will impose higher requirement for professionalism, originality and production capacity of merchants. Looking ahead into the future, new supply of high-end hotels may have certain impact on market competition, and there is uncertainty in the sustainability of the growth in demand; new supply of high-end serviced apartments will gradually increase and the structure of customer source remains stable.

## CHAIRMAN'S STATEMENT

According to the report 《Shanghai City Master Plan (2017-2035)》 (《上海市城市總體規劃 (2017-2035 年) 》), by 2050, Shanghai will be fully built into a remarkable global city, an aspirational city of innovation, humanities and ecology, and an international city with world influence. Demand from finance, technology and flexible office firms is expected to remain strong and can partially offset the impact of the massive new supply of Grade A office buildings over the next three years. The average vacancy rate of premium office buildings in core areas will rise slightly while rental will show an overall stable trend.

Looking forward, supply in Wuhan's Grade A office market will further increase with steady rise in demand. Vacancy rate is expected to keep rising and tenants will have higher bargaining power with ample office space available. The Wuhan retail market will usher approximately 540,000 sq.m. of new supply in the second half of the year, while the model of online and offline integration of supermarket and catering is becoming a hot spot in Wuhan's new retail business model.

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

## APPRECIATION

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

**LIN ZHAOYUAN**

*Chairman*

Hong Kong, 2 August 2018

# YUEXIU REIT PROFILE

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

Yuexiu REIT is a Hong Kong real estate investment trust was constituted by a trust deed entered into on 7 December 2005 (“Trust Deed”) between HSBC Institutional Trust Services (Asia) Limited as the trustee (“Trustee”) and Yuexiu REIT Asset Management Limited as the manager of Yuexiu REIT (“Manager”) as modified by a First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Trust Deed dated 25 July 2012 and made between the same parties. Yuexiu REIT was listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 21 December 2005 (“Listing Date”).

Yuexiu REIT’s property portfolio (“Properties”) consists of six commercial properties located in Guangzhou, one commercial property located in Shanghai and one commercial property located in Wuhan. Yuexiu REIT is the first listed real estate investment trust in the world which invests in real property in mainland of the People’s Republic of China (“PRC”).

## 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 has intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item (as defined in the Offering Circular issued to Unitholders dated 30 June 2012) for the financial year ending for 2018.

The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute additional amounts. 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 strategies, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

In light of the above, the Manager has determined that an interim distribution to Unitholders for the 2018 Interim Period will be approximately RMB0.1400 which is equivalent to HK\$0.1615 (June 2017: approximately RMB0.1341 which was equivalent to HK\$0.1560) per unit. Such interim distribution per unit, however, is subject to adjustment once new units are issued to the Manager (in satisfaction of the Manager's fee) prior to the record date for the 2018 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the 2018 Interim Period.

The 2018 interim distribution amounted to approximately RMB423,811,000 which is equivalent to HK\$488,824,000 (June 2017: approximately RMB395,412,000 which was equivalent to HK\$460,049,000), includes an amount of approximately RMB67,000,000 (2017: RMB51,962,000), that is capital in nature. The total distribution amount for the Interim Period comprises the distributable amount calculated pursuant to the formula set out in the Trust Deed plus a further distribution of approximately RMB146,018,000 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.

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate 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 distribution.

## DISTRIBUTION

### DISTRIBUTION PER UNIT

Distribution to Unitholders for the 2018 Interim Period is HK\$0.1615 (June 2017: HK\$0.1560) per unit, represents a yield of approximately 3.06% (June 2017: 3.21%) based on the closing price of HK\$5.27 per unit as at 30 June 2018 (30 June 2017: HK\$4.85). This represents an annualized distribution yield of 6.12%.

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 14 September 2018. The register of Unitholders will be closed from 14 September 2018 to 17 September 2018, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with the completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 13 September 2018. The 2018 interim distribution will be paid on 24 October 2018 to the Unitholders whose names appear on the register of Unitholders on 14 September 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Steady Growth in Operating Results

In the first half of 2018, the macro-economy of China recorded stable growth. Yuexiu REIT continued to implement a focused and flexible leasing policy in response to different market conditions. The substantial increase in Shanghai office supply and the high vacancy rate in Wuhan office buildings were proactively handled, whereas the great opportunity derived from low supply in Guangzhou office market was firmly captured. Taking advantage of the transformation trend of the retail commercial market and the hotel and serviced apartment market, properties under Yuexiu REIT were given full play as Manager undertook to optimize operation model and upgrade tenant mix. Under such continuous capital asset enhancement, the overall operation income maintained its steady growth and the performance result was satisfactory.

### Property Portfolio

As at 30 June 2018, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai, and Wuhan Properties including "Wuhan Yuexiu Fortune Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces ("Wuhan Properties"), which is located in Wuhan. The aggregate area of ownership of the properties was approximately 991,300.4 sq.m. and the total rentable area was 660,317.6 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

### Property Valuation

According to a revaluation performed by Savills Valuation and Professional Services Limited ("SVPSL"), an independent professional valuer, on the portfolio of properties of Yuexiu REIT, the revalued market valuation was approximately RMB34,072 million as at 30 June 2018, representing an increase of RMB716 million or 2.1% over the valuation as at 31 December 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the valuation of each of the properties as at 30 June 2018 and 31 December 2017:

Name of property	Valuation as at 30 June 2018 RMB million	Valuation as at 31 December 2017 RMB million	Increase percentage
White Horse Building	5,021	4,906	2.3%
Fortune Plaza	1,175	1,150	2.2%
City Development Plaza	961	935	2.8%
Victory Plaza	922	904	2.0%
Neo Metropolis	1,112	1,110	0.2%
GZIFC	18,154	17,734	2.4%
Yue Xiu Tower	3,108	3,030	2.6%
Wuhan Properties	3,619	3,587	0.9%
Total	34,072	33,356	2.1%

Particulars of the properties are as follows:

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable Area (sq.m.)	Property Occupancy Rate <sup>(1)</sup>	Number of lease <sup>(1)</sup>	Unit Rent <sup>(1)</sup> (VAT exclusive) (RMB/sq.m. /month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100%	908	628.4
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	41,355.2	41,355.2	99.6%	76	151.4
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	42,397.4	42,397.4	95.4%	78	131.4
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	100%	30	201.5
Neo Metropolis	Commercial complex	Yuexiu District, Guangzhou	2007	61,960.0	49,887.3 <sup>(2)</sup>	98.9% <sup>(2)</sup>	185	113.5
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9 <sup>(3)</sup>	97.7% <sup>(3)</sup>	281	212.6
Including:	Grade A office			267,804.4	183,539.6 <sup>(3)</sup>	97.8% <sup>(3)</sup>	230	230.0
	Retail shopping mall			46,989.2	46,727.3	97.5%	51	144.2
	Hotel			91,460.9 <sup>(4)</sup>	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A

## MANAGEMENT DISCUSSION AND ANALYSIS

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable Area (sq.m.)	Property Occupancy Rate <sup>(1)</sup>	Number of lease <sup>(1)</sup>	Unit Rent <sup>(1)</sup> (VAT exclusive) (RMB/sq.m./month)
Yue Xiu Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3 <sup>(5)</sup>	95.1%	112	270.4
Wuhan Properties	Commercial complex	Wuhan Qiaokou District		248,194.2	172,993.3	68.0%	164	77.2
Including:	Grade A office		2016	139,937.1	129,446.7 <sup>(6)</sup>	59.4%	68	92.5
	Retail shopping mall		2015	45,471.4	43,546.6 <sup>(7)</sup>	93.7%	96	48.5
	Commercial parking spaces		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking spaces		2014-2016	15,602.8	N/A	N/A	N/A	N/A
<b>Total</b>				<b>991,300.4</b>	<b>660,317.6</b>	<b>90.1%</b>	<b>1,834</b>	<b>206.6</b>

Notes:

(1) As at 30 June 2018;

(2) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area;

(3) Excluding 76,512.3 sq.m. of parking space area and other facilities area;

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Occupancy rate remained at relatively high level

As at 30 June 2018, the overall occupancy rate of the properties was approximately 90.1%, whereas the occupancy rate of the original five properties was 98.8% and that of the original seven properties was 97.9%, which remained operating at high level. The overall occupancy rate of Wuhan Properties was 68.0%, of which the occupancy rate of offices was 59.4% and that of retail shopping mall was 93.7%.

The following table sets out a comparison of occupancy rates in respect of all the properties between the current reporting period and the corresponding period of the previous year:

Name of property	Occupancy rate as at 30 June 2018	Occupancy rate as at 30 June 2017	Percentage Increase/ (decrease) as compared to 30 June 2017
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	99.6%	97.7%	1.9%
City Development Plaza	95.4%	96.9%	(1.5)%
Victory Plaza	100.0%	100.0%	0.0%
Neo Metropolis	98.9%	99.5%	(0.6)%
Subtotal of original five projects	98.8%	98.8%	0.0%
GZIFC Offices	97.8%	96.2%	1.6%
GZIFC Shopping Mall	97.5%	96.9%	0.6%
Subtotal of GZIFC	97.7%	96.4%	1.3%
Yue Xiu Tower	95.1%	96.2%	(1.1)%
Subtotal of original seven projects	97.9%	97.4%	0.5%
Wuhan Properties Offices	59.4%	40.5% <sup>(1)</sup>	18.9%
Wuhan Properties Shopping Mall	93.7%	86.8% <sup>(1)</sup>	6.9%
Subtotal of Wuhan Properties	68.0%	52.2% <sup>(1)</sup>	15.8%
Total	90.1%	N/A	N/A

Notes:

(1) As at 10 November 2017.

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate <sup>(1)</sup>	Average Rent <sup>(1)</sup> (VAT exclusive) (RMB/room /day)
Four Seasons Hotel Guangzhou <sup>(2)</sup>	Five star hotel	August 2012	91,460.9	344	79.0%	1,989
Ascott Serviced Apartments <sup>(2)</sup>	High-end serviced apartments	September 2012	51,102.3	314	94.7%	1,002

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) From 1 January 2018 to 30 June 2018;
- (2) Both hotel and serviced apartments are entrusted operators.

### Revenue increase

During the Interim Period of 2018, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,002.8 million, representing an increase of approximately RMB93.6 million as compared to the corresponding period of the previous year. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC, Yue Xiu Tower and Wuhan Properties accounted for approximately 19.0%, 3.8%, 3.3%, 3.5%, 3.6%, 54.4%, 7.0% and 5.4% respectively of the total revenue.

No bad debt was recorded during the reporting period.

The following table sets out a comparison of revenue from the properties between the reporting period and the corresponding period of the previous year:

Name of Property	Revenue for the interim period of 2018 RMB million	Revenue for the interim period of 2017 RMB million	Increase as compared to interim period of 2017 RMB million	Increase in revenue from properties percentage
White Horse Building	189.9	189.9	0.0	0.0%
Fortune Plaza	37.8	34.4	3.4	9.9%
City Development Plaza	33.4	31.6	1.8	5.7%
Victory Plaza	35.0	32.8	2.2	6.7%
Neo Metropolis	36.4	33.2	3.2	9.6%
Subtotal of original five projects	332.5	321.9	10.6	3.3%
GZIFC	545.3	517.7	27.6	5.3%
Yue Xiu Tower	69.9	69.6	0.3	0.4%
Subtotal of original seven projects	947.7	909.2	38.5	4.2%
Wuhan Properties	55.1	—	55.1	N/A
Total	1,002.8	909.2	93.6	10.3%

## MANAGEMENT DISCUSSION AND ANALYSIS

### **GZIFC — Performance of office building remained stable with continuous enhancement in operation of shopping mall**

The Manager actively dealt with the expiry of large-area leases of GZIFC offices and formulated a reasonable renewal plan based on customer demand. In the first half of the year, renewal of leases for an area of 18,200 sq.m. was completed with renewal rate of 82.5%, stabilizing the premium customer base with satisfactory rental increase of the renewed leases. The Manager was aware of certain changes in the macro policies of the finance industry, paid close attention to the dynamics of tenant business operation, took the initiative to decline high-risk tenants and in the meantime actively introduced stable customers such as AMC (招商平安) and strongly supported lease expansion by well-known corporate customers. As at the end of June, with the average rent level of the office building reached RMB230.0 sq.m./month (excluding VAT), GZIFC continued to maintain the benchmark position in rentals for core CBD in Zhujiang New Town.

Through measures such as optimized merchant portfolio, continuous innovation of marketing and implementation of the shop-manager-meeting model, on its second anniversary for commencement of operation, the “GZIFC Shopping Mall” recorded 11% and 328% growth year-on-year in average daily customer flow and membership, respectively and there was a gradual increase of tenants who adopted turnover rent, resulting in an approximately 15% rental increase year-on-year. Besides enjoying sales growth of its tenants, the “GZIFC Shopping Mall” also achieved new heights in indicators such as occupancy rate and rental income which signified further enhancement of its popularity and influence. The “NIO House”, located on the first two floors of the mall officially commenced operation in January, not only provided a more diversified consumption experience for shopping mall customers, but also further consolidated the image of GZIFC as a city landmark. Moreover, the Manager planned on making adjustments to shops facing the streets and strived to offer new retail experience to create a favourable business ambience.

In the first half of the year, the average room rate and occupancy rate for high-end hotel market in Guangzhou increased slightly, and the overall market demand continued to grow steadily. The operation of high-end serviced apartment market tended to become stable and small apartments were favoured. The Manager promoted upgrade and improvement in the core management team of Four Seasons Hotel, strengthened customer resources integration and collaboration, expanded sales channels, and conducted multi-channel and multi-platform marketing to elevate hotel reputation. Following Four Seasons Hotel’s being given the honour as a Five-Star Hotel by Forbes Travel Guide in January, as a result of which it received the honour consecutively for four years, Yuyuexuan (愉粤軒), the Chinese restaurant of Four Seasons Hotel, received the honour as the first Michelin Star restaurants in Guangzhou in June. Meanwhile, the Manager deeply explored the operation potential of the apartments, optimized customer sources structure, introduced the hi-tech approach of services by robots, and successfully undertook municipal high-end commercial activities initiated by the government for the first time to increase room and club revenues. As of June 2018, compared with direct competitors, the average occupancy rate of Four Seasons Hotel was higher by 3.1 percentage points, average room rate higher by 36.9%, and RevPAR higher by 42.6%, further consolidating its market benchmark position. Compared with direct competition group, the average occupancy rate of Ascott apartment was higher by 9.6 percentage points, average room rate higher by 33.2%, and RevPAR higher by 48.2%, and continued to lead in the first tier.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Wuhan Properties — achieved breakthrough in business solicitation with steady growth in occupancy rate**

In the first half of the year, affected by massive new supply in the market, the vacancy rate of Grade A office market in Wuhan was pushed up to 24.8%. Under fierce market competition, the Manager vigorously explored channels and expanded coverage of business solicitation, strengthened in-depth cooperation with several intermediary organizations in Wuhan to identify potential customers in the market. Meanwhile, on the basis of good customer relationship, the business solicitation team continued to explore the demand for lease expansion by internal customers, as well as the lease demand from upstream and downstream business partners. In the first half of the year, Yuexiu Fortune Centre signed new contracts for an area of nearly 25,000 sq.m., accounting for about one seventh of Wuhan's net absorption during the same period, which ranked the forefront in the nurture period of the office projects in Wuhan.

The Starry Victoria Shopping Centre successfully introduced the “Zhongbai Living Theater (中百生活劇場)” supermarket, which has satisfied the consumption requirement of surrounding residential and office buildings, not only bringing stable customer flow to the shopping mall, but also revitalizing the customer flow of Mall A and enhancing the overall rental value of the shopping mall. However, due to fencing-off construction of municipal projects, the impact on accessibility and visibility of shopping malls was quite large which directly influenced the sales of merchants in the supermarket. The Manager strengthened operation support and mobilized active participation of merchants in a targeted way to drive customer flow and sale within the shopping mall.

### **White Horse Building — promoted product enhancement to accelerate upgrade and transformation**

In the first half of the year, the Manager continued to implement the “Double Hundred Plans” (introducing 100 quality brand merchants and supporting 100 internal powerful merchants) to support the superior and remove the inferior, successfully attracting dozens of brand merchants to enter and operate, further optimizing the tenant structure of White Horse. Meanwhile, the Manager fortified marketing and visitor flow diversion, and carried out diversified innovative marketing to expand the number of purchaser members and effectively increased the customer flow in White Horse, achieved double-digit growth in market transactions and further highlighted the value of White Horse's trading platform. In terms of industry exchange, in the first half of the year, White Horse once again organized a delegation to participate in the 2018 China International Clothing Accessories Exhibition (2018年中國國際服裝服飾博覽會) and made its debut at the China Import and Export Fair (中國進出口商品交易會), received favourable social response and economic results. In terms of hardware transformation, the Manager actively prepared and planned to renovate the public areas on the fifth floor for achieving the goal of bringing in quality operator merchants. The project was planned to be implemented in the second half of the year. Acting on measures such as activesupport of business solicitation, brand access review and local operational adjustment, the Manager promoted product quality improvement in a multi-pronged manner to better adapt to the development trend of domestic consumption upgrades.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Shanghai Yuexiu Tower — managed lease renewal and stabilized quality customers**

Under the dual pressure of the state to implement policy control over financial risks and the large number of new supplies entering the market, the Manager adopted flexible leasing strategies to prevent customer loss, endeavoured to expand channels for business solicitation, enhanced delivery standards of vacant units, increased customer reserve, and effectively dissipated lease withdrawal and vacant area, thus stabilizing the occupancy rate of the building. In view of the large area of lease expiry this year which concentrated in the first half of the year, the Manager initiated lease renewal negotiations in advance, effectively managed expiry of leases, and actively retained quality customers, achieving a remarkable result of 82% renewal rate as well as an average rental increase of 11.3% in the renewed leases.

### **Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — Rental rate remained high and rents increased slightly**

Apart from satisfactory performance of lease renewal in the first half of the year, Fortune Plaza also actively dissipated areas of withdrawn leases and realized seamless transition of leases by tapping into domestic demands, business solicitation in advance and reserving customers and other means; City Development Plaza successfully introduced a number of well-known enterprises in the industry to enter and operate in the plaza, which optimized the tenant mix of the building; Yue Xiu Neo Metropolis Plaza seized the opportunity of the peak renewal period to rationally allocate distribution of lease expiry and effectively reduce concentration of lease expiry in future.

### **Victoria Plaza — Improved brand richness and integrated resources to promote sales**

In the first half of the year, the Manager signed contracts with two renowned catering brands. Compared with the previous leases, the contracted rents recorded double-digit growth, further enriching the brands entering and operating in the plaza and enabling the occupancy rate of the plaza to reach 100%. In the first half of the year, Victoria Plaza tapped into various resources by holding nearly 40 theme activities and membership activities during which the customer flow increased by 25%, greatly promoted the business and sales of merchants in the plaza. The anchor tenant “Uniqlo” and the newly opened “McDonald” drove the customer flow through promotion activities, in which year-on-year sale performance of “Uniqlo” increased by 76%. The Manager also optimized the shopping guide system of the plaza which has enhanced shopping experience and satisfaction of consumers.

### **Active promotion of value-added asset projects to achieve value preservation and appreciation of properties**

In the first half of the year, the Manager continued to invest in a number of asset enhancement and improvement projects, including the addition of glass doors on the first floor lobby as well as facilities renovation projects on 1F and 103F of the Four Seasons Hotel at GZIFC, image upgrade project for the Ascott apartment; office image and safety enhancement construction project; image enhancement project in the public area on the fifth floor of White Horse Building; the renovation of public toilets and first-grade biochemical treatment of domestic sewage in Yuexiu Building; the water supply and drainage system and renovation work in public areas on certain floors of City Development Plaza and Fortune Plaza, with an expected spending of over RMB30 million, they will continue to elevate the operational efficiency and business environment of the projects.

In the second half of the year, the Manager will still plan to focus on investing in capital renovation projects for GZIFC, White Horse Building and Yuexiu Tower etc. to realize value preservation and appreciation of the properties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Proactive management of maturing debts and continuous optimization of financing structure

The Manager actively managed maturing debts by arranging financing in advance to control liquidity risk, and introduced exchange rate or interest rate hedging instruments to ensure the quality of existing financing. A US\$400 million 3-year guaranteed medium-term note at a coupon rate of 4.75% was successfully launched in the first half of this year, enriching the financing channels and optimizing the financing structure. However, due to rising interest rate of financing, the overall finance cost rose to 3.91% from 3.16% at the beginning of the year.

### FINANCIAL REVIEW

#### Financial Results

During the Interim Period of 2018, rental income and net property income was higher than the Interim Period of 2017. The following is a summary of Yuexiu REIT's financial results during the 2018 Interim Period:

	Six months ended 30 June		
	2018 Unaudited RMB'000	2017 Unaudited RMB'000	Increase/ (decrease) %
<b>Gross income</b>	<b>1,002,794</b>	909,229	10.3%
Hotel and serviced apartments direct expenses	(150,822)	(150,315)	0.3%
Leasing agents' fee	(23,041)	(20,175)	14.2%
Property related taxes (Note 1)	(98,128)	(88,355)	11.1%
Other property expenses (Note 2)	(4,003)	(5,568)	(28.1)%
Total property operating expenses	(275,994)	(264,413)	4.4%
<b>Net property income</b>	<b>726,800</b>	644,816	12.7%
Withholding tax	(29,733)	(28,923)	2.8%
Depreciation and amortization	(64,604)	(80,198)	(19.4)%
Manager's fees	(70,375)	(64,953)	8.4%
Trustee's fees	(5,077)	(4,593)	10.5%
Other trust expenses (Note 3)	(6,411)	(20,684)	(69.0)%
Total non-property operating expenses	(176,200)	(199,351)	(11.6)%

## MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2018 Unaudited RMB'000	2017 Unaudited RMB'000	Increase/ (decrease) %
<b>Profit before finance costs, finance income and tax</b>	<b>550,600</b>	445,465	23.6%
Finance income	<b>28,403</b>	238,573	(88.1)%
Finance expenses	<b>(342,844)</b>	(189,724)	80.7%
<b>Profit before tax</b>	<b>236,159</b>	494,314	(52.2)%
Income tax expenses	<b>(200,732)</b>	(196,956)	1.9%
<b>Net profit after tax before fair value gains on investment properties &amp; fair value loss on derivative financial instruments</b>	<b>35,427</b>	297,358	(88.1)%
Fair value gains on investment properties	<b>601,114</b>	809,189	(25.7)%
Fair value loss on derivative financial instruments	<b>(19,753)</b>	(100,951)	(80.4)%
<b>Net profit after tax before transactions with Unitholders</b>	<b>616,788</b>	1,005,596	(38.7)%

Note 1 Property related taxes include 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 include valuation fee, insurance premium and other expenses incurred at the level of the properties.

Note 3 Other trust expenses include audit fees, printing charges, unit registrar's fees, legal advisory fees, exchange differences related to operating activities and miscellaneous expenses.

Gross income comes from office, wholesales, retails, hotel and serviced apartments. The following table shows an analysis of gross income:

(RMB'000)	Six months ended 30 June	
	2018	2017
Office	<b>466,847</b>	406,885
Wholesales	<b>189,915</b>	189,859
Retails	<b>82,407</b>	61,330
Hotel and serviced apartments	<b>263,625</b>	251,155
Total	<b>1,002,794</b>	909,229

## MANAGEMENT DISCUSSION AND ANALYSIS

Net property income amounted to approximately RMB726,800,000 (2017: RMB644,816,000), being the income after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agents' fees and other property operating expenses, representing approximately 72.5% of total gross income. The table below sets out an analysis of net property income:

<b>(RMB'000)</b>	Six months ended 30 June	
	<b>2018</b>	2017
Office	<b>393,614</b>	344,432
Wholesales	<b>159,119</b>	159,648
Retails	<b>68,640</b>	51,718
Hotel and serviced apartments	<b>105,427</b>	89,018
Total	<b>726,800</b>	644,816

Hotel and serviced apartments direct expenses were RMB150,822,000, a slight increase of 0.3% as compared with the 2017 Interim Period.

Leasing agents' fee increased by approximately 14.2% as compared with the 2017 Interim Period. It was mainly because of an increase of rental income from the new acquired Wuhan Properties and other properties.

Property related tax increased by approximately 11.1% as compared with the 2017 Interim Period. It was mainly because of an increase of property tax due to the increased rental income from the newly acquired Wuhan Properties and other properties.

The hotel and serviced apartments were booked as fixed assets which incurred the depreciation and amortization charge.

As Renminbi depreciated against Hong Kong dollar and US dollar in the Interim Period, the bank borrowings denominated in Hong Kong Dollar, United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB126,265,000 (2017: an exchange gain of approximately RMB223,900,000). The finance expenses incurred for the Interim Period amounted to approximately RMB342,844,000 (2017: RMB189,724,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB616,788,000 (2017: RMB1,005,596,000), which represented a decrease of 38.7%, mainly due to the exchange loss from Renminbi depreciated against Hong Kong dollar and US dollar in the 2018 Interim Period, and fair value gain from investment properties is lower than 2017 Interim Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial performance of Wuhan Properties and the support arrangement

In the interim period of 2018, the Wuhan Project recorded actual adjusted net profit of approximately RMB27.91 million and contributed net distribution of RMB1.53 million after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB26.38 million), etc. to the REIT.

Moreover, based on the agreements set forth in the Circular in relation to the Acquisition of Wuhan Properties, the amounts under the support arrangement for the first half of the year calculated according to the actual adjusted net profit is RMB11.09 million, which will be paid by Yuexiu Property within seven business days after Yuexiu REIT published its interim results for 2018. Please refer to the circular date 15 November 2017 for details of the amounts under the support arrangement.

### New Units Issued and Unit Activity

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 12,837,571 new units at HK\$5.25 per unit on 13 March 2018. As at 30 June 2018, a total of 3,027,123,467 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK\$5.60 and a low of HK\$5.00 during the 2018 Interim Period. The average trading volume amounted to approximately 4,745,000 Units per day during the 2018 Interim Period (2017: 6,559,000 Units).

### Deferred Units

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

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

### Net Asset Value

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2018 was approximately RMB4.78 (31 December 2017: RMB4.75).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	<b>As at 30 June 2018 RMB'000</b>	As at 31 December 2017 RMB'000
Bank borrowings and notes		
Denominated in RMB	<b>2,721,280</b>	3,021,280
Denominated in HKD	<b>5,624,082</b>	5,569,459
Denominated in USD	<b>4,507,959</b>	4,140,034
Total bank borrowings and notes	<b>12,853,321</b>	12,730,773
Maturity analysis		
Within one year	<b>1,879,066</b>	4,408,474
Two to five years	<b>9,324,975</b>	6,643,219
Beyond five years	<b>1,649,280</b>	1,679,080
The overall interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	<b>4.31%</b>	4.31%
HKD	<b>3.30%</b>	2.47%
USD	<b>4.55%</b>	3.26%

The overall interest rate (per annum) of the borrowings and notes at the balance sheet is 3.91%.

The Manager also adopted a series of liquidity management measures. It managed the annual interest rate at a reasonable level and be alert of the foreign exchange risk.

As at 30 June 2018, Capped Forward hedging was applied to certain foreign currency bank loans to fix the RMB exchange rate. The total loan amount is approximately RMB3,099,000,000.

Referring to the US\$1,500,000,000 guaranteed medium-term note plan established in April 2018, Yuexiu REIT issued a total principal of US\$400,000,000 guaranteed note at 4.75% which would mature in 2021. The fund was used for repayment of US\$350,000,000 guaranteed note and for general corporate working capital requirement.

As at 30 June 2018, total borrowings of Yuexiu REIT amounted to approximately RMB12,853,321,000, which represented approximately 36.0% of total assets of Yuexiu REIT.

The abovesaid gearing ratio was below the maximum borrowing limit of 45% as stipulated in the REIT Code.

As at 30 June 2018, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB20,092,550,000, representing approximately 56.3% of total assets of Yuexiu REIT.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cash Position

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2018 amounted to approximately RMB1,201,940,000. 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.

### REVIEW OF FINANCIAL RESULTS

The results of Yuexiu REIT for the 2018 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by Yuexiu REIT's auditor in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### ISSUANCE OF 2018 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2018 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2018.

### 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 2018 Interim Period, there was no repurchase, sale or redemption of units of Yuexiu REIT by Yuexiu REIT or any of its subsidiaries.

### SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

Yuexiu REIT or any of its subsidiaries did not enter into any real estate sale and purchase during the 2018 Interim Period.

### EMPLOYEES

As at 30 June 2018, Yuexiu REIT employed 652 and 131 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

## CORPORATE GOVERNANCE

The Manager has adopted an overall corporate governance framework of the Code of Best Practice which is designed to promote the operation of Yuexiu REIT in a transparent manner with built-in verifications and checks to evaluate the performance of the Manager, and consequently sustains the success of Yuexiu REIT which it manages.

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

During the 2018 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

### AUTHORISATION STRUCTURE

Yuexiu REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, and Mr. Lin Deliang, the Executive Director of the Manager, is also Responsible Officer of the Manager pursuant to the requirements of section 125 of the SFO. Mr. Cheng Jiuzhou and Mr. Kwan Chi Fai are also Responsible Officers.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29) and is qualified to act as a trustee for authorised collective investment schemes under the SFO and the REIT Code.

### ROLES OF THE TRUSTEE AND MANAGER

The Trustee is responsible under the Trust Deed for, amongst other things, the safe custody of the assets of Yuexiu REIT held by it on behalf of Unitholders. The Manager’s role under the Trust Deed is to manage Yuexiu REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Yuexiu REIT’s assets are professionally managed in the sole interests of the Unitholders.

### FUNCTIONS OF THE BOARD

The board of Directors of the Manager (“Board”) currently comprises eight members, four of whom are INEDs.

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

## CORPORATE GOVERNANCE

### BOARD COMMITTEES

The Board has the power to delegate to committees consisting of its appropriate members as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear scope of responsibilities to review specific issues or items and submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are as follows:

#### **Audit Committee**

The Audit Committee comprises INEDs only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. Among other matters, it reviews the completeness, accuracy and fairness of Yuexiu REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management.

#### **Finance And Investment Committee**

The Finance and Investment Committee comprises seven Directors, including the Chairman, the Chief Executive Officer, Deputy CEO and at least one INED. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets proposed by the Manager and Yuexiu REIT, approving budgets and reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Yuexiu REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

#### **Disclosures Committee**

The Disclosures Committee comprises the Chief Executive Officer and at least one INED. Among other matters, it is responsible for reviewing matters relating to the regular, urgent and forward looking disclosure of information to Unitholders and public announcements and circulars. The Disclosures Committee also oversees compliance with applicable legal requirements (including those relating to Yuexiu REIT's connected party transactions) and the continuous accuracy, clarity, completeness and distribution of information disseminated by the Manager and Yuexiu REIT to the public and applicable regulatory agencies.

#### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee comprises the Chairman and at least three other Directors, one of whom must be an INED. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration and Nomination Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis as well as nominating and providing recommendations on nominees for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

## CORPORATE GOVERNANCE

### CONFLICT OF INTEREST

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

- 1) The REIT Manager does not manage any other real estate investment trust or involve in any other real estate business;
- 2) All connected party transactions are monitored and undertaken according to the procedures and terms in compliance with the REIT Code;
- 3) At least one-third of the Board comprise INEDs.

### PUBLIC FLOAT

Based on the information that is publicly available as at the date of this report, the Manager reports there was more than 25% of the Units held in public hands as required under the Listing Rules and the REIT Code.

## CONNECTED PARTY TRANSACTIONS

The connected party transaction rules of the REIT Code govern transactions between the Yuexiu REIT Group and its connected persons (as defined in Rule 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

### THE MANAGER AND SIGNIFICANT HOLDER GROUP

Set out below is the information in respect of the connected party transactions involving Yuexiu REIT and its connected persons:

### LEASING TRANSACTIONS

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

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease commencement/		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
			GFA (sq.m.)	renewal date				Term (years)	Interim Period (RMB)
<b>City Development Plaza</b>									
Guangzhou Yicheng Property Management Limited ("Yicheng")	1/F	an associate of the Manager	97.00	1 May 2016	1,309	13.5	0	3	7,408
Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye")	27, 29/F	an associate of the Manager	3,688.68	1 Jan 2018	493,582	134	0	4	3,023,210
廣州悅停網絡科技有限公司	16/F	an associate of the Manager	126.45	30 Mar 2017	16,258	129	0	2	94,473
廣州騰輝貿易有限公司	21FGHI	an associate of the Manager	691.63	20 May 2017	92,215	133	0	3.03	547,230
Guangzhou City Construction and Development Co., Ltd ("GCCD")	18ABJ	an associate of the Manager	691.62	1 Sep 2017	92,214	133	0	3	547,630
廣州東耀房地產開發有限公司	17CD	an associate of the Manager	334.64	29 Oct 2017	44,618	133	0	3	264,249
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM")	18CDE	an associate of the Manager	461.09	25 May 2018	61,478	133	0	3.02	74,160
								<b>Sub-total:</b>	<b>4,558,360</b>

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease commencement/		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
			GFA (sq.m.)	renewal date				Term (years)	Interim Period (RMB)
<b>Neo Metropolis</b>									
Guangzhou White Horse Clothings Market Ltd	Basement 2, 3/F	an associate of the Manager	7,544.77	1 Jan 2016	108,334	14	0	3	621,273
								<b>Sub-total:</b>	<b>621,273</b>

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
			GFA (sq.m.)	commencement/renewal date				Term (years)	Interim Period (RMB)
<b>GZIFC</b>									
Guangzhou Yuexiu Enterprises (Holdings) Ltd. ("YXE")	0601-A	an associate of the Manager	1,224.74	1 Jan 2016	264,544	216	0	3	1,463,448
Guangzhou Grandcity Development Ltd.	0601-G, H	an associate of the Manager	877.03	1 Jan 2016	189,438	216	0	3	1,047,966
廣州市宏錦房地產開發有限公司	1501, 1601	an associate of the Manager	6,297.82	1 Jan 2016	1,580,753	251	0	3	8,737,009
廣州東耀房地產開發有限公司	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	1,883,370
YXE	5801-A	an associate of the Manager	512.64	1 Jun 2016	138,868	271	0	3	806,876
YXE	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2016	2,375,792	365	0	3	13,084,687
Guangzhou City Construction and Development Co., Ltd ("GCCD")	0440-E	an associate of the Manager	611.48	1 Jan 2018	110,066	180	0	1	654,968
廣州市城建開發集團名特網路發展有限公司	0440-F	an associate of the Manager	46.08	1 Jan 2018	8,294	180	0	1	49,355
YXE	0440-H	an associate of the Manager	401.71	1 Jan 2018	72,308	180	0	1	430,282
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("YXFH")	6301-C	an associate of the Manager	811.63	1 Sep 2016	268,997	331	0	2.33	1,558,218
GCCD	1401	an associate of the Manager	3,071.42	1 Jan 2016	770,926	251	0	3	4,261,001
Guangzhou Suiqiao Development Co., Ltd.	1701-D	an associate of the Manager	200.99	1 Jan 2018	50,152	250	0	3	294,854
Guangzhou Yuexiu Asset Management Company Limited ("GZAM")	0601-E	an associate of the Manager	46.82	1 Jan 2018	10,077	215	0	3	60,908
Yuexiu (China) Transport Infrastructure Investment Company Limited	0601-F	an associate of the Manager	126.99	1 Jan 2018	27,333	215	0	3	165,211
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-A	an associate of the Manager	1,585.09	1 Jan 2018	395,518	250	0	3	2,325,329
Chong Hing Bank Limited Guangzhou Sub-Branch	0440-K	an associate of the Manager	193.26	1 Jan 2018	34,787	180	0	1	207,006
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch	0440-N	an associate of the Manager	25.64	1 Jan 2018	4,615	180	0	1	27,463
GZAM	0601-D	an associate of the Manager	138.72	1 Sep 2016	28,576	206	0	3	166,424
Guangzhou Yuexiu commercial real estate investment&management co.ltd	0440-D	an associate of the Manager	243.89	1 Jan 2018	43,900	180	0	1	261,235
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2018	66,588	250	0	3	391,483

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
				renewal date				Term (years)	Interim Period (RMB)
Guangzhou Yue Tong Expressway Operations and Management Company Limited	1701-B	an associate of the Manager	261.29	1 Jan 2018	65,198	250	0	3	383,313
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	142.81	1 Jan 2018	25,706	180	0	1	152,969
GZAM	5804-B	an associate of the Manager	242.29	1 Jun 2016	65,635	271	0	3	381,354
Yuexiu (China) Transport Infrastructure Investment Company Limited	5804-C, 05-A	an associate of the Manager	398.75	1 Jun 2016	108,019	271	0	3	627,614
Guangzhou Paper Group Ltd.	5806-D	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	134,559
YXE	5806-E, 07-A	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	134,559
Guangzhou Titanium Dioxide Factory	5807-B	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	134,559
GZAM <sup>(1)</sup>	4001, 02, 03, 05, 06	an associate of the Manager	2,882.42	1 May 2015	706,193	245	0	3	3,876,177
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL")	Carpark	an associate of the Manager	71,082.79	1 Jan 2018	1,271,429	18	0	1	7,628,574
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch	podium 103, 203	an associate of the Manager	631.28	1 Jan 2015	233,068	369	0	5.5	1,396,817
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-E	an associate of the Manager	855.96	1 Jan 2018	197,278	230	0	3	1,159,837
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng")	401-B	an associate of the Manager	948.00	31 May 2016	192,309	203	0	3	1,094,636
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>(2)</sup>	401-C	an associate of the Manager	474.14	1 May 2017	72,250	152	0	1	443,520
Guangzhou Securities Co., Ltd. <sup>(3)</sup>	501	an associate of the Manager	2,868.01	20 Jun 2015	458,882	160	0	3	2,447,183
YXFH	0601-B	an associate of the Manager	227.87	1 Jan 2016	49,220	216	0	3	272,282
Guangzhou Securities Co., Ltd.	0601-C	an associate of the Manager	248.05	1 Jan 2016	53,579	216	0	3	296,397
Guangzhou Securities Co., Ltd. <sup>(4)</sup>	706-707	an associate of the Manager	474.16	15 Apr 2015	76,814	162	0	3	442,582
Guangzhou Securities Co., Ltd.	1001-1006	an associate of the Manager	1,486.34	1 Jan 2016	267,541	180	0	3	1,409,823

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
				renewal date				Term (years)	Interim Period (RMB)
Guangzhou Futures Co., Ltd.	1007-1012	an associate of the Manager	1,486.52	1 Jan 2016	267,574	180	0	3	1,409,997
Guangzhou Securities Co., Ltd.	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2016	1,715,047	268	0	3	9,452,012
YXFH	3406	an associate of the Manager	273.00	1 Apr 2017	65,000	238	0	1	192,329
YXFH	5805-B, 06-A	an associate of the Manager	507.40	1 Jun 2016	137,464	271	0	3	798,626
Guangzhou Securities Co., Ltd.	5806-B	an associate of the Manager	213.70	1 Jun 2016	57,890	271	0	3	336,354
Guangzhou Yuexiu Financial Leasing Co., Ltd.	5806-C	an associate of the Manager	133.50	1 Jun 2016	36,165	271	0	3	210,125
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIIIFM")	6301-A, E	an associate of the Manager	696.58	1 Jan 2016	242,410	348	0	3	1,335,195
YXFH	6301-B	an associate of the Manager	930.54	1 Jan 2016	323,828	348	0	3	1,783,646
YXFH	6301-D	an associate of the Manager	560.73	1 Sep 2016	185,842	331	0	3	1,077,287
GZYXIIIFM	0440-C	an associate of the Manager	101.08	1 Jan 2018	18,194	180	0	1	108,267
Guangzhou Securities Co., Ltd.	0440-G	an associate of the Manager	617.13	1 Jan 2018	111,083	180	0	1	661,019
YXFH	0440-B	an associate of the Manager	172.38	1 Jan 2018	31,028	180	0	1	184,638
GZYXIIIFM	6301-F	an associate of the Manager	300.00	1 Sep 2016	99,429	331	0	3	576,367
Guangzhou Yuexiu Financial Technology Co., Ltd.	0440-I	an associate of the Manager	104.34	1 Jan 2018	18,781	180	0	1	111,760
Guang Zheng	0440-J	an associate of the Manager	8.70	1 Jan 2018	1,566	180	0	1	9,318
GZ JLL	0440-L	an associate of the Manager	30.43	1 Jul 2018	5,477	180	0	1	32,593
廣州友誼集團有限公司	裙樓負一層、負一夾層、首層、二層、三層	an associate of the Manager	26,521.37	1 Jul 2017	1,979,989	75	0	8.5	15,920,879
廣州友誼集團有限公司	負三層後勤區	an associate of the Manager	743.00	1 Aug 2014	17,690	24	0	11.67	106,143
YXFH	3406A	an associate of the Manager	207.00	1 Apr 2018	51,257	248	0	1	153,350

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
			GFA (sq.m.)	commencement/ renewal date				Term (years)	Interim Period (RMB)
越秀諮詢(深圳)有限公司	3901	an associate of the Manager	281.92	1 Jun 2018	75,179	267	0	3	73,259
YXE	4606	an associate of the Manager	558.37	1 Jan 2018	138,263	248	0	4.83	842,311
<b>Sub-total:</b>									<b>95,669,323</b>

- (1) On 1 May 2018, GZAM entered into a lease with IFC Company in respect of unit 4001-4003, 4005-4006 of GZIFC, renewing the existing term for 3 years commencing from 1 May 2018 and the unit price of rent is RMB248/sq.m./month.
- (2) On 1 May 2018, Guangzhou Yuexiu Financial Technology Co., Ltd. entered into a lease with IFC Company in respect of unit 401C of GZIFC, renewing the existing term for 1 year commencing from 1 May 2018 and the unit price of rent is RMB167/sq.m./month.
- (3) On 20 Jun 2018, Guangzhou Securities Co., Ltd. entered into a lease with IFC Company in respect of unit 501 of GZIFC, renewing the existing term for 3.83 years commencing from 20 Jun 2018 and the unit price of rent is RMB176/sq.m./month.
- (4) On 15 Apr 2018, Guangzhou Securities Co., Ltd. entered into a lease with IFC Company in respect of unit 706-707 of GZIFC, renewing the existing term for 3.04 years commencing from 15 Apr 2018 and the unit price of rent is RMB167/sq.m./month.

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2018	
			GFA (sq.m.)	commencement/ renewal date				Term (years)	Interim Period (RMB)
<b>Yue Xiu Tower</b>									
Chong Hing Bank Limited Shanghai Branch <sup>(1)</sup>	1807	an associate of the Manager	142.05	1 Jun 2016	43,207	304	0	1.92	257,133
Guangzhou Yicheng Property Management Co., Limited Shanghai Branch ("Yicheng Shanghai")	Carpark	an associate of the Manager	13,502.58	1 Jan 2018	142,857	11	0	3	849,323
Shanghai Yuexiu Finance Leasing Co., Ltd	2101, 05-07	an associate of the Manager	1,006.41	May 1 2017	306,116	304	0	5	1,868,287
Guangzhou Securities Co., Ltd.	2702A, 03B	an associate of the Manager	250.12	1 Dec 2016	76,078	304	0	2.33	436,891
<b>Sub-total:</b>									<b>3,411,634</b>

- (1) On 1 May 2018, Chong Hing Bank Limited Shanghai Branch entered into a lease with Shanghai Hong Jia Real Estate Development Co., Ltd. in respect of unit 1807 of Yue Xiu Tower, renewing the existing term for 2 years commencing from 1 May 2018, and the unit price of rent remains unchanged.

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2018 Interim Period (RMB)
<b>Wuhan Properties</b>									
Guangzhou Yicheng Property Management Co., Limited Wuhan Branch ("Yicheng Wuhan")	6201A	an associate of the Manager	875.91	1 Jan 2018	120,959	138	0	5	740,035
武漢康景實業投資有限公司	6201B, 6301	an associate of the Manager	2,707.10	1 Sep 2017	373,838	138	0	5	2,250,112
武漢康景實業投資有限公司	505, 06 <sup>(1)</sup>	an associate of the Manager	401.08	1 Sep 2017	33,232	83	0	5	66,465
Yicheng Wuhan	Carpark	an associate of the Manager	47,182.94	Dec 21 2017	625,000	13	0	3.03	3,715,123
Yicheng Wuhan	Carpark	an associate of the Manager	15,602.82	Dec 21 2017	290,000	19	0	3.03	1,723,817
廣州城建開發設計院有限公司	6101C	an associate of the Manager	250	Dec 27 2017	33,333	133	0	3	190,469
Xingye	6101A	an associate of the Manager	300	Dec 27 2017	40,000	133	0	3	228,562
廣州越秀地產工程管理有限公司	6101B	an associate of the Manager	350	Dec 27 2017	46,667	133	0	3	266,656
武漢康景實業投資有限公司	6101D	an associate of the Manager	851.82	1 Jan 2018	113,576	133	0	3	648,981
武漢康景實業投資有限公司	6001A	an associate of the Manager	485.70	1 Jan 2018	67,998	133	0	3	370,042
武漢康景實業投資有限公司	6001B <sup>(2)</sup>	an associate of the Manager	401.08	1 Mar 2018	53,477	133	0	2.83	220,264
武漢康景實業投資有限公司	3701	an associate of the Manager	700	1 Jan 2018	78,616	112	0	3	471,698
武漢康景實業投資有限公司	Site	an associate of the Manager	280	1 Jan 2018	636,415	2,273	0	0.5	3,818,491
武漢康景實業投資有限公司	Advertising Space	an associate of the Manager	-	1 Jan 2018	921,761	-	0	0.5	5,530,566
<b>Sub-total:</b>									<b>20,241,281</b>
<b>Total:</b>									<b>124,501,871</b>

- (1)、(2) On 1 Mar 2018, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited in respect of unit 505, 06 of Yue Xiu Tower, the lease scope changed to unit 6001B, the lease area will remain unchanged, and the rental unit price shall be adjusted to RMB 133/sq.m./month.

## CONNECTED PARTY TRANSACTIONS

### PROPERTY MANAGEMENT AGREEMENTS

The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of Yuexiu REIT:

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2018 Interim Period (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM")	an associate of the Manager	White Horse Building	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2017	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 Jul 2016	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Neo Metropolis	1 Jan 2017	Property Management Agreement	N/A
GZ JLL	an associate of the Manager	GZIFC	1 Sep 2009	Property Management Agreement	N/A
Yicheng Shanghai	an associate of the Manager	Yue Xiu Tower	29 Dec 2017	Property Management Agreement	N/A
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Property Management Agreement	N/A

## CONNECTED PARTY TRANSACTIONS

### TENANCY SERVICES AGREEMENTS

The following table sets forth information for the year in relation to the tenancy services provided by the connected parties to the properties of Yuexiu REIT:

<b>Service provider</b>	<b>Relationship with Yuexiu REIT</b>	<b>Property</b>	<b>Date of Agreement</b>	<b>Nature of transaction</b>	<b>Amount paid/ payable for 2018 Interim Period (RMB)</b>
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2017	Tenancy Services Agreement	5,696,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2017	Tenancy Services Agreement	1,476,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2017	Tenancy Services Agreement	1,336,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2017	Tenancy Services Agreement	1,397,000
Yicheng	an associate of the Manager	Neo Metropolis	31 Dec 2017	Tenancy Services Agreement	1,440,000
Yicheng	an associate of the Manager	Fortune Plaza 1701	31 Dec 2017	Tenancy Services Agreement	33,000
GZAM	an associate of the Manager	GZIFC	31 Dec 2017	Tenancy Services Agreement	7,364,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	31 Dec 2017	Tenancy Services Agreement	2,096,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	2,203,000

## CONNECTED PARTY TRANSACTIONS

### TRADE MARK LICENCE AGREEMENTS

The following table sets forth information for the period in relation to the trade mark licences granted by the connected parties to Yuexiu REIT:

Grantor	Relationship with Yuexiu REIT	Property	Nature of Transaction	Amount paid/ payable for 2018	
				Interim Period	Licence maturity date
Baima BM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	27 November 2026 , 6 December 2026 , 13 January 2027 , 13 December 2026 , 20 January 2027
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>(1)</sup>	an associate of the Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity (subject to early termination terms)

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

### CONSTRUCTION SETTLEMENT AGENCY AGREEMENT

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

Engineering Settlement Agent	Relationship with Yuexiu REIT	Date of the Agreement	Balance of Prepaid Construction Payable for 2018		Amount received/receivable for 2018
			Interim Period	Nature of Transaction	
			(RMB)		(RMB)
GCCD	an associate of the Manager	4 May 2012	252,964,000	Interest on the balance of construction payable	10,837,000

## CONNECTED PARTY TRANSACTIONS

### ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/ payable within the 2018 Interim Period	Amount of interest paid/payable within the 2018 Interim Period (RMB)
Chong Hing Bank	Loan <sup>(1)</sup>	An associate of the Manager	Nov 2016	324,400,000	—	7,627,000

(1) Chong Hing Bank Limited was one of the lending banks.

### FINANCING OF THE DEFERRED COMPLETION PAYMENT

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/ payable within the 2018 Interim Period	Amount of interest paid/payable within the 2018 Interim Period (RMB)
Guangzhou Construction & Development Holdings (China) Limited		An associate of the Manager	21 Dec 2017	803,803,000	—	8,093,000

### GUARANTEE FROM FOUNDING SHAREHOLDERS

Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. had a syndicated development loan of RMB4.5 billion guaranteed jointly and severally by Guangzhou City Construction and Development Co., Ltd. (廣州市城市建設開發有限公司), 廣州市祥港房地產開發有限公司 and Guangzhou City Construction and Development Group Co., Ltd. (廣州市城市建設開發集團有限公司) in the proportion of 75%, 24% and 1% respectively with an effective period expiring on the date two years after full repayment of the existing syndicated development loan.

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

## CONNECTED PARTY TRANSACTIONS

### WAIVER FROM STRICT COMPLIANCE

A waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of Yuexiu REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with Yuexiu REIT as a result of their connection with the Manager has been granted by the SFC on 4 December 2017, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors (“INEDs”) and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 15 November 2017.

### HSBC GROUP\*

(\*Note: “HSBC Group” means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and its subsidiaries and, unless expressly stated, shall not include the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee except those subsidiaries formed in its capacity as the trustee of Yuexiu REIT)).

### CORPORATE FINANCE TRANSACTIONS AND ORDINARY BANKING SERVICES

The following table sets forth information for the period in relation to the corporate finance transactions and ordinary banking services made between the HSBC Group and Yuexiu REIT within the period:

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2018 Interim Period	Amount of interest paid/payable within the 2018 Interim Period
HSBC Group	Loan <sup>(1)</sup>	Nov 2016, May 2017	HK\$1,005,000,000	—	RMB9,346,000

(1) HSBC Group was one of the lending banks.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, Metrogold Development Ltd (“Metrogold”), Ever Joint Investment International Limited (“Ever Joint”), Long Grace Holdings Limited (“Long Grace”), Profit Link Investment International Limited (“Profit Link”), San Bright Holdings Limited (“San Bright”) and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm’s length and on commercial terms for deposits during the 2018 Interim Period.

## CONNECTED PARTY TRANSACTIONS

### WAIVER FROM STRICT COMPLIANCE

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

### CONFIRMATION BY THE AUDIT COMMITTEE AND THE INEDS

The INEDs and the Audit Committee of the Manager confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the Manager Group and the HSBC Group and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Yuexiu REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from Yuexiu REIT than terms available from or to (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

### CONFIRMATION BY THE MANAGER AND TRUSTEE ON CORPORATE FINANCE TRANSACTION WITH THE HSBC GROUP

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2018 Interim Period.

### MANAGER'S FEES

During the 2018 Interim Period, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB70,375,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

### TRUSTEE'S FEES

During the 2018 Interim Period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB5,077,000.

### PRINCIPAL VALUER'S FEES

During the 2018 Interim Period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB690,000.

## CONNECTED PARTY TRANSACTIONS

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

The REIT Code requires that connected persons of Yuexiu REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive Officer of the Manager.

The interests and short positions held by Directors and Chief Executive Officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and short positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2018		As at 30 June 2018		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Lin Zhaoyuan	Personal	240	0.000008%	240	0.000008%	—
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Cheng Jiuzhou	Personal	480	0.000016%	480	0.000016%	—
Mr. Li Feng	Personal	1,825	0.000061%	1,825	0.00006%	(0.000001%)
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—
Mr. Chen Xiaou	—	Nil	—	Nil	—	—

## CONNECTED PARTY TRANSACTIONS

### Holdings of Significant Holders

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2018		As at 30 June 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>(1)</sup>	Deemed	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	1,654,329,140 <sup>(3)</sup>	54.65% <sup>(4)</sup>	(2.36%)
	Total	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	1,654,329,140 <sup>(3)</sup>	54.65% <sup>(4)</sup>	(2.36%)
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,718,464,249 <sup>(3)</sup>	57.01% <sup>(4)</sup>	1,654,329,140 <sup>(3)</sup>	54.65% <sup>(4)</sup>	(2.36%)
	Total	1,718,491,569 <sup>(3)</sup>	57.01% <sup>(4)</sup>	1,654,329,140 <sup>(3)</sup>	54.65% <sup>(4)</sup>	(2.36%)
YXP <sup>(2)</sup>	Beneficial	—	—	—	—	—
	Deemed	1,709,229,984 <sup>(3)</sup>	56.7% <sup>(4)</sup>	1,645,067,555 <sup>(3)</sup>	54.34% <sup>(4)</sup>	(2.36%)
	Total	1,709,229,984 <sup>(3)</sup>	56.7% <sup>(4)</sup>	1,645,067,555 <sup>(3)</sup>	54.34% <sup>(4)</sup>	(2.36%)
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,697,125,730 <sup>(3)</sup>	56.3% <sup>(4)</sup>	1,632,125,730 <sup>(3)</sup>	53.92% <sup>(4)</sup>	(2.38%)
	Deemed	—	—	—	—	—
	Total	1,697,125,730 <sup>(3)</sup>	56.3% <sup>(4)</sup>	1,632,125,730 <sup>(3)</sup>	53.92% <sup>(4)</sup>	(2.38%)

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

## CONNECTED PARTY TRANSACTIONS

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
	GZYX	100.00	N	1,654,301,820 <sup>(3)</sup>	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,653,002,590 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,645,067,555 <sup>(3)</sup>	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	33.89	N	1,645,067,555 <sup>(3)</sup>	—
Dragon Yield	YXP	100.00	Y	1,632,125,730 <sup>(3)</sup>	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
Yue Xiu International Investment Limited ("YXII")	YXP	100.00	Y	12,941,825	—

<sup>(2)</sup> The deemed interest in 1,645,067,555 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of YXP.

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

<sup>(4)</sup> After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 34.75%, while the approximate interest in Yuexiu REIT held by YXP, Dragon Yield and YXII will be approximately 34.445%.

## CONNECTED PARTY TRANSACTIONS

### Holdings of Senior Executives of the Manager

Interests in the Units held by senior executives of the Manager, being connected persons of Yuexiu REIT, are set out below:

Name of Senior Executive	Nature of interest	As at 1 January 2018		As at 30 June 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Liao Ningjun	Personal	1,250	0.000041%	1,250	0.000041%	—
Ms. Ou Haijing	Personal	1,000	0.000033%	1,000	0.000033%	—
Mr. Liu Bihong	Personal	225	0.000007%	225	0.000007%	—

### Holdings of Other Connected Person

Name	Nature of interest	As at 1 January 2018		As at 30 June 2018		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed <sup>(1)</sup>	950	0.00003%	950	0.00003%	—

<sup>(1)</sup> Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 30 June 2018.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Savills, holding any Units as at 30 June 2018.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF YUEXIU REIT ASSET MANAGEMENT LIMITED

(as the “Manager” of Yuexiu Real Estate Investment Trust)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 46 to 86, which comprises the interim condensed consolidated balance sheet of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 2 August 2018

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Revenue	6	<b>1,002,794</b>	909,229
Operating expenses	7	<b>(452,194)</b>	(463,764)
Fair value gains on investment properties	14	<b>601,114</b>	809,189
Fair value loss on derivative financial instruments	18	<b>(19,753)</b>	(100,951)
Finance income	9	<b>28,403</b>	238,573
Finance expenses	10	<b>(342,844)</b>	(189,724)
Profit before income tax and transactions with unitholders		<b>817,520</b>	1,202,552
Income tax expense	11	<b>(200,732)</b>	(196,956)
Profit after income tax before transactions with unitholders		<b>616,788</b>	1,005,596
Transactions with unitholders		<b>(533,326)</b>	(1,043,381)
Profit/(loss) after income tax after transactions with unitholders		<b>83,462</b>	(37,785)
Other comprehensive (loss)/income for the period			
<u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
– Gross		<b>(79,320)</b>	58,928
– Tax		<b>22,217</b>	(16,505)
Other comprehensive (loss)/income for the period, net of tax		<b>(57,103)</b>	42,423
Total comprehensive income for the period		<b>26,359</b>	4,638

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Unaudited	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 26) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	
Profit/(loss) for the period ended 30 June 2017	1,001,401	(1,043,381)	(41,980)	4,195	(37,785)
Other comprehensive income:					
<u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	41,980	—	41,980	443	42,423
Total comprehensive income/(loss) for the period ended 30 June 2017	1,043,381	(1,043,381)	—	4,638	4,638
Profit/(loss) for the period ended 30 June 2018	<b>589,834</b>	<b>(533,326)</b>	<b>56,508</b>	<b>26,954</b>	<b>83,462</b>
Other comprehensive income:					
<u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	<b>(56,508)</b>	<b>—</b>	<b>(56,508)</b>	<b>(595)</b>	<b>(57,103)</b>
Total comprehensive income/(loss) for the period ended 30 June 2018	<b>533,326</b>	<b>(533,326)</b>	<b>—</b>	<b>26,359</b>	<b>26,359</b>

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010, and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial period. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement.
- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, is presented in Note 27.

The notes on pages 55 to 86 are an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,341,003	2,451,081
Land use rights	13	1,404,612	1,429,254
Investment properties	14	29,311,000	28,706,000
Deferred assets	15	222,613	224,343
Goodwill	16	845,325	845,325
		<b>34,124,553</b>	33,656,003
<b>Current assets</b>			
Inventories		4,365	3,127
Trade receivables	19	20,517	19,746
Amount due from related parties	28	264,374	266,357
Prepayments, deposits and other receivables	20	57,611	59,885
Other financial asset	17	11,092	—
Short-term bank deposits	21	22,574	26,702
Cash and cash equivalents	21	1,179,366	1,303,904
		<b>1,559,899</b>	1,679,721
<b>Total assets</b>		<b>35,684,452</b>	35,335,724
<b>Current liabilities</b>			
Trade payables	23	12,838	17,611
Rental deposits, current portion	24	99,985	151,145
Receipts in advance	24	89,289	76,743
Accruals and other payables	24	1,031,438	1,158,000
Amounts due to related parties	28	905,862	887,404
Derivative financial instruments	18	41,940	46,457
Borrowings	25	1,879,066	4,408,474
Tax payables		61,380	89,646
		<b>4,121,798</b>	6,835,480

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	24	256,236	201,109
Receipts in advance	24	489	2,798
Borrowings	25	10,974,255	8,322,299
Deferred tax liabilities	22	4,578,577	4,428,310
Derivative financial instruments	18	161,194	136,924
		<b>15,970,751</b>	13,091,440
<b>Total liabilities, other than net assets attributable to unitholders</b>		<b>20,092,549</b>	19,926,920
Net assets attributable to unitholders	26	14,478,124	14,321,384
<b>Total liabilities</b>		<b>34,570,673</b>	34,248,304
<b>Net assets</b>		<b>1,113,779</b>	1,087,420

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2018

	Note	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
<b>Equity</b>			
Revaluation reserve		<b>398,704</b>	455,212
Accumulated losses		<b>(398,704)</b>	(455,212)
		<b>—</b>	—
Non-controlling interests		<b>1,113,779</b>	1,087,420
<b>Total equity</b>		<b>1,113,779</b>	1,087,420
<b>Net current liabilities</b>		<b>2,561,899</b>	5,155,759
<b>Total assets less current liabilities</b>		<b>31,562,654</b>	28,500,244
<b>Units in issue ('000)</b>	26	<b>3,027,123</b>	3,014,285
<b>Net assets attributable to unitholders per unit (RMB)</b>		<b>RMB4.78</b>	RMB4.75

On behalf of the Board of Directors of  
Yuexiu REIT Asset Management Limited  
as the Manager of Yuexiu REIT

\_\_\_\_\_  
*Director*

\_\_\_\_\_  
*Director*

The notes on pages 55 to 86 are an integral part of this condensed consolidated interim financial information.

# DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited	
		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		589,834	1,001,401
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		(601,114)	(809,189)
– Deferred taxation in respect of fair value gain on investment properties charged to profit or loss		117,785	152,224
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(173,961)	(147,075)
– Foreign exchange gain on financing activities		—	(223,900)
<b>Total distributable loss</b>		<b>(67,456)</b>	<b>(26,539)</b>
<b>Additional items (ii)</b>			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		173,961	147,075
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		64,604	80,198
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		50,319	41,654
– Manager’s fee paid and payable in units in lieu of cash		56,300	51,962
– Fair value loss on derivative financial instruments		19,753	100,951
– Foreign exchange loss on financing activities		126,265	—
<b>Distributable income after additional items</b>		<b>423,746</b>	<b>395,301</b>
Distributable amount at 1 January		431,127	440,245
Distribution paid during the period (iii)	26	(431,062)	(440,134)
Interim distribution declared (iv)		423,811	395,412
Distribution per unit, declared (iv)		<b>RMB0.1400</b>	RMB0.1346

## DISTRIBUTION STATEMENT (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant period.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A distribution of RMB0.1424 per unit, totaling RMB431,062,000 (equivalent to HK\$535,195,000), was paid to unitholders on 16 May 2018.
- (iv) A final distribution in respect of the six months ended 30 June 2018 of RMB0.1400 (equivalent to HK\$0.1615) per unit, totaling RMB423,811,000 (equivalent to HK\$488,824,000) was declared by the Board of the Manager on 2 August 2018.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2018 as disclosed in Note 26.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Net assets attributable to unitholders RMB'000	Equity			Total RMB'000
		Accumulated losses RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units (Note 26)	59,144	—	—	—	59,144
Profit/(loss) for the period attributable to:					
– Unitholders	1,043,381	—	—	—	1,043,381
– Equity holders	—	(41,980)	—	4,195	(37,785)
Distributions paid to unitholders	(440,134)	—	—	—	(440,134)
Change in fair value of property, plant and equipment, net of tax	—	—	41,980	443	42,423
At 30 June 2017	14,196,791	(415,811)	415,811	104,622	14,301,413
At 1 January 2018	<b>14,321,384</b>	<b>(455,212)</b>	<b>455,212</b>	<b>1,087,420</b>	<b>15,408,804</b>
Issuance of units (Note 26)	<b>54,476</b>	—	—	—	<b>54,476</b>
Profit for the period attributable to:					
– Unitholders	<b>533,326</b>	—	—	—	<b>533,326</b>
– Equity holders	—	<b>56,508</b>	—	<b>26,954</b>	<b>83,462</b>
Distributions paid to unitholders	<b>(431,062)</b>	—	—	—	<b>(431,062)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>(56,508)</b>	<b>(595)</b>	<b>(57,103)</b>
At 30 June 2018	<b>14,478,124</b>	<b>(398,704)</b>	<b>398,704</b>	<b>1,113,779</b>	<b>15,591,903</b>

The notes on pages 55 to 86 are an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	512,414	349,001
Interest paid	(198,041)	(178,935)
Corporate income tax paid	(56,514)	(19,046)
Top-up payment received	—	17,184
Net cash generated from operating activities	257,859	168,204
<b>Cash flows from investing activities</b>		
Additions of investment properties	(3,886)	(18,311)
Additions of property, plant and equipment	(9,204)	(6,761)
Interest received	17,311	14,673
Decrease/(increase) in short-term bank deposits with original maturity of more than three months	4,128	(58)
Net cash generated from/(used in) investing activities	8,349	(10,457)
<b>Cash flows from financing activities</b>		
Distribution paid	(431,062)	(440,134)
Repayment of borrowings	(2,531,880)	(2,028,250)
Proceeds from borrowings, net of transaction costs	2,517,720	1,844,543
Issuance of units	54,476	59,144
Net cash used in financing activities	(390,746)	(564,697)
<b>Net decrease in cash and cash equivalents</b>	<b>(124,538)</b>	<b>(406,950)</b>
Cash and cash equivalents at beginning of the period	1,303,904	1,180,828
<b>Cash and cash equivalents at end of the period</b>	<b>1,179,366</b>	<b>773,878</b>

The notes on pages 55 to 86 are an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the “Manager”), and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the “Trustee”) on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Deed dated 25 July 2012) (the “Trust Deed”) and authorised under section 104 of the Securities and Futures Ordinance (“SFO”) subject to the applicable conditions imposed by Securities and Futures Commission (“SFC”) from time to time. The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 2 August 2018.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRS.

As at 30 June 2018, the Group’s current liabilities exceeded its current assets by RMB2,561,899,000 (31 December 2017: RMB5,155,759,000) mainly as the bank borrowings of RMB1,879,066,000 fall due within twelve months from the balance sheet date and the deferred completion payment of approximately RMB803,803,000 (31 December 2017: RMB803,803,000) for the acquisition of a subsidiary in Wuhan which primarily operates a commercial development, a shopping arcade and certain carpark spaces in Wuhan together (“Wuhan Properties”). The Manager is in the process of discussing with the Group’s principal bankers and believes the Group will be able to refinance the bank borrowings and deferred completion payment based on the Group’s past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities, medium term notes programme and potential disposal of the Group’s properties, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017.

#### (a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2018:

Amendments to HKAS 40	Transfer of investment properties
Amendments to HKFRS 1 and HKAS28	Annual Improvement to HKFRS 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts - Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

- (b) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 16	Lease	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management policies since the last year end.

### 6 REVENUE AND SEGMENT INFORMATION

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

The executive directors consider the business by nature of business activities and assess the performance of hotel and serviced apartments, office rental and wholesale and 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 condensed consolidated financial information.

Total reportable segments' assets excluded taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (Continued)

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

	<b>Hotel and serviced apartments</b> RMB'000	<b>Office rental</b> RMB'000	<b>Wholesale and shopping mall</b> RMB'000	<b>Group</b> RMB'000
<b>Period ended 30 June 2018</b>				
Revenue from external customers	263,625	466,847	272,322	1,002,794
Segment results	40,901	749,697	472,712	1,263,310
Depreciation and amortisation	64,526	78	—	64,604
Fair value gain on investment properties	—	356,161	244,953	601,114
<b>Period ended 30 June 2017</b>				
Revenue from external customers	251,155	406,885	251,189	909,229
Segment results	9,689	1,140,374	223,744	1,373,807
Depreciation and amortisation	79,330	868	—	80,198
Fair value gain on investment properties	—	796,811	12,378	809,189
<b>As at 30 June 2018</b>				
Total reportable segments' assets	4,437,208	20,204,566	10,135,966	34,777,740
<b>As at 31 December 2017</b>				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Unaudited Six months ended 30 June	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Segment results	<b>1,263,310</b>	1,373,807
Fair value loss on derivative financial instruments	<b>(19,753)</b>	(100,951)
Unallocated operating costs (Note)	<b>(111,596)</b>	(119,153)
Operating profit	<b>1,131,961</b>	1,153,703
Finance income	<b>28,403</b>	238,573
Finance expenses	<b>(342,844)</b>	(189,724)
Profit before income tax and transactions with unitholders	<b>817,520</b>	1,202,552

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

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

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
Total reportable segments' assets	<b>34,777,740</b>	34,368,657
Corporate assets	<b>906,712</b>	967,067
Total assets	<b>35,684,452</b>	35,335,724

	Revenue Unaudited Six months ended 30 June		Total assets Unaudited Audited	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000	<b>30 June</b> <b>2018</b> <b>RMB'000</b>	31 December 2017 RMB'000
China	<b>1,002,794</b>	909,229	<b>34,777,740</b>	34,368,657
Unallocated assets			<b>906,712</b>	967,067
			<b>35,684,452</b>	35,335,724

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (Continued)

The Group's revenue by nature is as follows:

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Hotel and serviced apartments operations		
Room rentals	151,734	147,305
Food and beverages	102,637	95,131
Property rentals	739,169	658,074
Others	9,254	8,719
	<b>1,002,794</b>	<b>909,229</b>

### 7 EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Property management fee (i)	23,041	20,175
Employee benefit expense	58,656	60,797
Real estate tax	90,186	82,063
Business tax, urban construction and maintenance tax, education surcharge and local education surcharge	6,186	5,361
Withholding tax (ii)	29,733	28,923
Depreciation of property, plant and equipment	39,962	55,556
Amortisation of land use rights	24,642	24,642
Cost of inventories sold or consumed in operation	34,045	31,516
Other direct expenses on hotel and serviced apartments	58,122	58,002
Manager's fee (Note 8)	70,375	64,953
Trustee's fee	5,077	4,593
Valuation fee	690	596
Legal and professional fee	15,036	7,477
Auditor's remuneration	1,855	1,646
Bank charges	306	1,148
Exchange (gain)/loss from operating activities	(13,202)	8,114
Others	7,484	8,202
Total operating expenses	<b>452,194</b>	<b>463,764</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited (Note 28).
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 MANAGER'S FEE

Pursuant to the Trust Deed, the Manager is entitled to receive remuneration for its services as manager of Yuexiu REIT, which is the aggregate of a base fee of 0.3% per annum of the carrying value of the deposited property and a service fee of 3% per annum of net property income, as defined in the Trust Deed.

	Unaudited Six months ended 30 June	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Manager's fee:		
In the form of units	<b>56,300</b>	51,962
In the form of cash	<b>14,075</b>	12,991
	<b>70,375</b>	64,953

Pursuant to the announcement of Yuexiu REIT dated 15 January 2018, a portion of the manager's fee for the period from 1 January 2018 to 31 December 2018 will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the period ended 30 June 2018 are expected to be issued on 24 August 2018. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 24 August 2018 and (ii) the average closing price of the units in the 10 trading days immediately preceding 24 August 2018.

### 9 FINANCE INCOME

	Unaudited Six months ended 30 June	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Interest income from bank deposits	<b>6,474</b>	6,396
Interest income from a related company (Note 28)	<b>10,837</b>	8,277
Fair value gain on other financial asset (Note 17 and 28)	<b>11,092</b>	—
Foreign exchange gain on financing activities	—	223,900
	<b>28,403</b>	238,573

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 FINANCE EXPENSES

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest expense for bank borrowings	150,986	141,568
Interest expense for other borrowings	47,055	37,367
Interest expense to a related party (Note 28)	8,093	—
Amortisation of transaction costs for borrowings	10,445	10,789
Foreign exchange loss on financing activities	126,265	—
	<b>342,844</b>	189,724

### 11 INCOME TAX EXPENSES

For the subsidiaries incorporated and operate in China, they are subject to China corporate income tax at a rate of 25% under Corporate Income Tax Law of China.

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 7(ii).

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

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
– China corporate income tax	28,248	17,945
Deferred income tax (Note 22)	172,484	179,011
	<b>200,732</b>	196,956

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT

	<b>Hotel and serviced apartments</b> RMB'000	<b>Office supplies</b> RMB'000	<b>Motor vehicles</b> RMB'000	<b>Total</b> RMB'000
Six months ended 30 June 2017				
Opening net book amount as at 1 January 2017	2,411,999	65	1,635	2,413,699
Additions	6,761	—	—	6,761
Depreciation	(54,688)	(12)	(856)	(55,556)
Fair value gain on revaluation	58,928	—	—	58,928
Closing net book amount as at 30 June 2017	<u>2,423,000</u>	<u>53</u>	<u>779</u>	<u>2,423,832</u>
At 30 June 2017				
At fair value	2,423,000	—	—	2,423,000
At cost	—	53	779	832
	<u>2,423,000</u>	<u>53</u>	<u>779</u>	<u>2,423,832</u>
Six months ended 30 June 2018				
Opening net book amount as at 1 January 2018	<b>2,450,000</b>	<b>443</b>	<b>638</b>	<b>2,451,081</b>
Additions	<b>9,204</b>	<b>—</b>	<b>—</b>	<b>9,204</b>
Depreciation	<b>(39,884)</b>	<b>(53)</b>	<b>(25)</b>	<b>(39,962)</b>
Fair value loss on revaluation	<b>(79,320)</b>	<b>—</b>	<b>—</b>	<b>(79,320)</b>
Closing net book amount as at 30 June 2018	<u><b>2,340,000</b></u>	<u><b>390</b></u>	<u><b>613</b></u>	<u><b>2,341,003</b></u>
At 30 June 2018				
At fair value	<u><b>2,340,000</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>2,340,000</b></u>
At cost	<u><b>—</b></u>	<u><b>390</b></u>	<u><b>613</b></u>	<u><b>1,003</b></u>
	<u><b>2,340,000</b></u>	<u><b>390</b></u>	<u><b>613</b></u>	<u><b>2,341,003</b></u>

If hotel and serviced apartments had not been revalued, it would have been included in these condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,780,353,000 (31 December 2017: RMB1,811,033,000).

As at 30 June 2018, property, plant and equipment with an aggregate carrying amount of RMB2,078 million (31 December 2017: RMB2,171 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
Opening balance	<b>2,450,000</b>	2,411,999
Additions	<b>9,204</b>	19,106
Depreciation	<b>(39,884)</b>	(95,336)
Unrealised (loss)/gain recognised in reserve	<b>(79,320)</b>	114,231
Closing balance	<b>2,340,000</b>	2,450,000
Changes in unrealised gains or losses for the period included in other comprehensive income at the end of the period	<b>(79,320)</b>	114,231

#### Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Savills Valuation and Professional Services Limited, independent qualified valuer not related to the Group at 30 June 2018 and 31 December 2017.

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

At each financial year end the finance department:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Valuation techniques

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

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Significant inputs used to determine fair value

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

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

#### As at 30 June 2018

	Depreciated replacement cost method		
	Building cost (RMB/m <sup>2</sup> )	Finance cost (% on construction cost)	Professional fee (% on construction cost)
Hotel	18,300	4.75	6
Serviced apartments	14,800	4.75	6

#### As at 31 December 2017

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Unaudited Six months ended 30 June	
	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Beginning of the period	<b>1,429,254</b>	1,478,539
Amortisation	<b>(24,642)</b>	(24,642)
End of the period	<b>1,404,612</b>	1,453,897

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

	<b>30 June</b> <b>2018</b> <b>RMB'000</b>	30 June 2017 RMB'000
In China:		
Land use rights of between 40 and 50 years	<b>1,404,612</b>	1,453,897

As at 30 June 2018, the fair value of land use rights is approximately RMB2,421 million (31 December 2017: RMB2,200 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2018, land use rights were pledged with an aggregate net book amount of RMB1,313 million (31 December 2017: RMB1,343 million) as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Beginning of the period	28,706,000	24,197,500
Additions during the period	3,886	18,311
Fair value gains during the period, included in profit or loss under 'Fair value gain on investment properties'	601,114	809,189
End of the period	29,311,000	25,025,000

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB6,078,000 (2017: RMB3,254,000) relating to investment properties that were vacant.

Yuexiu REIT acquired Wuhan Properties on 21 December 2017. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 30 June 2018, investment properties with an aggregate net book value of approximately RMB3,525 million (31 December 2017: RMB3,471 million) were pledged as collateral for the Group's bank borrowings (Note 25).

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited, independent qualified valuer not related to the Group at 30 June 2018 and 31 December 2017.

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

At each financial year end the finance department:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (Continued)

#### Valuation techniques

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

Fair values of completed commercial properties in China are derived using both the income capitalisation method and discounted cash flow analysis.

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

For the discounted cash flow analysis, both income and expenses over the coming five years or ten years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flows over the five-year or ten-year period are discounted at appropriate rate of return.

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

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

#### Significant inputs used to determine fair value

Capitalisation rate and discount rates are estimated by Savills Valuation and Professional Services Limited for 30 June 2018 and 31 December 2017 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

#### As at 30 June 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	97 to 313	4.00% to 7.25%
Wholesale and shopping mall	84 to 1,380	4.00% to 7.75%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (Continued)

#### Significant inputs used to determine fair value (continued)

As at 31 December 2017

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

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

As at 30 June 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	97 to 313	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	84 to 1,380	6.75% to 8.75%	98.00% to 99.50%

As at 31 December 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	98.00% to 99.50%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 DEFERRED ASSETS

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

### 16 GOODWILL

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Net book amount	<b>845,325</b>	845,325
Cost	<b>845,325</b>	845,325
Accumulated impairment	<b>—</b>	—
	<b>845,325</b>	845,325

### 17 OTHER FINANCIAL ASSET

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

Other financial asset is initially recognised at fair value. In determining the fair value of the other financial asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 January 2018 until 31 December 2020. Other financial asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of other financial asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in “finance income” (Note 9).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Non-current liability		
Capped foreign exchange forward contracts	<b>161,194</b>	136,924
Current liability		
Capped foreign exchange forward contracts	<b>41,940</b>	46,457

The fair value of the derivative financial instruments is classified as a non-current asset or liability if the settlement date is beyond 12 months after balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2018 were USD177,000,000 and HK\$2,300,000,000 (31 December 2017: USD177,000,000 and HK\$2,300,000,000).

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 TRADE RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
Trade receivables	<b>20,517</b>	19,746

The fair values of trade receivables approximate their carrying amounts.

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

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
0 - 30 days	<b>17,893</b>	16,293
31 - 90 days	<b>1,505</b>	3,040
91 - 180 days	<b>1,119</b>	413
	<b>20,517</b>	19,746

As at 30 June 2018, the Group has insignificant trade receivables which are past due but not impaired. These relate to independent customers for whom there are no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Majority of the Group's trade receivables are denominated in RMB.

### 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly represents prepaid business tax and deposits for utilities. The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

All prepayments, deposits and other receivables are denominated in RMB.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
Cash at bank and on hand	<b>1,170,881</b>	1,299,718
Short-term bank deposits with original maturity of less than three months	<b>8,485</b>	4,186
Cash and cash equivalents	<b>1,179,366</b>	1,303,904
Short-term bank deposits with original maturity of more than three months	<b>22,574</b>	26,702
Total	<b>1,201,940</b>	1,330,606
Maximum exposure to credit risk	<b>1,201,493</b>	1,330,159

As at 30 June 2018, included in the cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,035,282,000 (31 December 2017: RMB1,086,661,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

The remaining balances of short-term bank deposits and cash and cash equivalents are denominated in Hong Kong dollar and United States dollar.

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

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>RMB'000</b>	Audited 31 December 2017 RMB'000
HK\$	<b>83,640</b>	204,766
RMB	<b>1,035,934</b>	1,099,367
USD	<b>82,366</b>	26,473
	<b>1,201,940</b>	1,330,606

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 22 DEFERRED TAX LIABILITIES

	Unaudited	
	Six months ended 30 June	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Beginning of the period	<b>4,428,310</b>	3,891,364
Deferred taxation charged to profit or loss (Note 11)	<b>172,484</b>	179,011
Deferred taxation (credited)/charged to reserve	<b>(22,217)</b>	16,505
End of the period	<b>4,578,577</b>	4,086,880

### 23 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>8,210</b>	10,394
31 - 90 days	<b>4,184</b>	4,473
91 - 180 days	<b>444</b>	2,744
	<b>12,838</b>	17,611

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 24 RENTAL DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUALS AND OTHER PAYABLES

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Rental deposits		
Current portion	<b>99,985</b>	151,145
Non-current portion	<b>256,236</b>	201,109
	<b>356,221</b>	352,254
Receipts in advance		
Current portion	<b>89,289</b>	76,743
Non-current portion	<b>489</b>	2,798
	<b>89,778</b>	79,541
Provision for urban real estate tax	<b>12,129</b>	13,509
Provision for withholding tax payable	<b>13,049</b>	11,697
Provision for value-added tax, urban construction and maintenance tax, education surcharge, local education surcharge and other taxes	<b>12,141</b>	11,272
Construction fee payable	<b>862,491</b>	943,171
Accruals for operating expenses	<b>131,628</b>	178,351
Accruals and other payables	<b>1,031,438</b>	1,158,000
	<b>1,477,437</b>	1,589,795

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 25 BORROWINGS

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Current portion of long term borrowings		
Bank borrowings		
– Secured	–	268,440
– Unsecured	<b>1,879,066</b>	1,855,375
Other borrowings, unsecured (Note)	–	2,284,659
	<b>1,879,066</b>	4,408,474
Long-term borrowings		
Bank borrowings		
– Secured	<b>2,721,280</b>	3,021,280
– Unsecured	<b>7,503,148</b>	7,424,834
Other borrowings, unsecured (Note)	<b>2,628,893</b>	2,284,659
	<b>12,853,321</b>	12,730,773
Less: current portion of long-term borrowings	<b>(1,879,066)</b>	(4,408,474)
Total long-term borrowings	<b>10,974,255</b>	8,322,299
Unsecured	<b>10,132,041</b>	9,709,493
Secured	<b>2,721,280</b>	3,021,280
	<b>12,853,321</b>	12,730,773

As at 30 June 2018, syndicated and entrustment loans totalling to RMB2,721 million are secured by certain parts of Guangzhou IFC with carrying value of RMB6,916 million (31 December 2017: RMB7,107 million).

Note: On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due in May 2018 (the "US\$350 million bond") to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. The US\$350 million bond was fully repaid in May 2018.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 26 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Beginning of the period	14,321,384	13,534,400
Issuance of units	54,476	59,144
Transfer from the statement of comprehensive income	533,326	1,043,381
Distribution paid during the period	(431,062)	(440,134)
End of the period	14,478,124	14,196,791

The movement of numbers of existing units is as below:

Units in issue ('000)	Unaudited Six months ended 30 June	
	2018	2017
Beginning of the period	3,014,285	2,921,780
Units issued during the period	12,838	14,401
End of the period	3,027,123	2,936,181

Note: During the period, 12,838,000 units were issued for the payment of manager's fee (2017: 14,401,000 units).

In 2017, a total of 26,505,000 units were issued for the payment of manager's fee. At 31 December 2017, the Group also issued 66,000,000 units from deferred units to YXP. Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeover Code for all units owned or agreed to be acquired by YXP at the relevant time. After the issuance of 66,000,000 units at 31 December 2017, the outstanding deferred units were approximately 602,401,000 units.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 27 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

#### (a) Basic

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

	Unaudited Six months ended 30 June	
	<b>2018</b>	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<b>589,834</b>	1,001,401
Weighted average number of units in issue ('000)	<b>3,022,088</b>	2,930,692
Basic earnings per unit (RMB)	<b>0.20</b>	0.34

#### (b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the period which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 30 June 2018.

	Unaudited Six months ended 30 June	
	<b>2018</b>	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<b>589,834</b>	1,001,401
Weighted average number of units in issue ('000)	<b>3,022,088</b>	2,930,692
Adjustments for deferred units ('000)	<b>602,401</b>	668,401
Adjustments for manager's fee in form of units ('000)	<b>12,671</b>	12,345
Weighted average number of units for diluted earnings per unit ('000)	<b>3,637,160</b>	3,611,438
Diluted earnings per unit (RMB)	<b>0.16</b>	0.28

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 June 2018, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 35% of Yuexiu REIT's units. The remaining units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 30 June 2018:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yue Xiu Enterprises (Holdings) Ltd ("YXE") <sup>1</sup>	A subsidiary of GZYG
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Securities Co. Ltd. <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Futures Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-Branch) ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Building Materials Enterprise Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅停網絡科技有限公司 <sup>1</sup>	A subsidiary of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,2</sup>	A subsidiary of YXE
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1,2</sup>	A subsidiary of YXE
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
越秀諮詢(深圳)有限公司 <sup>1</sup>	A subsidiary of YXE
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Former Value")	The former principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

<sup>1</sup> These connected companies are also considered as related companies of the Group, transactions and balances carried out with these related companies are disclosed in notes (a) and (b) below.

<sup>2</sup> These connected companies became related companies of the Group from 17 August 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following transactions and balances were carried out with connected/related companies:

#### (a) Transactions with connected/related companies

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Manager's fee paid/payable to the Manager (ii)	(70,375)	(64,953)
Management fee paid/payable to Yicheng	(7,885)	(5,266)
Management fee paid/payable to Baima BM	(5,696)	(5,686)
Management fee paid/payable to GZ AM	(9,460)	(9,223)
Rental income received/receivable from Xingye	3,252	2,542
Rental income received/receivable from Yicheng	7,036	1,242
Rental income received/receivable from GCCD	5,464	5,040
Rental income received/receivable from White Horse JV	621	613
Rental income received/receivable from YXE	16,762	15,784
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	1,048	1,048
Rental income received/receivable from Guang Zheng	1,104	—
Rental income received/receivable from Suiqiao	295	293
Rental income received/receivable from Guangzhou Securities Co., Ltd.	15,482	—
Rental income received/receivable from Guangzhou Futures Co., Ltd.	1,410	—
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	2,020	—
Rental income received/receivable from GZ JLL	7,661	7,286
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	210	—
Rental income received/receivable from GZ AM	4,559	4,522
Rental income received/receivable from 廣州市祥港房地產開發有限公司	—	2,800
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	8,737	8,737
Rental income received/receivable from 廣州東耀房地產開發有限公司	2,148	1,883
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6,020	—
Rental income received/receivable from Yue Tong	383	381
Rental income received/receivable from Yue Peng	391	390
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,431	4,303
Rental income received/receivable from Guangzhou Paper Group Ltd.	135	135

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (a) Transactions with connected/related companies (continued)

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Rental income received/receivable from Guangzhou Building Materials Enterprise Group Co., Ltd.	—	135
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	135	135
Rental income received/receivable from Chong Hing Tianhe	1,424	1,402
Rental income received/receivable from Chong Hing Guangzhou	207	—
Rental income received/receivable from Chong Hing Shanghai	257	257
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	49	45
Rental income received/receivable from 廣州悅停網絡科技有限公司	94	48
Rental income received/receivable from 廣州鵬燁貿易有限公司	547	127
Rental income received/receivable from 廣州友誼集團有限公司	16,027	—
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	555	—
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	1,868	—
Rental income received/receivable from 武漢康景實業投資有限公司	13,377	—
Rental income received/receivable from 廣州城建開發設計院有限公司	190	—
Rental income received/receivable from 廣州越秀地產工程管理有限公司	267	—
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	261	—
Rental income received/receivable from 越秀諮詢（深圳）有限公司	73	—
Interest income received/receivable from GCCD	10,837	8,277
Trustee's fee paid/payable to the Trustee	(5,077)	(4,593)
Valuation fee paid/payable to the Former Valuer	—	(596)
Valuation fee paid/payable to the Incumbent Valuer	(690)	—
Interest expense paid/payable to GCD (China)	(8,093)	—
Transactions with the HSBC Group		
- Interest expense paid/payable to the HSBC Group	(9,346)	(2,939)
Transactions with Chong Hing Guangzhou		
- Interest expense paid/payable to Chong Hing Tianhe	(7,627)	(8,648)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (a) Transactions with connected/related companies (continued)

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreements governing the transactions.
- (ii) The Manager's fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the deposited property, as defined in the Trust Deed and a service fee of 3% per annum of net property income, as defined in the Trust Deed (Note 8).

#### (b) Balances with related companies

	<b>Unaudited 30 June 2018 RMB'000</b>	Audited 31 December 2017 RMB'000
Amount due from GCCD (i)	<b>264,374</b>	266,357
Amount due to Yicheng	<b>(8,844)</b>	(1,930)
Amount due to Baima BM	<b>(1,976)</b>	(698)
Amount due to the Manager	<b>(71,158)</b>	(68,883)
Amount due to GZ AM	<b>(1,607)</b>	(1,610)
Amount due to GCD (China)	<b>(812,276)</b>	(804,283)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	<b>(10,000)</b>	(10,000)
Bank borrowing from Chong Hing Tianhe	<b>(324,400)</b>	(361,000)
Rental deposits from related companies (ii)	<b>(47,404)</b>	(40,883)

Except for an amount due from GCCD of approximately RMB253 million (31 December 2017: RMB254 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and reasonable approximation to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction cost related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB264 million (31 December 2017: RMB266 million) as at period end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the condensed consolidated balance sheet.

#### (c) Key management compensation

There was no key management compensation for the period ended 30 June 2018 (2017: nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 29 CAPITAL COMMITMENTS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	<b>10,538</b>	16,120

### 30 FUTURE MINIMUM RENTAL RECEIVABLES

At 30 June 2018, the Group had future minimum rental receivables under non-cancellable leases as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Within one year	<b>1,286,606</b>	1,161,671
Between one year and five years	<b>1,870,004</b>	1,564,887
Over five years	<b>159,857</b>	176,550
	<b>3,316,467</b>	2,903,108

## PERFORMANCE TABLE

	<b>Unaudited 30 June 2018</b>	Unaudited 30 June 2017
Net assets attributable to Unitholders (RMB)	<b>14,478,124,000</b>	14,196,791,000
Net assets attributable to Unitholders per unit (RMB)	<b>4.78</b>	4.83
Equivalent to HK\$	<b>5.51</b>	5.57
The highest premium of the traded price to net asset value (i)	<b>HK\$0.09</b>	—
The highest discount of the traded price to net asset value (i)	<b>HK\$0.51</b>	HK\$1.49
Net yield per unit (ii)	<b>4.39%</b>	3.23%
Number of units in issue	<b>3,027,123,467 units</b>	2,936,181,642 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.60 (2017: HK\$4.90) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the period from 1 January 2018 to 30 June 2018. The highest discount is calculated based on the lowest traded price of HK\$5.00 (2017: HK\$4.08) on the Stock Exchange during the period from 1 January 2018 to 30 June 2018.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with Unitholders per unit for the period from 1 January 2018 to 30 June 2018 over the traded price of HK\$5.27 as at 30 June 2018 (2017: HK\$4.85) on the Stock Exchange.

# CORPORATE AND INVESTOR RELATIONS INFORMATION

## BOARD OF DIRECTORS OF THE MANAGER

### Executive directors

Mr. Lin Deliang  
(appointed as Chairman on 14 August 2018)  
Mr. Cheng Jiuzhou

### Non-executive directors

Mr. Lin Zhaoyuan (*Chairman*)  
(resigned on 14 August 2018)  
Mr. Li Feng  
Mr. Liang Danqing (appointed on 14 August 2018)

### Independent non-executive directors & audit committee members

Mr. Chan Chi On, Derek  
Mr. Chan Chi Fai, Brian  
Mr. Cheung Yuk Tong  
Mr. Chen Xiaou

### Responsible Officers of the Manager

Mr. Lin Deliang  
Mr. Cheng Jiuzhou  
Mr. Kwan Chi Fai

### COMPANY SECRETARY OF THE MANAGER

Mr. Yu Tat Fung

### TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

### AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers  
Certified Public Accountants

### PRINCIPAL VALUER

Savills Valuation and Profossimal Sorvices Limited

### HONG KONG LEGAL ADVISOR

Baker & McKenzie

## PRINCIPAL BANKERS OF YUEXIU REIT

China Everbright Bank Co. Ltd., Hong Kong Branch  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Malayan Banking Berhad Group  
OCBC Wing Hang Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited

## WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>  
<http://www.hkex.com.hk>

## REGISTERED OFFICE OF THE MANAGER

17B Floor  
Yue Xiu Building  
160 Lockhart Road  
Wanchai, Hong Kong

## UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
22/F Hopewell Centre  
183 Queen's Road East, Wanchai,  
Hong Kong

## LISTING EXCHANGE

### Units

The Stock Exchange of Hong Kong Limited  
Stock code: 00405

### Bond

The Stock Exchange of Hong Kong Limited  
US\$400,000,000 4.75% Notes due 2021  
Stock code: 04477

## INVESTOR RELATIONS

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## 越秀房地產投資信託基金

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17B/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong

Manager



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