



# 越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

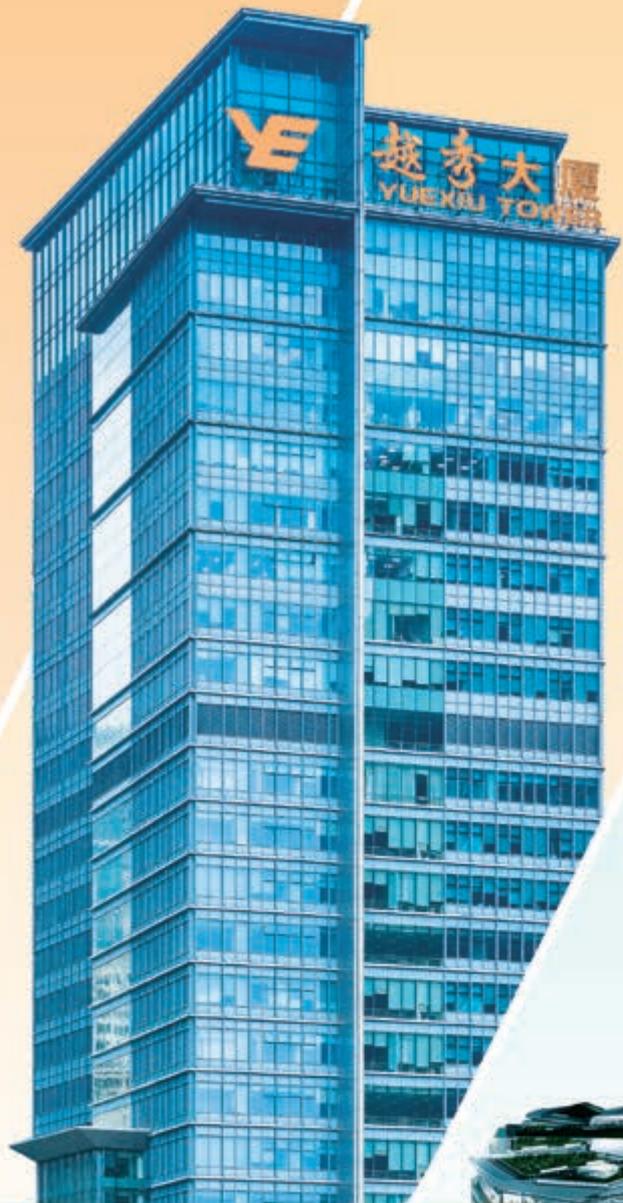
A Hong Kong collective investment scheme under section 104 of the Securities and Futures Ordinance <chapter 571 of the Laws of Hong Kong>  
Stock Code : 00405

VISION FOR  
A STEADY FORTUNE  
INTERIM REPORT 2019





GUANGZHOU



SHANGHAI





WUHAN



HANGZHOU

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Comprehensive Income			

## PERFORMANCE SUMMARY

The following is a summary of Yuexiu REIT's financial results during the 2019 Interim Period and the 2018 Interim Period:

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

	Six months ended 30 June		Change Increase/ (Decrease) %
	2019	2018	
Gross income (Note a)	999,658,000	1,002,794,000	(0.3)%
Net property income	728,846,000	726,800,000	0.3%
Net profit after tax before transactions with Unitholders	730,669,000	616,788,000	18.5%
Interim distribution	424,360,000	423,811,000	0.1%
Earnings per unit	0.2225	0.2038	9.2%
Distribution per unit	0.1360	0.1400	(2.9)%
Equivalent to HK\$	0.1546	0.1615	(4.3)%

	30 June 2019	31 December 2018	Change Increase %
Portfolio valuation	34,792,000,000	33,970,000,000	2.4%
Net assets attributable to Unitholders	14,787,421,000	14,454,122,000	2.3%
Net assets attributable to Unitholders per unit	4.74	4.65	1.9%

Note a: The gross income has decreased by approximately RMB36,400,000 in 2019 due to the disposal of Neo Metropolis in December 2018.

The gross income has increased by approximately RMB15,600,000 in 2019 due to the acquisition of Hangzhou Victory in December 2018.

## 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 2019.

**LIN DELIANG**  
*Chairman*



### RESULTS AND DISTRIBUTION

During the first half of 2019, China's economy maintained a steady and sound growth. Yuexiu REIT continued to record stable 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.

As at 30 June 2019, 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"), Guangzhou International Finance Center ("GZIFC") which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower") which is located in Shanghai, Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties") which are located in Wuhan, and Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory") which are located in Hangzhou, with a total rentable area of 632,915.1 sq.m., in which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Tower) accounted for 70.3%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.7%.

## CHAIRMAN'S STATEMENT

As at 30 June 2019, the occupancy rate of properties under Yuexiu REIT was satisfactory, in which the overall occupancy rate of maturity properties was 96.5%, and the overall occupancy rate of growth properties was 76.9%. During the reporting year, Yuexiu REIT recorded total operating revenue of approximately RMB999,658,000. Operations of all properties were stable with continuous steady upward growth.

For the period from 1 January 2019 to 30 June 2019 ("2019 Interim Period"), Yuexiu REIT recorded a total distributable income of approximately RMB424,360,000, representing an increase of approximately RMB549,000 or approximately 0.1% as compared to the total distributable income of approximately RMB423,811,000 for corresponding period of the previous year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.1546 per Unit, representing a decrease of approximately HK\$0.0069 or approximately 4.3% as compared to the distribution amount of HK\$0.1615 for the same period last year. Based on the closing price of HK\$5.34 on 30 June 2019, the interim distribution yield was approximately 2.90%.

## MACRO ECONOMY

In the first half of 2019, the global economy slipped below normal levels in the growth area and fell into the geopolitical risk. China's economy was generally stable within a reasonable range, and the economic fundamentals continued to maintain a stable and positive trend. According to the statistics released by the National Bureau of Statistics, the GDP in the first half of 2019 was approximately RMB45,093.3 billion, representing a year-on-year increase of 6.3%.

In February 2019, "The Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area" was officially launched. As one of the central cities of the Greater Bay Area, Guangzhou has been fully promoting the construction of Guangdong-Hong Kong-Macao Greater Bay Area, and has promoted the high-quality development of Guangzhou's economy by strengthening international interactions, implementing technological innovations, and upgrading manufacturing industries. In the first half of the year, Guangzhou's GDP was approximately RMB1,175.554 billion, representing a year-on-year increase of 7.1%. The contribution of tertiary industry to GDP growth was 82.1%, representing an increase of 15.4 percentage points year-on-year.

Shanghai's overall economy was stable and in line with expectations, indicating a good development trend and continuous improvement in market expectations and confidence, as well as constant enhancement in new momentum for economic development with continuously increasing positive factors for economic operations, thereby high-quality development achievements were further revealed. In the first half of the year, Shanghai's GDP was approximately RMB1,640.994 billion, representing a year-on-year increase of 5.9%.

Admited a sound opening and a good start in 2019, Wuhan made stable progress with quality improvement progress in its economic development trend. Benefited from the 7th Military World Games being held in October this year, a number of transportation infrastructures were completed and roads and bridges were put into use in Wuhan, with significant improvement in the appearance and greening ratio of the city, convenience in transportation was also enhanced. In the first half of the year, Wuhan's GDP was approximately RMB747.894 billion, representing a year-on-year increase of 8.1%.

In 2019, Hangzhou endeavored to build the national first digital economy city. Meanwhile, it continued to enhance the standard of opening to internal parties and the external parties in the world outside, and actively participated in the construction of the world-class urban agglomeration in the Yangtze River Delta. In the first half of the year, Hangzhou's GDP was approximately RMB694.9 billion, representing a year-on-year increase of 6.9%.

In the first half of this year, GDP of Shanghai, Guangzhou, Wuhan, and Hangzhou ranked 1, 4, 9, and 10 in China, respectively.

## MARKET REVIEW

In the first half of the year, there was no new supply of Grade A office buildings in Guangzhou, and the total market inventory remained at 4.859 million sq.m.. Tenants were still sensitive to office cost and the amount of market net take-up concentrated in new areas. Strong demand from TMT, finance and professional services industry dropped the vacancy rate to 4.3%.

In the first half of 2019, under the influence of macroeconomic factors, the overall leasing demand in Shanghai's Grade A office market declined, coupled with the completed projects entering the market, which resulted in the city's continuously rising vacancy rate reached 18.5%, while Zhunyu District reached 10.3%. The increasing leasing demand of TMT enterprises were led by various types of e-commerce, and manufacturing enterprises were led by new energy vehicles, and decentralization became a major trend in Grade A office leasing activities.

The new supply of Grade A office buildings in Wuhan was at a low level, and the steadily unleashed demand led to a decline in vacancy rate, whereas domestic local enterprises became the main force of leasing demand, and market rents remained stable. In the first half of the year, the net take-up of Grade A office buildings in Wuhan was 2,200 sq.m., with the average rent reaching RMB121.6/sq.m./month.

The launch of some projects were postponed in the market due to the influence of the Asian Games, and the new supply of Grade A office buildings in Hangzhou was relatively shrinking in the first half of the year. The government's focus on both technology and finance promoted the transformation and upgrading of related industries, thus the demand showed a diversified trend. The market was mainly minimizing inventory with the vacancy rate slowly dropping to 16%.

In the specialized market, the emergence of domestic origin-based cluster market had gradually changed the original market structure. As the garment factories moved to the inner regions, the traditional competitive edges of the Pearl River Delta region gradually weakened, which caused a differentiation between agents and franchisees and weakened living space of retail terminals, whereas purchases of clothing in smaller quantity and multiple batches became the new normal.

There was no new supply in the retail market in Guangzhou in the first half of this year, and the total market stock remained at 4.545 million sq.m.. Lots of brands were enthusiastic about entering the core business districts and therefore the leasing demand continued to increase. For the business format, both catering and retail maintained relatively an active expansion trend. Internet-trending brands and crossover brands pop-up stores also entered to make the shopping mall more popular and generated additional marketing topics.

In the first half of the year, the new supply of high-quality retail market in Wuhan was 164,000 sq.m., and the city's total volume was up to 2.327 million sq.m.. The inventory project slowly decreased, and the vacancy rate slightly declined to 4.9%. The rent level of the first floor remained stable and recorded RMB629.7/sq.m./month.

For high-end hotel market, the development plan of Guangdong-Hong Kong-Macao Greater Bay Area will stimulate an increase in Guangzhou's demand for commence and conferences in the future. Meanwhile, the opening of Guangzhou-Shenzhen-Hong Kong high-speed rail will continue to play a strong role in promoting the market for leisure tourism in Guangzhou. As of June 2019, the average occupancy rate of high-end hotel market was 81.3%, an increase of 2.6 percentage points year-on-year, and the average daily room rate increased by 7.3% on a year-on-year basis to RMB 1,195.7 per room. As for high-end serviced apartments, the demand structure of high-end serviced apartments in Guangzhou in the first half of 2019 was still mainly dominated by foreign employees and consulates, supplemented by senior executives from other provinces working for local enterprises, high-income business groups and tourists from other places. As of June 2019, benefiting from the fine-tuning rental for long-stay tenants and the growth in the proportion of individual customers, the average rent of high-end serviced apartments in Guangzhou increased by 2%, and the average occupancy rate was 85.8%, a decrease of 3.6 percentage points year-on-year was mainly attributable to the opening of new serviced apartments in Zhujiang New Town. However, the occupancy rate of serviced apartments outside Zhujiang New Town maintained a stable or slight growth.

## 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 sustainable business growth and stable rental returns.

The operating performance of GZIFC offices, Fortune Plaza, City Development Plaza, and Yue Xiu Tower under Yuexiu REIT remained solid, and that of Wuhan Yuexiu Fortune Centre as well as Hangzhou Victory coincided with expectation. In particular, GZIFC, as the most mature super high-rise building in the core CBD operation, gave full play to the advantage of being the urban landmark to pursue supreme service experience of customers and attract world-renowned enterprises to make their debut, thereby maintaining their leading position in the industries. Fortune Plaza and City Development Plaza have effectively managed matured leases and explored potential customer demands. Yue Xiu Tower focused on stabilizing occupancy rate and gradually increased the rental value of the property; and Yuexiu Fortune Center in Wuhan introduced a business-growing customer base to create a unique high-end building brand through reinforcement of business solicitation; and Hangzhou Victory created its core competitiveness and was advanced towards the rank of Hangzhou's boutique office buildings.

With respect to the retail shopping malls, the GZIFC continued to optimize merchant portfolio and proactively adjusted at-risk tenants to improve brand level, achieving a steady growth in the shopping mall rent through high quality marketing activities to further attract customer flow. The GZIFC established a tenant evaluation system, monitored operational risks, and provided targeted assistance measures to achieve better rental contribution. The "VT101" mall of Victory Plaza focused on the enhanced operation of main stores and implemented all-round sales assistance to improve its sales volume and marketing efficiency. Starry Victoria Shopping Center in Wuhan focused on the follow-up operation of new brands, constantly optimized the business format, and promoted sales through cross-industry collaboration.

With regard to the specialized apparel market, the Manager implemented the "double-hundred plan" and boosted confidence of tenants and product competitiveness; proactively visited potential customers on reserve, vigorously introduced premium customers, and accelerated the replacement of tenants; innovated marketing channels, implemented digital marketing strategies, and attracted buyers through all channels; actively optimized the storeys and lease renewal management to enhance the overall rental value of the properties.

For the hotel and serviced apartments, the Manager implemented effective strategies to increase room price, carried out a targeted product upgrading, improved the quality of catering and realized the 3C service concepts to enhance guests experience and the reputation of the Four Seasons Hotel. The Manager also optimized customer source structure, tapped into more potential of operation, and introduced high-tech service means to maximize the income of the serviced apartments.

### INVESTMENT AND FINANCIAL STRATEGIES

In the first half of 2019, the Manager implemented proactive and prudent investment strategies and continued to identify quality commercial projects and supporting resources in the domestic first-tier cities and strong second-tier 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 sustainable and stable returns to Unitholders.

Yuexiu REIT implemented stable and prudent financial policies, and the ratio of total borrowings to total assets of the REIT as at 30 June 2019 was maintained at the level of 38%, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager has paid close attention to the changes in interest rates and exchange rates, and has proactively managed funds and risks such as financing liquidity, currency rate and interest rate.

## CHAIRMAN'S STATEMENT

Yuexiu REIT successfully issued a five-year HK\$1.12 billion private-placement bond, which was mainly used to replace the original floating rate loans that will mature in 2020, and to lower potential exposure to interest rate risk at a better cost. Meanwhile, it also effectively relieved liquidity and refinancing pressure. At the end of June 2019, the proportion of floating rate financing accounted for approximately 80% of the external financing of Yuexiu REIT (including 18% of interest-bearing financing at onshore floating rate and 62% of interest-bearing financing at offshore floating rate).

To respond to the impact of exchange rate fluctuations in the results of Yuexiu REIT, the Manager has continued to strengthen exchange rate and interest rate hedging instruments as well as the research and analysis of hedging schemes, and the Manager has also introduced exchange rate hedging instruments in a timely manner. In the implementation of the exchange rate hedging scheme for certain Hong Kong dollar loan financing in 2019, the foreign exchange risk exposure was approximately 61% at the end of June 2019. The Manager has continuously paid close attention to the trend of foreign exchange market while seeking effective control over exchange rate risk at a reasonable cost.

In addition, Yuexiu REIT obtained a HK\$700 million uncommitted loan credit line in the first half of 2019 as a supplement to the existing financing channels and financing methods, which will be a control means for Yuexiu REIT to reduce further liquidity risks.

The Manager has 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 expectation for a stable cash flow, the rating agency granted Yuexiu REIT an investment-grade rating with a stable outlook.

### ASSET ENHANCEMENT STRATEGIES

The Manager has 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 advantages in the market and increasing returns of the projects. Meanwhile, the Manager has targeted at contact 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 the year, the biggest uncertainty outside the Chinese economy is still coming from the China-US trade game. It is expected that China's economy will guard the bottom line of growth against external shocks, and the dominant position of consumption engine will be further consolidated, while transformation and upgrading of the economic structure will still continue to advance steadily, and the economy will keep a favorable long-term development trend with unchanged fundamentals.

In order to stimulate economic vitality, Guangzhou's government will continue to implement and deepen the policy of tax reduction and fee reduction, increase rent subsidies, and actively reduce the debt burden on private enterprises. Gradual emergence of influence of the policy is expected to steadily reduce the operating costs of enterprises, and effectively alleviate the lease withdrawal phenomenon of private enterprises. Guangzhou will usher in Grade A office buildings of approximately 245,000 sq.m. to the market. As the projects planning to enter the market have showed a good pre-renting process, and a considerable amount of which are for enterprises' own use, the new supply is expected to have a limited influence on adding pressure on vacancy rate.

In the second half of the year, approximately 280,000 sq.m. of new supply will enter the retail market in Guangzhou, all located in non-core business districts. With the development of the urban process in Guangzhou and the maturity of the core business districts, the business districts have presented an obvious trend to expand.

## CHAIRMAN'S STATEMENT

The transformation and upgrading of traditional wholesale markets has accelerated, and e-commerce transactions for apparel have further permeated. All parties in the apparel industry chain should accurately grasp market demands to improve product innovation and consumer experience.

Looking ahead to the future, there is uncertainty in the sustainability of the demand growth in high-end hotels which is affected by economic fluctuations and new supply; new supply of high-end serviced apartments will gradually increase and the structure of customer source remains stable.

In order to organize successfully the Second Import Expo, in 2019, Shanghai will fully implement the national strategy for regional integration and development of the Yangtze River Delta, accelerate the upgrading of the core functions of international finance, trade and shipping centers and further promote the construction of Free Trade Zone. In the second half of the year, a large amount of supply is expected to complete and enter the market, which will lead to the continued increase in competitive pressure on Grade A office buildings with a continuation of downward pressure on short-term rents and rising vacancy rate.

In 2019, Wuhan has an comprehensive upgrade in the urban transportation, expanded the urban development space, greatly improved the city image and enhanced the city functions. New supply of Grade A office buildings will be mainly concentrated in the second half of the year, and rent expectations will still be prudent. A number of office buildings will be delayed in delivery due to the progress of the projects or the adjustment of the developer's strategy, whereas there will be a large number of buildings entering the market after 2022. Despite the retail market in Wuhan is in a transition phase of integration in 2019, a number of premium projects of the main cities entered the market and enriched the retail domain of Wuhan and promoted the adjustment and transformation of existing projects.

Hangzhou has made a clear strategic position of "Digital Economy/Ecological Silicon Valley". In 2019, annual supply of Grade A office buildings will be reduced by approximately 20% year-on-year. Although the short-term supply mainly appears in the traditional business districts, supply of the office buildings will probably be ample after the Asian Games.

We are cautiously optimistic in our belief that we will be benefiting from the steady growth of the PRC economy. On the basis of premium portfolio of properties coupled with the professional management team of Yuexiu REIT, we will implement proactive and prudent leasing strategies complemented with effective property appreciation measures. Meanwhile, we will 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 members 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 in Yuexiu REIT.

**LIN DELIANG**

*Chairman*

Hong Kong, 1 August 2019

# YUEXIU REIT PROFILE

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

Yuexiu REIT is a Hong Kong real estate investment trust that 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 five commercial properties located in Guangzhou, one commercial property located in Shanghai, one commercial property located in Wuhan and one commercial property located in Hangzhou. 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 2019.

The Manager also has the discretion under 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 2019 Interim Period will be approximately RMB0.1360 which is equivalent to HK\$0.1546 (June 2018: approximately RMB0.1400 which was equivalent to HK\$0.1615) 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 2019 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the six months ended 30 June 2019.

The 2019 interim distribution amounted to approximately RMB424,360,000 which is equivalent to HK\$482,172,000 (June 2018: approximately RMB423,811,000 which was equivalent to HK\$488,824,000), includes an amount of approximately RMB73,000,000 (2018: RMB67,000,000), 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 RMB97,099,000 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 PER UNIT

Distribution to Unitholders for the 2019 Interim Period is HK\$0.1546 (June 2018: HK\$0.1615) per unit, represents an interim distribution yield of approximately 2.90% (June 2018: 3.06%) based on the closing price of HK\$5.34 per unit as at 30 June 2019 (30 June 2018: HK\$5.27). This represents an annualized distribution yield of 5.80%.

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 13 September 2019. The register of Unitholders will be closed from 13 September 2019 to 16 September 2019, 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 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 12 September 2019. The 2019 interim distribution will be paid on 17 October 2019 to the Unitholders whose names appear on the register of Unitholders on 13 September 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### MAINTAINED STABILITY IN OPERATING RESULTS

In the first half of 2019, the macro-economy of China recorded a stable growth. Yuexiu REIT continued to implement a focused and flexible leasing policy in response to different market conditions. By calmly handling market competition that has continued from the second half of last year to the present, Yuexiu REIT effectively tackled and resolved various operational risks, and gave full play of the advantages of its properties. The overall operation income maintained stability and the performance result met with expectation. The Manager effectively managed the maturing tenancies. The overall properties achieved renewal rate of 74%, and high quality tenants were maintained. In respect of unit rent, the maturity properties increased by 3.1% and the growth properties increased by 13.5%.

### PROPERTY PORTFOLIO

As at 30 June 2019, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, which are located in Guangzhou, Yue Xiu Tower, which is located in Shanghai, and Wuhan Properties, which are located in Wuhan, as well as Hangzhou Victory, which is located in Hangzhou. The aggregate area of ownership of the properties was approximately 969,488.8 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding 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; 62,785.7 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and YueXiu Tower) accounted for 70.3%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.7%.

### PROPERTY VALUATION

According to a revaluation performed by Savills Valuation and Professional Services Limited ("Savills"), an independent professional valuer, on the portfolio of properties of Yuexiu REIT, the revalued market valuation was approximately RMB34,792 million as at 30 June 2019, representing an increase of RMB822 million or 2.4% over the valuation as at 31 December 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the valuation of each of the properties as at 30 June 2019 and 31 December 2018:

Name of property	Valuation as at 30 June 2019 RMB million	Valuation as at 31 December 2018 RMB million	Increase percentage
White Horse Building	5,162	5,061	2.0%
Fortune Plaza	1,220	1,197	1.9%
City Development Plaza	988	975	1.3%
Victory Plaza	959	936	2.5%
GZIFC	18,891	18,366	2.9%
YueXiu Tower	3,209	3,149	1.9%
Wuhan Properties	3,755	3,685	1.9%
Hangzhou Victory	608	601	1.2%
<b>Total</b>	<b>34,792</b>	<b>33,970</b>	<b>2.4%</b>

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 (VAT exclusive) <sup>(1)</sup> (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100.0%	908	632.2
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	41,355.2	41,355.2	99.6%	79	155.2
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	42,397.4	42,397.4	95.9%	86	139.1
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	99.4%	31	242.9
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	95.3%	287	218.3
Including:	Grade A office			267,804.4	183,539.6 <sup>(2)</sup>	94.6%	223	235.4
	Retail shopping mall			46,989.2	46,727.3	98.0%	54	153.5
	Hotel			91,460.9 <sup>(3)</sup>	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3 <sup>(4)</sup>	95.0%	114	272.5
Wuhan Properties	Commercial complex	Wuhan Qiaokou District		248,194.2	172,993.3	74.3%	228	83.2
Including:	Grade A office		2016	139,937.1	129,446.7 <sup>(5)</sup>	65.8%	119	98.3
	Retail shopping mall		2015	45,471.4	43,546.6 <sup>(6)</sup>	99.6%	109	53.6
	Commercial parking spaces		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking spaces		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Hangzhou Victory	Grade A office	Hangzhou Jianggan District	2017	40,148.4	22,484.8 <sup>(7)</sup>	96.7%	29	113.7
<b>Total</b>				<b>969,488.8</b>	<b>632,915.1</b>	<b>90.5%</b>	<b>1,762</b>	<b>215.4</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) As at 30 June 2019;
- (2) Excluding 76,512.3 sq.m. of parking space area and other ancillary facilities area;
- (3) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor;
- (4) 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);
- (5) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (6) Excluding 1,924.8 sq.m. of common facilities area;
- (7) Excluding 17,663.6 sq.m. of parking space area.

### OCCUPANCY RATE REMAINED AT RELATIVELY HIGH LEVEL

As at 30 June 2019, the overall occupancy rate of the properties was approximately 90.5%, whereas the occupancy rate of the matured properties was 96.5% and that of the growth properties was 76.9%.

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 2019	Occupancy rate as at 30 June 2018	Percentage Increase/ (decrease) as compared to 30 June 2018
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	99.6%	99.6%	0.0%
City Development Plaza	95.9%	95.4%	0.5%
Victory Plaza	99.4%	100.0%	(0.6)%
GZIFC Offices	94.6%	97.8%	(3.2)%
GZIFC Shopping Mall	98.0%	97.5%	0.5%
Subtotal of GZIFC	95.3%	97.7%	(2.4)%
Yue Xiu Tower	95.0%	95.1%	(0.1)%
Subtotal of maturity properties	96.5%	97.9%	(1.4)%
Wuhan Properties Offices	65.8%	59.4%	6.4%
Wuhan Properties Shopping Mall	99.6%	93.7%	5.9%
Subtotal of Wuhan Properties	74.3%	68.0%	6.3%
Hangzhou Victory	96.7%	N/A	N/A
Subtotal of growth properties	76.9%	68.0%	8.9%
Total	90.5%	90.1%	0.4%

## MANAGEMENT DISCUSSION AND ANALYSIS

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> (RMB/room/day)
Four Seasons Hotel Guangzhou <sup>(1)</sup>	Five-star hotel	August 2012	91,460.9	344	83.5%	2,042
Ascott Serviced Apartments <sup>(2)</sup>	High-end serviced Apartments	September 2012	51,102.3	314	93.5%	1,057

Notes:

- (1) From 1 January 2019 to 30 June 2019;
- (2) Both hotel and serviced apartments are entrusted operators.

### REVENUE REMAINED BASICALLY FLAT

During the Interim Period of 2019, the properties of Yuexiu REIT recorded total revenue of approximately RMB999.7 million, representing a decrease of approximately RMB3.1 million as compared to the corresponding period of the previous year. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory accounted for approximately 18.5%, 3.8%, 3.3%, 3.9%, 55.2%, 6.7%, 7.1% and 1.5% respectively of the total revenue.

No bad debt was recorded during the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2019 RMB million	Revenue for the interim period of 2018 RMB million	Increase/ (Decrease) as compared to interim period of 2018 RMB million	Increase/ (Decrease) in revenue from properties percentage
White Horse Building	185.2	189.9	(4.7)	(2.5)%
Fortune Plaza	37.5	37.8	(0.3)	(0.8)%
City Development Plaza	32.9	33.4	(0.5)	(1.5)%
Victory Plaza	38.8	35.0	3.8	10.9%
Neo Metropolis <sup>(1)</sup>	—	36.4	(36.4)	N/A
GZIFC	551.5	545.3	6.2	1.1%
Yue Xiu Tower	67.1	69.9	(2.8)	(4.0)%
Subtotal of maturity projects	913.0	947.7	(34.7)	(3.7)%
Wuhan Properties	71.1	55.1	16.0	29.0%
Hangzhou Victory <sup>(2)</sup>	15.6	—	15.6	N/A
Subtotal of growth projects	86.7	55.1	31.6	57.4%
Total	999.7	1,002.8	(3.1)	(0.3)%

(1) Neo Metropolis was disposed in December 2018

(2) Hangzhou Victory was acquired on 28 December 2018

### GZIFC – OPTIMIZING THE TENANT STRUCTURE OF OFFICE BUILDINGS AND ENRICHING THE OPERATIONAL FORMAT

In the first half of the year, moving to the area of higher price-performance ratio was taken into account due to increased customer mobility and decreased office cost budget on some tenants in Zhujiang New Town. The Manager sharply identified such market movement and devised a plan in advance. On the one hand, renewal of leases for an area of 17,700 sq.m. was completed with renewal rate of 96% in the first half of the year through proactively managing expiry of leases, which stabilized the premium customer base; on the other hand, by taking advantage of partial lease termination and proactively introducing well-known tenants including consulates and accounting firms, the tenant structure continued to optimize with new leases for an area of 14,600 sq.m. in the first half of the year, accounting for approximately 15% of the city's net absorption. In addition, the Manager continued to deepen the "double supreme service" and introduced the Building Owners and Managers Association ("BOMA") training system, thus vigorously promoting the implementation of BOMA international operation standards in GZIFC.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the year, with focused adjustments, "GZIFC Shopping Mall" introduced four brand merchants in total. It further enriched the retail operational format, improved the overall brand image of catering, and achieved favorable rental yields with an increase of 42.3% in effective unit rental price during the contract period. The management team continued to innovate marketing and integrate the excellent worldwide resources in culture and art, creating "culture-art appreciation club". Through a series of cultural and artistic scenes and marketing promotion, the management team created and accelerated customer flow, and adopted the flow of diverting targeted member activities to assist the sales results of the prime merchants. The peak of daily sales volume exceeded RMB626,000 (excluding the Friendship Store) in the first half of the year, representing an increase of 8.26% over the last corresponding period.

In the first half of the year, Four Seasons Hotel continued to realize high level stable operation, the optimization of customer channels had effectively enhanced the channel proportion of high-valued customers. It further improved the income structure with the room revenue reaching a historical high. Ascott Serviced Apartments achieved significant revenue management, through the reduction of long-term tenants enjoying long-stay preferential rates, as well as increasing the rent of lease renewal, and featured the type of small room as main products to increase the revenue of short-term tenants, thereby recorded a high total income in the first six months since the commencement of operation. Ascott Serviced Apartments ranked first both in operating revenue and GOP% in Ascott China. As of June 2019, compared with direct competitors, the average occupancy rate of Four Seasons Hotel was higher by 7.6 percentage points, average rent was RMB2,042/room/day, further consolidated its benchmark position in the market. Compared with direct competition group, the average occupancy rate of Ascott Serviced Apartments was higher by 6.6 percentage points, average rent was RMB1,057/room/day which are being the leading position of the market.

### WUHAN PROPERTIES – TACKLING DIFFICULTIES, ACHIEVING STEADY OPERATION

In the first half of the year, Wuhan's Grade A office buildings witnessed a gloomy market with a high-level vacancy rate, there is a high pressure on reducing vacancy rate. In addition, the surrounding infrastructure enclosed Wuhan Properties' projects had resulted in a significant decline in the number of visitors to the office buildings. An unfavourable turning point started to occur in co-working space from the beginning of this year, many office buildings in Wuhan were undergoing a phenomenon of lease withdrawal. The field management team overcame various unfavorable factors and strove to break through the difficult situation of operation, thus smoothly defusing the impact of lease withdrawal by a large-area customer and stabilizing the occupancy rate as well as rental revenue. Moreover, in view of focusing on customer demands, the management team continuously optimized the products, enhanced the quality of projects in terms of flexible, care-free, and comfortable workspace to satisfy the customer needs of small-area and off-site office, and also tried to provide the leasing service of office furniture aiming at meeting the customer needs in one step.

The effect on the tenant adjustment of Starry Victoria Shopping Centre was prominent and significantly enhanced the overall operation in the first half of the year, with an introduction of 14 premium tenants gained a 18.6% increase in the rent of newly signed contracts compared to the previous contracts, 115.1% increase in sales volume year-on-year, and 62.1% increase in customer flow. As the management team strongly supported the anchor tenants, effective enhancement occurred in the rental contribution rate and the number of the merchants with increased turnover rent rose to seven. In addition, further strengthened the early warning system indicating tenants' operating performance and proactively targeted at full utilization of the mall to set up more operation area for new tenants, consequently raised the overall operating income.

## MANAGEMENT DISCUSSION AND ANALYSIS

### WHITE HORSE BUILDING — ACCELERATED BRINGING IN QUALITY CUSTOMERS, REALIZED OMNI CHANNEL DIVERSION

In the first half of the year, facing a downward pressure on the economy and a sluggish clothing industry, the Manager implemented the strategy of “going out” to bring in investment, continuing to make deeper the channel expansion, and building up premium customer reserve through organizing the conferences for business solicitation, visiting the apparel and cloth markets, as well as the innovation zone. In addition, enhancement of products competitiveness was realized through strict implementation of brand admission, stringent controls on the quality of tenants by bringing in the superior and blocking the inferior ones. In regard to marketing, White Horse Building was committed to realizing both offline and online omni channel operation, further expanding its influence on fashion and improving the brand value. Among them, offline promotions included organizing merchants to participate in the Shanghai Spring Clothing Pro, and the holding of the Spring and Summer Clothing Procurement Festival to boost new products transactions on the site, while online promotional activities included the setting up of self-media platform to continuously disseminate high quality information, in order to strengthen business operation. The transformation and upgrading of White Horse Building began to take effect, thereby it was awarded the title of “The Most Influential Brand Market in China Over The Past 40 Years of Reform and Opening-Up”.

### YUE XIU TOWER — HANDLING MARKET CHALLENGES TO STABILIZE THE OPERATION

Zhuyuan district in Pudong suffered from net negative absorption rate, continuously mounting vacancy rate and insufficient effective demand. Under such severe circumstance, the Manager carried out the strategies of “rental protection, promotion strengthening, tenants adjustment” and achieved positive results. Multiple action stabilized the occupancy rate of Yue Xiu Tower, which included comprehensively updating the propaganda information, enriching the contents and refining the appealing points of projects. The strengthening interaction with intermediary organizations, additional positive or reverse roadshows, setting up more escalated and improved standards of delivering vacant units were also included. In addition, the management team rose to the challenges and successfully brought in a Fortune 500 company, thus augmenting the stability of premium customers and improved the capability of customer brands.

### FORTUNE PLAZA, CITY DEVELOPMENT PLAZA — TAPPING INTO INTERNAL DEMAND AND STABILIZING PREMIUM TENANTS

Fortune Plaza successfully renewed the lease with all the key tenants of expired lease in the first half of the year, and introducing a Fortune 500 company. City Development Plaza actively expanded the premium tenants reserve. Meanwhile, it deeply tapped into the existing tenants to assist their expansion to rent additionally the adjacent unit, and managed to swiftly reduce vacant area, therefore improving the tenant structure on a continuous basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### VICTORY PLAZA – ENHANCING THE BRAND OF THE MALL AND OPTIMIZING BUSINESS PORTFOLIO

In view of having a concentration of expiring leases this year, the mall management team grasped the opportunity for adjustment, turned down the high-risk tenants at basement one unit, and successfully introduced a famous clothing brand to set up its flagship store in South China, which strengthened the position of “VT101” flagship store in the mall. At the same time, the management team also strove successfully to bring in a feature restaurant to open its first China restaurant at Victory Plaza, this feature restaurant has been listed on the recommendation list from “MICHELIN” for seven consecutive years, thus brand richness of the mall was continuously enhanced. The Manager continued to carry out theme-based marketing and diversified collaboration and interaction among merchants, an increase of 8% in customer flow and 20.5% increase in unit rent year-on-year respectively.

### HANGZHOU VICTORY – MINIMIZING VACANT UNITS AND MANAGING RISKY CUSTOMERS

The Manager enhanced the management of vacant units, successfully completing the business solicitation for the whole 11th floor with the newly signed contract recorded a satisfactory rental level. In addition, the Manager proactively handled the risky customers, negotiated to terminate the contract in advance with newly signed rental increased significantly by 25%, which established a solid foundation for the long-term stable operation of projects.

### ACTIVE PROMOTION OF ASSET APPRECIATION 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 renovation and upgrading projects, which included carrying out the upgrading of the visitor access control system of GZIFC office buildings, the video surveillance system of Four Seasons Hotel, renovation and upgrading projects on the image of Ascott Serviced Apartments and the main entrance of White House Building, renovating the air-conditioning terminal on the first floor lobby of Yue Xiu Tower, enlarging capacity of low voltage panels for electricity distribution of Yue Xiu Tower, replacing the fire alarm controllers of Guangzhou Victory Plaza podium, fresh air ventilators of City Development Plaza and Fortune Plaza, and upgrading the public area of City Development Plaza. It was expected that the relevant cost reached RMB20 million, which improved the operating efficiency and business environment of the projects on a continuous basis.

In the second half of the year, the Manager still plans to invest mainly in asset renovation projects for GZIFC, White Horse Building and Yue Xiu Tower in order to achieve value preservation and appreciation of the properties.

### PROACTIVE MANAGEMENT OF MATURING DEBTS AND CONTINUOUS OPTIMIZATION OF FINANCING STRUCTURE

The Manager proactively managed the maturing debt, successfully launched a HK\$1.12 billion 5-year private-placement bond at a coupon rate of 3.60% in the first half of this year, which enriched the financing channels and optimized the financing structure. However, due to rising interest rate of financing, the overall finance cost rate rose to 4.19% from 4.04% at the beginning of the year, the average finance cost rate during the Interim Period was 3.73%.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

## FINANCIAL RESULTS

During the Interim Period of 2019, net property income was higher than the Interim Period of 2018. The following is a summary of Yuexiu REIT's financial results during the 2019 Interim Period:

	Six months ended 30 June		
	2019 Unaudited RMB'000	2018 Unaudited RMB'000	Increase/ (decrease) %
<b>Gross income</b>	<b>999,658</b>	<b>1,002,794</b>	<b>(0.3)%</b>
Hotel and serviced apartments direct expenses	(151,675)	(150,822)	0.6%
Leasing agents' fee	(22,984)	(23,041)	(0.2)%
Property related taxes (Note 1)	(94,629)	(98,128)	(3.6)%
Other property expenses (Note 2)	(1,524)	(4,003)	(61.9)%
Total property operating expenses	(270,812)	(275,994)	(1.9)%
<b>Net property income</b>	<b>728,846</b>	<b>726,800</b>	<b>0.3%</b>
Withholding tax	(29,477)	(29,733)	(0.9)%
Depreciation and amortization	(64,626)	(64,604)	0.0%
Manager's fees	(72,027)	(70,375)	2.3%
Trustee's fees	(5,149)	(5,077)	1.4%
Other trust expenses (Note 3)	(18,093)	(6,411)	182.2%
Total non-property operating expenses	(189,372)	(176,200)	7.5%
<b>Profit before finance costs, finance income and tax</b>	<b>539,474</b>	<b>550,600</b>	<b>(2.0)%</b>
Finance income	17,612	17,311	1.7%
Fair value gain on support arrangement asset	16,646	11,092	50.1%
Finance expenses	(294,658)	(342,844)	(14.1)%
<b>Profit before tax</b>	<b>279,074</b>	<b>236,159</b>	<b>18.2%</b>
Income tax expenses	(266,595)	(200,732)	32.8%
<b>Net profit after tax before fair value gains on investment properties &amp; fair value loss on derivative financial instruments</b>	<b>12,479</b>	<b>35,427</b>	<b>(64.8)%</b>
Fair value gains on investment properties	719,916	601,114	19.8%
Fair value loss on derivative financial instruments	(1,726)	(19,753)	(91.3)%
<b>Net profit after tax before transactions with Unitholders</b>	<b>730,669</b>	<b>616,788</b>	<b>18.5%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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, listing fees, legal advisory fees, exchange differences 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	
	2019	2018
Office	452,438	466,847
Wholesales	185,222	189,915
Retails	94,372	82,407
Hotel and serviced apartments	267,626	263,625
Total	999,658	1,002,794

Net property income amounted to approximately RMB728,846,000 (2018: RMB726,800,000), 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 72.9% (2018: 72.5%) of total gross income. The table below sets out an analysis of net property income:

(RMB'000)	Six months ended 30 June	
	2019	2018
Office	385,605	393,614
Wholesales	155,974	159,119
Retails	79,501	68,640
Hotel and serviced apartments	107,766	105,427
Total	728,846	726,800

Hotel and serviced apartments direct expenses were RMB151,675,000, a slight increase of 0.6% as compared with the 2018 Interim Period.

Leasing agents' fee decreased slightly by approximately 0.2% as compared with the 2018 Interim Period.

Property related tax decreased by approximately 3.6% as compared with the 2018 Interim Period.

As the hotel and serviced apartments were booked as fixed assets, they incurred the depreciation and amortization charge.

## MANAGEMENT DISCUSSION AND ANALYSIS

As Renminbi depreciated against Hong Kong dollar and United States Dollar in the Interim Period, the bank borrowings denominated in Hong Kong Dollar and secured note loans denominated in United States Dollar and Hong Kong Dollar resulted in an exchange loss of approximately RMB41,199,000 (2018: an exchange loss of approximately RMB126,265,000). The finance expenses incurred for the Interim Period amounted to approximately RMB253,459,000 (2018: RMB342,844,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB730,669,000 (2018: RMB616,788,000), which represented an increase of approximately 18.5%, mainly due to fair value gain from investment properties is higher than 2018 Interim Period.

### FINANCIAL PERFORMANCE OF WUHAN PROPERTIES AND THE SUPPORT ARRANGEMENT

In the Interim Period of 2019, the Wuhan Properties recorded actual adjusted net profit of approximately RMB34,370,000 and contributed net distribution of RMB9,830,000 after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB24,540,000), 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 approximately RMB14,630,000. Yuexiu Property shall pay the said amount within 7 business days after the announcement of Yuexiu REIT's interim results for the 2019 Interim Period. Please refer to the Circular dated 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 13,167,795 new units at HK\$5.46 per unit on 14 March 2019. As at 30 June 2019, a total of 3,119,618,222 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK\$5.63 and a low of HK\$4.95 during the 2019 Interim Period. The average trading volume amounted to approximately 5,073,000 Units per day during the 2019 Interim Period (2018: 4,745,000 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 2018, Yuexiu REIT issued 67,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Ltd, and the remaining balance of deferred units were approximately 535,401,000 units.

### NET ASSET VALUE

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2019 was approximately RMB4.74 (31 December 2018: RMB4.65).

## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bank borrowings and notes		
Denominated in RMB	2,121,280	2,521,280
Denominated in HKD	8,950,852	8,624,328
Denominated in USD	2,737,949	2,730,120
Total bank borrowings and notes	<u>13,810,081</u>	<u>13,875,728</u>
Maturity analysis		
Within one year	3,906,777	2,276,543
Two to five years	8,855,784	10,420,105
Beyond five years	1,047,520	1,179,080
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	3.93%	3.65%
USD	4.99%	4.99%

The overall effective interest rate (per annum) of the borrowings and notes at the balance sheet is 4.19%.

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

As at 30 June 2019, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total loan amount is approximately RMB3,291,181,000.

As at 30 June 2019, Yuexiu REIT held certain hedging financial derivatives with a fair value liabilities of RMB121,744,000.

Referring to the US\$1,500,000,000 guaranteed medium-term note plan, Yuexiu REIT issued a total principal of HK\$1,120,000,000 guaranteed note at 3.6% in May and June 2019 respectively, which would mature in 2024. The fund was used for partial repayment of HK\$ bank loan facility and for general corporate working capital requirement.

As at 30 June 2019, total borrowings of Yuexiu REIT amounted to approximately RMB13,810,081,000 which represented approximately 38.1% 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 2019, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB20,319,334,000, representing approximately 56.0% 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 2019 amounted to approximately RMB1,330,061,000. 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 2019 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 2019 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2019 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2019.

### 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 2019 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 2019 Interim Period.

### EMPLOYEES

As at 30 June 2019, Yuexiu REIT employed 585 and 129 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

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

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.

The Manager has complied with the provisions of the Compliance Manual during the 2019 Interim Period.

### 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. During the 2019 Interim Period, Mr. Lin Deliang, Mr. Cheng Jiuzhou, Mr. Kwan Chi Fai and Ms. Ou Haijing 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.

### DEALING IN SECURITIES OF YUEXIU REIT BY DIRECTORS OR THE MANAGER

The manager has adopted the "Code Governing Dealings in Units by Directors or the Manager" (the "Units Dealing Code") governing dealings in the units of Yuexiu REIT as set out in the Compliance Manual, on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Units Dealings Code may be extended to senior executives, officers and other employees of the Manager as the board may determine. Following specific enquiries by the Manager, the Directors of the Manager and the Manager have confirmed that they have complied with the required standards under the Model Code and the Units Dealing code during the Interim Period.

## FUNCTIONS OF THE BOARD

The board of Directors of the Manager (the “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.

## 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.

## CORPORATE GOVERNANCE

### 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.

### CHANGES OF DIRECTORS' INFORMATION

Mr. Chen Xiaouu was appointed as a member of the Audit Committee of the Manager with effect from 25 February 2019.

Mr. Li Feng has been appointed as the Chairman of Yuexiu Transport Infrastructure Co., Ltd. with effect from 22 July 2019.

Mr. Cheng Jiuzhou has been appointed as a director of Guangzhou Yuehui Industrial Ltd. with effect from 25 February 2019.

### 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, GZIFC, Yue Xiu Tower, Wuhan Properties and Hangzhou Victory have been leased to connected parties of Yuexiu REIT in relation to the Manager ("Manager Group"). Details are as follows:

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2019	
			GFA (sq.m.)	commencement/renewal date					Interim Period	Term (years)
<b>City Development Plaza</b>										
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd	1/F	an associate of the Manager	97.00	1 May 2016	1,309	13.5	0	3		7,395
Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye")	27, 28/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		46,973
廣州鵬輝貿易有限公司	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 ("GZAM")	18CDE	an associate of the Manager	461.09	25 May 2018	61,478	133	0	3.02		362,780
廣州東耀房地產開發有限公司	18F	an associate of the Manager	126.45	28 May 2019	18,065	143	0	1.26		19,676
									<b>Sub-total:</b>	<b>4,819,143</b>

- (1) On 1 May 2019, Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd entered into a lease with Full Estates Investment Limited in respect of 1/F of City Development Plaza, renewing the existing term for 8 months commencing from 1 May 2019, and rentals remains unchanged.

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2019		
							GFA (sq.m.)	Term (years)	Interim Period (RMB)
<b>GZIFC</b>									
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. <sup>(1)</sup>	401-B	an associate of the Manager	948.00	31 May 2016	192,309	203	0	3	1,114,616
Guangzhou Yuexiu Financial Technology Co., Ltd.	401-C	an associate of the Manager	474.14	1 May 2018	79,023	167	0	1	311,762
Guangzhou Securities Co., Ltd.	501	an associate of the Manager	2,868.01	20 Jun 2018	505,315	176	0	3.03	2,889,001
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE")	0601-A	an associate of the Manager	1,224.74	1 Jan 2019	271,892	222	0	3	1,598,507
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	0601-B	an associate of the Manager	227.86	1 Jan 2019	50,587	222	0	3	297,410
Guangzhou Securities Co., Ltd.	0601-C	an associate of the Manager	248.05	1 Jan 2019	55,067	222	0	monthly rent	275,335
Guangzhou Yuexiu Asset Management Co., Ltd. ("GZAM")	0601-D	an associate of the Manager	138.73	1 Sep 2016	28,576	206	0	3	166,424
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 Co., Ltd.	0601-F	an associate of the Manager	126.99	1 Jan 2018	27,333	215	0	3	165,211
Guangzhou City Construction Development Co., Ltd. ("GCCD")	0601-G, H	an associate of the Manager	877.03	1 Jan 2019	194,701	222	0	3	1,144,684
Guangzhou Securities Co., Ltd.	706-707	an associate of the Manager	474.16	15 Apr 2018	79,026	167	0	3.04	477,650
Guangzhou Securities Co., Ltd.	1001-1006	an associate of the Manager	1,486.33	1 Jan 2019	337,399	227	0	monthly rent	1,686,995
Guangzhou Futures Co., Ltd.	1007-1012	an associate of the Manager	1,486.52	1 Jan 2019	337,441	227	0	3	1,894,719
廣州東耀房地產開發有限公司	1401	an associate of the Manager	3,071.42	1 Jan 2019	746,355	243	0	3	4,649,191
廣州市祥港房地產開發有限公司	1501	an associate of the Manager	3,141.03	1 Jan 2019	747,565	238	0	3	4,656,728
GCCD	1601	an associate of the Manager	3,156.79	1 Jan 2019	751,316	238	0	3	4,680,095
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	1701-A	an associate of the Manager	1,585.09	1 Jan 2018	395,518	250	0	3	2,325,329
Guangzhou Yue Tong Expressway Operations and Management Co., Ltd.	1701-B	an associate of the Manager	261.29	1 Jan 2018	65,198	250	0	3	383,313
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2018	66,588	250	0	3	391,483
廣州禮橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2018	50,152	250	0	3	294,854
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	1701-E	an associate of the Manager	855.96	1 Jan 2018	197,278	230	0	3	1,159,837
Guangzhou Securities Co., Ltd.	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2019	1,593,458	249	0	monthly rent	8,789,720
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM") <sup>(2)</sup>	3309, 3310, 3311, 3312	an associate of the Manager	1,095.81	30 Aug 2018	292,216	267	0	3	528,599

## 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 2019	
			GFA (sq.m.)	commencement/renewal date				Term (years)	Interim Period (RMB)
廣州越秀資本投資管理有限公司	3309, 3310, 3311, 3312	an associate of the Manager	1,095.81	1 Mar 2019	292,216	267	0	2.50	1,093,035
廣州越秀鯤鵬私募證券投資基金管理 有限公司 <sup>(3)</sup>	3406-A	an associate of the Manager	207.00	1 Jan 2019	51,257	248	0	0.25	316,360
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	441,993
GZAM	4001, 02, 03, 05, 06	an associate of the Manager	2,882.42	1 May 2018	713,741	248	0	3	4,196,226
YXE	4606	an associate of the Manager	558.37	1 Jan 2018	138,263	248	0	4.83	842,311
YXE	5604	an associate of the Manager	533.50	25 Mar 2019	142,267	267	0	3.02	438,869
YXE	5801-A	an associate of the Manager	512.64	1 Jun 2016	138,872	271	0	3	673,140
YXE	5801-A, 05-A, 06-E, 07-A	an associate of the Manager	734.15	1 Jun 2019	204,863	279	0	3	200,302
廣州東耀房地產開發有限公司 <sup>(4)</sup>	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	1,897,680
GZAM <sup>(5)</sup>	5804-B	an associate of the Manager	242.29	1 Jun 2016	65,635	271	0	3	384,251
YXE	5805-A	an associate of the Manager	136.02	1 Jul 2018	37,308	274	0	0.92	184,981
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	5804-C	an associate of the Manager	262.73	1 Jun 2019	73,314	279	0	3	653,750
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	5805-B, 06-A	an associate of the Manager	507.40	1 Oct 2018	137,452	271	0	0.67	666,257
Guangzhou Securities Co., Ltd.	5806-B	an associate of the Manager	213.70	1 Jun 2016	57,890	271	0	3	280,605
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	5805-B, 06-A, 06-B	an associate of the Manager	721.10	1 Jun 2019	201,221	279	0	3	606,285
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>(6)</sup>	5806-C	an associate of the Manager	133.50	1 Jun 2016	36,165	271	0	3	211,721
Guangzhou Paper Group Ltd. <sup>(7)</sup>	5806-D	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	135,581
YXE	5806-E, 07-A	an associate of the Manager	85.49	1 Jun 2017	23,159	271	0	2.42	112,256
廣州鈦白粉廠 <sup>(8)</sup>	5807-B	an associate of the Manager	85.49	1 Jun 2016	23,159	271	0	3	23,000
Guangzhou Yuexiu Enterprises Development Ltd. <sup>(9)</sup>	5807-B	an associate of the Manager	85.49	1 Feb 2019	23,449	274	0	0.33	112,535
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-A, E	an associate of the Manager	696.58	1 Jan 2019	233,354	335	0	3	1,423,641
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-B, C	an associate of the Manager	1,742.17	1 Jan 2019	583,627	335	0	3	3,560,580
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-D	an associate of the Manager	560.73	1 Oct 2018	185,842	331	0	3	1,077,287
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-F	an associate of the Manager	300.00	1 Jan 2019	100,000	333	0	0.67	576,367
YXE	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2019	2,278,157	350	0	3	13,849,499

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/	Monthly rent (RMB)	Monthly rent per	Rent free period (days)	Term (years)	Rental income
				renewal date		sq.m. (RMB)			during 2019 Interim Period (RMB)
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	142.17	1 Jan 2019	26,159	184	0	1	155,664
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	0440-B	an associate of the Manager	189.75	1 Jan 2019	34,914	184	0	1	207,763
GZYXIIIFM	0440-C	an associate of the Manager	104.18	1 Jan 2019	19,169	184	0	1	114,068
廣州越秀商業地產投資管理有限公司	0440-D	an associate of the Manager	253.83	1 Jan 2019	46,705	184	0	1	277,927
GCCD	0440-E	an associate of the Manager	696.08	1 Jan 2019	128,079	184	0	1	762,158
廣州市城建開發集團名特網絡發展有限公司	0440-F	an associate of the Manager	51.80	1 Jan 2019	9,531	184	0	1	56,716
Guangzhou Securities Co., Ltd.	0440-G	an associate of the Manager	546.81	1 Jan 2019	100,613	184	0	1	598,715
YXE	0440-H	an associate of the Manager	378.74	1 Jan 2019	69,688	184	0	1	414,691
Guangzhou Yuexiu Financial Technology Co., Ltd.	0440-I	an associate of the Manager	136.80	1 Jan 2019	25,171	184	0	1	149,785
Guangzhou Guang Zheng Hang Seng Research Co., Ltd.	0440-J	an associate of the Manager	30.70	1 Jan 2019	5,649	184	0	1	33,615
Chong Hing Bank Guangzhou Branch	0440-K	an associate of the Manager	116.65	1 Jan 2019	21,464	184	0	1	127,726
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZJLL")	0440-L	an associate of the Manager	21.87	1 Jan 2019	4,024	184	0	1	23,946
Chong Hing Bank Guangzhou Tianhe Sub-Branch	0440-N	an associate of the Manager	22.45	1 Jan 2019	4,131	184	0	1	24,582
Guangzhou Yuexiu Business Operation Management Co., Ltd.	0440-O	an associate of the Manager	7.10	1 Jan 2019	1,306	184	0	1	7,772
廣州友誼集團有限公司	IFC podium, lower level one, lower refugee floor level one, first floor, second floor, third floor	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	Back of house in lower level three	an associate of the Manager	743.00	1 Aug 2014	17,690	24	0	11.67	106,143
廣州友誼集團有限公司	IFC podium B127a, B127b	an associate of the Manager	66.00	14 Dec 2018	16,342	248	0	3	100,533
GZJLL	Carpark	an associate of the Manager	71,082.79	1 Jan 2019	1,350,004	19	0	1	8,100,024
<b>Sub-Total:</b>									<b>101,083,636</b>

## CONNECTED PARTY TRANSACTIONS

- (1) On 31 May 2019, Guangzhou Guang Zheng Hang Seng Research Co., Ltd negotiated with Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd. ("GZIFC"), rent from month to month from 31 May 2019 and the unit price of rent adjusted to RMB 212/m<sup>2</sup>/month.
- (2) On 1 March 2019, GZYXIFM entered into a lease with GZIFC, to renew the lease of Units 3309, 3310, 3311 and 3312 of GZIFC, the tenant of which has been changed into 廣州越秀資本投資管理有限公司 since 1 March 2019, rentals remained unchanged.
- (3) On 1 April 2019, 廣州越秀鯤鵬私募證券投資基金管理有限公司 entered into a lease with GZIFC, to renew the lease of Unit 3406-A of GZIFC for a term of one year commencing from 1 April 2019, and the unit price of rent adjusted to RMB 267/m<sup>2</sup>/month.
- (4) On 1 June 2019, 廣東東耀房地產開發有限公司 entered into a lease with GZIFC, to renew the lease of Units 5801-B, 02, 03 and 04-A for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m<sup>2</sup>/month.
- (5) On 1 June 2019, GZAM entered into a lease with GZIFC, to renew the lease of Unit 5804-B of GZIFC for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m<sup>2</sup>/month.
- (6) On 1 June 2019, Guangzhou Yuexiu Financial Leasing Co., Ltd entered into a lease with GZIFC, to renew the lease of Unit 5806-C of GZIFC for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m<sup>2</sup>/month.
- (7) On 1 June 2019, Guangzhou Paper Group Ltd. entered into a lease with GZIFC, to renew the lease of Unit 5806-D of GZIFC for a term of 3 years commencing from 1 June 2019, and the unit price of rent adjusted to RMB 279/m<sup>2</sup>/month.
- (8) On 1 February 2019, 廣州鈦白粉廠 entered into a lease with GZIFC, to renew the lease of Unit 5807-B of GZIFC, the tenant of which has been changed into Guangzhou Yue Xiu Enterprises Development Ltd since 1 February 2019, and the unit price of rent adjusted to RMB 274/m<sup>2</sup>/month.
- (9) On 1 June 2019, Guangzhou Yue Xiu Enterprises Development Ltd entered into a lease with GZIFC, to renew the lease of Unit 5807-B of GZIFC for a term of 3 years commencing from 1 June 2019, and unit price of rent adjusted to RMB 279/m<sup>2</sup>/month.

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 2019 Interim Period (RMB)
<b>Yue Xiu Tower</b>									
Chong Hing Bank Limited Shanghai Branch	1807	an associate of the Manager	142.05	1 May 2018	43,207	304	0	2	256,760
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd 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	1 May 2017	306,116	304	0	5	1,868,287
Guangzhou Securities Co., Ltd. <sup>(1)</sup>	2702A, 03B	an associate of the Manager	250.12	1 Dec 2016	76,078	304	0	2.33	445,473
Yicheng Shanghai	310B, 301A, 301B	an associate of the Manager	495.17	15 Dec 2018	136,307	289	0	5.05	810,097
Chong Hing Bank Limited	2801-05	an associate of the Manager	1,444.18	27 Jun 2019	398,275	276	0	2.6	52,382
<b>Sub-total:</b>									<b>4,282,322</b>

- (1) On 1 April 2019, Guangzhou Securities Co., Ltd entered into a lease with Shanghai HongJia Real Estate Development Co., Ltd to renew the lease of Unit 2702A, 03B of Yue Xiu Tower for a term of three months commencing from 1 April 2019, rentals remained unchanged.

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/	Monthly	Monthly	Rent free	Rental income	
				renewal date	rent	rent per sq.m.	period	Term	during 2019
					(RMB)	(RMB)	(days)	(years)	Interim Period (RMB)
<b>Wuhan Properties</b>									
Guangzhou Yicheng Business Operation Management Co., Limited Wuhan Branch ("Yicheng Wuhan")	6201A	an associate of the Manager	875.91	1 Jan 2018	120,959	138	0	5	726,176
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	2,250,113
Yicheng Wuhan	Carpark	an associate of the Manager	47,182.94	21 Dec 2017	625,000	13	0	3.03	3,714,003
Yicheng Wuhan	Carpark	an associate of the Manager	15,602.82	21 Dec 2017	290,000	19	0	3.03	1,723,776
廣州城建開發設計院有限公司	6101C	an associate of the Manager	250	27 Dec 2017	33,333	133	0	3	191,515
Xingye	6101A	an associate of the Manager	300	27 Dec 2017	40,000	133	0	3	229,818
廣州越秀地產工程管理有限公司	6101B	an associate of the Manager	350	27 Dec 2017	46,667	133	0	3	268,121
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	485.7	1 Jan 2018	64,760	133	0	3	370,042
武漢康景實業投資有限公司	6001B	an associate of the Manager	401.08	1 Mar 2018	53,477	133	0	2.83	326,785
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	476,190
武漢康景實業投資有限公司	Site	an associate of the Manager	280	1 Jul 2018	N/A	N/A	0	1.5	5,280,000
武漢康景實業投資有限公司	Advertising Space	an associate of the Manager	—	1 Jul 2018	N/A	N/A	0	1.5	4,970,743
武漢越秀商業管理有限公司	6701	an associate of the Manager	917.55	1 Oct 2018	129,375	141	0	1.25	768,606
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	200	1 Oct 2018	142,860	N/A	0	3	849,339
廣州越秀地產工程管理有限公司	5801, 5802	an associate of the Manager	2,638.6	1 Aug 2018	351,804	133	0	0.92	2,097,131
武漢越秀商業管理有限公司	3401-3408	an associate of the Manager	2,434.81	16 Jul 2018	231,890	95	0	5.04	1,465,566
武漢越秀商業管理有限公司	3409	an associate of the Manager	80.46	16 Jul 2018	3,066	38	0	5.04	18,232
Xingye	5901	an associate of the Manager	1,318.26	1 Jun 2019	175,764	133	0	1	172,883
廣州越秀星寓公寓管理有限公司	5902	an associate of the Manager	1,231.99	1 Jun 2019	164,261	133	0	1	161,568
武漢越秀商業管理有限公司	6401	an associate of the Manager	1,634.33	16 Jun 2019	217,905	133	0	1.04	107,237
武漢康景實業投資有限公司	3702	an associate of the Manager	700	1 Jun 2019	79,365	113	0	1	79,365

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/	Monthly rent (RMB)	Monthly rent per	Rent free period (days)	Term (years)	Rental income
				renewal date		sq.m. (RMB)			Interim Period (RMB)
武漢康景實業投資有限公司	The west side of Square	an associate of the Manager	300	1 Jun 2019	119,047	396	0	1.58	119,047
武漢康景實業投資有限公司	A101	an associate of the Manager	400	1 Jun 2019	60,952	152	0	1	60,952
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	20	1 Jun 2019	142,860	N/A	0	1.58	133,008
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	40	1 Jun 2019	285,720	N/A	0	1.58	266,015
<b>Sub-total:</b>									<b>27,475,212</b>

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease commencement/ renewal date	GFA (sq.m.)	Monthly	Monthly	Rent free period (days)	Term (years)	Rental income
					rent (RMB)	rent per sq.m. (RMB)			Interim Period (RMB)
<b>Hangzhou Victory</b>									
Hangzhou Yuexiu Real Estate Development Co., Ltd.	202-2, 301-1, 302-2, 1703, 1801, 1802, 1803	an associate of the Manager	20 Sep 2018	2,311.55	310,231	134	0	3.03	1,882,890
Guangzhou City Construction & Development Xingye Property Agent Ltd Hangzhou Branch	601-1	an associate of the Manager	20 Dec 2018	188.25	22,590	120	0	2.00	123,234
杭州盛寅房地產開發有限公司	801	an associate of the Manager	1 Sep 2018	336.65	40,398	120	0	3.08	245,163
杭州越榮房地產開發有限公司	1701	an associate of the Manager	20 Sep 2018	336.65	51,171	152	0	3.03	310,572
杭州豐勝房地產開發有限公司	1702	an associate of the Manager	20 Sep 2018	579.93	88,149	152	0	3.03	535,006
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Hangzhou Branch ("Yicheng Hangzhou")	Carpark	an associate of the Manager	28 Dec 2018	17,663.58	187,500	11	0	2.01	1,115,639
Guangzhou Securities Co., Ltd Hangzhou Branch	1201-1	an associate of the Manager	1 Jan 2019	299.00	43,355	145	0	1.71	232,899
Yicheng Hangzhou	1201-2	an associate of the Manager	1 Jan 2019	37.65	5,459	145	0	1.71	29,327
廣州越秀融資租賃有限公司 杭州富陽分公司	1202	an associate of the Manager	1 Jan 2019	579.93	80,030	138	0	2.00	476,240
Hangzhou Yuexiu Real Estate Development Co., Ltd.	302-1	an associate of the Manager	15 Mar 2019	430.31	47,334	110	0	2.55	163,191
<b>Sub-total:</b>									<b>5,114,161</b>
<b>Total:</b>									<b>142,774,474</b>

## 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 2019 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
Guangzhou Yuexiu Yicheng Business Operation Management CO., Ltd ("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 <sup>(1)</sup>	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
GZJLL	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
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	31 Aug 2017	Property Management Agreement	N/A

- (1) Yicheng entered into a lease with the owners' committee of City Development Plaza, renewing the existing term for 3 years commencing 19 July 2019, and other terms remain unchanged.

## 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:

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2019 Interim Period (RMB)
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2017	Tenancy Services Agreement	5,557,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2017	Tenancy Services Agreement	1,463,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2017	Tenancy Services Agreement	1,317,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2017	Tenancy Services Agreement	1,551,000
Yicheng	an associate of the Manager	Fortune Plaza 1701	31 Dec 2017	Tenancy Services Agreement	34,000
GZAM	an associate of the Manager	GZIFC	31 Dec 2017	Tenancy Services Agreement	7,608,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	31 Dec 2017	Tenancy Services Agreement	2,014,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	2,818,000
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	28 Dec 2018	Tenancy Services Agreement	622,000

### 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 2019 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.

## CONNECTED PARTY TRANSACTIONS

## 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 Agreement	Balance of Prepaid Construction Payable for 2019 Interim Period (RMB)	Nature of Transaction	Amount received/receivable for 2019 Interim Period (RMB)
GCCD	an associate of the Manager	4 May 2012	218,902,000	Interest on the balance of construction payable	9,380,000

## ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2019 Interim Period	Amount of interest paid/payable within the 2019 Interim Period (RMB)
Chong Hing Bank	Loan <sup>(1)</sup>	an associate of the Manager	Nov 2016	236,090,000	—	5,979,000

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

## ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Amount of interest received/receivable within the 2019 Interim Period (RMB)
Chong Hing Bank	Deposit	an associate of the Manager	481,000

## 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 2019 Interim Period	Amount of interest paid/payable within the 2019 Interim Period (RMB)
Guangzhou Construction & Development Holdings (China) Limited		an associate of the Manager	21 Dec 2017	20,000	—	—

## CONNECTED PARTY TRANSACTIONS

### NAMING RIGHTS AGREEMENT

Grantor	Relationship with Yuexiu REIT	Property	Nature of Transaction	Amount paid/ payable for 2019 Interim Period (RMB)	Naming Rights Period
Guangzhou City Construction and Development Co. Ltd.	an associate of the Manager	Wuhan Properties	Naming rights	1,143,000	1 June 2019 to 31 December 2020

### 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)).

## CONNECTED PARTY TRANSACTIONS

### 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:

#### ORDINARY BANKING SERVICES

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2019 Interim Period	Amount of interest paid/payable within the 2019 Interim Period
HSBC Group	Loan <sup>(1)</sup>	Nov 2016, May 2017	HK\$706,695,000	—	RMB12,178,000

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

#### CORPORATE FINANCE

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2019 Interim Period	Amount of interest paid/payable within the 2019 Interim Period
HSBC Group	Bond <sup>(2)</sup>	—	—	RMB210	—

(2) HSBC Group was one of the underwriters.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, 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 2019 interim period.

### 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.

## CONNECTED PARTY TRANSACTIONS

### 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 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 2019 interim period.

### MANAGER'S FEES

During the 2019 interim period, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB72,027,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

### TRUSTEE'S FEES

During the 2019 interim period, the aggregate amount of fees payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB5,149,000.

### PRINCIPAL VALUER'S FEES

During the 2019 interim period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB429,000.

## 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 2019		As at 30 June 2019		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Cheng Jiuzhou	Personal	480	0.000015%	480	0.000015%	—
Mr. Li Feng	Personal	1,825	0.000059%	1,825	0.000059%	—
Mr. Liang Danqing	—	Nil	—	Nil	—	—
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 2019		As at 30 June 2019		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holding Limited ("GZYX") <sup>(1)</sup>	Deemed	1,666,656,100 <sup>(3)</sup>	53.65% <sup>(4)</sup>	1,679,823,895 <sup>(3)</sup>	53.85%	0.2%
	Total	1,666,656,100 <sup>(3)</sup>	53.65% <sup>(4)</sup>	1,679,823,895 <sup>(3)</sup>	53.85%	0.2%
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,666,628,780 <sup>(3)</sup>	53.65% <sup>(4)</sup>	1,679,796,575 <sup>(3)</sup>	53.85%	0.2%
	Total	1,666,656,100 <sup>(3)</sup>	53.65% <sup>(4)</sup>	1,679,823,895 <sup>(3)</sup>	53.85%	0.2%
YXP <sup>(2)</sup>	Beneficial	—	—	—	—	—
	Deemed	1,657,394,515 <sup>(3)</sup>	53.35% <sup>(4)</sup>	1,670,562,310 <sup>(3)</sup>	53.55%	0.2%
	Total	1,657,394,515 <sup>(3)</sup>	53.35% <sup>(4)</sup>	1,670,562,310 <sup>(3)</sup>	53.55%	0.2%
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,632,125,730 <sup>(3)</sup>	52.54% <sup>(4)</sup>	1,632,125,730 <sup>(3)</sup>	52.32%	(0.22%)
	Deemed	—	—	—	—	—
	Total	1,632,125,730 <sup>(3)</sup>	52.54% <sup>(4)</sup>	1,632,125,730 <sup>(3)</sup>	52.32%	(0.22%)

(1) Further information in relation to interests of corporations controlled by GZYX.

(2) The deemed interest in 1,670,562,310 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of YXP.

## 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	GZYG	100.00	Y	27,320	—
Yue Xiu	GZYG	100.00	N	1,679,796,575 <sup>(3)</sup>	192,307,692
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,678,497,345 <sup>(3)</sup>	192,307,692
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Excellence Enterprises Co., Ltd.	37.14	N	1,670,562,310 <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	38,436,580	—
Guangzhou Construction & Development Holdings (China) Limited	YXP	100.00	N	—	192,307,692
Intellect Aim Management Ltd.	Guangzhou Construction & Development Holdings (China) Limited	100.00	Y	—	192,307,692

## CONNECTED PARTY TRANSACTIONS

- (3) The number of units includes 535,401,494 deferred units. Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to YXP (or YXP's nominee) at an issue price of HK\$4.00 per Unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.
- (4) After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 36.685%, while the approximate interest in Yuexiu REIT held by YXP and Dragon Yield will be approximately 36.39% and 35.156% respectively.

## 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 2019		As at 30 June 2019		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Liao Ningjun	Personal	1,250	0.000040%	1,250	0.000040%	—
Ms. Ou Haijing	Personal	1,000	0.000032%	1,000	0.000032%	—
Mr. Liu Bihong	Personal	225	0.000007%	225	0.000007%	—

## HOLDINGS OF OTHER CONNECTED PERSON

Name	Nature of interest	As at 1 January 2019		As at 30 June 2019		% 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%	—

- (1) Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 30 June 2019.

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 2019.

# 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 "Manger" 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 2019 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, 1 August 2019

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# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	6	999,658	1,002,794
Operating expenses	7	(460,184)	(452,194)
Fair value gains on investment properties	14	719,916	601,114
Change in fair value of			
– support arrangement asset	17	16,646	11,092
– derivative financial instruments	18	(1,726)	(19,753)
Finance income	9	17,612	17,311
Finance expenses	10	(294,658)	(342,844)
Profit before income tax and transactions with unitholders		997,264	817,520
Income tax expense	11	(266,595)	(200,732)
Profit after income tax before transactions with unitholders		730,669	616,788
Transactions with unitholders	26	(697,617)	(533,326)
Profit after income tax after transactions with unitholders		33,052	83,462
Other comprehensive income/(loss) 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		6,419	(79,320)
– Tax		(1,798)	22,217
Other comprehensive income/(loss) for the period, net of tax		4,621	(57,103)
Total comprehensive income for the period		37,673	26,359

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

<b>Unaudited</b>	Attributable to				
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 26) RMB'000	Unitholders after transactions with unitholders RMB'000	Non- controlling interests RMB'000	Total RMB'000
Profit/(loss) for the period ended 30 June 2018	589,834	(533,326)	56,508	26,954	83,462
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	(56,508)	—	(56,508)	(595)	(57,103)
Total comprehensive income/(loss) for the period ended 30 June 2018	<u>533,326</u>	<u>(533,326)</u>	<u>—</u>	<u>26,359</u>	<u>26,359</u>
<b>Profit/(loss) for the period ended 30 June 2019</b>	<b>693,044</b>	<b>(697,617)</b>	<b>(4,573)</b>	<b>37,625</b>	<b>33,052</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	4,573	—	4,573	48	4,621
Total comprehensive income/(loss) for the period ended 30 June 2019	<u>697,617</u>	<u>(697,617)</u>	<u>—</u>	<u>37,673</u>	<u>37,673</u>

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 page 54 to 86 are an integral part of these consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,310,891	2,340,934
Land use rights	13	1,355,327	1,379,969
Investment properties	14	29,837,000	29,115,000
Deferred assets	15	201,014	219,847
Goodwill	16	859,868	859,868
Support arrangement asset	17	9,247	—
		<b>34,573,347</b>	<b>33,915,618</b>
<b>Current assets</b>			
Inventories		4,102	4,337
Trade receivables	19	32,893	26,785
Amounts due from related parties		228,956	238,915
Prepayments, deposits and other receivables	20	97,935	147,852
Tax recoverable		4,072	8,526
Support arrangement asset	17	14,874	11,645
Short-term bank deposits	21	22,692	22,633
Cash and cash equivalents	21	1,307,369	1,458,755
		<b>1,712,893</b>	<b>1,919,448</b>
<b>Total assets</b>		<b>36,286,240</b>	<b>35,835,066</b>
<b>Current liabilities</b>			
Trade payables	23	13,543	17,689
Rental deposits, current portion	24	179,675	172,221
Receipts in advance	24	90,541	85,625
Accruals and other payables	24	927,742	998,607
Amounts due to related parties		106,056	103,227
Derivative financial instruments	18	118,114	113,745
Borrowings	25	3,906,777	2,276,543
Tax payables		96,348	144,845
		<b>5,438,796</b>	<b>3,912,502</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	24	188,788	184,377
Borrowings	25	9,903,304	11,599,185
Deferred tax liabilities	22	4,784,816	4,536,795
Derivative financial instruments	18	3,630	6,273
		14,880,538	16,326,630
<b>Total liabilities, other than net assets attributable to unitholders</b>			
Net assets attributable to unitholders	26	14,787,421	14,454,122
		20,319,334	20,239,132
<b>Total liabilities</b>			
		35,106,755	34,693,254
<b>Net assets</b>			
		1,179,485	1,141,812
<b>Equity</b>			
Revaluation reserve		424,747	420,174
Accumulated losses		(424,747)	(420,174)
		—	—
Non-controlling interests		1,179,485	1,141,812
		1,179,485	1,141,812
<b>Total equity</b>			
		3,725,903	1,993,054
<b>Net current liabilities</b>			
		30,847,444	31,922,564
<b>Total assets less current liabilities</b>			
Units in issue ('000)	26	3,119,618	3,106,450
		RMB4.74	RMB4.65
<b>Net assets attributable to unitholders per unit (RMB)</b>			

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		693,044	589,834
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		(692,535)	(601,114)
– Deferred taxation in respect of fair value gain on investment properties charged to profit or loss		153,816	117,785
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(177,719)	(173,961)
– Fair value gain on support arrangement asset		(16,646)	—
Total distributable loss		(40,040)	(67,456)
<b>Additional items (ii)</b>			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		177,719	173,961
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		63,962	64,604
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		51,569	50,319
– Manager’s fee paid and payable in units in lieu of cash		57,621	56,300
– Fair value loss on derivative financial instruments		1,726	19,753
– Foreign exchange loss on financing activities		41,199	126,265
– Support arrangement asset receivable		14,630	—
– Surplus cash from disposal of subsidiaries		55,900	—
<b>Distributable income after additional items</b>		<b>424,286</b>	<b>423,746</b>
Distributable amount at 1 January		425,902	431,127
Distribution paid during the period (iii)	26	(425,828)	(431,062)
Interim distribution declared (iv)		424,360	423,811
Distribution per unit, declared (iv)		RMB0.1360	RMB0.1400

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

**DISTRIBUTION STATEMENT (CONTINUED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 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 RMB0.1365 per unit, totaling RMB425,828,000 (equivalent to HK\$495,707,000), was paid to unitholders on 27 May 2019.
- (iv) A final distribution in respect of the six months ended 30 June 2019 of RMB0.1360 (equivalent to HK\$0.1546) per unit, totaling RMB424,360,000 (equivalent to HK\$482,172,000) was declared by the Board of the Manager on 1 August 2019.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units (Note 26)	54,476	—	—	—	54,476
Profit for the period attributable to:					
– Unitholders	533,326	—	—	—	533,326
– Equity holders	—	56,508	—	26,954	83,462
Distributions paid to unitholders	(431,062)	—	—	—	(431,062)
Change in fair value of property, plant and equipment, net of tax	—	—	(56,508)	(595)	(57,103)
At 30 June 2018	14,478,124	(398,704)	398,704	1,113,779	15,591,903
At 1 January 2019	14,454,122	(420,174)	420,174	1,141,812	15,595,934
Issuance of units (Note 26)	61,510	—	—	—	61,510
Profit for the period attributable to:					
– Unitholders	697,617	—	—	—	697,617
– Equity holders	—	(4,573)	—	37,625	33,052
Distributions paid to unitholders	(425,828)	—	—	—	(425,828)
Change in fair value of property, plant and equipment, net of tax	—	—	4,573	48	4,621
At 30 June 2019	14,787,421	(424,747)	424,747	1,179,485	15,966,906

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	621,533	512,414
Interest paid	(238,947)	(198,041)
Corporate income tax paid	(64,413)	(56,514)
Support arrangement asset received	4,170	—
Net cash generated from operating activities	322,343	257,859
<b>Cash flows from investing activities</b>		
Additions of investment properties	(2,084)	(3,886)
Additions of property, plant and equipment	(3,522)	(9,204)
Interest received	17,612	17,311
(Increase)/decrease in short-term bank deposits with original maturity of more than three months	(59)	4,128
Net cash generated from investing activities	11,947	8,349
<b>Cash flows from financing activities</b>		
Distribution paid	(425,828)	(431,062)
Repayment of borrowings	(1,367,229)	(2,531,880)
Proceeds from borrowings, net of transaction costs	1,245,871	2,517,720
Issuance of units	61,510	54,476
Net cash used in financing activities	(485,676)	(390,746)
<b>Net decrease in cash and cash equivalents</b>	(151,386)	(124,538)
Cash and cash equivalents at beginning of the period	1,458,755	1,303,904
<b>Cash and cash equivalents at end of the period</b>	<b>1,307,369</b>	<b>1,179,366</b>

The notes on page 54 to 86 are an integral part of these consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the "Trustee") on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 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 1 August 2019.

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 2019 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 2018 which have been prepared in accordance with HKFRS.

As at 30 June 2019, the Group's current liabilities exceeded its current assets by RMB3,725,903,000 (31 December 2018: RMB1,993,054,000) mainly as the bank borrowings of RMB3,906,777,000 (31 December 2018: RMB2,276,543,000) fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group's past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds, new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018.

#### (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 2019:

Annual Improvements to HKFRS	Annual Improvements 2015-2017 Cycle
Amendments to Hong Kong Accounting Standard ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The adoption of these new and amended standards 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 2019 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

### 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 2018.

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 is measured in a manner consistent with that in the condensed consolidated financial information.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
<b>Period ended 30 June 2019</b>				
Revenue from external customers	267,626	452,438	279,594	999,658
Segment results	43,183	902,863	438,089	1,384,135
Depreciation and amortisation	64,583	43	—	64,626
Fair value gains on investment properties	—	517,302	202,614	719,916
<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 gains on investment properties	—	356,161	244,953	601,114
<b>As at 30 June 2019</b>				
Total reportable segments' assets	4,378,854	20,646,817	10,346,496	35,372,167
<b>As at 31 December 2018</b>				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793

## 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	
	2019 RMB'000	2018 RMB'000
Segment results	1,384,135	1,263,310
Fair value loss on derivative financial instruments	(1,726)	(19,753)
Unallocated operating costs (Note)	(124,745)	(111,596)
Operating profit	1,257,664	1,131,961
Finance income	17,612	17,311
Finance expenses	(294,658)	(342,844)
Change in fair value of support arrangement asset	16,646	11,092
Profit before income tax and transactions with unitholders	997,264	817,520

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

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
	Total reportable segments' assets	35,372,167
Corporate assets	914,073	941,273
Total assets	36,286,240	35,835,066

	Revenue Unaudited Six months ended 30 June		Total assets	
	2019 RMB'000	2018 RMB'000	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
China	999,658	1,002,794	35,372,167	34,893,793
Unallocated assets			914,073	941,273
			36,286,240	35,835,066

## 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	
	2019 RMB'000	2018 RMB'000
Hotel and serviced apartments operations		
Room rentals	162,362	151,734
Food and beverages	95,307	102,637
Property rentals	732,032	739,169
Others	9,957	9,254
	<u>999,658</u>	<u>1,002,794</u>

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

	Unaudited 30 June 2019 RMB'000
Revenue recognised at a point in time	103,743
Revenue recognised overtime	162,362
Other sources	733,553
	<u>999,658</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Property management fee (i)	22,984	23,041
Employee benefit expense	60,301	58,656
Real estate tax	87,513	90,186
Flood prevention fee, urban construction and maintenance tax, educational surcharge and local educational surcharge	6,418	6,186
Withholding tax (ii)	29,477	29,733
Depreciation of property, plant and equipment	39,984	39,962
Amortisation of land use rights	24,642	24,642
Cost of inventories sold or consumed in operation	35,576	34,045
Other direct expenses on hotel and serviced apartments	55,798	58,122
Manager's fee (Note 8)	72,027	70,375
Trustee's fee	5,149	5,077
Valuation fee	429	690
Legal and professional fee	3,847	15,036
Auditor's remuneration	1,850	1,855
Bank charges	367	306
Exchange loss/(gain) from operating activities	9,836	(13,202)
Others	3,986	7,484
<b>Total operating expenses</b>	<b>460,184</b>	<b>452,194</b>

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Ltd., Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited.
- (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	
	2019 RMB'000	2018 RMB'000
Manager's fee:		
In the form of units	57,621	56,300
In the form of cash	14,406	14,075
	<u>72,027</u>	<u>70,375</u>

Pursuant to the circular of Yuexiu REIT dated 30 June 2012 and subsequent announcement dated 15 January 2018 and 15 January 2019, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 and 1 January 2018 to 31 December 2018 and 1 January 2019 to 31 December 2019, will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the period ended 30 June 2019 are expected to be issued on 26 August 2019. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 26 August 2019 and (ii) the average closing price of the units in the 10 trading days immediately preceding 26 August 2019.

### 9 FINANCE INCOME

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest income from bank deposits	8,232	6,474
Interest income from a related company	9,380	10,837
	<u>17,612</u>	<u>17,311</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 FINANCE EXPENSES

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest expense for bank borrowings	171,818	150,986
Interest expense for other borrowings	67,129	47,055
Interest expense to a related party	—	8,093
Amortisation of transaction costs for borrowings	14,512	10,445
Foreign exchange loss on financing activities	41,199	126,265
	<u>294,658</u>	<u>342,844</u>

### 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	
	2019 RMB'000	2018 RMB'000
Current income tax		
– China corporate income tax	20,372	28,248
Deferred income tax (Note 22)	246,223	172,484
	<u>266,595</u>	<u>200,732</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Six months ended 30 June 2018				
Opening net book amount as at				
1 January 2018	2,450,000	443	638	2,451,081
Additions	9,204	—	—	9,204
Depreciation	(39,884)	(53)	(25)	(39,962)
Fair value loss on revaluation	(79,320)	—	—	(79,320)
Closing net book amount as at				
30 June 2018	2,340,000	390	613	2,341,003
At 30 June 2018				
At fair value	2,340,000	—	—	2,340,000
At cost	—	390	613	1,003
	2,340,000	390	613	2,341,003
Six months ended 30 June 2019				
Opening net book amount as at				
1 January 2019	2,340,000	366	568	2,340,934
Additions	3,522	—	—	3,522
Depreciation	(39,941)	(43)	—	(39,984)
Fair value gain on revaluation	6,419	—	—	6,419
Closing net book amount as at				
30 June 2019	2,310,000	323	568	2,310,891
At 30 June 2019				
At fair value	2,310,000	—	—	2,310,000
At cost	—	323	568	891
	2,310,000	323	568	2,310,891

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 RMB1,713,798,000 (31 December 2018: RMB1,750,216,000).

As at 30 June 2019, property, plant and equipment with an aggregate carrying amount of RMB2,053 million (31 December 2018: RMB2,023 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Opening balance	2,340,000	2,450,000
Additions	3,522	19,325
Disposal	—	(2)
Depreciation	(39,941)	(80,140)
Unrealised gains/(losses) recognised in reserve	6,419	(49,183)
Closing balance	<u>2,310,000</u>	<u>2,340,000</u>
Changes in unrealised gains or losses for the period included in other comprehensive income at the end of the period	<u>6,419</u>	<u>(49,183)</u>

#### VALUATION PROCESSES OF THE GROUP

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2019 and 31 December 2018.

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

At each financial year end the finance department:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### VALUATION TECHNIQUES

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

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

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

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

In the course of discounted cash flow analysis, both income and expenses over the coming 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 2019

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

#### As at 31 December 2018

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

## NOTES TO THE 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	
	2019 RMB'000	2018 RMB'000
Beginning of the period	1,379,969	1,429,254
Amortisation	(24,642)	(24,642)
End of the period	1,355,327	1,404,612

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

	Unaudited	
	30 June 2019 RMB'000	30 June 2018 RMB'000
In China:		
Land use rights of between 40 and 50 years	1,355,327	1,404,612

As at 30 June 2019, the fair value of land use rights is approximately RMB2,645 million (31 December 2018: RMB2,515 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2019, land use rights were pledged with an aggregate net book amount of RMB1,264 million (31 December 2018: RMB1,288 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	
	2019 RMB'000	2018 RMB'000
Beginning of the period	29,115,000	28,706,000
Additions during the period	2,084	3,886
Fair value gains during the period, included in profit or loss under 'Fair value gains on investment properties'	719,916	601,114
End of the period	29,837,000	29,311,000

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 RMB5,895,000 (2018: RMB6,078,000) relating to investment properties that were vacant.

Yuexiu REIT acquired Hangzhou Victory Business Centre Tower 2 and the certain Carpark Spaces ("Hangzhou Victory") on 28 December 2018. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 30 June 2019, investment properties with an aggregate carrying value of approximately RMB3,729 million (31 December 2018: RMB3,551 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, being independent qualified valuer not related to the Group at 30 June 2019 and 31 December 2018.

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 2019 and 31 December 2018 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (CONTINUED)

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE (CONTINUED)

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

#### As at 30 June 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	99 to 331	4.00% to 7.25%
Wholesale and shopping mall	42 to 1,435	4.00% to 7.75%

#### As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 322	4.00% to 7.25%
Wholesale and shopping mall	41 to 1,400	4.00% to 7.75%

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

#### As at 30 June 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	99 to 331	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	42 to 1,435	6.75% to 8.75%	98.00% to 99.50%

#### As at 31 December 2018

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 322	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	41 to 1,400	6.75% to 8.75%	98.00% to 99.50%

## NOTES TO THE 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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Net book amount	859,868	859,868
Cost	859,868	845,325
Acquisition of subsidiaries	—	15,833
Disposal of subsidiaries	—	(1,290)
Accumulated impairment	—	—
	<u>859,868</u>	<u>859,868</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SUPPORT ARRANGEMENT ASSET

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

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

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the period	11,645	—
Fair value gain during the period	16,646	11,092
Support arrangement asset received	(4,170)	—
End of the period	24,121	11,092
Less: current portion of support arrangement asset	(14,874)	(11,092)
Non current portion of support arrangement	9,247	—

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-current liability		
Capped forward foreign exchange contracts	3,630	6,273
Current liability		
Capped foreign exchange forward contracts	118,114	113,745

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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2019 were HK\$3,744,648,000 (31 December 2018: HK\$2,900,000,000).

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.

### 19 TRADE RECEIVABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivables	32,893	26,785

The fair values of trade receivables approximate their carrying amounts.

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
0 - 30 days	31,345	22,405
31 - 90 days	741	3,182
91 - 180 days	201	905
181 - 365 days	313	293
Over a year	293	—
	<u>32,893</u>	<u>26,785</u>

As at 30 June 2019, 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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.

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Cash at bank and on hand	1,284,395	1,345,300
Short-term bank deposits with original maturity of less than three months	22,974	113,455
Cash and cash equivalents	1,307,369	1,458,755
Short-term bank deposits with original maturity of more than three months	22,692	22,633
Total	1,330,061	1,481,388
Maximum exposure to credit risk	1,329,619	1,480,941

As at 30 June 2019, included in the cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,184,305,000 (31 December 2018: RMB1,167,013,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

The credit quality of short-term bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. 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 RMB, Hong Kong dollar and United States dollar.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
HK\$	128,592	231,073
RMB	1,184,808	1,167,653
USD	16,661	82,662
	<u>1,330,061</u>	<u>1,481,388</u>

### 22 DEFERRED TAX LIABILITIES

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the period	4,536,795	4,428,310
Deferred taxation charged to profit or loss (Note 11)	246,223	172,484
Deferred taxation charged/(credited) to reserve	1,798	(22,217)
End of the period	<u>4,784,816</u>	<u>4,578,577</u>

### 23 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
0 - 30 days	8,644	10,157
31 - 90 days	4,062	5,896
91 - 180 days	837	1,636
	<u>13,543</u>	<u>17,689</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Rental deposits		
Current portion	179,675	172,221
Non-current portion	188,788	184,377
	368,463	356,598
Receipts in advance		
Current portion	90,541	85,625
Provision for urban real estate tax	18,601	15,455
Provision for withholding tax payable	8,392	9,493
Provision for urban land use tax, value-added tax, urban construction and maintenance tax, education surcharge, local education surcharge	11,261	11,412
Construction fee payable	766,051	796,897
Accruals for operating expenses	123,437	165,350
Accruals and other payables	927,742	998,607
	1,386,746	1,440,830

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 25 BORROWINGS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Current portion of long-term borrowings		
Bank borrowings		
– Secured	—	268,440
– Unsecured	3,906,777	2,008,103
	<u>3,906,777</u>	<u>2,276,543</u>
Long-term borrowings		
Bank borrowings		
– Secured	2,121,280	2,521,280
– Unsecured	7,967,536	8,624,328
Other borrowings, unsecured (Note)	3,721,265	2,730,120
	<u>13,810,081</u>	<u>13,875,728</u>
Less: current portion of long-term borrowings	<u>(3,906,777)</u>	<u>(2,276,543)</u>
Total long-term borrowings	<u>9,903,304</u>	<u>11,599,185</u>
Unsecured	11,688,801	11,354,448
Secured	2,121,280	2,521,280
	<u>13,810,081</u>	<u>13,875,728</u>

As at 30 June 2019, syndicated and entrustment loans totalling RMB2,121 million (31 December 2018: RMB2,521 million) are secured by certain parts of GZIFC with carrying value of RMB7,046 million (31 December 2018: RMB6,862 million).

Note:

On 28 May 2019 and 14 June 2019, Yuexiu REIT MTN Company Limited, issued and sold HK\$770 million and HK\$350 million principal amount of 3.60% additional notes both due in May 2024 to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 26 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Beginning of the period	14,454,122	14,321,384
Issuance of units	61,510	54,476
Transfer from the statement of comprehensive income	697,617	533,326
Distribution paid during the period	(425,828)	(431,062)
End of the period	14,787,421	14,478,124

The movement of numbers of existing units is as below:

Units in issue ('000)	Unaudited Six months ended 30 June	
	2019	2018
Beginning of the period	3,106,450	3,014,285
Units issued during the period	13,168	12,838
End of the period	3,119,618	3,027,123

Note:

During the period, 13,168,000 units were issued for the payment of manager's fee (2018: 12,838,000 units).

In 2018, a total of 25,165,000 units were issued for the payment of manager's fee. At 31 December 2018, the Group also issued 67,000,000 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 67,000,000 units at 31 December 2018, the outstanding deferred units were approximately 535,401,000 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	
	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	693,044	589,834
Weighted average number of units in issue ('000)	3,114,380	3,022,088
Basic earnings per unit (RMB)	0.22	0.20

#### (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 2019.

	Unaudited Six months ended 30 June	
	2019	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	693,044	589,834
Weighted average number of units in issue ('000)	3,114,380	3,022,088
Adjustments for deferred units ('000)	535,401	602,401
Adjustments for manager's fee in form of units ('000)	12,267	12,671
Weighted average number of units for diluted earnings per unit ('000)	3,662,048	3,637,160
Diluted earnings per unit (RMB)	0.19	0.16

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

As at 30 June 2019, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 36% 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 2019:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Yicheng 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 Yuexiu Business Operation Management Co., Ltd.	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GDC (China)") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou Yue Xiu Enterprises (Holdings) Ltd ("YXE") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Xiu Enterprises Development Ltd <sup>1</sup>	A subsidiary of YXE
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Building Materials Enterprise Group Co., Ltd.	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Securities Company Limited <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Futures Co., Ltd <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Kungpeng Private Equity Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <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
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 <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Ltd. Guangzhou Sub-Branch) ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅停網絡科技有限公司 <sup>1</sup>	A subsidiary of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
武漢越秀商業管理有限公司 (previously known as "武漢越秀維港商業管理有限公司") <sup>1</sup>	A subsidiary of YXP
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀資本投資管理有限公司 <sup>1</sup>	A subsidiary of GZYFHG
廣州越秀星寓公寓管理有限公司 <sup>1</sup>	A subsidiary of YXP
Yue Xiu Consultants (Shenzhen) Co., Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州越榮房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州盛寅房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州豐勝房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Incumbent Valuer")	The principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### (A) TRANSACTIONS WITH CONNECTED/RELATED COMPANIES

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Manager's fee paid/payable to the Manager <sup>(iii)</sup>	(72,027)	(70,375)
Management fee paid/payable to Yicheng	(7,805)	(7,885)
Management fee paid/payable to Baima BM	(5,557)	(5,696)
Management fee paid/payable to GZ AM	(9,622)	(9,460)
Rental income received/receivable from Xingye	3,549	3,252
Rental income received/receivable from Yicheng	8,976	7,036
Rental income received/receivable from GCCD	7,134	5,464
Rental income received/receivable from White Horse JV	—	621
Rental income received/receivable from YXE	18,315	16,762
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	—	1,048
Rental income received/receivable from Guang Zheng	1,148	1,104
Rental income received/receivable from Suiqiao	295	295
Rental income received/receivable from Guangzhou Securities Company Limited	15,676	15,482
Rental income received/receivable from Guangzhou Futures Company Limited	1,895	1,410
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	643	2,020
Rental income received/receivable from GZ JLL	8,124	7,661
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	687	210
Rental income received/receivable from GZ AM	5,171	4,559
Rental income received/receivable from 廣州市祥港房地產開發有限公司	4,657	—
Rental income received/receivable from 廣州市宏錦房地產開發有限公司	—	8,737
Rental income received/receivable from 廣州東耀房地產開發有限公司	6,831	2,148
Rental income received/receivable from GZYFHG	8,416	6,020
Rental income received/receivable from Yue Tong	383	383
Rental income received/receivable from Yue Peng	391	391

## 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	
	2019	2018
	RMB'000	RMB'000
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,460	4,431
Rental income received/receivable from Guangzhou Paper Group Ltd.	136	135
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	23	135
Rental income received/receivable from Chong Hing Tianhe	25	1,424
Rental income received/receivable from Chong Hing Guangzhou	128	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	57	49
Rental income received/receivable from 廣州悅停網絡科技有限公司	47	94
Rental income received/receivable from 廣州鵬燁貿易有限公司	547	547
Rental income received/receivable from 廣州友誼集團有限公司	16,128	16,027
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	462	555
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	1,868	1,868
Rental income received/receivable from 武漢越秀商業管理有限公司 (Previously known as "武漢越秀維港商業管理有限公司")	3,608	—
Rental income received/receivable from 武漢康景實業投資有限公司	14,582	13,377
Rental income received/receivable from 廣州城建開發設計院有限公司	192	190
Rental income received/receivable from 廣州越秀地產工程管理有限公司	2,365	267
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	278	261
Rental income received/receivable from Yue Xiu Consultants (Shenzhen) Co., Ltd.	442	73
Rental income received/receivable from 廣州越秀資本投資管理有限公司	1,093	—
Rental income received/receivable from 廣州越秀星寓公寓管理有限公司	162	—

## 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	
	2019	2018
	RMB'000	RMB'000
Rental income received/receivable from Guangzhou Yue Xiu Enterprises Development Ltd	113	—
Rental income received/receivable from Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd.	316	—
Rental income received/receivable from Chong Hing Bank Limited	52	—
Rental income received/receivable from 杭州越秀房地產開發有限公司	2,046	—
Rental income received/receivable from 杭州越榮房地產開發有限公司	311	—
Rental income received/receivable from 杭州盛寅房地產開發有限公司	245	—
Rental income received/receivable from 杭州豐勝房地產開發有限公司	535	—
Rental income received/receivable from Guangzhou Yuexiu Business Operation Management Co.,Ltd.	8	—
Interest income received/receivable from GCCD	9,380	10,837
Naming right income received/receivable from GCCD	1,143	—
Trustee's fee paid/payable to the Trustee	(5,149)	(5,077)
Valuation fee paid/payable to the Incumbent Valuer	(429)	(690)
Interest expense paid/payable to GCD (China)	—	(8,093)
Interest expense paid/payable to the HSBC Group	(12,178)	(9,346)
Interest income received/receivable from the HSBC Group	6	—
Interest expense paid/payable to Chong Hing Tianhe	(5,979)	(7,627)
Interest income received/receivable from Chong Hing Tianhe	481	—

Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### (B) BALANCES WITH RELATED COMPANIES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Amount due from GCCD <sup>(i)</sup>	228,956	238,915
Amount due to Yicheng	(16,738)	(6,456)
Amount due to Baima BM	(917)	(696)
Amount due to the Manager	(75,471)	(77,670)
Amount due to GZ AM	(1,568)	(1,676)
Amount due to GCD (China)	(1,362)	(6,729)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Tianhe	(236,090)	(290,400)
Rental income receivables from related companies	16,798	5,711
Rental deposits from related companies <sup>(ii)</sup>	(66,460)	(51,897)

Except for an amount due from GCCD of approximately RMB219 million (31 December 2018: RMB227 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. As at 30 June 2019, all 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 RMB229 million (31 December 2018: RMB239 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 2019 (2018: nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 29 CAPITAL COMMITMENTS

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	14,911	21,832

### 30 FUTURE MINIMUM RENTAL RECEIVABLES

At 30 June 2019 and 31 December 2018, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Within one year	1,077,972	1,202,567
Between one year and five years	1,517,066	1,918,346
Over five years	103,361	133,985
	<u>2,698,399</u>	<u>3,254,898</u>

## PERFORMANCE TABLE

	Unaudited 30 June 2019	Unaudited 30 June 2018
Net assets attributable to Unitholders (RMB)	14,787,421,000	14,478,124,000
Net assets attributable to Unitholders per unit (RMB)	4.74	4.78
Equivalent to HK\$	5.39	5.51
The highest premium of the traded price to net asset value (i)	HK\$0.24	HK\$0.09
The highest discount of the traded price to net asset value (i)	HK\$0.44	HK\$0.51
Net yield per unit (ii)	4.17%	4.39%
Number of units in issue	3,119,618,222 units	3,027,123,467 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.63 (2018: HK\$5.60) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the period from 1 January 2019 to 30 June 2019. The highest discount is calculated based on the lowest traded price of HK\$4.95 (2018: HK\$5.00) on the Stock Exchange during the period from 1 January 2019 to 30 June 2019.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with Unitholders per unit for the period from 1 January 2019 to 30 June 2019 over the traded price of HK\$5.34 as at 30 June 2019 (2018: HK\$5.27) on the Stock Exchange.

# CORPORATE AND INVESTOR RELATIONS INFORMATION

## BOARD OF DIRECTORS OF THE MANAGER

### EXECUTIVE DIRECTORS

Mr. Lin Deliang (*Chairman*)  
Mr. Cheng Jiuzhou

### NON-EXECUTIVE DIRECTORS

Mr. Li Feng  
Mr. Liang Danqing

### 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  
Ms. Ou Haijing

## 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 Professional Services Limited

## HONG KONG LEGAL ADVISOR

Baker & McKenzie

## PRINCIPAL BANKERS OF YUEXIU REIT

Bank of China (Hong Kong) Limited  
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  
Yue Xiu Building  
160 Lockhart Road  
Wanchai, Hong Kong

## UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
54/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

For further information about  
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# 越秀房地產投資信託基金

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17B Yue Xiu Bldg., 160 Lockhart Road, Wanchai, Hong Kong

Manager



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