



# 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



YUEXIU  
REIT  
2005-2020

VISION FOR  
A STEADY FORTUNE



INTERIM REPORT 2020

**15** YUEXIU  
REIT  
2005-2020





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Comprehensive Income			

## PERFORMANCE SUMMARY

The following is a summary of Yuexiu REIT's financial results during the 2020 Interim Period and the 2019 Interim Period:

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

	Six months ended 30 June		Change (Decrease) %
	2020	2019	
Gross income	831,135,000	999,658,000	(16.9)%
Net property income	653,818,000	728,846,000	(10.3)%
Net (loss)/profit after tax before transactions with Unitholders	(212,079,000)	730,669,000	(129.0)%
Interim distribution (Note a)	318,771,000	424,360,000	(24.9)%
(Losses)/Earnings per unit	(0.0659)	0.2225	(129.6)%
Distribution per unit	0.0990	0.1360	(27.2)%
Equivalent to HK\$	0.1098	0.1546	(29.0)%

			Change (Decrease) %
	30 June 2020	31 December 2019	
Portfolio valuation	34,599,000,000	34,961,000,000	(1.04)%
Net assets attributable to Unitholders	14,096,931,000	14,599,360,000	(3.4)%
Net assets attributable to Unitholders per unit	4.38	4.55	(3.7)%

Note a: The distribution by Yuexiu REIT for the six months from 1 July to 31 December 2019 was RMB336,948,000.

# 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 2020.

**LIN DELIANG**

*Chairman*



## RESULTS AND DISTRIBUTION

During the first half of 2020, China's economy has undergone severe tests due to COVID-19. The operating results of Yuexiu REIT was inevitably affected to certain extent. However, it has effectively managed the operating risks through adopting more reasonable and targeted leasing policies, with its portfolio of premium properties and excellent efforts made by all members of the management team, and all operating indicators gradually stabilised and recovered.

As at 30 June 2020, the eight properties currently owned by Yuexiu REIT comprised White Horse Building Units ("White Horse Building"), Fortune Plaza Units and certain Carpark Spaces ("Fortune Plaza"), City Development Plaza Units and certain Carpark Spaces ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), located in Shanghai, Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces ("Wuhan Properties"), located in Wuhan, and Hangzhou Victory Business Center Units ("Hangzhou Victory"), 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 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.

## CHAIRMAN'S STATEMENT

As at 30 June 2020, the occupancy rate of properties under Yuexiu REIT remained roughly stable, in which the overall occupancy rate of maturity properties was 94.5%, and the overall occupancy rate of growth properties was 86.7%. During 1 January 2020 to 30 June 2020 ("2020 Interim Period"), Yuexiu REIT recorded a total operating revenue of approximately RMB831,135,000. The operation of each of its properties fluctuated slightly, but was still within a reasonable range.

During 2020 Interim Period, Yuexiu REIT recorded a total distributable income of approximately RMB318,771,000 (total distributable income for the corresponding period of the previous year: RMB424,360,000). The policy of the Manager is to distribute 100% of the entire distributable income during the Reporting Year to the Unitholders. Each Unitholder will receive a distribution amount of approximately HK\$0.1098 per Unit (the distribution amount for the corresponding period of the previous year: HK\$0.1546). Based on the closing price of HK\$3.53 on 30 June 2020, the yield was approximately 3.11%, the distribution yield was 6.22% per annum.

## MACRO ECONOMY

In the first half of this year, the pandemic caused severe global recession, disrupted the industrial and supply chain cycles, shrank international trade, and fluctuated commodity market. China has been effectively controlling the pandemic. In the first half of the year, the economy declined before rising and increased by 3.2% in the second quarter, GDP recorded RMB45,661.4 billion. In the second quarter, China's growth resilience, market vitality and competitive advantage were more evident as the economic growth turned positive, the main indicators recovered and the economic performance picked up steadily.

Although Guangzhou's economy is facing serious challenges this year, it showed a relatively strong resilience against risks, benefiting from its well-developed industrial system and excellent business environment. Amid adverse impact of the pandemic, Guangzhou's economy showed resilience in the first half of the year. It achieved an impressive result with consumer market recovering steadily, fixed asset investment resuming growth, and Guangzhou's import and export to countries under the Belt and Road Initiative evidently increased by 8.3%. In the first half of the year, Guangzhou's GDP recorded approximately RMB1,096.829 billion, of which emerging industries accounted for more than a quarter, IAB industry added value increased by 2.5%, and Internet related industries grew rapidly by 19.6% from January to May, playing the roles of growth engines.

In the first half of the year, Shanghai's economy gradually overcame the unfavourable effects caused by the pandemic, and its economic operation showed a continuous trend of recovery and growth. Related industries relying on Internet, digitalization, scientific and technological innovation developed rapidly and formed strong support, while sectors including information services, finance and health also grew against the downturn. Despite the impact of the pandemic, "Made in Shanghai" continued its new growth momentum and the economic recovery accelerated. In the first half of the year, Shanghai's GDP recorded approximately RMB1,735.680 billion, and the decline in growth in the second quarter was 4.1 percentage points lesser than that in the first quarter.

## CHAIRMAN'S STATEMENT

Since the beginning of this year, Wuhan has made overall plans to promote pandemic prevention control, economic and social development in response to the challenging pandemic. With the introduction of various macro policies, environment in the city after the recovery was improving continuously, business enterprises' resumption of work and production were accelerating, order of people's life was rapidly back on track after the pandemic in Wuhan. In the first half of the year, the decline of main economic indicators in Wuhan began to narrow month by month, bouncing from the lowest in March, showing a good momentum of ongoing recovery in spite of the pandemic, with the fundamentals of steady economic growth and long-term growth prospect unchanged.

Driven by the "main engine" - the digital economy, Hangzhou has ranked among the top cities in China in terms of the speed in resumption of work and production. Digital transformation and upgrading of the manufacturing industry accelerated, and the vitality and confidence of market players increased ceaselessly. In the first half of the year, Hangzhou's GDP was approximately RMB738.8 billion, up 1.5% year-on-year, and the core industries of digital economy accounted for 24.8% of GDP, a 10.5% year-on-year increase.

### MARKET REVIEW

As of the end of June 2020, only two Grade A office building projects were on sales in Guangzhou, adding 131,000 sq.m. of office space to the Grade A office building market. As the pandemic subdued the demand and there were lease withdrawal and decrease in rental area, the leasing take-up in the first half of the year was only 29,000 sq.m., down 70% year-on-year, and the market vacancy rate climbed to 7.1%, but it was still the lowest among the first-tier cities in China. In response to market competition, the average rent was lowered to RMB188.1sq.m./month. Zhujiang New Town area saw increased competition but remained relatively advantageous.

Shanghai is in the process of decentralization with the rise of emerging regions and supply explosion, shocking the traditional business zones via the advantages of price and hardware of projects. The competition was fierce there. In the first half of the year, market supply increased by 122,000 sq.m., pushing the Grade A office building inventory in the city to 11.21 million sq.m.. Due to the recovery of demand in the second quarter, the market vacancy rate fell to 21.4%, same as that at the end of 2019. Pressure under market competition led to widespread rent reductions, with rent in Shanghai fell by 3.4% to RMB9.90/sq.m./day.

Affected by the lockdown during the pandemic, Wuhan's economic activities basically halted. In the first half of the year, there was no new supply in the office building market, all projects were delayed in delivery, and the stock remained at 1.574 million sq.m.. In terms of market demand, the online education industry was active, but the demand of foreign investment and private enterprises was under pressure, lease withdrawals and reduction in rent continued. The city-wide vacancy rate decreased slightly by 0.2% to 30.7%.

Hangzhou was at the peak of market supply, with 213,000 sq.m. of new market supply in the first half of the year, accompanied by some lease withdrawal, which pushed up the vacancy rate to 22.6%. The market competition was relatively fierce, thereby, rent was lowered. Qianjiang New Town remained to be the preferred area for prominent customers and the recovery in demand was relatively apparent, with a leasing take-up of 13,000 sq.m..

## CHAIRMAN'S STATEMENT

Affected by the pandemic at home and abroad, specialized apparel market growth was faced with severe challenges. The overall market was slow to rebound due to pressure created by the declining demand in both domestic and external markets, and the slow resumption of work in business enterprises. Business areas dominated by manufacturing and online supply recovered faster, while high net worth business areas were slow to recover due to business restrictions. The specialized apparel market was at the stage of temporary business difficulties as the overall operation of the market was sluggish in Guangzhou, the pace and arrangement of apparel sales were disrupted, and the transaction volume of each major professional market reduced sharply. Although the overall market is picking up, the recovery of sales and customer flow is relatively slow.

No new projects were opened in the Guangzhou's retail market in the first half of the year, but the market experienced negative take-up for the first time since 2015. The vacancy rate of shopping malls in Guangzhou climbed to 7.6% due to the loss of tenants caused by the pandemic. As many landlords offered various flexible leasing conditions including rent reduction and exemption, customer flow of the shopping malls has steadily bounced back since March and the operation of core business districts has been relatively stable.

The retail sector in Wuhan was seriously affected by the pandemic. The market stagnated in the first quarter, and there was a wave of lease withdrawal when business activities restarted at the early stage of the second quarter. In the first half of the year, it recorded the largest negative take-up since 2009 with which accounted for 6.2% of the in stock area; and the largest growth in vacancy rate year-on-year at 5.8%.

The travel demand in various regions has been significantly suppressed due to the impact of the Covid-19 and the increasingly complex and ever-changing international affairs. Thereby, the travel traffic has greatly reduced, and the respective accommodation demands have shrunken rapidly, with hotels' operation in most regions close to a shutdown. As of June 2020, the average occupancy rate of Guangzhou high-end hotel market was 32.2%, down 60.3 percentage points year-on-year, and the average daily room rate decreased 21.5% year-on-year to RMB929.6 per room. In the first half of 2020, affected by the pandemic and international travel restrictions, foreign business travellers' demand for hotel accommodation greatly reduced, and the frequency of domestic travel activities also reduced significantly, the loss of short-term tenancy customers caused a greater undermining effect on the occupancy rate of major apartment projects. In addition, various apartment projects have improved their market competitiveness by adjusting rental prices and providing value-added services, so as to compete for limited customers in the market. As of June 2020, the average rent of high-end serviced apartments in Guangzhou decreased by 6.9% to RMB176.8/month/sq.m., and the average occupancy rate was 63%, down 22.8 percentage points year-on-year.

## BUSINESS OPERATING STRATEGIES

In response to the market changes after the pandemic and the pressure faced by tenants in different sectors, the Manager strengthened active management and formulated more reasonable and targeted leasing strategies. The Manager helped tide the tenants over the difficulties by introducing temporary rental concession and relief measures, and accelerated the optimization and adjustment of tenant structure, which effectively resolved the business operational risks at this stage.



## CHAIRMAN'S STATEMENT

For the office building projects under Yuexiu REIT (GZIFC offices, Fortune Plaza, City Development Plaza, Shanghai Yuexiu Building and Wuhan Yuexiu Fortune Center), the Manager actively looked for the industrial momentum of each city and precise implementation of customers positioning with “Four Icons” (focusing on industries, types of business, products and services). With flexible adjustments in the leasing policies, the Manager made every effort to stabilise lease renewals and explore new tenancy. The GZIFC offices fully made use of the advantages of the core landmark complex in the Guangdong-Hong Kong- Macao Greater Bay Area and applied BOMA system's emergency management guidelines for pandemic prevention and control, creating a good office environment and high-quality service experience for tenants, and became a benchmark for local resumption of work and production, which has established a good reputation in the market. The Manager flexibly adjusted the solicitation of business strategy to seize market opportunities, successfully mitigating the impact brought by tenants' lease withdrawal. Fortune Plaza and City Development Plaza enhanced lease management and customer reserve, and ensured lease renewal with key tenants. Shanghai Yuexiu Building implemented flexible and effective leasing policy and built its own core competitiveness through product and service upgrading. Wuhan Yuexiu Fortune Center made great efforts to eliminate the adverse effects of the pandemic, and implemented flexible leasing policies and incentive measures to grasp the leasing needs of new economy enterprises. The Manager of Hangzhou Victory Center managed the lease renewals with key tenants, leading to a rebound in the occupancy rate.

With respect to the retail shopping malls, the Manager looked for the consumption momentum of each project and empowered merchants with the “Top Ten Operating Systems”. In particular, the Manager of GZIFC Shopping Mall overcame the adverse effect and strengthened digital marketing to help customers, which steadily promoted the solicitation of business and brand restructuring of GZIFC Shopping Mall. As a result, the successful change in Basement Level 1 majoring in light-catering brands, as well as the popular catering brands on Level 4 to Level 5, and continued with ongoing optimisation of the mall tenant structure. Victory Plaza (“VT101”) provided targeted online and offline assistance measures, so as to help the main stores to return to normal sales as soon as possible, continuously optimised the mall tenant structure. Starry Victoria Shopping Center added its business support to all tenants to increase online and offline sales, so as to eliminate the impact of the pandemic on consumers' shopping habits.

With regard to the specialized apparel market, the pandemic had a significant impact on merchants, which sharply increased the operating pressure and risk of lease withdrawal. White Horse Building insisted on the unwavering positioning of “first-hand supply and original design” and continuously implemented floor optimization and product upgrading to create a new stylish trend of “Heart of Fashion” and enhanced external solicitation of business and customer reserves. The Manager proactively responded to the adverse impact of the pandemic, and adopted a strategy of online and offline integration. Customer flow continued to rebound, and business re-opening rate was higher than the level of the business district, promoting a stable and healthy development of the market.

In terms of the hotels and serviced apartments, given the hotel industry was the hardest hit by the pandemic, the Manager focused on the driving force of the internal economic circulation to create a new business and leisure experience. In particular, Four Seasons Hotel focused on launching a suitable product portfolio targeting the fast-recovering individual leisure traveler market, and improved the overall room revenue by expanding marketing channels, flexibly adjusting pricing strategies and strictly controlling costs. The Manager continuously improved the service quality of Ascott, provided the residents with high-quality life experience as always, and maintained a stable business performance.

## CHAIRMAN'S STATEMENT

### INVESTMENT AND FINANCIAL STRATEGIES

In the first half of 2020, the Manager implemented proactive and prudent investment strategies and continued to search for high-quality business projects and supporting resources in the core areas of first-tier cities and strong second-tier cities in China. The Manager is of the opinion that the continuous improvement of the quality of the portfolio and the scale of assets will inject new growth momentum to Yuexiu REIT, which in turn will bring continuous and stable returns to Unitholders.

Yuexiu REIT implemented stable and prudent financial policies, as at 30 June 2020 the ratio of total borrowings to total assets of the Yuexiu REIT was maintained at the level of 40.6 %, which was well below the upper limit of 45% as stipulated in the REIT Code. The Manager paid close attention to the changes in interest rates and exchange rates, actively expanded the capital channels, made reasonable planning for overseas loans as they fall due in future and sought to obtain an appropriate average rate of financing cost.

In response to the impact of exchange rate fluctuations on the operating results of Yuexiu REIT, the Manager has continued to strengthen the research and thorough analysis on the exchange rate and interest rate hedging instruments, as well as on the hedging schemes, and timely introduced exchange rate hedging instruments. After the implementation of the exchange rate hedging scheme for the HK\$1.85 billion loan financing in the first half of 2020, the foreign exchange risk exposure was approximately 61% at the end of June 2020. 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.

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

### ASSET ENHANCEMENT STRATEGIES

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

### PROSPECTS

The global economy is expected to gradually recover starting from the second half of the year, but it depends on the policies and measures taken by various countries in response to public health crisis and severe economic recession. China's economy is in its trajectory of recovery and growth, according to the latest report of the International Monetary Fund (IMF), mainland China may be the only major economy achieving a positive growth in 2020.

With the accelerated recovery of China's economy, the market activity is expected to gradually return to the pre-pandemic level. In the second half of the year, Guangzhou office market would be highly likely to rebound to certain degree, and new economy enterprises and large state-owned enterprises may become important supporting forces of the leasing market. Some of the new supply in 2020 is expected to be affected by the construction schedule and delivery would be delayed into 2021, which would ease the supply pressure in the second half of this year.

## CHAIRMAN'S STATEMENT

In the high-quality retail property market, 325,000 sq.m. of new supply is expected to be on sales in the second half of the year, and 2021 will see a peak in supply with its annual supply reaching 760,000 sq.m. It is expected that consumer confidence will continue to recover and the offline consumer market will gradually pick up. After the pandemic, brands will pay more attention to the development, upgrading and improvement of online and offline digital contacts to establish a stronger link between consumers and brands, which will lead to a gradual recovery of business experience.

Affected by negative macroeconomic growth and the pandemic, pandemic becomes a new normal is expected to be apparent in the second half of the year, the market ambience will be grim and the enthusiasm of purchasers will be low. Operating income is expected to be further reduced as the vacancy rate of the specialized apparel market in Guangzhou faces increasing pressure and the effect of collective lease withdrawal may appear. In order to retain customers, more preferential policies may be introduced, market competition will be unprecedentedly fierce.

Looking ahead, hotel business would be gradually back on track as the hotel and serviced apartment market will enter a recovery period, and the rigid demand of domestic leisure travelers, conferences and wedding banquets may reach the pinnacle in the second half of the year, but the overall recovery will take a longer time. High-end serviced apartments are mainly for long-stay tenants and the customer source structure remains stable.

Shanghai is committed to becoming the central hub of the big domestic circulation within the PRC, and the strategic link between the domestic and international dual economic circulation. In 2020, Shanghai will form the basic framework of technology and innovation center, and basically become an international economic, financial, commercial and shipping center. The supply of Grade A office buildings in Shanghai will peak and is expected to be 4.955 million sq.m. in the next five years, with the Lujiazui and Century Avenue business districts remaining stable and no new supply in the next three years.

Affected by the 2019 Military World Games and the Covid-19 pandemic in 2020, all the office building projects under construction in Wuhan have been postponed; sales of new supply in the market will peak in 2021, and the area of new supply is nearly 716,000 sq.m., including an addition of about 310,000 sq.m. in the Hankou Yanjiang Business District. The new supply in Wuhan retail market will reach 2.04 million sq.m. in the next four years, and the supply is mainly concentrated in non-core business districts. If Heartland 66 and K11 can open in the second half of the year as scheduled, it will help accelerate the recovery of Wuhan's retail market. In addition, Wuhan is the region most severely affected by the pandemic and its economic growth is expected to catch up unrelentingly with other regions in the post-pandemic period.

Hangzhou will continue to build itself into a city of an international e-commerce hub, with the view to promoting business innovation and upgrading, and continuing to become the "double engines" for the high-quality development of digital economy and manufacturing industry. It is expected that the TMT industry will maintain a strong position in the second half of the year and the demand for small and medium-sized leasing areas in TMT and traditional financial industries will pick up, which will temporarily slow down the downward rent.

## CHAIRMAN'S STATEMENT

It is predicted that the overall market will continue to pick up in the second half of the year but the impact of lagging behind caused by the pandemic will be released continuously. We are cautiously optimistic that "threats" and "opportunities" coexist in the post-pandemic era, and that the economy will continue to recover rapidly in the second half of the year due to the effective pandemic control in mainland China. Meanwhile, with the combination of its premium portfolio of properties coupled with the its professional management team, Yuexiu REIT will implement proactive and prudent leasing strategies complemented with effective property appreciation measures. Yuexiu REIT will also grasp the potential investment opportunities to plan debt restructuring, and expand financing opportunities in the capital markets to effectively reduce the financing costs, aiming at continuously generating stable returns for the Unitholders.

### APPRECIATION

We have encountered difficulties and harvested success while experiencing the hardships and challenges in the first half of 2020. We would like to take this opportunity to express our sincere gratitude to the Board of Directors, senior management and staff for their hard work in the development of Yuexiu REIT, and our heartfelt thanks to the Unitholders, tenants and business partners for their strong support for Yuexiu REIT.

**LIN DELIANG**

*Chairman*

Hong Kong, 6 August 2020

# 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, Third Supplemental Trust Deed dated 25 July 2012 and Fourth Supplemental Deed dated 3 April 2020 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 2020.

The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute additional amounts. At the time of announcing the distribution for any particular year, the Manager shall consider whether to exercise such discretion having regard to factors including but not limited to Yuexiu REIT's funding requirements, its earnings and financial position, its growth strategies, operating and capital requirements, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice.

In light of the above, the Manager has determined that an interim distribution to Unitholders for the 2020 Interim Period will be approximately RMB0.0990 which is equivalent to HK\$0.1098 (June 2019: approximately RMB0.1360 which was equivalent to HK\$0.1546) 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 2020 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the six months ended 30 June 2020.

The total 2020 interim distribution amounted to approximately RMB318,771,000 which is equivalent to HK\$353,540,000 (June 2019: approximately RMB424,360,000 which was equivalent to HK\$482,172,000), includes an amount of approximately RMB104,271,000 (June 2019: RMB73,000,000), 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 RMB303,924,000 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 2020 Interim Period is HK\$0.1098 (June 2019: HK\$0.1546) per unit, representing a yield of approximately 3.11% (June 2019: 2.90%) based on the closing price of HK\$3.53 per unit as at 30 June 2020 (30 June 2019: HK\$5.34). This represents an annualized distribution yield of 6.22%.

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 15 September 2020. The register of Unitholders will be closed from 15 September 2020 to 16 September 2020, 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 14 September 2020. The 2020 interim distribution will be paid on 23 October 2020 to the Unitholders whose names appear on the register of Unitholders on 15 September 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### OPERATING RESULTS WITHSTOOD TEST

In the first half of 2020, the global economy was severely disrupted by the outbreak of COVID-19 pandemic. The future path of the pandemic remains uncertain, with outbreaks entering into new phases in many countries and recurring in places that had once appeared to have a flattened curve. Recovery of the global economy is dependent on the uplifting of prevention and control measures rolled out by various countries in the second half of 2020, which timing is presently uncertain. This grim outlook is exacerbated by social unrests and intensifying geopolitical conflicts. According to the World Economic Outlook from the IMF on 24 June 2020, global growth in 2020 is projected at negative 4.9%, and future recovery is projected to be more gradual than previously forecast.

At present, the COVID-19 pandemic appears to be effectually controlled in China, with life, work and production gradually returning to normal. This in turn has gradually propelled domestic economic activities towards pre-pandemic levels. The latest series of economic data also shows that the Chinese economy has been resilient against the COVID-19 pandemic. In view of continuing economic and pandemic-control challenges, it is expected that China will focus on its vast domestic markets in seeking economic progress, while balancing the maintenance of stability, and its continuous COVID-19 prevention efforts, in order to promote both economic and social developments.

In response to the above factors and situation, Yuexiu REIT has formulated more reasonable and targeted leasing policies to effectively address business risks. Yuexiu REIT looks for the industrial momentum of the office building business formats in each city, and implement customers positioning with the "Four Icons" focusing on industries, types of business, products and services. Retail malls look for the consumption momentum of various projects, and empower tenants with the "Ten Major Operating Systems", denoting: 1. Business flow and asset value management, 2. Leasing contracts management WALE, 3. Management on the efficacy of leased area of tenants, 4. Tenants rent-to-sale ratio management, 5. Tenants format structure and value contribution management, 6. Primary and premium tenants as well as turnover rent tenants management, 7. Tenants operating costs-to-lease management, 8. Management on warning mechanism for different business risk levels of tenants, 9. Full-process precision marketing management, and 10. Members value management. Professional markets implement online and offline integration to create a new stylish fashionable brand of "Heart of Fashion". The hotel and serviced apartments focus on the drive for the PRC internal consumption to create new business and leisure experiences. As a result, Yuexiu REIT's operational indicators have gradually stabilised and recovered in line with the China economy's overall gradual recovery.

After the outbreak of the pandemic, the Manager decisively activated the pandemic prevention and emergency control in each of the properties, and made every effort to protect the safety of employees and customers by strengthening the coordination of anti-pandemic supplies, inspection and patrolling of ventilation facilities, as well as the monitoring of incoming and outgoing personnel to adhere to the anti-pandemic control measure to ensure zero confirmed cases in all properties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROPERTY PORTFOLIO

As at 30 June 2020, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, located in Guangzhou; Yue Xiu Tower located in Shanghai; Wuhan Properties, located in Wuhan; as well as Hangzhou Victory, located in Hangzhou. The area of ownership of the properties was approximately 973,001.4 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding 1,408.3 sq.m. of carpark spaces area of Fortune Plaza; 2,104.3 sq.m. of carpark spaces area of City Development Plaza; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of carpark spaces and 7,752.5 sq.m. of other ancillary facilities area of GZIFC; 13,502.6 sq.m. of carpark spaces and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.8 sq.m. of carpark spaces and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of carpark spaces area of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate 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 Yue Xiu Tower) accounted for 70.4%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.6%.

### 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 RMB34,599 million as at 30 June 2020, representing a decrease of RMB362 million or 1.04% over the valuation as at 31 December 2019.

The following table summarizes the valuation of each of the properties as at 30 June 2020 and 31 December 2019:

Name of Property	Valuation as at 30 June 2020 RMB million	Valuation as at 31 December 2019 RMB million	(Decrease) percentage
White Horse Building	5,098	5,165	(1.30)%
Fortune Plaza	1,252	1,266	(1.11)%
City Development Plaza	1,033	1,049	(1.53)%
Victory Plaza	947	961	(1.46)%
GZIFC	18,831	18,940	(0.58)%
Yue Xiu Tower	3,156	3,210	(1.68)%
Wuhan Properties	3,674	3,761	(2.31)%
Hangzhou Victory	608	609	(0.16)%
Total	34,599	34,961	(1.04)%



## MANAGEMENT DISCUSSION AND ANALYSIS

Particulars of the properties are as follows:

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

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### OCCUPANCY RATE REMAINED AT RELATIVELY HIGH LEVEL

As at 30 June 2020, the overall occupancy rate of the properties was approximately 92.1%, whereas the occupancy rate of the matured properties was 94.5% and that of the growth properties was 86.7%.

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

Name of property	Occupancy rate as at 30 June 2020	Occupancy rate as at 30 June 2019	Percentage Increase/ (decrease) as compared to 30 June 2019
White Horse Building	97.3%	100.0%	(2.7)%
Fortune Plaza	97.1%	99.6%	(2.5)%
City Development Plaza	96.2%	95.9%	0.3%
Victory Plaza	94.1%	99.4%	(5.3)%
GZIFC Office	94.0%	94.6%	(0.6)%
GZIFC Shopping Mall	96.7%	98.0%	(1.3)%
Subtotal of GZIFC	94.5%	95.3%	(0.8)%
Yue Xiu Tower	88.1%	95.0%	(6.9)%
Subtotal of maturity properties	94.5%	96.5%	(2.0)%
Wuhan Properties Office	82.9%	65.8%	17.1%
Wuhan Properties Shopping Mall	92.2%	99.6%	(7.4)%
Subtotal of Wuhan Properties	85.3%	74.3%	11.0%
Hangzhou Victory	97.8%	96.7%	1.1%
Subtotal of growth properties	86.7%	76.9%	9.8%
Total	92.1%	90.5%	1.6%

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate <sup>(1)</sup>	Average Rent <sup>(1)</sup> (VAT inclusive) (RMB/room/day)
Four Seasons Hotel Guangzhou <sup>(2)</sup>	Five-star hotel	August 2012	91,460.9	344	34.2%	1,684
Ascott Serviced Apartments GZIFC <sup>(2)</sup>	High-end serviced apartments	September 2012	51,102.3	314	77.5%	1,001

Notes:

- (1) From 1 January 2020 to 30 June 2020. The occupancy rates in June 2020 of the Four Seasons Hotel and Ascott Serviced Apartments GZIFC were 62.4% and 77.6% respectively;
- (2) Both hotel and serviced apartments are entrusted operators.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE REMAINED BASICALLY FLAT

During the Interim Period of 2020, the properties of Yuexiu REIT recorded total revenue of approximately RMB831,135,000, representing a decrease of approximately RMB168,523,000 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 19.5%, 4.5%, 4.1%, 3.7%, 48.5%, 7.1%, 10.7% and 1.9% respectively of the total revenue.

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 2020 RMB million	Revenue for the interim period of 2019 RMB million	Increase/ (Decrease) as compared to interim period of 2019 RMB million	Increase/ (Decrease) in revenue from properties percentage
White Horse Building	161.9	185.2	(23.3)	(12.6)%
Fortune Plaza	37.3	37.5	(0.2)	(0.5)%
City Development Plaza	34.3	32.9	1.4	4.3%
Victory Plaza	30.9	38.8	(7.9)	(20.4)%
GZIFC				
Office	245.0	242.0	3.0	1.2%
Retails	37.6	41.9	(4.3)	(10.3)%
Hotel	74.8	209.5	(134.7)	(64.3)%
Serviced apartments	45.3	58.1	(12.8)	(22.0)%
Yue Xiu Tower	59.3	67.1	(7.8)	(11.6)%
Subtotal of maturity properties	726.4	913.0	(186.6)	(20.4)%
Wuhan Properties	89.0	71.1	17.9	25.2%
Hangzhou Victory	15.7	15.6	0.1	0.6%
Subtotal of growth properties	104.7	86.7	18.0	20.8%
Total	831.1	999.7	(168.6)	(16.9)%

## MANAGEMENT DISCUSSION AND ANALYSIS

### GZIFC - OFFICE BUILDING WITHSTOOD MOUNTING PRESSURE TO STABILISE OPERATION, PREMIUM BRANDS IN SHOPPING MALL RAISED PRICES AMID DETERIORATING MARKET CONDITIONS, HOTEL'S SPEEDY RECOVERY TO STRENGTHEN ITS LEADING POSITION

While under siege by the pandemic, GZIFC received high accolade and recognition from the government in terms of its pandemic containment by applying the Building Owners and Managers Association International ("BOMA") system's emergency management guidelines to prevent and control the pandemic, established a paradigm for local resumption of work and production, acquired a good reputation and solidified its leading place in the market.

In the first half of the year, leasing demand for grade-A offices in Guangzhou was weak, and sales of new units and inventory were both low. The Manager flexibly adjusted business solicitation policies by enhancing expansion channels, gaining a good reputation in property management, and managing property agents aimed at making pre-emptive moves in the market, with newly contracted leasing areas amounting to approximately 15,000 square meters with the occupancy rate of the offices increasing to 94.0% by the end of the first half of the year from 91.6% in January, which successfully relieved any unfavorable impacts originated from early lease terminations. Acknowledging the fact that only few high-quality tenants were actively shopping around and the declining affordability in rent, the Manager bolstered cooperation with government agencies and renowned services institutions, successfully brought in seven premium tenants with rental transactions going in line with market trends. Although rental prices for office buildings in Guangzhou decreased to some extent, due to the unrelenting efforts of our managers, the average rent for GZIFC offices recorded a premium of 17% when compared with projects in similar areas.

Due to COVID-19 sweeping the globe, brand merchants slowed down in pursuing their expansion plans, and the Manager overcame an adverse market environment, smoothly soliciting business for the GZIFC Shopping Mall and brand adjustments. The culmination of these efforts are manifested by the successful completion of Basement Level 1 majoring in light-catering brands, as well as popular catering brands at Level Four to Five, introducing Chang Lai (常來), Jiang Pin (匠品), Sweet Dynasty, and SAKURAJIMA and the unit rent increased by 10-30% when compared with previous tenants. The shopping mall continued optimization of tenant structures, leading to satisfactory growth in rents. In terms of operating merchants in the thawing period coping with pressure and challenges, the Manager provided necessary operating relief measures to stabilise operations and promote sales. A smooth transition for the shopping mall's comprehensive operations was achieved through wide-ranging promotion and assistance coupled with digital online marketing in the early and mid-to-late stages of the pandemic. As of June 2020, the turnover per square metre of the GZIFC Shopping Mall returned to 85% of previous year's level.

The hotel industry was particularly hardest hit by the pandemic. In the first half of the year, Four Seasons Hotel appropriately adjusted downward the room rate in response to the pandemic, managed cost control and improved overall income through a combination of multi-channel promotions, focusing on a steady improvement in occupancy rates as its core goals, which resulted in revenue recovering from almost a stagnant 2.4% in February to 62.4% at the end of the first half of the year. In addition, the occupancy rate was 10 percentage points higher than that of the competing brands at the end of the period. Customers were slowly convinced to return during the later stage of the pandemic by integrating an innovative banquet product. In terms of cost control, employees are encouraged to take breaks during the pandemic to save labor costs, hotel areas are opened up accordingly based on guests occupancy to reduce energy consumption. The multi-channel marketing deployed by Ascott Serviced Apartments steadily attracted and increased long-term tenancy, and the number of short-term tenants gradually picked up due to the strengthening of online travel agency (OTA) channel promotions. Ascott Serviced Apartments at GZIFC ranked first both in operating revenue and GOP % for Ascott China. As of June 2020, when compared with direct competitors, the average occupancy rate for the Four Seasons Hotel was higher by 3.3 percentage points, average daily rent was higher by 34.4%, and RevPAR was higher by 48.6%, which further consolidated its benchmark position in the market. Compared with direct competitors, the average occupancy rate of Ascott Serviced Apartments was higher by 14.2 percentage points, average daily rent was higher by 44.7%, and RevPAR was higher by 77.3%, it is continuously in a leading position in the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### WUHAN PROPERTIES - OVERCAME ADVERSITY WITH BOLD BREAKTHROUGHS, AVERTED RISKS, AND STABILISED OPERATIONS

Wuhan was at the center of the pandemic. In the first half of the year, business activities were basically stagnant, there was no new supply in property. With a dearth of visitors during the pandemic, the management team at Yuexiu Fortune Centre focused on solicitation of business throughout the industrial chain. It actively increased customer reserves by identifying leading enterprises and exploring their development demands in Wuhan; promoted hierarchical management and customer categorization; and prevented risks related to termination of tenancy and increasing tenants' viscosity. It also implemented three-tier price controls and precisely controlled transaction prices and step by step selection of premium customers, therefore, new contracts for approximately 29,000 square meters were signed in the first half of the year, which contributed to the expansion in leased area for existing high-quality customers. In terms of contract renewal, it adopted flexible and pragmatic leasing policies and transformed from passivity to taking initiative, which successfully secured lease renewal intention from 75% of tenants with expiring leases throughout the year, effectively guaranteeing stability among customers with expiring tenancy. With the successive promulgation of various macro policies, the recovering environment in Wuhan after the pandemic has been unceasingly ameliorated, and enterprises have quickened resuming both work and production, and the demand for industries in Internet technology, healthcare, and environmental sanitation has increased, indicating that long-term stable and favorable development has basically unchanged. Recently, Wuhan Yuexiu Fortune Centre was shortlisted for the Royal Institution of Chartered Surveyors (RICS) China Summit 2020 Business Project of the Year, and won the Certificate of Outstanding Contribution in the Fight Against Pandemic in 2020.

The recovery in outbound consumption among local customers in Wuhan was sluggish. Consumer preferences and consumption habits have changed, and the integration of online and offline has accelerated, with society-wide total retail sales of consumer products fell by 34% year-on-year in the first half of the year. Wuhan Properties were among the first commercial real estates to resume operation. Even during the pandemic period, the Starry Victoria Shopping Centre continued operation. The Manager took the initiative to seek changes and establish an online shopping mall to realise online and offline operations, and adopted well-planned countermeasures to assist and stabilise operations in stages and across multiple levels. The turnovers per square metre of the shopping mall returned to 85% of the previous year's level. They also created shopping festivals and improved the abundance in membership bonus point redemption, increased collection outlets and catering merchants, attracted customers to purchase on site, and enhanced the operating ambience in the shopping mall.

### WHITE HORSE BUILDING - STRENGTHENED CUSTOMER RESERVE, ASSISTED MERCHANTS TO MAINTAIN STABILITY IN OPERATION

In view of the adverse impact of the pandemic on wholesale markets was far beyond expectation, and recovery of overall operation in shopping mall was lacklustre. Following the government's instructions in fighting against COVID-19, White Horse postponed the opening after the Spring Festival. After the opening, White Horse provided tenants with anti-pandemic supplies, arranged disease detection measures like temperature measurement and track record report to prevent the spread of the pandemic. Through these responsive actions, White Horse set an example in being the first to recover in the business district, and at the end of the first half of the year, its customer flow recovered to 60% of the same period in the previous year. Then in June, customers increased by 23% month-on-month; and the opening rate was about 90%, higher than the standard in the business district. The Manager flexibly adjusted strategies for solicitation of business, reserved 384 target customers and maintained customers reserve through multiple channels, such as self-media promotion, customer reserve transformation, and acquisition of product information in competitive market. They also introduced timely supportive operation measures to stabilise existing high-quality core customers in the field, so as to further prepare for lease renewals on all four floors to be due in the second half of the year and actively formulated plans to optimise and adjust the first floor operating positioning. The Manager also focused on building the atrium operating area with a goal to build a Fashion Center (時尚之心) and improved varieties of brands on the floor, established online and offline marketing modes to boost clothing sales, drove consumption, and helped merchants resume normal operations.

## MANAGEMENT DISCUSSION AND ANALYSIS

### YUE XIU TOWER - UPGRADED PRODUCT SERVICES TO STIMULATE LEASE TRANSACTIONS

In the first half of the year, Shanghai's economy suffered a blow from the pandemic, however, relevant industries that rely on the Internet, digitalisation, and scientific and technological innovations developed rapidly, forming a powerful foundation, and the new kinetic energy from "Made in Shanghai" remained a favorable dynamic for development against the pandemic, and economic operations sped up in an orderly recovery. With the changes in market supplies and increased leasing uncertainties, the Manager took charge in implementing flexible and effective leasing policies, and created the core competitiveness of Yue Xiu Tower by upgrading its products and services. In the first half of the year, newly-signed tenant volume for the building increased with a renewal rate amounted to 70%, and the overall occupancy rate was higher than the market level; it successfully introduced five high-quality targeted customers, which effectively ensured the tenant structure and operating revenue for the building.

### FORTUNE PLAZA, CITY DEVELOPMENT PLAZA - STRENGTHENED RENEWALS FOR STABILISATION, ENHANCED SOLICITATION OF BUSINESS FOR TRANSFORMATION

Fortune Plaza adopted planning beforehand to renew expiring leases due this year, completed concluding contracts with key customer in advance, and offered contract restructuring proposals to tenants hardest hit by the pandemic, it held fast to take the initiative in maintaining solicitation of business and leasing to stabilise operation. City Development Plaza shouldered the pressure in the first half of the year, actively resolved operating risks, strictly controlled tenant quality, seized market opportunities in March and April to realise a rapid transformation of tenants, introduced a number of renowned enterprises to fill up the vacated units. Ultimately newly contracted leasing areas of 5,582 square meters (contracted leasing areas from March to April accounted for 50%), and project average rent in the first half of the year increased by 0.9% year-on-year, and the rent at the end of the period increased by 0.7% year-on-year.

### VICTORY PLAZA - INTRODUCED PREMIUM TENANTS, REMOVED INFERIOR TENANTS, STABILISED OPERATION, MULTIPLE CHANNELS TO INCREASE CUSTOMER FLOW AND BOOST BUSINESS RECOVERY

The Manager focused on launching key support and assistance measures to enhance customer flow after the pandemic through online marketing and "Weekend Markets", helping the primary shops return to normal sales levels as soon as possible. Currently, their sales volumes are recovering. The overall efficiency of the shopping mall returned to over 65% of the previous year's level and the turnover per square metre of the catering industry has rebounded to 97%. In the first half of the year, activities for solicitation of business were held in spite of the prevailing market slump, integrated project positioning successfully eliminated risky tenants and introduced numerous leading brands in the industry. These measures not only enriched customer consumption experiences, but also effectively curbed any operating risks from increasing vacant areas, laid a foundation for the overall upgrading and refurbishment of some floors, and renewals with quality customers for leases due in the second half of the year.

### HANGZHOU VICTORY - PROJECT OPERATIONS REMAINED STABLE, AND OCCUPANCY RATE RECORDED A NEW HIGH

Strongly driven by "the main engine" of Hangzhou's digital economy, digital transformation and upgrading of its manufacturing industry has accelerated, and the pace at which work and production were resumed in Hangzhou after the pandemic was at the forefront when compared to other domestic cities. The Manager seized each and every opportunity to solidly solicit business and leasing renewals; therefore, the number of visitors and project occupancy rates reached all new highs. The Manager was also successful in renewing more than 3,000 square meters for major customers, which brought a strong guarantee in terms of overall project stability, ultimately succeeded in bringing in a World's Top 500 enterprise to further optimise its tenant structure.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 upgrading and refurbishment projects that were undergoing construction, which included the Green Image Improvement Project and phase II of the video surveillance upgrade project for the southern square of the Four Seasons Hotel, image improvement project for Ascott Serviced Apartments, video surveillance upgrading, replacement of air conditioning fan coil units at the City Development Plaza, renovation of external walls of the White Horse Building, video surveillance upgrading and replacement of sanitary fittings in public washrooms at the Shanghai Yue Xiu Tower, renovation of units on the 65th and 66th floors at the Wuhan Yuexiu Fortune Center, power supply and installation of a surveillance and management system for energy consumption, as well as the installation of power-off interlayer devices in the elevators at Wuhan Properties. In total, they all amounted to an estimated investment of approximately RMB 20 million, aiming at continuously improving equipment safety and business environments across all projects.

In the second half of the year, the Manager is upholding plans to invest primarily in asset renovation projects for GZIFC, White Horse Building, and Wuhan Properties to achieve value preservation and property appreciation.

### PROACTIVE MANAGEMENT OF MATURING DEBTS TO ALLEVIATE IMPACTS OF MARKET FLUCTUATIONS

The Manager proactively managed the maturing debt, and withdrew a HK\$2.1 billion 5-year loan under a syndicated loan of HK\$5.2 billion in the first half of the year to replace maturing bank loan and meet Yuexiu REIT's operational needs. At the same time, it maintained reasonable financing structures and exchange rate and interest rate exposures to alleviate any impacts from market fluctuations on fund performances. Due to the decline in market interest rates in later part of the second quarter, the overall financing costs dropped from 4.20% at the end of 2019 to 3.13% at the end of mid-2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### FINANCIAL RESULTS

During the Interim Period of 2020, net property income was lower than the Interim Period of 2019. The following is a summary of Yuexiu REIT's financial results during the 2020 Interim Period:

	Six months ended 30 June		
	2020 Unaudited RMB'000	2019 Unaudited RMB'000	Increase/ (decrease) %
<b>Gross income</b>	<b>831,135</b>	999,658	(16.9)%
Hotel and serviced apartments direct expenses	(97,142)	(151,675)	(36.0)%
Leasing agents' fee	(22,348)	(22,984)	(2.8)%
Property related taxes (Note 1)	(55,806)	(94,629)	(41.0)%
Other property expenses (Note 2)	(2,021)	(1,524)	32.6%
Total property operating expenses	(177,317)	(270,812)	(34.5)%
<b>Net property income</b>	<b>653,818</b>	728,846	(10.3)%
Withholding tax	(26,468)	(29,477)	(10.2)%
Depreciation and amortization	(65,784)	(64,626)	1.8%
Manager's fees	(73,887)	(72,027)	2.6%
Trustee's fees	(5,229)	(5,149)	1.6%
Other trust expenses (Note 3)	(9,818)	(18,093)	(45.7)%
Total non-property operating expenses	(181,186)	(189,372)	(4.3)%
<b>Profit before finance costs, finance income and tax</b>	<b>472,632</b>	539,474	(12.4)%
Finance income	15,930	17,612	(9.6)%
Fair value (loss)/gain on support arrangement asset	(1,760)	16,646	(110.6)%
Finance expenses	(471,633)	(294,658)	60.1%
<b>Profit before tax</b>	<b>15,169</b>	279,074	(94.6)%
Income tax expenses	(108,421)	(266,595)	(59.3)%
<b>Net (loss)/profit after tax before fair value (loss)/gains on investment properties, fair value loss on derivative financial instruments &amp; gain on construction payables reversal</b>	<b>(93,252)</b>	12,479	(847.3)%
Fair value (loss)/gains on investment properties	(256,858)	719,916	(135.7)%
Fair value loss on derivative financial instruments	(36,851)	(1,726)	2,035.1%
Gain on construction payables reversal	174,882	—	N/A
<b>Net (loss)/profit after tax before transactions with Unitholders</b>	<b>(212,079)</b>	730,669	(129.0)%



## 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, trade receivable loss allowance 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:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Office (Note 1)	468,356	452,438
Wholesales (Note 1)	161,913	185,222
Retails (Note 1)	80,752	94,372
Hotel and serviced apartments (Note 2)	120,114	267,626
<b>Total</b>	<b>831,135</b>	<b>999,658</b>

- Note 1 Due to the outbreak of the new coronavirus disease 2019 ("COVID-19"), Yuexiu REIT offered temporary rental concession to certain tenants of offices, wholesale mall and retail mall.
- Note 2 Due to the outbreak of the COVID-19, Four Seasons Hotel, Guangzhou recorded a significant drop in its average occupancy rate and average room rate.

Net property income amounted to approximately RMB653,818,000 (2019: RMB728,846,000), 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 78.7% (2019: 72.9%) of total gross income. The table below sets out an analysis of net property income:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Office	418,181	385,605
Wholesales	144,517	155,974
Retails	72,347	79,501
Hotel and serviced apartments	18,773	107,766
<b>Total</b>	<b>653,818</b>	<b>728,846</b>

Hotel and serviced apartments direct expenses were RMB97,142,000 (including depreciation expense of RMB4,987,000 incurred in connection with right of use asset and interest expense of RMB649,000 incurred in connection with lease liability), a decrease of 36.0% as compared with the 2019 Interim Period. The decrease was mainly due to the Manager had implemented more stringent cost control measures in order to optimise cost savings.

Leasing agents' fee decreased by approximately 2.8%, mainly due to the decrease of gross income as compared with the 2019 Interim Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

Property related taxes decreased by approximately 41.0%, it was mainly due to the PRC Government had provided tax relief after the rent concession provided by Yuexiu REIT to its tenants, as compared with the 2019 Interim Period.

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

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 RMB235,073,000 (2019: an exchange loss of approximately RMB41,199,000). The finance expenses incurred for the Interim Period amounted to approximately RMB265,451,000 (2019: RMB253,459,000).

Loss after tax before transactions with Unitholders amounted to approximately RMB212,079,000 (2019: Profit: RMB730,669,000), which represented a decrease of approximately 129.0%, mainly due to fair value loss from investment properties.

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

In the Interim Period of 2020, the Wuhan Properties recorded actual adjusted net profit of approximately RMB41,839,000 and contributed net distribution of RMB15,223,000 after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB26,616,000), 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 RMB13,161,000. Yuexiu Property shall pay the said amount within 7 business days after the announcement of Yuexiu REIT's interim results for the 2020 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 14,000,000 new units at HK\$3.77 per unit on 3 April 2020. The rest of the units will be deferred to be settled at the applicable market price at such later date which the REIT Manager considers is in the interests of the independent Unitholders, and the number of units is no more than 3,565,412, which is prescribed in the Announcement dated 3 April 2020. Please refer to the aforementioned Announcement for details. As at 30 June 2020, a total of 3,219,856,551 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK\$5.35 and a low of HK\$3.20 during the 2020 Interim Period. The average trading volume amounted to approximately 4,839,000 Units per day (2019: 5,073,000 Units) during the 2020 Interim Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2019, Yuexiu REIT issued 74,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Ltd, and the remaining balance of deferred units were approximately 461,401,000 units.

### NET ASSET VALUE

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2020 was approximately RMB4.38 (31 December 2019: RMB4.55).

### CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Bank borrowings and notes		
Denominated in RMB	1,552,840	1,821,280
Denominated in HKD	10,354,818	9,649,445
Denominated in USD	2,826,215	2,781,674
Total bank borrowings and notes	<b>14,733,873</b>	14,252,399
Maturity analysis		
Within one year	4,419,846	3,217,958
Two to five years	9,834,947	10,555,361
Beyond five years	479,080	479,080
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	2.45%	3.95%
USD	4.99%	4.99%

The overall effective interest rate (per annum) of the borrowings and notes at the balance sheet day is 3.13%.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, capped forward hedging was applied to certain foreign bank loans and bonds to fix the RMB exchange rate. The total hedged loan and bonds amount is approximately RMB4,145,814,000.

As at 30 June 2020, Yuexiu REIT held certain hedging financial derivatives with fair value assets of RMB65,526,000 and liabilities of RMB80,775,000.

On 31 October 2019, Yuexiu REIT, through its SPV's company, entered into a facility agreement with certain lending banks in connection with HK\$5,200,000,000 term loan facilities. The term loan facilities included 1) three-year unsecured and floating rate of HK\$3,100,000,000 ("HK\$3.1Billion Loan Facility") and 2) five-year unsecured and floating rate of HK\$2,100,000,000 ("HK\$2.1Billion Loan Facility"). On 7 November 2019, the HK\$3.1Billion Loan Facility was drawn down and used for repayment of certain matured HK\$ bank loan facility and for general corporate working capital requirement. The HK\$2.1Billion Loan Facility was drawn down for repayment of certain matured HK\$ bank loan facility and for general corporate working capital requirement on 29 April 2020.

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

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

As at 30 June 2020, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB20,973,685,000, representing approximately 57.8% of total assets of Yuexiu REIT.

### CASH POSITION

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2020 amounted to approximately RMB1,444,195,000. 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 2020 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 2020 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2020 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2020.

### 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 2020 Interim Period, there was no repurchase, sale or redemption of units of Yuexiu REIT by Yuexiu REIT or any of its subsidiaries.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2020 Interim Period.

### EMPLOYEES

As at 30 June 2020, Yuexiu REIT employed 493 and 131 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

## CORPORATE GOVERNANCE

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 2020 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 2020 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.

## CORPORATE GOVERNANCE

### 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

During 2020 Interim Period, there is no change regarding directors' information.

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

Tenant	Location of unit	Relationship with Yuexiu REIT	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 2020 Interim Period (RMB)
<b>City Development Plaza</b>									
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd ("Yicheng")	103F	an associate of the Manager	58.98	1 Jan 2020	871	15	0	3	5,207
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	3,039,913
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	557,786
廣州悅秀智訊科技信息諮詢有限公司	18ABJ	an associate of the Manager	691.62	1 Jan 2020	99,593	144	0	0.67	550,657
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	265,709
廣州悅秀智訊科技信息諮詢有限公司	18CDE	an associate of the Manager	461.09	1 Jan 2020	61,478	133	0	1.42	364,786
廣州悅秀智訊科技信息諮詢有限公司	18F	an associate of the Manager	126.45	1 Jan 2020	18,065	143	0	0.67	105,323
Yicheng	Carpark	an associate of the Manager	2,104.25	19 Nov 2019	304,167	145	0	3	1,818,341
<b>Sub-total:</b>									<b>6,707,722</b>

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2020 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 2019	200,976	212	0	月租金	58,348
Guangzhou Securities Co., Ltd. (Renamed as "中信証券華南股份有限公司") <sup>(1)</sup>	501	an associate of the Manager	2,868.01	20 Jun 2018	505,315	176	0	3.03	143,652
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	1,607,338
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	0601-B	an associate of the Manager	227.86	1 Jan 2019	50,587	222	0	3	299,053
Guangzhou Securities Co., Ltd. (Renamed as "中信証券華南股份有限公司") <sup>(1)</sup>	0601-C	an associate of the Manager	248.05	1 Jan 2019	55,067	222	0	1.5	15,987
Guangzhou Yuexiu Asset Management Co., Ltd. ("GZAM")	0601-D	an associate of the Manager	138.72	1 Sep 2019	30,796	222	0	3	182,056
GZAM	0601-E	an associate of the Manager	46.82	1 Jan 2018	10,077	215	0	3	61,245
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	0601-F	an associate of the Manager	126.99	1 Jan 2018	27,333	215	0	3	166,124
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	1,151,008
廣州證券股份有限公司 珠江西路證券營業部 (Renamed as "中信証券華南股份有限公司珠江西路證券營業部") <sup>(1)</sup>	706-707	an associate of the Manager	474.16	15 Apr 2018	79,026	167	0	3.04	23,751
Guangzhou Securities Co., Ltd. (Renamed as "中信証券華南股份有限公司") <sup>(1)</sup>	1001-1006	an associate of the Manager	1,486.33	1 Jan 2019	337,399	227	0	1.5	97,955
Guangzhou Futures Co., Ltd.	1005-1006	an associate of the Manager	495.45	1 Apr 2020	112,467	227	0	1.75	335,819
Guangzhou Futures Co., Ltd.	1007-1012	an associate of the Manager	1,486.52	1 Jan 2019	337,441	227	0	3	1,905,187
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	4,674,877
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	4,682,456
GCCD	1601	an associate of the Manager	3,156.79	1 Jan 2019	751,316	238	0	3	4,705,952
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	2,338,176
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	385,431
Guangzhou Yue Peng Information Ltd.	1701-C	an associate of the Manager	266.86	1 Jan 2018	66,588	250	0	3	393,646
廣州穗橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2018	50,152	250	0	3	296,483
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	1701-E	an associate of the Manager	855.96	1 Jan 2018	197,278	230	0	3	1,166,245
Guangzhou Securities Co., Ltd. (Renamed as "中信証券華南股份有限公司") <sup>(1)</sup>	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2019	1,593,458	249	0	1.5	485,748
YXE	2604	an associate of the Manager	544.25	25 Mar 2020	119,217	219	0	0.52	382,830
廣州越秀資本投資管理有限公司	3301	an associate of the Manager	274.77	15 Sep 2019	70,655	257	0	2.95	395,204

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2020 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	1,630,593
廣州越秀鯉麟私募證券投資基金管理 有限公司 <sup>(2)</sup>	3406-A	an associate of the Manager	207.00	1 Apr 2019	55,200	267	0	1	330,430
YXE	3807	an associate of the Manager	280.01	1 Mar 2020	68,002	243	0	0.33	272,008
GZAM	4001, 02, 03, 05, 06	an associate of the Manager	2,882.42	1 May 2018	713,741	248	0	3	4,219,410
YXE	4606	an associate of the Manager	558.37	1 Jan 2018	138,263	248	0	4.83	846,964
YXE	5004-B	an associate of the Manager	282.54	25 Mar 2020	68,617	243	0	1.02	221,000
YXE	5604	an associate of the Manager	533.50	25 Mar 2019	142,267	267	0	3.02	815,042
YXE	5801-A, 05-A, 06-E, 07-A	an associate of the Manager	734.15	1 Jun 2019	204,863	279	0	3	1,215,165
廣州東耀房地產開發有限公司	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2019	333,904	279	0	3	1,980,586
GZAM	5804-B	an associate of the Manager	242.29	1 Jun 2019	67,610	279	0	3	401,037
Yuexiu (China) Transport Infrastructure Investment Co., Ltd.	5804-C	an associate of the Manager	262.73	1 Jun 2019	73,314	279	0	3	434,871
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	1,193,563
Guangzhou Yuexiu Financial Leasing Co., Ltd.	5806-C	an associate of the Manager	133.50	1 Jun 2019	37,253	279	0	3	220,970
Guangzhou Paper Group Ltd.	5806-D	an associate of the Manager	85.49	1 Jun 2019	23,856	279	0	3	141,503
Guangzhou Yuexiu Enterprises Development Ltd.	5807-B	an associate of the Manager	85.49	1 Jun 2019	23,856	279	0	3	141,503
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	1,431,506
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	3,580,251
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	6301-D, F	an associate of the Manager	860.73	1 Sep 2019	288,345	335	0	2.33	1,727,014
YXE	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2019	2,278,157	350	0	3	13,926,016
Yuexiu (China) Transport Infrastructure Investment Company Limited	Annex 440-A	an associate of the Manager	171.58	1 Jan 2020	32,257	188	0	1	192,485
Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	Annex 440-B	an associate of the Manager	191.06	1 Jan 2020	35,919	188	0	1	214,336
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	Annex 440-C	an associate of the Manager	135.33	1 Jan 2020	25,442	188	0	1	151,817
廣州越秀商業地產投資管理有限公司	Annex 440-D	an associate of the Manager	295.19	1 Jan 2020	55,496	188	0	1	331,156
GCCD	Annex 440-E	an associate of the Manager	734.70	1 Jan 2020	138,124	188	0	1	824,216
廣州市城建開發集團名特網絡發展 有限公司	Annex 440-F	an associate of the Manager	131.77	1 Jan 2020	24,773	188	0	1	147,900
Guangzhou Securities Co., Ltd. (Renamed as "中信証券華南股份 有限公司") <sup>(1)</sup>	Annex 440-G	an associate of the Manager	373.11	1 Jan 2020	70,145	188	0	1	20,699
YXE	Annex 440-H	an associate of the Manager	454.61	1 Jan 2020	85,467	188	0	1	510,000

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2020 Interim Period (RMB)
Guangzhou Yuexiu Financial Technology Co., Ltd.	Annex 440-I	an associate of the Manager	139.10	1 Jan 2020	26,151	188	0	1	156,049
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. <sup>(1)</sup>	Annex 440-J	an associate of the Manager	23.88	1 Jan 2020	4,489	188	0	1	1,325
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZYXJLL")	Annex 440-K	an associate of the Manager	22.21	1 Jan 2020	4,175	188	0	1	24,914
Guangzhou Yuexiu Business Operation Management Co., Ltd.	Annex 440-L	an associate of the Manager	11.73	1 Jan 2020	2,205	188	0	1	13,159
GZYXJLL	Carpark	an associate of the Manager	71,082.79	1 Jan 2020	1,390,835	20	0	1	8,299,409
<b>Sub-Total:</b>									<b>71,571,468</b>

(1) On 10 January 2020, Guangzhou Yuexiu Financial Holdings Group Co., Ltd. has sold its 100% shares of Guangzhou Securities Co., Ltd. to an independent third party, Guangzhou Securities Co., Ltd. and its subsidiaries are not the connected parties of Yuexiu REIT since 10 January 2020.

(2) On 1 April 2020, 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 2020, and the unit price of rent adjusted to RMB 268/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 2020 Interim Period (RMB)
<b>Fortune Plaza</b>									
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd	Carpark	an associate of the Manager	1,408.29	19 Nov 2019	195,834	139	0	3	1,170,716
<b>Sub-total:</b>									<b>1,170,716</b>

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 2020 Interim Period (RMB)
<b>Yue Xiu Tower</b>									
Chong Hing Bank Limited Shanghai Branch	2801-05	an associate of the Manager	1,444.18	1 Dec 2019	398,275	276	0	2.25	2,383,366
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	1,878,609
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	854,015
Yicheng Shanghai	310B, 301A, 301B	an associate of the Manager	495.17	15 Dec 2018	136,307	275	0	5.05	814,572
<b>Sub-total:</b>									<b>5,930,562</b>

## CONNECTED PARTY TRANSACTIONS

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2020 Interim Period (RMB)
<b>Wuhan Properties</b>									
廣州越秀興業地產代理有限公司 武漢分公司	801-804, 1303, 1308, 1310	an associate of the Manager	1,820.08	1 Jun 2020	173,343	95	0	0.58	170,103
廣州越秀星寓公寓管理有限公司	805-808, 1301	an associate of the Manager	1,642	1 Jun 2020	156,384	95	0	0.58	153,461
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	1,473,663
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	18,333
廣州越秀地產工程管理有限公司 <sup>(1)</sup>	5801, 5802	an associate of the Manager	2,638.6	1 Jan 2020	351,804	133	0	0.13	2,101,119
Guangzhou City Construction & Development Xingye Property Agent Ltd. Wuhan Branch	5901	an associate of the Manager	1318.26	1 Jun 2019	175,764	133	0	1	875,940
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	818,611
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	372,087
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	328,590
武漢越秀商業管理有限公司	6001C	an associate of the Manager	884.39	29 Sep 2019	117,916	133	0	1.26	653,152
Guangzhou City Construction & Development Xingye Property Agent Ltd.	6101A	an associate of the Manager	300	27 Dec 2017	40,000	133	0	3	231,088
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	269,602
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	192,573
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	652,566
Guangzhou Yicheng Business Operation Management Co., Limited Wuhan Branch ("Yi Cheng Wuhan")	6201A	an associate of the Manager	875.91	1 Jan 2018	120,959	138	0	5	730,188
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	2,262,544
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	1,301,138
武漢越秀商業管理有限公司	6701	an associate of the Manager	917.55	1 Jan 2020	129,375	141	0	1	772,008
Yi Cheng Wuhan	Carpark	an associate of the Manager	47,182.94	21 Dec 2017	625,000	13	0	3.03	4,109,020
Yi Cheng Wuhan	Carpark	an associate of the Manager	15,602.82	21 Dec 2017	290,000	19	0	3.03	1,358,803
武漢康景實業投資有限公司	3701	an associate of the Manager	700	1 Jan 2018	79,365	113	0	3	500,000
武漢康景實業投資有限公司 <sup>(2)</sup>	3702	an associate of the Manager	700	1 Jun 2019	79,365	113	0	1	476,193
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	714,286
武漢康景實業投資有限公司 <sup>(3)</sup>	A101	an associate of the Manager	400	1 Jun 2019	60,952	152	0	1	365,714
武漢康景實業投資有限公司	Site	an associate of the Manager	280	1 Jan 2020	N/A	N/A	0	1	4,200,000
武漢康景實業投資有限公司	Advertising Space	an associate of the Manager	—	1 Jan 2020	N/A	N/A	0	1	5,800,000
武漢越秀商業管理有限公司	Advertising Space of Carpark	an associate of the Manager	20	1 Oct 2018	142,860	N/A	0	3	854,032
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	806,913
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	1,613,825
<b>Sub-total:</b>									<b>34,175,552</b>

## CONNECTED PARTY TRANSACTIONS

- (1) On 16 Feb 2020, 廣州越秀地產工程管理有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited to rent Unit 5801、5802 of Wuhan Properties for a term of 10.5 months commencing from 16 Feb 2020, and the unit price of rent remained unchanged.
- (2) On 1 Jun 2020, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited, to renew the lease of Unit 3702 for a term of 7 months commencing from 1 Jun 2020, and the unit price of rent remained unchanged.
- (3) On 1 Jun 2020, 武漢康景實業投資有限公司 entered into a lease with Wuhan Yuexiu Property Development Limited, to renew the lease of Unit A101 for a term of 7 months commencing from 1 Jun 2020, and the unit price of rent remained unchanged.

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 2020 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	2,311.55	20 Sep 2018	310,231	134	0	3.03	1,893,293
Hangzhou Yuexiu Real Estate Development Co., Ltd	302-1	an associate of the Manager	430.31	15 Mar 2019	47,334	110	0	2.55	275,007
Guangzhou City Construction & Development Xingye Property Agent Ltd Hangzhou Branch	601-1	an associate of the Manager	188.25	20 Dec 2018	22,590	120	0	3	123,915
杭州盛寅房地產開發有限公司	1201	an associate of the Manager	336.65	1 Oct 2019	40,509	120	0	1.71	248,970
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	579.93	1 Jan 2019	80,030	138	0	2	478,871
杭州越榮房地產開發有限公司	1701	an associate of the Manager	336.65	20 Sep 2018	51,171	152	0	3.03	312,287
杭州豐勝房地產開發有限公司	1702	an associate of the Manager	579.93	20 Sep 2018	88,149	152	0	3.03	537,962
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd Hangzhou Branch	Carpark	an associate of the Manager	17,663.58	28 Dec 2018	187,500	11	0	2.01	1,125,000
<b>Sub-total:</b>									<b>4,995,305</b>
<b>White Horse Building</b>									
廣州白馬電子商務股份有限公司	1309	an associate of the Manager	12.82	1 Mar 2020	13,308	1,038	0	3.83	48,673
廣州白馬電子商務股份有限公司	1315	an associate of the Manager	28.05	1 Mar 2020	30,150	1,075	0	3.83	120,773
廣州白馬電子商務股份有限公司	1316	an associate of the Manager	22.86	1 Mar 2020	24,571	1,075	0	3.83	98,424
<b>Sub-total:</b>									<b>267,870</b>
<b>Total:</b>									<b>124,819,195</b>

## CONNECTED PARTY TRANSACTIONS

### APARTMENT SERVICE

Certain connected party (as defined in the REIT Code) of Yuexiu REIT in relation to the Manager provided apartment service to Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd Four Season Branch. Details are as follows:

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 2020 Interim Period (RMB)
廣州越秀星寓公寓管理有限公司	Guangzhou Tianhe District 邦華名悅 property	an associate of the Manager	7,411.05	1 Dec 2019	859,961	116	0	3	5,159,766

### 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 2020 Interim Period (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM")	an associate of the Manager	White Horse Building	1 Jan 2020	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2020	Property Management Agreement	N/A
Yicheng	an associate of the Manager	City Development Plaza	19 Jul 2019	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
GZYXJLL	an associate of the Manager	GZIFC	1 Sep 2019	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

## 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 2020 Interim Period (RMB)
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2017	Tenancy Services Agreement	4,857,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2017	Tenancy Services Agreement	1,410,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2017	Tenancy Services Agreement	1,298,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2017	Tenancy Services Agreement	1,235,000
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	7,570,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	31 Dec 2017	Tenancy Services Agreement	1,778,000
Yicheng Wuhan	an associate of the Manager	Wuhan Properties	21 Dec 2017	Tenancy Services Agreement	3,538,000
Yicheng Hangzhou	an associate of the Manager	Hangzhou Victory	28 Dec 2018	Tenancy Services Agreement	628,000

### 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 2020 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 the Agreement	Balance of Prepaid Construction Payable for 2020 Interim Period (RMB)	Nature of Transaction	Amount received/receivable for 2020 Interim Period (RMB)
GCCD	an associate of the Manager	4 May 2012	217,930,000	Interest on the balance of construction payable	9,355,000

### ORDINARY BANKING SERVICES

Name	Nature of transaction	Relationship with Yuexiu REIT	Date of agreement	Principal amount (RMB)	Amount of fees paid/payable within the 2020 Interim Period	Amount of interest paid/payable within the 2020 Interim Period (RMB)
Chong Hing Bank	Loan <sup>(1)</sup>	An associate of the Manager	Nov 2016	153,146,000	—	3,793,000

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

Name	Nature of transaction	Relationship with Yuexiu REIT	Amount of interest received/receivable within the 2020 Interim Period (RMB)
Chong Hing Bank	Bank deposits	An associate of the Manager	423,000

## CONNECTED PARTY TRANSACTIONS

### 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 2020 Interim Period	Amount of interest paid/ payable within the 2020 Interim Period (RMB)
Guangzhou Construction & Development Holdings (China) Limited		An associate of the Manager	21 Dec 2017	20,000	—	—

### NAMING RIGHTS AGREEMENT

Name	Relationship with Yuexiu REIT	Nature of Property	Transaction	Amount received/ receivable for 2020 Interim Period (RMB)	Naming Rights Period (RMB)
Guangzhou City Construction and Development Co. Ltd.	An associate of the Manager	Wuhan Properties	naming rights	6,857,000	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:

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2020 Interim Period	Amount of interest paid/payable within the 2020 Interim Period
HSBC Group	Loan <sup>(1)</sup>	Nov 2019	HK\$830,000,000	—	RMB13,512,000

(1) HSBC Group was one of the lending banks. As at 30 June 2020, the principal amount is HK\$830,000,000, which is RMB758,155,000 translated at the exchange rate of 0.91344.

Name	Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2020 Interim Period	Amount of interest paid/payable within the 2020 Interim Period
HSBC Group	Bond <sup>(1)</sup>	—	—	RMB1,000	—

(2) HSBC Group was one of the underwriter.

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 2020 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 (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

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

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction or other connected transaction (save for those disclosed above) with the HSBC Group during the 2020 interim period.

### MANAGER'S FEES

During the 2020 interim period, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB73,887,000, 80% of which was settled by the issuance of new Units, and 20% was settled in cash.

### TRUSTEE'S FEES

During the 2020 interim period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB5,229,000.

### PRINCIPAL VALUER'S FEES

During the 2020 interim period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was approximately RMB498,000.

### 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:

## CONNECTED PARTY TRANSACTIONS

Interests and short positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2020		As at 30 June 2020		% 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	0.000057%	(0.000002%)
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 Xiaoou	—	Nil	—	Nil	—	—

## 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 2020		As at 30 June 2020		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yue Xiu Holdings Limited ("GZYX") <sup>(1)</sup>	Deemed	1,692,062,224 <sup>(3)</sup>	52.78%	1,709,627,636 <sup>(3)</sup>	53.1% <sup>(4)</sup>	0.32%
	Total	1,692,062,224 <sup>(3)</sup>	52.78%	1,709,627,636 <sup>(3)</sup>	53.1% <sup>(4)</sup>	0.32%
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,692,034,904 <sup>(3)</sup>	52.78%	1,709,600,316 <sup>(3)</sup>	53.1% <sup>(4)</sup>	0.32%
	Total	1,692,089,544 <sup>(3)</sup>	52.78%	1,709,627,636 <sup>(3)</sup>	53.1% <sup>(4)</sup>	0.32%
YXP <sup>(2)</sup>	Beneficial	—	—	—	—	—
	Deemed	1,682,800,639 <sup>(3)</sup>	52.49%	1,700,366,051 <sup>(3)</sup>	52.81% <sup>(4)</sup>	0.32%
	Total	1,682,800,639 <sup>(3)</sup>	52.49%	1,700,366,051 <sup>(3)</sup>	52.81% <sup>(4)</sup>	0.32%
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,632,125,730 <sup>(3)</sup>	50.91%	1,632,125,730 <sup>(3)</sup>	50.69% <sup>(4)</sup>	(0.22%)
	Deemed	—	—	—	—	—
	Total	1,632,125,730 <sup>(3)</sup>	50.91%	1,632,125,730 <sup>(3)</sup>	50.69% <sup>(4)</sup>	(0.22%)

## CONNECTED PARTY TRANSACTIONS

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

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
Yue Xiu	GZYX	100.00	N	1,709,600,316 <sup>(3)</sup>	—
Bosworth International Limited	Yue Xiu	100.00	Y	5,698,282	—
YXP	Yue Xiu	39.78	N	1,700,366,051 <sup>(3)</sup>	—
Dragon Yield	YXP	100.00	Y	1,632,125,730 <sup>(3)</sup>	—
Novena Pacific Limited	Yue Xiu	100.00	Y	1,414,207	—
Morrison Pacific Limited	Yue Xiu	100.00	Y	395,122	—
Greenwood Pacific Limited	Yue Xiu	100.00	Y	339,342	—
Goldstock International Limited	Yue Xiu	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	68,240,321	—

(2) The deemed interest in 1,700,366,051 Units were held through Dragon Yield and YXII, both are wholly-owned subsidiaries of YXP.

(3) The number of units includes 461,401,494 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 38.657%, while the approximate interest in Yuexiu REIT held by YXP and Dragon Yield will be approximately 38.369% and 36.36% 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 2020		As at 30 June 2020		% 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	0.000039%	(0.000001%)
Ms. Ou Haijing	Personal	1,000	0.000032%	1,000	0.000031%	(0.000001%)
Mr. Liu Bihong	Personal	225	0.000007%	225	0.000007%	—

## HOLDINGS OF OTHER CONNECTED PERSON

Name	Nature of interest	As at 1 January 2020		As at 30 June 2020		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed <sup>(1)</sup>	950	0.000030%	1,176,150	0.036528%	0.036498%

(1) Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 30 June 2020.

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 2020.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Yuexiu REIT Asset Management Limited  
(as the "Manager" of Yuexiu Real Estate Investment Trust)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 46 to 86, which comprises the interim condensed consolidated balance sheet of Yuexiu Real Estate Investment Trust ("Yuexiu REIT") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 6 August 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	6	831,135	999,658
Operating expenses	7	(357,854)	(460,184)
Fair value (losses)/gains on investment properties	14	(256,858)	719,916
Change in fair value of			
– support arrangement asset	17	(1,760)	16,646
– derivative financial instruments	18	(36,851)	(1,726)
Write back of construction payable	24	174,882	—
Finance income	9	15,930	17,612
Finance expenses, net	10	(472,282)	(294,658)
(Loss)/profit before income tax and transactions with unitholders		(103,658)	997,264
Income tax expense	11	(108,421)	(266,595)
(Loss)/profit after income tax before transactions with unitholders		(212,079)	730,669
Transactions with unitholders	26	213,759	(697,617)
Profit after income tax after transactions with unitholders		1,680	33,052
Other comprehensive (loss)/income for the period			
<u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
– Gross		(2,893)	6,419
– Tax		813	(1,798)
Other comprehensive (loss)/income for the period, net of tax		(2,080)	4,621
Total comprehensive (loss)/income for the period		(400)	37,673



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Unaudited	Attributable to				
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 26) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	Total RMB'000
Profit/(loss) for the period ended 30 June 2019	693,044	(697,617)	(4,573)	37,625	33,052
Other comprehensive income: <u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	4,573	—	4,573	48	4,621
Total comprehensive income/(loss) for the period ended 30 June 2019	<u>697,617</u>	<u>(697,617)</u>	<u>—</u>	<u>37,673</u>	<u>37,673</u>
(Loss)/profit for the period ended 30 June 2020	(211,698)	213,759	2,061	(381)	1,680
Other comprehensive loss: <u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	(2,061)	—	(2,061)	(19)	(2,080)
Total comprehensive (loss)/income for the period ended 30 June 2020	<u>(213,759)</u>	<u>213,759</u>	<u>—</u>	<u>(400)</u>	<u>(400)</u>

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010, third supplemental deed on 25 July 2012 and fourth supplemental deed on 3 April 2020 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial period. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement.
- (ii) (Losses)/earnings per unit, based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, are presented in Note 27.

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,230,821	2,270,852
Right-of-use assets	13	1,330,155	1,359,784
Investment properties	14	29,728,000	29,982,000
Deferred assets	15	247,052	205,430
Derivative financial instruments	18	—	6,166
Goodwill	16	859,868	859,868
		34,395,896	34,684,100
<b>Current assets</b>			
Inventories		3,398	4,071
Trade receivables	19	44,342	15,887
Amounts due from related parties	28	227,958	228,082
Prepayments, deposits and other receivables	20	69,662	85,112
Derivative financial instruments	18	65,526	37,209
Tax recoverable		4,072	4,072
Support arrangement asset	17	20,562	25,163
Short-term bank deposits	21	69,005	22,750
Cash and cash equivalents	21	1,375,190	1,319,010
		1,879,715	1,741,356
<b>Total assets</b>		36,275,611	36,425,456
<b>Equity</b>			
Revaluation reserve		417,594	419,655
Retained earnings		(417,594)	(419,655)
		—	—
Non-controlling interests		1,204,995	1,205,395
<b>Total equity</b>		1,204,995	1,205,395

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>Current liabilities</b>			
Trade payables	23	13,424	14,205
Rental deposits, current portion	24	142,382	186,707
Receipts in advance	24	90,900	80,827
Accruals and other payables	24	454,973	735,140
Amounts due to related parties	28	137,667	98,262
Borrowings	25	4,419,846	3,217,958
Lease liabilities	13	9,593	9,164
Tax payables		108,379	117,750
		5,377,164	4,460,013
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	24	209,628	198,816
Borrowings	25	10,314,027	11,034,441
Deferred tax liabilities	22	4,977,005	4,906,156
Derivative financial instruments	18	80,775	1,249
Lease liabilities	13	15,086	20,026
		15,596,521	16,160,688
<b>Total liabilities, other than net assets attributable to unitholders</b>		20,973,685	20,620,701
<b>Net assets attributable to unitholders</b>	26	14,096,931	14,599,360
<b>Total equity and liabilities</b>		36,275,611	36,425,456
<b>Net current liabilities</b>		(3,497,449)	(2,718,657)
Units in issue ('000)	26	3,219,856	3,205,856
<b>Net assets attributable to unitholders per unit (RMB)</b>		4.38	4.55

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

# DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders	(211,698)	693,044
Adjustments for the total distributable income (i)		
– Fair value losses/(gains) on investment properties	227,717	(692,535)
– Deferred taxation in respect of fair value losses/(gains) on investment properties (credited)/charged to profit or loss	(36,977)	153,816
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")	(189,024)	(177,719)
– Fair value loss/(gain) on support arrangement asset	1,760	(16,646)
– Write back of construction payables, net of tax	(124,631)	—
Total distributable loss	(332,853)	(40,040)
<b>Additional items (ii)</b>		
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS	189,024	177,719
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")	65,109	63,962
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights	50,036	51,569
– Manager's fee paid and payable in units in lieu of cash	59,110	57,621
– Fair value losses on derivative financial instruments	36,851	1,726
– Gains on settlement of derivative financial instruments	(28,891)	—
– Foreign exchange losses on financing activities	235,073	41,199
– Support arrangement asset receivable	13,161	14,630
– Surplus cash from disposal of subsidiaries	—	55,900
– Surplus cash from write back of construction payables	32,000	—

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

## DISTRIBUTION STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Distributable income after additional items</b>		<b>318,620</b>	424,286
Distributable amount at 1 January		336,948	425,902
Distribution paid during the period (iii)	26	(336,797)	(425,828)
Interim distribution declared (iv)		318,771	424,360
Distribution per unit, declared (iv)		<b>RMB0.0990</b>	RMB0.1360

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant period.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager") intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A distribution of RMB0.1046 per unit, totaling RMB336,797,000 (equivalent to HK\$ 375,757,000), was paid to unitholders on 26 May 2020.
- (iv) A final distribution in respect of the six months ended 30 June 2020 of RMB0.0990 (equivalent to HK\$0.1098) per unit, totaling RMB318,771,000 (equivalent to HK\$353,540,000) was declared by the Board of the Manager on 6 August 2020.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2020 as disclosed in Note 26.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Net assets attributable to unitholders RMB'000	Equity			Total RMB'000
		Accumulated losses RMB'000	Revaluation reserve RMB'000	Non- controlling interests RMB'000	
At 1 January 2019	14,454,122	(420,174)	420,174	1,141,812	15,595,934
Issuance of units (Note 26)	61,510	—	—	—	61,510
Profit for the period attributable to:					
– Unitholders	697,617	—	—	—	697,617
– Equity holders	—	(4,573)	—	37,625	33,052
Distributions paid to unitholders	(425,828)	—	—	—	(425,828)
Change in fair value of property, plant and equipment, net of tax	—	—	4,573	48	4,621
At 30 June 2019	<u>14,787,421</u>	<u>(424,747)</u>	<u>424,747</u>	<u>1,179,485</u>	<u>15,966,906</u>
At 1 January 2020	<b>14,599,360</b>	<b>(419,655)</b>	<b>419,655</b>	<b>1,205,395</b>	<b>15,804,755</b>
Issuance of units (Note 26)	<b>48,127</b>	—	—	—	<b>48,127</b>
(Loss)/profit for the period attributable to:					
– Unitholders	<b>(213,759)</b>	—	—	—	<b>(213,759)</b>
– Equity holders	—	<b>2,061</b>	—	<b>(381)</b>	<b>1,680</b>
Distributions paid to unitholders	<b>(336,797)</b>	—	—	—	<b>(336,797)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	<b>(2,061)</b>	<b>(19)</b>	<b>(2,080)</b>
At 30 June 2020	<u><b>14,096,931</b></u>	<u><b>(417,594)</b></u>	<u><b>417,594</b></u>	<u><b>1,204,995</b></u>	<u><b>15,301,926</b></u>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	400,149	621,533
Interest paid	(250,553)	(238,947)
Corporate income tax paid	(46,133)	(64,413)
Support arrangement asset received (Note 17)	2,841	4,170
Net cash generated from operating activities	106,304	322,343
<b>Cash flows from investing activities</b>		
Additions of investment properties (Note 14)	(2,858)	(2,084)
Additions of property, plant and equipment (Note 12)	(4,032)	(3,522)
Interest received (Note 9)	15,930	17,612
Increase in short-term bank deposits with original maturity of more than three months	(46,255)	(59)
Net cash (used in)/generated from investing activities	(37,215)	11,947
<b>Cash flows from financing activities</b>		
Distribution paid (Note 26)	(336,797)	(425,828)
Proceeds from borrowings, net of transaction costs	2,187,107	1,245,871
Repayment of borrowings	(1,956,047)	(1,367,229)
Issuance of units (Note 26)	48,127	61,510
Settlement of derivative financial instruments	49,861	—
Principal elements of lease payments	(5,160)	—
Net cash used in financing activities	(12,909)	(485,676)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>56,180</b>	<b>(151,386)</b>
Cash and cash equivalents at beginning of the period	1,319,010	1,458,755
<b>Cash and cash equivalents at end of the period</b>	<b>1,375,190</b>	<b>1,307,369</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, Third Supplemental Deed dated 25 July 2012 and Fourth Supplemental Deed dated 3 April 2020) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time. The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 6 August 2020.

This condensed consolidated interim financial information has not been audited.

The outbreak of the Coronavirus disease 2019 ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry including the rental revenue and fair value of investment properties and hotel and serviced apartments, allowance for expected credit losses on trade and other receivables and so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with HKFRS.

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB3,497,449,000 (31 December 2019: RMB2,718,657,000) mainly as the bank and other borrowings of RMB4,419,846,000 (31 December 2019: RMB3,217,958,000) fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the bank and other borrowings based on the Group's past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds, new facilities and medium term notes programme, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing this condensed consolidated interim financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019.

#### (A) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

(B) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 SIGNIFICANT JUDGEMENTS AND ACCOUNTING ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 FINANCIAL RISK FACTORS

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

### 6 REVENUE AND SEGMENT INFORMATION

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

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

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the condensed consolidated financial information.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
<b>Period ended 30 June 2020</b>				
Revenue from external customers	120,114	468,356	242,665	831,135
Segment results	(46,979)	250,601	127,554	331,176
Depreciation	70,740	31	—	70,771
Fair value losses on investment properties	—	(167,548)	(89,310)	(256,858)
<b>Period ended 30 June 2019</b>				
Revenue from external customers	267,626	452,438	279,594	999,658
Segment results	43,183	902,863	438,089	1,384,135
Depreciation	64,583	43	—	64,626
Fair value gains on investment properties	—	517,302	202,614	719,916
<b>As at 30 June 2020</b>				
Total reportable segments' assets	4,177,089	20,791,179	10,320,866	35,289,134
<b>As at 31 December 2019</b>				
Total reportable segments' assets	4,230,914	20,758,404	10,541,698	35,531,016

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Segment results	331,176	1,384,135
Fair value losses on derivative financial instruments	(36,851)	(1,726)
Unallocated operating costs (Note)	(114,753)	(124,745)
Operating profit	179,572	1,257,664
Write back of construction payable	174,882	—
Finance income	15,930	17,612
Finance expenses, net	(472,282)	(294,658)
Change in fair value of support arrangement asset	(1,760)	16,646
(Loss)/profit before income tax and transactions with unitholders	(103,658)	997,264

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

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Total reportable segments' assets	35,289,134	35,531,016
Corporate assets	986,477	894,440
Total assets	36,275,611	36,425,456

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 REVENUE AND SEGMENT INFORMATION (continued)

	Revenue Unaudited		Total assets	
	Six months ended 30 June		Unaudited 30 June	Audited 31 December
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
China	831,135	999,658	35,289,134	35,531,016
Unallocated assets			986,477	894,440
			36,275,611	36,425,456

The Group's revenue by nature is as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Hotel and serviced apartments operations		
Room rentals	80,390	162,362
Food and beverages	34,537	95,307
Property rentals	711,021	732,032
Others	5,187	9,957
	831,135	999,658

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

	Unaudited 30 June 2020 RMB'000	Unaudited 30 June 2019 RMB'000
	Revenue recognised at a point in time	37,987
Revenue recognised overtime	80,390	162,362
Other sources	712,758	733,553
	831,135	999,658

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Property management fee (i)	22,348	22,984
Employee benefit expense	43,367	60,301
Real estate tax	49,501	87,513
Flood prevention fee, urban construction and maintenance tax, educational surcharge and local educational surcharge	4,812	6,418
Withholding tax (ii)	26,468	29,477
Depreciation of property, plant and equipment (Note 12)	41,142	39,984
Depreciation of right-of-use assets (Note 13)	29,629	24,642
Cost of inventories sold or consumed in operation	23,445	35,576
Other direct expenses on hotel and serviced apartments	24,694	55,798
Manager's fee (Note 8)	73,887	72,027
Trustee's fee	5,229	5,149
Valuation fee	498	429
Legal and professional fee	3,510	3,847
Auditor's remuneration	2,024	1,850
Bank charges	134	367
Exchange losses from operating activities	1,223	9,836
Others	5,943	3,986
<b>Total operating expenses</b>	<b>357,854</b>	<b>460,184</b>

Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 MANAGER'S FEE

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Manager's fee:		
In the form of units	59,110	57,621
In the form of cash	14,777	14,406
	<b>73,887</b>	<b>72,027</b>

Note:

- (i) Pursuant to the circular of Yuexiu REIT dated 30 June 2012 and subsequent announcement dated 15 January 2018, 15 January 2019 and 15 January 2020, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019 and 1 January 2020 to 31 December 2020 respectively, will be paid in the form of units. In accordance with the Trust Deed, the Manager Fee Units for the period ended 30 June 2020 are expected to be issued on 26 August 2020. Also in accordance with the Trust Deed, the issue price of the units (and consequentially the number of units to be issued to the Manager) will be calculated based on the higher of (i) the closing price of the units on the trading day immediately preceding 26 August 2020 and (ii) the average closing price of the units in the 10 trading days immediately preceding 26 August 2020.

### 9 FINANCE INCOME

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income from bank deposits	6,575	8,232
Interest income from a related company (Note 28)	9,355	9,380
	<b>15,930</b>	<b>17,612</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 FINANCE EXPENSES, NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest expense for bank borrowings	165,570	171,818
Interest expense for other borrowings	84,983	67,129
Interest and finance charges paid/payable for lease liabilities (Note 13)	649	—
Amortisation of transaction costs for borrowings	15,344	14,512
Foreign exchange losses on financing activities	235,073	41,199
Gain on settlement of derivative financial instruments	(29,337)	—
	<b>472,282</b>	<b>294,658</b>

### 11 INCOME TAX EXPENSES

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

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	36,759	20,372
Deferred income tax (Note 22)	71,662	246,223
	<b>108,421</b>	<b>266,595</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments RMB'000	Office supplies RMB'000	Motor vehicles RMB'000	Total RMB'000
Six months ended 30 June 2019				
Opening net book amount as at 1 January 2019	2,340,000	366	568	2,340,934
Additions	3,522	—	—	3,522
Depreciation	(39,941)	(43)	—	(39,984)
Fair value gain on revaluation	6,419	—	—	6,419
Closing net book amount as at 30 June 2019	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
At 30 June 2019				
At fair value	2,310,000	—	—	2,310,000
At cost	—	323	568	891
	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
Six months ended 30 June 2020				
Opening net book amount as at 1 January 2020	2,270,000	367	485	2,270,852
Additions	4,032	—	—	4,032
Disposal	(28)	—	—	(28)
Depreciation	(41,111)	(31)	—	(41,142)
Fair value loss on revaluation	(2,893)	—	—	(2,893)
Closing net book amount as at 30 June 2020	<u>2,230,000</u>	<u>336</u>	<u>485</u>	<u>2,230,821</u>
At 30 June 2020				
At fair value	2,230,000	—	—	2,230,000
At cost	—	336	485	821
	<u>2,230,000</u>	<u>336</u>	<u>485</u>	<u>2,230,821</u>

If hotel and serviced apartments had not been revalued, it would have been included in the condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,643,838,000 (31 December 2019: RMB1,680,945,000).

As at 30 June 2020, property, plant and equipment with an aggregate carrying amount of RMB1,983 million (31 December 2019: RMB2,017 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening balance	2,270,000	2,340,000
Additions	4,032	3,522
Disposal	(28)	—
Depreciation	(41,111)	(39,941)
Unrealised (losses)/gains recognised in reserve	(2,893)	6,419
Closing balance	2,230,000	2,310,000
Changes in unrealised (losses)/gains for the period included in other comprehensive income at the end of the period	(2,893)	6,419

#### VALUATION PROCESSES OF THE GROUP

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2020 and 31 December 2019.

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

At each financial year end the finance department:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### VALUATION TECHNIQUES

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

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

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

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

#### As at 30 June 2020

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

#### As at 31 December 2019

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASE

	Land use rights RMB'000	Staff quarter RMB'000	Total RMB'000
<b>Right-of-use assets</b>			
At 1 January 2019	—	—	—
Change in accounting policies	1,379,969	—	1,379,969
Depreciation	(24,642)	—	(24,642)
At 30 June 2019	1,355,327	—	1,355,327
At 1 January 2020	1,330,684	29,100	1,359,784
Depreciation	(24,642)	(4,987)	(29,629)
At 30 June 2020	1,306,042	24,113	1,330,155

### LEASE LIABILITIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current portion	9,593	9,164
Non-current portion	15,086	20,026
	24,679	29,190

As at 30 June 2020, the fair value of land-use-rights is approximately RMB2,641 million (31 December 2019: RMB2,709 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2020, rights-of-use assets were pledged with an aggregate net book amount of approximately RMB1,217 million (31 December 2019: RMB1,240 million) as collateral for the Group's bank borrowings (Note 25).

As at 30 June 2020, all of the lease liabilities are due to a subsidiary of Yuexiu Property Company Limited ("YXP").

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 LEASE (continued)

The interim condensed consolidated statement of comprehensive income shows the following amount relating to leases:

#### DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Land-use-rights	24,642	24,642
Staff quarter	4,987	—
	<u>29,629</u>	<u>24,642</u>
Interest and finance charge paid/payable for lease liabilities (Note 10)	649	—

### 14 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	29,982,000	29,115,000
Additions during the period	2,858	2,084
Fair value (losses)/gains during the period, included in profit or loss under 'Fair value (losses)/gains on investment properties'	(256,858)	719,916
End of the period	<u>29,728,000</u>	<u>29,837,000</u>

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB4,914,000 (2019: RMB5,895,000) relating to investment properties that were vacant.

As at 30 June 2020, investment properties with an aggregate carrying value of approximately RMB3,697 million (31 December 2019: RMB3,708 million) were pledged as collateral for the Group's bank borrowings (Note 25).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

#### VALUATION PROCESSES OF THE GROUP

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2020 and 31 December 2019.

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

At each financial year end the finance department:

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

#### VALUATION TECHNIQUES

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

#### SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUE

Capitalisation rate and discount rates are estimated by Savills Valuation and Professional Services Limited for 30 June 2020 and 31 December 2019 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

#### As at 30 June 2020

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	98 to 333	4.00% to 7.25%
Wholesale and shopping mall	42 to 1,464	4.00% to 7.75%

#### As at 31 December 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	100 to 336	4.00% to 7.25%
Wholesale and shopping mall	42 to 1,480	4.00% to 7.75%

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

#### As at 30 June 2020

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	98 to 333	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	42 to 1,464	6.75% to 8.75%	98.00% to 99.50%



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 INVESTMENT PROPERTIES (continued)

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

As at 31 December 2019

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	100 to 336	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	42 to 1,480	6.75% to 8.75%	98.00% to 99.50%

### 15 DEFERRED ASSETS

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

### 16 GOODWILL

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Net book amount	859,868	859,868
Cost	859,868	859,868
Accumulated impairment	—	—
	859,868	859,868

### 17 SUPPORT ARRANGEMENT ASSET

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SUPPORT ARRANGEMENT ASSET (continued)

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	25,163	11,645
Fair value (loss)/gain during the period	(1,760)	16,646
Support arrangement asset received	(2,841)	(4,170)
	20,562	24,121
Less: current portion of support arrangement asset	(20,562)	(14,874)
Non-current portion of support arrangement	—	9,247

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Interest rate swap contracts	—	6,166
Current assets		
Capped foreign exchange forward contracts	65,526	37,209
Non-current liability		
Interest rate swap contracts	80,775	—
Capped foreign exchange forward contracts	—	1,249

The derivative financial instruments are classified as non-current assets or liabilities if the settlement date is beyond 12 months after balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2020 were HK\$1,444,648,000 and USD400,000,000 (31 December 2019: HK\$3,294,648,000 and USD50,000,000).

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2020 were HK\$400,000,000, HK\$1,000,000,000 and HK\$1,400,000,000 (31 December 2019: HK\$400,000,000 and HK\$1,000,000,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

### 19 TRADE RECEIVABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade receivables	44,551	15,887
Loss allowance	(209)	—
	<u>44,342</u>	<u>15,887</u>

The fair values of trade receivables approximate their carrying amounts.

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0 - 30 days	27,501	14,001
31 - 90 days	14,619	1,278
91 - 180 days	1,021	264
181 - 365 days	1,410	344
	<u>44,551</u>	<u>15,887</u>

### 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Cash at bank and on hand	1,265,511	1,280,590
Short-term bank deposits with original maturity of less than three months	109,679	38,420
Cash and cash equivalents	1,375,190	1,319,010
Short-term bank deposits with original maturity of more than three months	69,005	22,750
Total	<u>1,444,195</u>	<u>1,341,760</u>
Maximum exposure to credit risk	<u>1,443,698</u>	<u>1,341,264</u>

As at 30 June 2020, included in the cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,155,734,000 (31 December 2019: RMB1,186,060,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
HK\$	285,274	140,804
RMB	1,156,230	1,186,555
USD	2,691	14,401
	<u>1,444,195</u>	<u>1,341,760</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 22 DEFERRED TAX LIABILITIES

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	4,906,156	4,536,795
Deferred taxation charged to profit or loss (Note 11)	71,662	246,223
Deferred taxation (credited)/charged to reserve	(813)	1,798
End of the period	4,977,005	4,784,816

### 23 TRADE PAYABLES

The fair values of trade payables approximate their carrying amounts. The ageing analysis of the trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 - 30 days	7,200	9,311
31 - 90 days	4,223	3,923
91 - 180 days	1,663	971
180-360 days	338	—
	13,424	14,205

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Rental deposits		
Current portion	142,382	186,707
Non-current portion	209,628	198,816
	<b>352,010</b>	385,523
Receipts in advance		
Current portion	90,900	80,827
Provision for urban real estate tax	13,689	13,445
Provision for withholding tax payable	5,354	8,436
Provision for urban land use tax, value-added tax, urban construction and maintenance tax, education surcharge, local education surcharge	11,197	11,927
Construction fee payable (Note)	292,117	571,795
Accruals for operating expenses	132,616	129,537
Accruals and other payables	<b>454,973</b>	735,140
	<b>897,883</b>	1,201,490

Note:

During the six months ended 30 June 2020, the Group has written back the construction fee payable totalling of RMB174,882,000 (31 December 2019: RMB163,608,000) in relation to construction contracts of GZ IFC, of which final accounts have been agreed.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 25 BORROWINGS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current		
Short-term borrowings		
Bank borrowings		
Unsecured	274,032	—
Current portion of long-term borrowings		
Bank borrowings		
Secured	—	268,440
Unsecured	1,319,599	2,949,518
Other borrowings, unsecured (Note)	2,826,215	—
	<u>4,145,814</u>	<u>3,217,958</u>
	<u>4,419,846</u>	<u>3,217,958</u>
Non-current		
Long-term borrowings		
Bank borrowings		
Secured	1,552,840	1,821,280
Unsecured	9,059,307	8,647,912
Other borrowings, unsecured (Note)	3,847,694	3,783,207
	<u>14,459,841</u>	<u>14,252,399</u>
Less: current portion of long-term borrowings	<u>(4,145,814)</u>	<u>(3,217,958)</u>
Total long-term borrowings	<u>10,314,027</u>	<u>11,034,441</u>
Total borrowings	<u>14,733,873</u>	<u>14,252,399</u>
Analysed into:		
Unsecured	13,181,033	12,431,119
Secured	1,552,840	1,821,280
	<u>14,733,873</u>	<u>14,252,399</u>

As at 30 June 2020, syndicated and entrustment loans totalling RMB1,552,840,000 (31 December 2019: RMB1,821,280,000) are secured by certain parts of GZIFC with carrying value of RMB6,897 million (31 December 2019: RMB6,965 million).

Note:

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 26 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Beginning of the period	14,599,360	14,454,122
Issuance of units	48,127	61,510
Transfer from the statement of comprehensive income	(213,759)	697,617
Distribution paid during the period	(336,797)	(425,828)
End of the period	<u>14,096,931</u>	<u>14,787,421</u>

The movement of numbers of existing units is as below:

	Unaudited	
	Six months ended 30 June	
	2020	2019
Units in issued ('000)		
Beginning of the period	3,205,856	3,106,450
Units issued during the period	14,000	13,168
End of the period	<u>3,219,856</u>	<u>3,119,618</u>

Note:

During the period, 14,000,000 units were issued for the payment of manager's fee (2019: 13,168,000 units). Pursuant to the announcement of Yuexiu REIT dated 3 April 2020, RMB12,257,000 (equivalent to approximately HK\$13,442,000) of the manager's fee for the period from 1 July 2019 to 31 December 2019 to be settled in the form of units would be deferred and settled after the manager fee units reference date.

In 2019, a total of 25,406,000 units were issued for the payment of manager's fee. At 31 December 2019, the Group also issued 74,000,000 units from deferred units to YXP. Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeover Code for all units owned or agreed to be acquired by YXP at the relevant time. After the issuance of 74,000,000 units at 31 December 2019, the outstanding deferred units were approximately 461,401,000 units.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### (A) BASIC

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

	Unaudited Six months ended 30 June	
	2020	2019
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(211,698)	693,044
Weighted average number of units in issue ('000)	3,212,626	3,114,380
Basic (losses)/earnings per unit (RMB)	(0.07)	0.22

#### (B) DILUTED

Diluted (losses)/earnings per unit based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the period which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 30 June 2020.

	Unaudited Six months ended 30 June	
	2020	2019
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	(211,698)	693,044
Weighted average number of units in issue ('000)	3,212,626	3,114,380
Adjustments for deferred units ('000)	461,401	535,401
Adjustments for manager's fee in form of units ('000)	21,898	12,267
Weighted average number of units for diluted (losses)/earnings per unit ('000)	3,695,925	3,662,048
Diluted (losses)/earnings per unit (RMB)	(0.06)	0.19

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

As at 30 June 2020, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 38.4% (31 December 2019: 38.1%) of Yuexiu REIT's units. The remaining units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 30 June 2020:

Connected/related companies	Relationship with Yuexiu REIT
YXP <sup>1</sup>	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") <sup>1</sup>	An associate of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZ AM") <sup>1</sup>	An associate of YXP
Guangzhou Yuexiu Yicheng Property Management Ltd. ("Yicheng") <sup>1</sup>	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. ("Baima BM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yuexiu Business Operation Management Co., Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Construction & Development Holdings (China) Limited ("GCD (China)") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") <sup>1</sup>	Immediate holding company of Yue Xiu
Guangzhou Yue Xiu Enterprises (Holdings) Ltd. ("YXE") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yue Xiu Enterprises Development Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou City Construction and Development Group Co., Ltd. <sup>1</sup>	A subsidiary of YXE
Guangzhou Grandcity Development Ltd. <sup>1</sup>	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. ("GZ JLL") <sup>1</sup>	A subsidiary of YXP
廣州市祥港房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州東耀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("GZYFHG") <sup>1</sup>	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Securities Company Limited (renamed as "中信証券華南股份有限公司") <sup>1,2</sup>	A subsidiary of GZYFHG
Guangzhou Futures Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Yue Peng Information Ltd. ("Yue Peng") <sup>1</sup>	A subsidiary of Yue Xiu
Yuexiu (China) Transport Infrastructure Investment Company Limited <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited ("Chong Hing") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch ("Chong Hing Tianhe") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Guangzhou Sub-Branch ("Chong Hing Guangzhou") <sup>1</sup>	A subsidiary of Yue Xiu
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") <sup>1</sup>	A subsidiary of Yue Xiu
Guangzhou Paper Group Ltd. <sup>1</sup>	A subsidiary of YXE
Guang Zhou Titanium Dioxide Factory <sup>1</sup>	A subsidiary of YXE
廣州市城建開發集團名特網絡發展有限公司 <sup>1</sup>	A subsidiary of YXE
廣州悅停網絡科技有限公司 <sup>1</sup>	An associate of YXP
廣州鵬燁貿易有限公司 <sup>1</sup>	A subsidiary of YXP
廣州友誼集團有限公司 <sup>1,3</sup>	A subsidiary of GZYFHG
廣州越秀資本投資管理有限公司 <sup>1</sup>	A subsidiary of GZYFHG
Guangzhou Yuexiu Financial Technology Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
Shanghai Yuexiu Finance Leasing Co., Ltd. <sup>1</sup>	A subsidiary of GZYFHG
武漢越秀商業管理有限公司 <sup>1</sup>	A subsidiary of YXP
武漢康景實業投資有限公司 <sup>1</sup>	A subsidiary of YXP
廣州城建開發設計院有限公司 <sup>1</sup>	A subsidiary of YXE
廣州越秀地產工程管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀商業地產投資管理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀星寓公寓管理有限公司 <sup>1</sup>	A subsidiary of YXP
Yue Xiu Consultants (Shenzhen) Co., Ltd. <sup>1</sup>	A subsidiary of Yue Xiu
杭州越秀房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州越榮房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州盛寅房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
杭州豐勝房地產開發有限公司 <sup>1</sup>	A subsidiary of YXP
廣州悅秀智訊科技信息諮詢有限公司 <sup>1</sup>	A subsidiary of YXP
廣州越秀興業地產代理有限公司 <sup>1</sup>	A subsidiary of YXP
廣州白馬電子商務股份有限公司 <sup>1</sup>	A subsidiary of YXE
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Savills Valuation and Professional Services Limited (the "Valuer")	The principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

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

<sup>2</sup> The companies ceased to be connected companies of the Group since 10 January 2020.

<sup>3</sup> The company ceased to be connected company of the Group since 28 March 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Manager's fee paid/payable to the Manager (ii)	(73,887)	(72,027)
Management fee paid/payable to Yicheng	(8,143)	(7,805)
Management fee paid/payable to Baima BM	(4,857)	(5,557)
Management fee paid/payable to GZ AM	(9,348)	(9,622)
Rental income received/receivable from Xingye	4,271	3,549
Rental income received/receivable from Yicheng	11,986	8,976
Rental income received/receivable from GCCD	6,681	7,134
Rental income received/receivable from YXE	19,796	18,315
Rental income received/receivable from Guang Zheng	60	1,148
Rental income received/receivable from Suiqiao	296	295
Rental income received/receivable from Guangzhou Securities Company Limited	788	15,676
Rental income received/receivable from Guangzhou Futures Co., Ltd.	2,241	1,895
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	152	643
Rental income received/receivable from GZ JLL	8,324	8,124
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	700	687
Rental income received/receivable from GZ AM	4,864	5,171
Rental income received/receivable from 廣州市祥港房地產開發有限公司	4,682	4,657
Rental income received/receivable from 廣州市東耀房地產開發有限公司	6,921	6,831
Rental income received/receivable from GZYFHG	8,446	8,416
Rental income received/receivable from Yue Tong	385	383
Rental income received/receivable from Yue Peng	394	391
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,298	4,460
Rental income received/receivable from Guangzhou Paper Group Ltd.	142	136
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	—	23
Rental income received/receivable from Chong Hing Tianhe	—	25

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Rental income received/receivable from Chong Hing Guangzhou	—	128
Rental income received/receivable from Chong Hing Shanghai	2,383	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	148	57
Rental income received/receivable from 廣州悅停網絡科技有限公司	—	47
Rental income received/receivable from 廣州鵬燁貿易有限公司	558	547
Rental income received/receivable from 廣州友誼集團有限公司	—	7,663
Rental income received/receivable from Guangzhou Yuexiu Financial Technology Co., Ltd.	156	462
Rental income received/receivable from Shanghai Yuexiu Finance Leasing Co., Ltd.	1,879	1,868
Rental income received/receivable from 武漢越秀商業管理有限公司	7,493	3,608
Rental income received/receivable from 武漢康景實業投資有限公司	15,672	14,582
Rental income received/receivable from 廣州城建開發設計院有限公司	193	192
Rental income received/receivable from 廣州越秀地產工程管理有限公司	2,371	2,365
Rental income received/receivable from 廣州越秀商業地產投資管理有限公司	331	278
Rental income received/receivable from 越秀諮詢深圳有限公司	—	442
Rental income received/receivable from 廣州越秀資本投資管理有限公司	2,026	1,093
Rental income received/receivable from 廣州越秀星寓公寓管理有限公司	972	162
Rental income received/receivable from Guangzhou Yue Xiu Enterprises Development Ltd.	142	113
Rental income received/receivable from Guangzhou Yuexiu Kunpeng Private Equity Fund Management Co., Ltd.	330	316
Rental income received/receivable from Chong Hing	—	52

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Rental income received/receivable from 杭州越秀房地產開發有限公司	2,168	2,046
Rental income received/receivable from 杭州越榮房地產開發有限公司	312	311
Rental income received/receivable from 杭州盛寅房地產開發有限公司	249	245
Rental income received/receivable from 杭州豐勝房地產開發有限公司	538	535
Rental income received/receivable from Guangzhou Yuexiu Business Operation Management Co.,Ltd.	13	8
Rental income received/receivable from 廣州悅秀智訊科技信息諮詢有限公司	1,021	—
Rental income received/receivable from 廣州白馬電子商務股份有限公司	268	—
Rental income received/receivable from 廣州越秀興業地產代理有限公司	170	—
Interest income received/receivable from GCCD	9,355	9,380
Naming right income received/receivable from GCCD	6,857	1,143
Principal element of lease payments paid/payable to 廣州越秀星寓公寓管理有限公司	(5,160)	—
Trustee's fee paid/payable to the Trustee	(5,229)	(5,149)
Valuation fee paid/payable to the Valuer	(498)	(429)
Interest expense paid/payable to the HSBC Group	(13,512)	(12,178)
Bond underwriter's fee paid/payable to the HSBC Group	(1)	—
Interest income received/receivable from the HSBC Group	—	6
Interest expense paid/payable to Chong Hing Tianhe	(3,793)	(5,979)
Interest income received/receivable from Chong Hing Tianhe	423	481

Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### (B) BALANCES WITH RELATED COMPANIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Amount due from GCCD (i)	227,958	228,082
Amount due to Yicheng	(11,278)	(5,004)
Amount due to Baima BM	(23,415)	(950)
Amount due to the Manager	(83,886)	(79,198)
Amount due to GZ AM	(7,858)	(1,749)
Amount due to GCD (China)	(1,362)	(1,361)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from the HSBC Group	(758,155)	(933,129)
Bank borrowing from Chong Hing Tianhe	(153,146)	(185,146)
Trade receivables from related companies	2,480	13
Rental deposits from related companies (ii)	(60,483)	(65,632)

Except for an amount due from GCCD of approximately RMB218 million (31 December 2019: RMB218 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and reasonable approximation to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Yuexiu REIT, GCCD would be responsible for settling the outstanding construction cost related to the construction of GZIFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Yuexiu REIT. The receivable balance of RMB228 million (31 December 2019: RMB228 million) as at period end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the condensed consolidated balance sheet.

#### (C) KEY MANAGEMENT COMPENSATION

There was no key management compensation for the period ended 30 June 2020 (2019: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 29 CAPITAL COMMITMENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	33,121	23,238

### 30 FUTURE MINIMUM RENTAL RECEIVABLES

At 30 June 2020 and 31 December 2019, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Within one year	1,173,459	1,102,973
Between one year and five years	1,757,644	1,540,848
Over five years	76,441	102,305
	<u>3,007,544</u>	<u>2,746,126</u>



## PERFORMANCE TABLE

	Unaudited 30 June 2020	Unaudited 30 June 2019
Net assets attributable to Unitholders (RMB)	14,096,931,000	14,787,421,000
Net assets attributable to Unitholders per unit (RMB)	4.38	4.74
Equivalent to HK\$	4.80	5.39
The highest premium of the traded price to net asset value (i)	HK\$0.55	HK\$0.24
The highest discount of the traded price to net asset value (i)	HK\$1.60	HK\$0.44
Net (Loss)/yield per unit (ii)	(2.04%)	4.17%
	3,219,856,551	3,119,618,222
Number of units in issue	units	units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$5.35 (2019: HK\$5.63) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the period from 1 January 2020 to 30 June 2020. The highest discount is calculated based on the lowest traded price of HK\$3.20 (2019: HK\$4.95) on the Stock Exchange during the period from 1 January 2020 to 30 June 2020.
- (ii) Net (Loss)/yield per unit is calculated based on (Loss)/profit after tax before transactions with Unitholders per unit for the period from 1 January 2020 to 30 June 2020 over the traded price of HK\$3.53 as at 30 June 2020 (2019: HK\$5.34) 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  
OCBC Wing Hang Bank Limited  
Standard Chartered Bank (Hong Kong) 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  
Yuexiu REIT, please contact:  
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# 越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

[www.yuexiureit.com](http://www.yuexiureit.com)

香港灣仔駱克道160號越秀大廈17樓B室

管理人



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