



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 Future Ordinance <chapter 571 of the Laws of Hong Kong>
(Stock Code: 00405)

VISION FOR A STEADY FORTUNE



INTERIM REPORT 2016

Manager



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



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Performance Summary

The following is a summary of Yuexiu REIT's financial results during the 2016 Interim Period and the 2015 Interim Period:

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

	Six months ended 30 June		Change Increase/ (Decrease)%
	2016	2015	
Gross income	909,358,000	790,391,000	15.1%
Net property income	609,305,000	495,220,000	23.0%
Profit after tax	408,783,000	545,028,000	(25.0)%
Interim distribution	384,652,000	341,749,000	12.6%
Earnings per unit	0.1437	0.1936	(25.8)%
Distribution per unit	0.1352	0.1208	11.9%
Equivalent to HK\$	0.1577	0.1530	3.1%
	30 June 2016	31 December 2015	Change Increase %
Portfolio valuation	28,127,000,000	27,574,000,000	2.0%
Net assets attributable to Unitholders	13,531,609,000	13,400,472,000	1.0%
Net assets (including net assets attributable to deferred Unitholders) attributable to existing Unitholders per unit	4.76	4.74	0.4%

Chairman's Statement



LIN Zhaoyuan
Chairman

Dear Unitholders of Yuexiu REIT,

On behalf of the management team of Yuexiu REIT Asset Management Limited ("Manager"), 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 2016.

Chairman's Statement

RESULTS AND DISTRIBUTION

During the first half of 2016, amidst a persistent slowdown in the economic growth of the overall economy of China, Yuexiu REIT was still able to achieve good operating results with the portfolio of premium properties and excellent efforts made by all members of the management team, all key operating indicators presented outstanding performance. During the first half of the year, Yuexiu REIT carried out asset value enhancement works on the podium building of the Guangzhou International Finance Center and established the GZIFC Shopping Mall, which would further enrich the portfolio of retail and commercial properties of Yuexiu REIT.

As at 30 June 2016, the occupancy rate of properties under Yuexiu REIT was maintained at a relatively high level, with an overall occupancy rate at 97.8%, representing an increase of 1.01% on a year-on-year basis. The seven properties currently owned by Yuexiu REIT include White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC") which located in Guangzhou and Yue Xiu Tower ("Yue Xiu Tower") which located in Shanghai, with a total rentable area of 487,324.3 sq.m., of which a total area of 476,624.2 sq.m. was leased out. Among these properties, the occupancy rate of offices at GZIFC was 96.1%, up by 2.4 percentage points as compared to the corresponding period of the previous year, and the occupancy rate of Yue Xiu Tower was 100%.

For the 2016 Interim Period, Yuexiu REIT recorded total revenue of approximately RMB909,358,000, representing an increase of 15.1% as compared to the corresponding period of the previous year. Operations of all properties under Yuexiu REIT were stable with steady upward growth.

For the period from 1 January 2016 to 30 June 2016 ("2016 Interim Period"), Yuexiu REIT declared an interim distribution of a total amount of approximately RMB384,652,000 (approximately HK\$448,587,000), as compared to an interim distribution of a total amount of RMB341,749,000 (approximately HK\$432,708,000) for the corresponding period of the previous year. Each Unit is entitled to a distribution amount of approximately RMB0.1352 (approximately HK\$0.1577), as compared to a distribution amount of RMB0.1208 (approximately HK\$0.1530) year-on-year. Based on the closing price of HK\$4.39 as at 30 June 2016, the interim distribution yield was approximately 3.59%.

MARKET REVIEW

In the first half of 2016, global economic conditions were still complicated, there was insufficient momentum for economic growth. Deep level conflicts in China accumulated over a long period were exposed, overall macroeconomic growth continued to slow down. With adjustment to the liberalized RMB exchange rate formation mechanism, the exchange rate of RMB to major currencies fluctuated. However, as 2016 was the commencing year of the "13th Five-Year Plan" of China, through continuously enhancing in-depth understanding on the new normality of economic development during the first half of the year, and adhering to the development concepts of innovation, coordination, environmentally friendly, transparency and sharing, implementation of the supply side structural reforms were accelerated, with driving force from policy measures such as "innovation by the public" and "innovation by everyone", characteristics of new normality in economic development became more obvious in China, the economic structure was further optimized. According to the data released by the National Bureau of Statistics, GDP growth in the first half of 2016 increased by 6.7% on a year-on-year basis, stable operation of the overall economy was achieved.

Chairman's Statement

Driven by a stable and improving overall domestic economy with a steady and positive trend, economic development in Guangzhou was steady as a whole with a stable and improving trend. Performance of major economic indicators was in line with expectation, emerging industries developed rapidly, economic structural adjustments penetrated further. During the first half of the year, the regional GDP of Guangzhou was approximately RMB884.431 billion, representing an increase of 8% year-on-year, or 1.3 percentage points and 0.6 percentage point higher than the national economic growth rate 6.7% and the provincial economic growth rate 7.4%, respectively. Positioned as an integrated global city, Shanghai was stable in overall economic operations during the first half of the year, impacts of innovation and transformation were further manifested. The regional GDP of Guangzhou was approximately RMB1,295.699 billion, representing an increase of 6.7% year-on-year, and was in line with the national GDP growth. Total fixed asset investments completed by Guangzhou amounted to RMB281.053 billion, representing an increase of 7.9% as compared to the corresponding period of the previous year, the growth rate was 0.5 percentage point lower on a year-on-year basis.

In the first half of the year, the overall inventory of the Guangzhou Grade A office market was 4.38 million sq.m. Affected by the declining economic trend, office expansion demand from large-scale State-owned enterprises and multinational enterprises was more cautious, the vacancy rate in Guangzhou went up slightly with additional and concentrated supply. In the second quarter, the vacancy rate of the Grade A office market in Guangzhou was 9%, the market was driven by the transformation and upgrading demand from companies in the financial and IT services sectors, the rental trend of the overall market maintained a steadily rising pattern in the first half of the year. In the second quarter of 2016, the average market rental was RMB161/sq.m./month, representing an increase of 3.8% as compared to the corresponding period of the previous year. Against a backdrop of strengthening financial reforms in Shanghai, and driven by the strong demand for offices from domestic financial sector and enterprises with newly established regional headquarters, the supply of Grade A offices in the core business district of Shanghai remained tight. The total inventory of Grade A offices in the market of Shanghai was 5.09 million sq.m., the overall market rental maintained a steady rising trend in the first half of the year but at a slower rate of increase, the average market rental was RMB10.6/sq.m./day. Affected by the new supply in the first half of the year, the overall market vacancy rate increased slightly to 5.0%. In the specialized apparel market, exports continued to decline and there was a lack of growth momentum in consumption, the operation of the specialized apparel market in Guangzhou experienced a declining trend, purchasers were seriously divided into segments, the customer flow in the market was obviously reduced when compared with the corresponding period of the previous year.

Additional supply of prime shopping malls in Guangzhou during the first half of the year primarily concentrated in the well-established core business district, the overall market vacancy rate was 2.4%. Affected by the challenge of e-commerce and the upgrading of consumption demand, there was an increase in transformation and upgrading efforts on retail commercial properties, and the proportion for leisure and entertainment businesses such as catering, children and integrated bookstores was gradually adjusted upward. In the high-ended hotel market, the occupancy rate of hotel rooms presented a positive growth trend, however, the average daily room rate slid at various levels as compared to the corresponding period of last year, as of June 2016, the average occupancy rate of high-ended hotels market was 71.3%, an increase of 3.4 percentage points year-on-year, and the average daily room rate declined by 6.1% on a year-on-year basis to RMB1,086.7 per room. For high-end serviced apartments, demand remained stable with a slightly higher vacancy rate. As of June 2016, the average occupancy rate of high-end serviced apartments in Guangzhou was 83.5%, increased by 3.5 percentage points on a year-on-year basis, and average rental decreased by 3.6%.

Chairman's Statement

BUSINESS OPERATING STRATEGIES

Through the implementation of positive and prudent asset value enhancement strategies by the Manager, properties of Yuexiu REIT were still able to achieve stable rental returns and business growth under intense market competition. With respect to offices, the Manager was successful in retaining a number of quality tenants by lease renewal and attracted several renowned quality enterprises by adopting aggressive leasing strategies. After eliminating the effects of the conversion of business tax to value-added tax in China implemented with effect from 1 May 2016, the overall operating conditions in the Fortune Plaza, City Development Plaza, Neo Metropolis and GZIFC office portions were stable with high occupancy rates, continuous growth in revenue and rising rental level. Among these properties, there was new breakthrough in the occupancy rate of the GZIFC offices, the occupancy rate of this project increased from 93.7% recorded in the interim period of last year to 96.1%, representing an increase of 2.4 percentage points. To further expand the influence of Yuexiu REIT in Shanghai where the newly acquired project was located and attract tenancies from customers with solid strength in the financial industry, the project was named as Yuexiu Tower. Moreover, the Manager was successful in attracting a number of renowned quality enterprises as tenants by actively studying and assessing the market situation and generating differentiated positioning for project operations - a place of confluence for growth financial enterprises. During the first half of 2016, good operating results performance was recorded, the overall occupancy rate of the property was 100%.

With respect to retail shopping malls, Victory Plaza focused its key concern on the operating conditions of tenants, continued to augment marketing efforts, actively created an entertaining and leisure ambience in the shopping mall and enhanced the shopping mall brand image "VT101". For the podium mall of GZIFC, the Manager upgraded the hardware according to market changes after assessing the timing and trend, actively adjusted the tenant mix of the mall and attracted renowned food and beverages providers as tenants. In the first half of the year, the brand of GZIFC Shopping Mall was launched in the market, which enhanced the commercial value of the GZIFC mall and the overall value of the properties in the entire project was enhanced notably. In the specialized apparel market, the Manager continued to promote the transformation and upgrading of the White Horse Building, utilized leasing policies flexibly and continued optimizing the tenant mix. Meanwhile, by adopting new marketing measures, such as the full usage of WeChat and internet, diversified channels and brand marketing were developed with significant efforts to strengthen and consolidate the leading position of White Horse Building in the apparel wholesale industry.

For hotel and serviced apartments, the Manager focused on enhancing revenue management and further tapped into local customer sources to increase the Revenue Per Available Room ("RevPAR") of Four Seasons Hotel and the Ascott Serviced Apartments, and continued to maintain their leading positions in the hotel and serviced apartments industries, while improving the seated rate and banquet revenue of hotel catering services. Furthermore, the Manager reduced labour costs, purchasing costs and energy consumption expenses of the hotel through a series of measures. On the product aspect, renovations of capital nature were carried out in the hotel and serviced apartments to increase technology products and improve the competitiveness of hotel and serviced apartments. On the aspect of services, operational management and control was enhanced, including sharing with operators the information on the percentage of banquet activities organized for the top five industries among luxury hotel competitors, utilization rate of function rooms and online comments from customers on the analysis of service spot conditions from 44 aspects, to further improve the customer service standard.

Chairman's Statement

INVESTMENT AND FINANCIAL STRATEGIES

During the Interim Period of 2016, the Manager continued to implement proactive and prudent investment strategies. Regarding the acquisition of Yuexiu Tower project in Shanghai completed in the second half of 2015, the Manager followed up subsequent events, such as supervising the vendor to complete the reporting and payment of income tax in respect of the transaction. The Manager also continued seeking for quality projects consistent with the investment strategies of the REIT to capture investment opportunities with growth potential. After improving the quotation mechanism for mid-price exchange rate of RMB/USD in August last year, the People's Bank of China also published the RMB exchange rate index, which will further improve the determination mechanism based on market supply and demand and by reference to a basket of currencies for making adjustments to better adapt to market changes. During the first half of the year, under the dual impact of changes in market supply and demand and changes in the exchange rates of a basket of currencies, the RMB/USD exchange rate depreciated. The Manager focused on the indebtedness of the REIT, conducted dynamic tracking in the foreign exchange market and adopted positive measures to manage exchange rate risk, the proportion of foreign currency debts decreased by 4 percentage points in the first half of the year.

Yuexiu REIT implemented stable and prudent financial policies, the ratio of total borrowings to total assets of the REIT as at 30 June 2016 was maintained at the level of 37.8%, which was well below the upper limit of 45% as stipulated in the REIT Code.

ASSET ENHANCEMENT STRATEGIES

The Manager continued to implement the strategic asset enhancement plan and explore opportunities for asset enhancement by reviewing the property portfolio of the REIT on a regular basis, thereby maintaining market competitive advantages and increasing returns of the projects. Meanwhile, the Manager was also committed to optimizing the tenant mix, improving and maintaining good customer relationship continuously and increasing investments to develop multi-channels for solicitation of business resources etc. to achieve a continuous enhancement in the rental value of properties in Yuexiu REIT.

PROSPECTS

Looking forward to the second half of 2016, the global economy is still in the balancing and adjusting period. From the perspective of international environment, global economic growth will remain relatively weak, growth momentum in developed economies will slow down, considerable uncertainties still exist in the pace and intensity of interest rate hikes to be adopted by the US Federal Reserve. The economy of China will be in a L-shaped development stage of old to new economic structural change for a long-term, facing persistent downside pressure on economic growth, and the expectation of depreciation in RMB still exists in the market. However, with the implementation of a series of supply-side reform measures, benefiting from the booming development of many new industries, new models and new areas, the power of growth in some areas become stronger, and the fundamentals of persistent growth in the PRC economy remain unchanged. Meanwhile, the regulatory authority will also further improve the formation mechanism of a liberalized exchange rate for RMB to enable the RMB exchange rate to stabilize at a reasonable equilibrium level. The Manager will also adopt various financial measures to manage the exchange rate risk in respect of the indebtedness of the REIT.

Chairman's Statement

In the second half of the year, with the implementation of the policies under the 13th Five-Year Plan of Guangzhou, efforts to transform and upgrade industries will increase, the activeness of innovative enterprises in the tertiary sector is expected to continue. Although a new peak supply period will be seen in the Grade A office market in Guangzhou, rentals are expected to maintain a stable trend. In retail shopping malls of Guangzhou, as the market is expected to have new supply in the second half of the year, competition between projects of established business areas will be intensified, transformation and upgrading of retail commercial projects and branding adjustments in the industry are expected to continue, and the proportion of experiential mode of business will increase. However, as the booming season of retail industries will arrive in the second half of the year, both rentals and vacancy rate of quality shopping malls in Guangzhou are anticipated to remain stable. In the specialized apparel market in Guangzhou, competition among projects within business districts will intensify, efforts to transform and upgrade will increase constantly. Driven by the favorable policy of establishing an international financial center in Shanghai, new supply of offices in Shanghai will increase further in the second half of the year, the market vacancy rate is expected to increase slightly, but the market of Grade A offices in the core business districts is expected to follow a stable development trend. In the market of high-ended hotels, although the occupancy rate of high-ended hotel rooms increased, however, under the impact of declining average daily room rate, RevPAR was still lower as compared to the corresponding period of the previous year. In addition, affected by additional supply in the region, the pressure of overall competition in the region will increase in the short to medium-term. The market demand for five-star hotels within the region is anticipated to maintain a certain level of steady growth, but certain downside pressure will continue to prevail in the average daily room rate. For high-ended serviced apartments, the market competition conditions will be further intensified, overall vacancy rate will increase and average rental is expected to decrease. 2016 will be the last year with revenue support for hotel and serviced apartments operations, deferred Units of the REIT will be issued at the end of each subsequent year, which will have pressure on our future results. But the Manager believes that as the projects gradually become well-established and operational efficiency continues to improve, these will help to eliminate or mitigate the impact of the end of revenue support for hotel apartment operations and the issuance of deferred Units of the REIT.

We are cautiously optimistic in our belief that we are benefiting from the steady growth of the PRC economy, on the basis of our premium portfolio of properties coupled with the professional management team of Yuexiu REIT, we will actively get hold of potential investment opportunities through implementing proactive and prudent leasing strategies, which are complemented with effective property appreciation measures, aiming at continuously generating stable returns for the Unitholders.

APPRECIATION

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

LIN Zhaoyuan

Chairman

Hong Kong, 3 August 2016

Yuexiu REIT Profile

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

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

Yuexiu REIT’s property portfolio (“Properties”) consists of six commercial properties located in Guangzhou and one commercial property located in Shanghai. 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. According to the Offering Circular ("OC") issued to Unitholders dated 30 June 2012, the Manager has intended that Yuexiu REIT will distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item for the financial year ended from 2012 to 2016.

The Manager also has the discretion under Yuexiu REIT's trust deed, where there are surplus funds, to distribute amounts in addition to that set out in the OC. 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 2016 Interim Period will be approximately RMB0.1352 which is equivalent to HK\$0.1577 (June 2015: approximately RMB0.1208 which is equivalent to HK\$0.1530) 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 2016 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the 2016 Interim Period.

The 2016 interim distribution amounted to approximately RMB384,652,000 which is equivalent to HK\$448,587,000 (June 2015: approximately RMB341,749,000 which is equivalent to HK\$432,708,000), includes an amount approximately RMB177,000,000 (2015: RMB85,664,000), 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 OC (being approximately RMB212,369,000) plus a further distribution of approximately RMB172,283,000 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 2016 Interim Period is HK\$0.1577 (June 2015: HK\$0.1530) per unit, represents a yield of approximately 3.59% (June 2015: 3.60%) based on the closing price of HK\$4.39 per unit as at 30 June 2016 (30 June 2015: HK\$4.27). This represents an annualized distribution yield of 7.18%.

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 15 September 2016. The register of Unitholders will be closed from 15 September 2016 to 19 September 2016, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with the completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 14 September 2016. The 2016 interim distribution will be paid on 28 October 2016 to the Unitholders whose names appear on the register of Unitholders on 15 September 2016.

Management Discussion and Analysis

BUSINESS REVIEW

Steady Growth in Operating Results

In the first half of 2016, the macro-economy of China continued undergoing a slow growth. In order to maintain the interest of the Unitholders, Yuexiu REIT continued to implement active and prudent asset management strategies, with favorable results attained by all of its properties consistently, thereby further fostering the capability to preserve and enhance the value of properties, and establishing a solid foundation for future income growth and long-term development of Yuexiu REIT.

Property Portfolio

As at 30 June 2016, the property portfolio ("Properties") of Yuexiu REIT consisted of seven properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC") which located in Guangzhou and Yue Xiu Tower, formerly named Hongjia Tower ("Yue Xiu Tower") which located in Shanghai. The aggregate area of ownership was approximately 743,106.2 sq.m., total rentable area was 487,324.3 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower, the following statistics of both aggregate rented area and occupancy rate have excluded the above area).

Property Valuation

According to a revaluation performed by an independent professional valuer, Vigers Appraisal and Consulting Limited, on the portfolio of Properties of Yuexiu REIT, the revalued market valuation as at 30 June 2016 was approximately RMB28,127 million, representing an increase of RMB553 million or 2.0% over the valuation as at 31 December 2015.

The following table summarizes the valuation of each of the Properties as at 30 June 2016 and 31 December 2015:

Name of property	Valuation as at	Valuation as at	Increase %
	30 June 2016 RMB million	31 December 2015 RMB million	
White Horse Building	4,815	4,715	2.1%
Fortune Plaza	938	903	3.9%
City Development Plaza	781	758	3.0%
Victory Plaza	871	866	0.6%
Neo Metropolis	880	863	2.0%
GZIFC	16,942	16,639	1.8%
Yue Xiu Tower	2,900	2,830	2.5%
Total	28,127	27,574	2.0%

Management Discussion and Analysis

Particulars of each of the Properties are set out in the table below:

Name of property	Type	Location	Year of Completion	Area of Ownership	Total Area	Property Occupancy Rate ⁽¹⁾	Unit Rent ⁽¹⁾	Unit Rent ⁽¹⁾
							(VAT Inclusive)	(VAT Exclusive)
				(sq.m.)	(sq.m.)		(RMB/sq.m./month)	(RMB/sq.m./month)
White Horse Building	Wholesale shopping mall	Yuexiu District	1990	50,199.3	50,128.9	100.0%	656.0	624.8
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	97.2%	152.0	144.8
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	97.2%	131.9	125.6
Victory Plaza	Retail shopping mall	Tianhe District	2003	27,698.1	27,262.3	100.0%	182.8	174.1
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,960.0	49,887.3 ⁽²⁾	99.6% ⁽²⁾	110.9	105.6
GZFC	Commercial complex	Tianhe District	2010	457,356.8	230,266.9 ⁽³⁾	96.5% ⁽³⁾	211.9	201.8
Including:	Grade A office			267,804.4	183,539.6 ⁽³⁾	96.1% ⁽³⁾	236.5	225.2
	Retail shopping mall			46,989.2	46,727.3	97.9%	115.4	109.9
	Hotel			91,460.9 ⁽⁴⁾	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 of Shanghai	2010	62,139.4	46,026.3 ⁽⁵⁾	100.0%	254.8	242.7
Total				743,106.2	487,324.3	97.8%	238.6	227.3

Note:

⁽¹⁾ As at 30 June 2016;

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

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

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

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

Management Discussion and Analysis

Occupancy rate stayed at a high level

As at 30 June 2016, the overall occupancy rate of the properties was approximately 97.8%. The occupancy rate of the original five properties was 98.8%, and continued to operate at a high level. Consolidated occupancy rate of GZIFC was 96.5%, representing an increase of 1.7 percentage points as compared to the corresponding period of the previous year. Among which, occupancy rate of offices was 96.1%, representing an increase of 2.4 percentage points year-on-year, and occupancy rate of retail shopping mall was 97.9%.

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

Name of property	Occupancy rate as at 30 June 2016	Occupancy rate as at 30 June 2015	Percentage increase/ (decrease) as compared to 30 June 2015
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	97.2%	99.6%	(2.4)%
City Development Plaza	97.2%	96.9%	0.3%
Victory Plaza	100.0%	99.8%	0.2%
Neo Metropolis	99.6%	98.9%	0.7%
Sub-total of original projects	98.8%	99.0%	(0.2)%
GZIFC offices	96.1%	93.7%	2.4%
GZIFC shopping mall	97.9%	99.0%	(1.1)%
Sub-total of GZIFC	96.5%	94.8%	1.7%
Yue Xiu Tower	100.0%	N/A	N/A
Total	97.8%	96.8%	1.0%

Management Discussion and Analysis

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	Number of Units (units)	Average	Average
					Occupancy Rate ⁽¹⁾	Rent ⁽¹⁾ (VAT Inclusive) (RMB/Room/ Day)
Four Seasons Hotel Guangzhou ⁽²⁾	Five-star hotel	August 2012	91,460.9	344	67.2%	1,954
Ascott Serviced Apartments ⁽²⁾	High-end serviced apartments	September 2012	51,102.3	314	93.4%	994

Note:

⁽¹⁾ From 1 January 2016 to 30 June 2016;

⁽²⁾ Both hotel and serviced apartments are entrusted operations.

Revenue continued to increase

During the Interim Period of 2016, the Properties of Yuexiu REIT realized total revenue of approximately RMB909.4 million, representing a 15.1% increase as compared to the corresponding period of the previous year. Among which, the percentage of total revenue contributed by White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC and Yue Xiu Tower was approximately 22.2%, 3.9%, 3.5%, 3.5%, 3.5%, 56.0% and 7.4% respectively.

No bad debt was recorded during the Interim Period.

Management Discussion and Analysis

The following table sets out a comparison of revenue in respect of all the properties between the Interim Period and the corresponding period of the previous year:

Name of property	Revenue for 2016 Interim Period RMB million	Revenue for 2015 Interim Period RMB million	Increase as compared to 2015 Interim Period RMB million	Increase in revenue from properties %
White Horse Building	202.0	196.3	5.7	2.9%
Fortune Plaza	35.5	35.2	0.3	0.9%
City Development Plaza	31.4	29.8	1.6	5.4%
Victory Plaza	32.0	31.3	0.7	2.2%
Neo Metropolis	32.1	32.0	0.1	0.3%
Sub-total of original projects	333.0	324.6	8.4	2.6%
GZIFC	509.4	465.8	43.6	9.4%
Yue Xiu Tower	67.0	0.0 ⁽¹⁾	67.0	N/A
Total	909.4	790.4	119.0	15.1%

Note:

⁽¹⁾ Revenue from Yue Xiu Tower was recorded since 1 September 2015.

WHITE HORSE BUILDING – CONTINUED TO TRANSFORM, UPGRADE AND CONSOLIDATE THE LEADING POSITION IN THE INDUSTRY

During the first half of the year, the Manager adopted the following measures to actively respond to the continuous market downturn. Firstly, combined needs of both market and tenants, the Manager smoothly completed renewals with a shorter term upon the expiration of original leases, gained time for the structural adjustment of shops on the second floor, which further enhanced the transformation work for White Horse market and increased its integrated competitiveness. Secondly, to actively respond to the market environment, the Manager adopted a series of flexible preferential measures such as the suspension of the incremental rent policy to increase tenants' business confidence and maintain the market atmosphere. In respect of marketing, the Manager organized the branded customers of White Horse to participate the China International Fashion Fair - CHIC 2016 in Shanghai, and also organized the first White Horse O2O Getting Goods Festival and in-house small fashion shows, which further expanded the marketing channels of the White Horse apparel brand and continued to expand the influence of White Horse. The Manager also actively utilized marketing approaches from new media, such as the apparel website of White Horse, WeChat account and APP, to enhance marketing and promotion efforts and consolidate the leading competitive position in the industry.

Management Discussion and Analysis

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA, NEO METROPOLIS — ACTIVELY TAPPED THE POTENTIAL CUSTOMER NEEDS, CONTINUOUSLY RAISED RENTALS OF PROJECTS

Fortune Plaza, City Development Plaza and Neo Metropolis projects continued to focus on implementing active leasing and customer relationship management strategies to improve the rental value of properties continuously. The Manager profoundly tapped the potential customer needs by leveraging on well-established customer relationship and active lease management policies, thus retaining the prominent tenants of these buildings. Among which, Fortune Plaza introduced the domestic famous household and personal care brand “Lan Yue Liang”, and assisted “Nikon” and “Beijing Nuosi”, its key famous customers, to expand their rental area. City Development Plaza successfully attracted “Tongcheng Travel”, a well-known enterprise, and achieved successful expansion of rental area for existing tenants such as Shanghai Branch of Ping An Bank and E Fund. Fortune Plaza, City Development Plaza and Neo Metropolis recorded a lease renewal rate of 85.2%, 76.2% and 75.6%, respectively. In addition, customer relationship has been further strengthened and promoted through provision of hotel-grading services with enhanced service standard, improved environmental atmosphere and customer experience, and enthusiastically organized “Golden Monkey Brings Happiness” at the Lantern Festival, “Tree Planting Activities with Xiaoxin” and other community cultural activities. By adoption of flexible and effective lease management strategies, Fortune Plaza, City Development Plaza and Neo Metropolis maintained stable operation with occupancy rate remaining at high level of 97.2%, 97.2% and 99.6%, respectively, and consistently rising rental rate.

VICTORY PLAZA — CONTINUOUSLY EXPANDED THE INFLUENCE OF MALL BRAND AND MADE STEADY PROGRESS IN MARKETING INTEGRATION

In respect of Victory Plaza, during the first half of the year, the Manager emphasized on promoting the communication and supervision mechanism with the major tenants, to enhance operation advisories and risk control and to further improve its operation management and rental value. Further, customer service experience improvement project was launched wholeheartedly in accordance with the positioning of “Fast Fashion Experiencing Center” of the mall. By adopting various approaches, including improving the signage and directories, enhancing environmental management, promoting lobby information service and upgrading of ancillary facilities in the mall, a comfortable shopping experience was created for the customers and customer loyalty for “VT101” brand was increased. Meanwhile, the Manager continually integrated internal and external resources to achieve joint marketing, and invested more in the advertising and promotion of the commercial brand image, “VT101”. On one hand, 20 marketing activities and membership activities were held jointly with “The Voice of China”, “Jiayuan.com”, “Cadillac”, “Beaver House”, “Coca-Cola” and other external well-known brands as well as governmental and public welfare organizations such as Tianhe District Office of Cultural Affairs and Guangzhou Charity Association; on the other hand, a number of marketing activities were carried out by existing tenants such as “Uniqlo”, “BreadTalk”, “Nice Meeting You”, “Saint Honore” and other stationed brands. Diversified marketing and promotional methods led to a significant increase in customer traffic flow in the mall, and the brand influence of “VT101” continued expanding.

Management Discussion and Analysis

GUANGZHOU INTERNATIONAL FINANCE CENTER – OPERATING RESULTS OF OFFICE BUILDING ACHIEVED NEW BREAKTHROUGH, ADJUSTMENT TO SHOPPING PODIUM ATTAINED INITIAL FRUITION

In the first half of the year, the office building of GZIFC, faced with market competition from the concentration of new supply in the market of Grade A offices in Zhujiang New Town, achieved outstanding performance in operating results by implementing active and prudent rental policies and measures. As of 30 June, the occupancy rate of GZIFC offices increased by 2.4% to 96.1% as compared to the corresponding period of the previous year, which rose steadily. The unit rent increased by 2.2%, reaching a new historical record. The Manager actively expanded leasing channels and successfully introduced various quality customers, including “Everbright Securities”, “Zurich General Insurance” and “Momo”, by leveraging on refined leasing strategies, strong resources integration capabilities and excellent business solicitation team. Meanwhile, the Manager retained key tenants of the building through effective management on expiring leases, thus achieving a renewal rate of 73% in the first half of the year. The Manager also successfully brought in several premium customers, including “Chengfa Capital”, “China Science & Merchants” and “GuangZheng Hang Seng” to expand their leasing space. In respect of customer relationship management, the Manager continued to enhance promotion of project brands. Through the establishment of the WeChat social platform, the Manager held activities such as the “M-zone Origami Design Exhibition”, “Children’s Native Paintings and Fairy Tales Exhibition”, “Midsummer Night’s Dream”, dialogue salons and photography exhibitions, so as to further maintain and enhance customer relationship and increase the brand recognition of GZIFC.

In respect of the podium shopping mall of GZIFC, in the first half of the year, the Manager curtailed the space operated by the original lessee, and repossessed the entire 4th and 5th floors and a portion of the basement for the purpose of self-operation after renovation and enhancement. Meanwhile, aimed at further enhancing the commercial value and ancillary service capabilities of the podium shopping mall of GZIFC, to meet the diverse consumption demands of CBD customers in a timely manner, the Manager actively adjusted the industry mix of the entire mall and enriched the catering experiences by newly introduced reputable catering tenants, among which “Mammamia Pizzeria”, “Sexy Salad (好色派沙拉)”, “Kajiken Ramen” and “Demi Deli” were making their first debut in Guangzhou. Positioned at new elite lifestyle landmark integrated with business, life, fashion and leisure, by virtue of strong brand portfolio, the average daily customer flow increased approximately 30% as compared with that before the commencement of these operations. Moreover, the Manager proactively created an intelligent mall to implement the monitor of the sales and customers flow and also to actively interact with customers by using the WeChat platform of GZIFC Shopping Mall, thus providing a new scope of interactive experiences to customers.

During the first half of the year, market supply of hotels and apartments was relatively stable in the Guangzhou region. However, some enterprises were reserved towards development and expansion mainly due to the gradual slowdown in macroeconomic growth and the effect of resulting uncertainties. As a result, price sensitivity in the overall market increased obviously. Business activities, particularly demand for high-end business travelling, were subject to certain development constraints in the short run. Through real-time monitoring of the room rate levels and establishment of the market data benchmark analysis system, the Manager actively and effectively monitored the operating conditions of Four Seasons Hotel and Ascott Serviced Apartments. Through enhancing sales channel, upgrading guest room products, Four Seasons Hotel continued to maintain its leading position in room rates. As of June 2016, the average occupancy rate of Four Seasons Hotel was slightly lower by 1.6 percentage points when compared with direct competitors, but its average room rate was 48.6% higher and its Revenue Per Available Room (“RevPAR”) was 45.3% higher, with good performance in operating results. The average occupancy rate of Ascott Serviced Apartments was 5.9 percentage points higher when compared with direct competitors and its average room rate was 37.1% higher, while its RevPAR was 46.3% higher with excellent performance in operating results.

Management Discussion and Analysis

YUE XIU TOWER — CONTINUED TO OPTIMIZE TENANT MIX AND STEADILY ENHANCED PROPERTY RENTAL VALUE

Yuexiu REIT completed the project acquisition at the end of August last year. After the acquisition, to further strengthen the presence of Yuexiu REIT in Shanghai and to attract financial clients as tenants, the Manager specially named the project as “Yue Xiu Tower” after the name of Yuexiu REIT. Meanwhile, the Manager dedicated its efforts to continuously optimizing tenant mix, which steadily enhanced its property rental value. By conducting in-depth research on the competitive environment in the market and further analysis on the tenant mix, with the adoption of flexible and prudent leasing policies, the Manager fully explored the demands from customers in the building, supported lease expansion of growth customers and further optimized the tenant mix of the building. In addition, by means of continuous expansion of customer-soliciting channels, the Manager actively introduced premium tenants that were in line with our positioning. As at 30 June 2016, the occupancy rate was 100%, and the unit rent increased as compared with as at 30 June 2015.

ACTIVELY PURSUED PROGRESS IN ASSET ENHANCEMENT WORK, STRENGTHENED PROJECT COMPETITIVENESS

In the first half of the year, the Manager completed various asset enhancement works, including the implementation of asset improvement projects, such as the upgrade and renovation work of podium shopping mall and green periphery of GZIFC as well as the upgrade and renovation work of signage and directories in the office area at GZIFC. In the second half of the year, the Manager will continue to promote asset enhancement works, such as the upgrade and renovation work of the general lighting system and interior and exterior signs of the podium of GZIFC, the upgrade and renovation of the podium facade of Victory Plaza and the addition of IT cooling master unit for Yue Xiu Tower in Shanghai, so as to further enhance the operation efficiency and business environment of the property projects.

CONTINUOUSLY OPTIMIZED THE DEBT STRUCTURE AND ACTIVELY MANAGED FOREIGN EXCHANGE RISK

In response to more volatile RMB exchange rates since the second half of 2015, the Manager adopted active management on foreign exchange risk. A loan of RMB600 million was borrowed in the first half of 2016 and repaid a portion of foreign currency loans, resulting in a lower percentage of foreign currency debt. In the first half of the year, the overall finance costs of Yuexiu REIT continued to reduce and the average finance costs decreased from 3.42% at the beginning of the year to 3.29%.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Results

Both rental income and net property income were higher than the Interim Period of 2015. The following is a summary of Yuexiu REIT's financial results during the 2016 Interim Period:

	Six months ended 30 June		Increase/(decrease) %
	2016 Unaudited RMB'000	2015 Unaudited RMB'000	
Gross income	909,358	790,391	15.1%
Hotel and serviced apartments direct expenses	(142,136)	(149,389)	(4.9)%
Leasing agents' fee	(20,540)	(17,581)	16.8%
Property related taxes (Note 1)	(131,209)	(124,026)	5.8%
Other property expenses (Note 2)	(6,168)	(4,175)	47.7%
Total property operating expenses	(300,053)	(295,171)	1.7%
Net property income	609,305	495,220	23.0%
Withholding tax	(31,645)	(30,383)	4.2%
Depreciation and amortization	(78,062)	(75,975)	2.7%
Manager's fees	(60,326)	(52,857)	14.1%
Trustee's fees	(4,400)	(3,804)	15.7%
Other trust expenses (Note 3)	(10,035)	(15,440)	(35.0)%
Total non-property operating expenses	(184,468)	(178,459)	3.4%
Profit before finance costs, finance income and tax	424,837	316,761	34.1%
Finance income	14,726	26,713	(44.9)%
Finance expenses	(360,143)	(174,708)	106.1%
Profit before tax	79,420	168,766	(52.9)%
Income tax expenses	(171,004)	(58,327)	193.2%
Net profit after tax before fair value gain on investment properties	(91,584)	110,439	(182.9)%
Fair value gain on investment properties	500,367	434,589	15.1%
Net profit after tax before transactions with Unitholders	408,783	545,028	(25.0)%

Management Discussion and Analysis

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

Note 2: Other property expenses include valuation fee, insurance premium and other expenses incurred at the level of the properties.

Note 3: Other trust expenses include audit fees, printing charges, unit registrar 's fees, listing fees, legal advisory fee, exchange difference and miscellaneous expenses.

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

<i>(RMB'000)</i>	Six months ended 30 June	
	2016	2015
Office	406,951	323,711
Wholesales	201,957	196,243
Retails	69,219	34,399
Hotel and serviced apartments	231,231	236,038
Total	909,358	790,391

Net property income amounted to approximately RMB609,305,000 (2015: RMB495,220,000), 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 67.0% of total gross income. The table below sets out an analysis of net property income:

<i>(RMB'000)</i>	Six months ended 30 June	
	2016	2015
Office	323,774	251,892
Wholesales	162,440	154,170
Retails	56,011	26,554
Hotel and serviced apartments	67,080	62,604
Total	609,305	495,220

The adjustment of the business structure for the shopping podium of GZIFC in the first half of 2015 had incurred a one-off non-cash rental reduction, Upon the completion of this adjustment in 2016, the rental income of retails increased by 101.2%.

Hotel and serviced apartments direct expenses were RMB142,136,000, a decrease of 4.9% as compared with the 2015 Interim Period. It was mainly because of effective cost control.

Management Discussion and Analysis

Leasing agents' fee increased by approximately 16.8% as compared with the 2015 Interim Period. It was mainly because of the rental income increase from GZIFC shopping mall and the newly acquired Shanghai Yue Xiu Tower.

Property related tax increased by approximately 5.8 % as compared with the 2015 Interim Period. It was mainly due to an increase of rental income from the newly acquired Shanghai Yue Xiu Tower.

Depreciation and amortization charge was mainly because of the fact that hotel and serviced apartments were booked as fixed assets incurring the depreciation and amortization charge.

As Renminbi depreciated against Hong Kong dollar and US dollar in the Interim Period, the bank borrowings denominated in Hong Kong Dollar, United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB172,283,000. Excluding this exchange factor, the finance expenses incurred for the Interim Period amounted to approximately RMB187,060,000 (2015: RMB168,301,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB408,783,000 (2015: RMB545,028,000), which represented a decrease of 25.0%, mainly due to the exchange loss from Renminbi depreciation.

Value-Added Tax

On 23 March 2016, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) formally promulgated the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (Cai Shui 2016 No. 36). Pursuant to this circular, the countrywide pilot program of replacing business tax with value-added tax (VAT) (hereinafter referred to as "VAT reform") was implemented with effect from 1 May 2016, and all taxpayers of business tax in the construction, real estate, finance and consumer services industries are involved in the pilot program and liable to pay VAT instead of business tax. According to the Measures for the Pilot Program for Levying Value-Added Tax in Lieu of Business Tax and the requirements of the latest policies, a VAT tax rate of 5% is applicable to the REIT property leasing business, and a VAT rate of 6% is applicable to hotel and apartment services. Upon the implementation of the VAT reform, and separation of price and tax, our revenue for the first half of the year as per financial statements decreased by approximately RMB20,000,000, and the costs and expenses were adjusted accordingly. For example, payment for business tax was no longer required, property tax, leasing agent fees and withholding tax decreased in proportion to the decrease in income. Thus, the VAT reform has no material impact on the net profit of the Yuexiu REIT.

Top-up Payment

Top-up Payment for the 2016 Interim Period is approximately RMB35,442,000. Yuexiu Property shall pay the said amount within 7 business days after the announcement of Yuexiu REIT's interim results for the 2016 Interim Period. Please refer to the circular dated 30 June 2012 for details.

New Units Issued and Unit Activity

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 15,674,865 new units at HK\$4.13 on 9 March 2016. As at 30 June 2016, a total of 2,844,562,239 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$4.48 and a low of HK\$3.82 during the 2016 Interim Period. The average trading volume amounted to approximately 3,942,000 Units per day during the 2016 Interim Period (2015: 4,977,000 Units).

Management Discussion and Analysis

Deferred Units

According to the offering circular in relation to the acquisition of GZIFC dated June 30, 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.

Net Asset Value

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2016 was approximately RMB4.76 (31 December 2015: RMB4.74).

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Bank borrowings and notes		
Denominated in RMB	3,165,500	2,660,000
Denominated in HKD	3,196,829	3,500,025
Denominated in USD	4,922,827	4,817,920
	11,285,156	10,977,945
Maturity analysis		
Within one year	2,899,501	2,841,730
Two to five year	8,040,655	7,791,215
Beyond five year	345,000	345,000
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.97%	6.34%
HKD	2.59%	2.56%
USD	2.65%	2.97%

Management Discussion and Analysis

The Manager also adopted a series of liquidity management measures. In the first half of the year, the Manager successfully renewed the borrowing of US\$177 million for another two-year term until August 2018, resulting in a reduction of short-term refinancing risk and a downward adjustment of annual interest rate; and RMB600 million were borrowed from certain banks to repay part of the Hong Kong dollar borrowings to reduce the exposure of exchange rate risk.

At the next stage, the Manager will proactively pursue multi-pipeline financing methods and consider extending existing loans through restructuring, together with further adjustment in the interest rates of domestic and overseas borrowings in the market, interest costs will be lowered. Multi-pipeline RMB financing methods will be sought at the same time, including increasing domestic and overseas RMB borrowings and issuance of RMB bonds, to further lessen the exposure to foreign exchange risk.

As at 30 June 2016, total borrowings of Yuexiu REIT amounted to approximately RMB11,285,156,000, which represented approximately 37.8% 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 2016, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB16,229,390,000, representing approximately 54.4% of total assets of Yuexiu REIT.

Cash Position

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2016 amounted to approximately RMB883,003,000. 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.

Management Discussion and Analysis

REVIEW OF FINANCIAL RESULTS

The results of Yuexiu REIT for the 2016 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 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.

ISSUANCE OF 2016 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2016 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2016.

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 2016 Interim Period, there was no repurchase, sale or redemption of units of Yuexiu REIT by Yuexiu REIT or any of its subsidiaries.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

Yuexiu REIT or any of its subsidiaries did not enter into any real estate sale and purchase during the 2016 Interim Period.

EMPLOYEES

As at 30 June 2016, Yuexiu REIT employed 658 and 139 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

Corporate Governance

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

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

During the 2016 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

Authorisation Structure

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

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

Roles Of The Trustee And Manager

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

Functions Of The Board

The board of Directors of the Manager ("Board") currently comprises six members, three of whom are INEDs.

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

Corporate Governance

Board Committees

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

The committees of the Board are as follows:

Audit Committee

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

Finance And Investment Committee

The Finance and Investment Committee comprises five Directors, including the Chairman, the Chief Executive Officer 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.

Disclosure Committee

The Disclosure 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 Disclosure 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.

Corporate Governance

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.

Conflict Of Interest

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

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

Public Float

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

Connected Party Transactions

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

THE MANAGER AND SIGNIFICANT HOLDER GROUP

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

LEASING TRANSACTIONS

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

Tenant	Location of unit	Relationship with Yuexiu REIT	Lease		Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2016	
			GFA (sq.m.)	commencement/renewal date				Term (years)	Interim period (RMB)
City Development Plaza									
Guangzhou Yicheng Property Management Limited ("Yicheng")	1/F ⁽¹⁾	an associate of the Manager	97.00	1 May 2013	485	5	0	3	4,305
Yicheng	19/F	an associate of the Manager	1,844.34	30 Jan 2013	217,632	118	122	5.33	1,222,941
Guangzhou City Construction & Development Xingye Property Agent Ltd ("Xingye")	27, 28/F	an associate of the Manager	3,688.68	16 Dec 2012	461,085	125	121	5.04	2,607,031
Golden Eagle Asset Management Co., Ltd ("Golden Eagle") ⁽²⁾	22/F	an associate of the Manager	1,844.34	1 Jan 2016	221,321	120	0	0.25	663,963
Golden Eagle ⁽²⁾	23/F	an associate of the Manager	1,844.34	1 Jan 2016	171,345	120	0	0.07	171,345
Sub-total:									4,669,585

⁽¹⁾ On 1 May 2016, Yicheng entered into a lease with Full Estates Investment Limited in respect of 1/F of City Development Plaza, renewing the existing term for 3 years commencing 1 May 2016, with an adjusted rent of RMB13.5/sq.m./month.

⁽²⁾ 廣州友誼集團股份有限公司 becomes the 100% shareholder of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("YXFH"). On 1 May 2016, YXFH and its subsidiaries are not the connected parties of Yuexiu REIT.

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 2016 Interim period (RMB)
Neo Metropolis									
Guangzhou White Horse Clothings Market Ltd	Basement 2, 3/F	an associate of the Manager	7,621.03	1 Jan 2016	108,334	14	0	3	638,099
Sub-total:									638,099
Fortune Plaza									
廣州越秀小額貸款有限公司 ⁽¹⁾	Podium 303	an associate of the Manager	501.05	1 Apr 2013	55,116	110	61	4	220,034
Sub-total:									220,034

⁽¹⁾ 廣州友誼集團股份有限公司 becomes the 100% shareholder of YXFH. On 1 May 2016, YXFH and its subsidiaries are not the connected parties of Yuexiu REIT.

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 2016 Interim period (RMB)
GZIFC									
廣州越秀企業集團有限公司	0601-A	an associate of the Manager	1,224.74	1 Jan 2016	264,544	216	0	3	1,521,908
Guangzhou Grandcity Development Ltd.	0601-G, H	an associate of the Manager	877.03	1 Jan 2016	189,438	216	0	3	1,089,829
廣州市宏錦房地產開發有限公司	1501, 1601	an associate of the Manager	6,297.82	1 Jan 2016	1,580,753	251	0	3	9,086,000
GCCD	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jan 2015	324,154	271	0	1.42	1,661,116
廣州東耀房地產開發有限公司	5801-B, 02, 03, 04-A	an associate of the Manager	1,196.58	1 Jun 2016	324,148	271	0	3	303,566
廣州越秀企業集團有限公司	5801-A ⁹⁾	an associate of the Manager	512.64	1 Jan 2015	138,868	271	0	1.42	841,679
廣州越秀企業集團有限公司	6401, 6501	an associate of the Manager	6,509.02	1 Jan 2016	2,375,792	365	0	3	13,607,184
GCCD	0440-E	an associate of the Manager	859.98	1 Jan 2016	157,720	183	0	1	926,190
GCCD	0440-F	an associate of the Manager	267.18	1 Jan 2016	49,001	183	0	1	290,066
廣州越秀企業集團有限公司	0440-H	an associate of the Manager	384.07	1 Jan 2016	70,438	183	0	1	413,637
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") ¹¹⁾	6301-C	an associate of the Manager	811.63	1 Jan 2016	262,447	348	0	3	1,093,541
GCCD	1401	an associate of the Manager	3,071.42	1 Jan 2016	770,926	251	0	3	4,327,691
廣州市祥港房地產開發有限公司	1101	an associate of the Manager	2,991.38	1 Jan 2016	750,836	251	0	3	4,315,727
廣州德橋發展有限公司	1701-D	an associate of the Manager	200.99	1 Jan 2015	50,426	251	0	3	305,009
Guangzhou Yuexiu Asset Management Company Limited ("GZAM")	0601-E	an associate of the Manager	46.82	1 Jan 2015	10,123	216	0	3	61,241

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 2016 Interim period (RMB)
GZAM	0601-D	an associate of the Manager	138.72	1 Sep 2013	27,605	199	0	3	178,217
GZAM	0440-D	an associate of the Manager	171.16	1 Jan 2016	31,391	183	0	1	184,339
廣州越聯信息有限公司	1701-C	an associate of the Manager	266.86	1 Jan 2015	66,953	251	0	3	404,970
廣州越通公路運營管理有限公司	1701-B	an associate of the Manager	261.29	1 Jan 2015	65,555	251	0	3	396,516
Yuexiu (China) Transport Infrastructure Investment Company Limited	0440-A	an associate of the Manager	152.38	1 Jan 2016	27,946	183	0	1	164,109
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ("GZYXIFM") ⁽¹⁾	6301-A, E	an associate of the Manager	696.58	1 Jan 2015	242,410	348	0	1	938,530
GZYXIFM ⁽¹⁾	0440-C	an associate of the Manager	73.06	1 Jan 2015	13,399	183	0	1	53,157
YXFH ⁽¹⁾	0601-B	an associate of the Manager	227.87	1 Jan 2016	49,220	216	0	3	191,395
YXFH ⁽¹⁾	6301-B	an associate of the Manager	930.54	1 Jan 2016	323,828	348	0	3	1,253,754

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)	Rental income during 2016	
								Term (years)	Interim period (RMB)
YXFH ⁽¹⁾	0440-B	an associate of the Manager	233.78	1 Jan 2016	42,875	183	0	1	170,095
Guangzhou Yuexiu Financial Leasing Co., Ltd. ("GZYFL") ⁽¹⁾	6301-D, F	an associate of the Manager	860.73	1 Jun 2013	275,434	320	0	3	1,141,476
GZYFL ⁽¹⁾	5604	an associate of the Manager	533.50	1 Jan 2016	137,643	258	0	0.58	547,341
Guangzhou Securities Co., Ltd. ⁽¹⁾	0601-C	an associate of the Manager	248.05	1 Jan 2016	53,579	216	0	3	208,346
Guangzhou Securities Co., Ltd. ⁽¹⁾	1901, 2001	an associate of the Manager	6,399.43	1 Jan 2016	1,715,047	268	0	3	6,643,985
GZAM	5804-B ⁽²⁾	an associate of the Manager	242.29	1 Jan 2015	65,637	271	0	1.42	397,824
Yuexiu (China) Transport Infrastructure Investment Company Limited	5804-C · 05-A ⁽⁴⁾	an associate of the Manager	398.75	1 Jan 2015	108,020	271	0	1.42	654,704
YXFH ⁽¹⁾	5805-B · 06-A ⁽³⁾	an associate of the Manager	507.40	1 Jan 2015	137,464	271	0	1.42	566,232
Guangzhou Securities Co., Ltd. ⁽¹⁾	5806-B ⁽²⁾	an associate of the Manager	213.70	1 Jan 2015	57,854	271	0	1.42	238,310
GZYFL ⁽¹⁾	5806-C ⁽²⁾	an associate of the Manager	133.50	1 Jan 2015	36,194	271	0	1.42	149,089
Guangzhou Paper Group Ltd.	5806-D ⁽²⁾	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	140,376
Guangzhou Building Materials Enterprise Group Co., Ltd.	5806-E · 07-A ⁽²⁾	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	140,376
廣州鈦白粉廠	5807-B ⁽²⁾	an associate of the Manager	85.49	1 Jan 2015	23,161	271	0	1.42	140,376
Guangzhou Securities Co., Ltd. ⁽¹⁾	401-B ⁽²⁾	an associate of the Manager	1,422.14	27 Feb 2015	220,432	155	0	1	781,656
Chong Hing Bank Limited Guangzhou Sub-branch ⁽²⁾	4605	an associate of the Manager	558.36	30 Mar 2015	138,473	248	0	1	393,783

Connected Party Transactions

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2016	
				commencement/ renewal date				Term (years)	Interim period (RMB)
GZAM	4001 · 02 · 03 · 05 · 06	an associate of the Manager	2,882.42	1 May 2015	706,193	245	0	3	3,871,122
Guangzhou Securities Co., Ltd. ⁽¹⁾	706-707	an associate of the Manager	474.16	15 Apr 2015	76,814	162	0	3	293,421
YXFH ⁽¹⁾	4706-A	an associate of the Manager	300.00	12 May 2015	73,500	245	0	0.64	292,274
GZYFL ⁽¹⁾	4706-B	an associate of the Manager	246.91	12 May 2015	60,493	245	0	0.64	240,552
Guangzhou Securities Co., Ltd. ⁽¹⁾	501	an associate of the Manager	2,868.01	20 Jun 2015	458,862	160	0	3	1,702,324
Guangzhou Securities Co., Ltd. ⁽¹⁾	0440-G	an associate of the Manager	392.42	1 Jan 2016	71,970	183	0	1	285,520
Yuexiu (China) Transport Infrastructure Investment Company Limited	0601-F	an associate of the Manager	126.99	1 Jan 2015	27,458	216	0	3	166,107
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-A	an associate of the Manager	1,585.09	1 Jan 2015	397,683	251	0	3	2,405,434
Guangzhou Securities Co., Ltd. ⁽¹⁾	1001-1006 ⁽³⁾	an associate of the Manager	1,486.34	1 Jan 2016	267,541	180	0	3	992,441
Guangzhou Futures Co., Ltd. ⁽¹⁾	1007-1012 ⁽³⁾	an associate of the Manager	1,486.34	1 Jan 2016	267,574	180	0	3	992,563

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 2016 Interim period (RMB)
Beijing Jones Lang LaSalle Property Management Services Company Limited, Guangzhou Branch	2403	an associate of the Manager	534.80	16 Jan 2013	112,308	210	0	3.67	622,459
GZYFL ⁽¹⁾	0440-I	an associate of the Manager	135.68	1 Jan 2016	24,884	183	0	1	98,720
Guang Zheng ⁽¹⁾	0440-J	an associate of the Manager	29.22	1 Jan 2016	5,359	183	0	1	21,260
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services ("GZYXJLL") Co., Ltd.	Carpark	an associate of the Manager	71,082.79	1 Jul 2015	1,240,833	17	0	1	7,326,827
Chong Hing Bank Limited Guangzhou Sub-branch ⁽²⁾	podium 103 · 203	an associate of the Manager	631.28	1 Jan 2015	233,068	369	0	2.5	1,277,216
Yuexiu (China) Transport Infrastructure Investment Company Limited	1701-E	an associate of the Manager	855.96	1 Mar 2016	196,871	230	0	1.83	716,811
YXFH ⁽¹⁾	3406 ⁽⁴⁾	an associate of the Manager	273.00	1 Oct 2015	66,885	245	0	0.5	199,558
YXFH ⁽¹⁾	3601	an associate of the Manager	283.16	1 Jun 2016	71,356	252	0	0.33	285,424
								Sub-total:	77,713,373

Connected Party Transactions

- ⁽¹⁾ 廣州友誼集團股份有限公司 becomes the 100% shareholder of YXFH. On 1 May 2016, YXFH and its subsidiaries are not the connected parties of Yuexiu REIT.
- ⁽²⁾ On 1 March 2016, Guangzhou Securities Co., Ltd. entered into a lease with IFC Company in respect of units 401-B of GZIFC, renewing the existing term for 2 months commencing 1 March 2016, and the unit price of rent remain unchanged.
- ⁽³⁾ The tenant of units 1001-1006, 1007-1012 has been changed from GCCD to Guangzhou Securities Co., Ltd. and Guangzhou Futures Co., Ltd. on 1 January 2016, as negotiated, with an adjusted rent of RMB180/sq.m./month.
- ⁽⁴⁾ On 1 April 2016, YXFH entered into a lease with IFC Company in respect of units 3406 of GZIFC, renewing the existing term for 1 year commencing 1 April 2016, and the unit price of rent remain unchanged.
- ⁽⁵⁾ On 1 June 2016, 廣州越秀企業集團有限公司, GZAM, Yuexiu (China) Transport Infrastructure Investment Company Limited, Guangzhou Paper Group Ltd., Guangzhou Building Materials Enterprises Group Co., Ltd., 廣州鈦白粉廠 each entered into a lease with IFC Company in respect of units 5801-A, 5804-B, 5804-C、05-A, 5806-D, 5806-E、07-A, 5807-B of GZIFC, renewing the existing term for 3 years commencing 1 June 2016, and the unit price of rent remain unchanged.
- ⁽⁶⁾ Chong Hing Bank Limited Guangzhou Sub-branch was renamed to Chong Hing Bank Limited Guangzhou Tianhe Sub-branch effective from 26 April 2016.

Tenant	Location of unit	Relationship with Yuexiu REIT	GFA (sq.m.)	Lease	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Rental income during 2016	
				commencement/ renewal date				Term (years)	Interim period (RMB)
Yue Xiu Tower									
Chong Hing Bank Limited Shanghai Branch	1807	an associate of the Manager	142.05	1 Jun 2016	43,207	304	0	1.92	42,651
Guangzhou Yicheng Property Management Co., Limited Shanghai Branch ("Yicheng Shanghai")	Carpark	an associate of the Manager	13,502.58	1 Sep 2015	150,000	11	0	2.33	885,000
								Sub-total:	927,651
								Total:	84,168,742

Connected Party Transactions

PROPERTY MANAGEMENT AGREEMENTS

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

Property Manager	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2016 Interim Period (RMB)
Guangzhou Baima Business Operation Management Co. Ltd ("Baima BM") ⁽¹⁾	an associate of the Manager	White Horse Building	1 Jan 2014	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Fortune Plaza	1 Jan 2014	Property Management Agreement	N/A
Yicheng ⁽²⁾	an associate of the Manager	City Development Plaza	19 Jul 2013	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	an associate of the Manager	Neo Metropolis	1 Jan 2014	Property Management Agreement	N/A
GZYXJLL	an associate of the Manager	GZFC	1 Sep 2009	Property Management Agreement	N/A
Yicheng Shanghai	an associate of the Manager	Yue Xiu Tower	1 Sep 2015	Property Management Agreement	N/A

⁽¹⁾ Guangzhou White Horse Property Management Co. Ltd was renamed to Guangzhou Baima Business Operation Management Co., Ltd. ("Baima BM") effective from 29 March 2016.

⁽²⁾ On 19 July 2016, Yicheng entered into a lease with the owners' committee of City Development Plaza, renewing the existing term for 3 years commencing 19 July 2016, and other terms remain unchanged.

Connected Party Transactions

TENANCY SERVICES AGREEMENTS

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

Service provider	Relationship with Yuexiu REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2016 Interim Period (RMB)
Baima BM	an associate of the Manager	White Horse Building	31 Dec 2014	Tenancy Services Agreement	6,055,000
Yicheng	an associate of the Manager	Fortune Plaza	31 Dec 2014	Tenancy Services Agreement	1,385,000
Yicheng	an associate of the Manager	City Development Plaza	31 Dec 2014	Tenancy Services Agreement	1,256,000
Yicheng	an associate of the Manager	Victory Plaza	31 Dec 2014	Tenancy Services Agreement	1,279,000
Yicheng	an associate of the Manager	Neo Metropolis and Fortune Plaza 1701	31 Dec 2014	Tenancy Services Agreement	1,312,000
GZAM	an associate of the Manager	GZIFC	1 Jan 2016	Tenancy Services Agreement	7,240,000
Guangzhou Yuexiu Asset Management Co., Ltd. Shanghai Branch	an associate of the Manager	Yue Xiu Tower	1 Sep 2015	Tenancy Services Agreement	2,011,000

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 2016 Interim Period	Licence Period
Baima BM	an associate of the Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	1 January 2007 to 27 November 2016 and 30 January 2017
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ⁽¹⁾	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 2016 Interim Period (RMB)	Nature of Transaction	Amount received/receivable for 2016 Interim Period (RMB)
GCCD	an associate of the Manager	4 May 2012	165,444,000	Interest on the balance of construction payable	9,618,000

GUARANTEE FROM FOUNDING SHAREHOLDERS

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

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 11 December 2014, 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 25 November 2014.

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:

Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/payable within the 2016 Interim Period	Amount of interest paid/payable within the 2016 Interim Period
Loan ⁽¹⁾	13 December 2013	HK\$276,315,789	—	RMB3,581,000

⁽¹⁾ HSBC was one of the lending banks.

GZI REIT (Holding) 2005 Company Limited, Partat, Keen Ocean, Full Estates, Moon King, Metrogold Development Ltd ("Metrogold"), Ever Joint Investment International Limited ("Ever Joint"), Long Grace Holdings Limited ("Long Grace"), Profit Link Investment International Limited ("Profit Link"), San Bright Holdings Limited ("San Bright") and Yuexiu REIT MTN Company Limited have maintained interest bearing accounts with HSBC at arm's length and on commercial terms for deposits during the 2016 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.

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.

Connected Party Transactions

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 2016 Interim Period.

MANAGER'S FEES

During the 2016 Interim Period, the aggregate amount of fees payable by Yuexiu REIT to the Manager under the Trust Deed was approximately RMB60,326,000, 85% of which was settled by the issuance of new Units, and 15% was settled in cash.

TRUSTEE'S FEES

During the 2016 Interim Period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Trustee under the Trust Deed was approximately RMB4,400,000.

PRINCIPAL VALUER'S FEES

During the 2016 Interim Period, the aggregate amount of fees paid/payable by Yuexiu REIT to the Principal Valuer was RMB621,000.

Connected Party Transactions

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

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

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

Interests and Short Positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2016		As at 30 June 2016		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Liu Yongjie (resigned on 1 April 2016)	—	Nil	—	Nil	—	—
Mr. Lin Zhaoyuan (appointed on 1 April 2016)	—	240	0.000008%	240	0.000008%	—
Mr. Lin Deliang	—	Nil	—	Nil	—	—
Mr. Li Feng	—	1,825	0.000065%	1,825	0.000064%	(0.000001%)
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—
Mr. Cheung Yuk Tong	—	Nil	—	Nil	—	—

Connected Party Transactions

Holdings of Significant Holders

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

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2016		As at 30 June 2016		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yuexiu Holdings Limited ("GZYX") ⁽¹⁾	Deemed	1,792,064,948 ⁽³⁾	63.35%	1,807,739,813 ⁽³⁾	63.55% ⁽⁴⁾	0.2%
	Total	1,792,064,948 ⁽³⁾	63.35%	1,807,739,813 ⁽³⁾	63.55% ⁽⁴⁾	0.2%
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	—	27,320	—	—
	Deemed	1,792,037,628 ⁽³⁾	63.35%	1,807,712,493 ⁽³⁾	63.55% ⁽⁴⁾	0.2%
	Total	1,792,064,948 ⁽³⁾	63.35%	1,807,739,813 ⁽³⁾	63.55% ⁽⁴⁾	0.2%
YXP ⁽²⁾	Beneficial	—	—	—	—	—
	Deemed	1,782,803,363 ⁽³⁾	63.02%	1,798,478,228 ⁽³⁾	63.23% ⁽⁴⁾	0.21%
	Total	1,782,803,363 ⁽³⁾	63.02%	1,798,478,228 ⁽³⁾	63.23% ⁽⁴⁾	0.21%
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	1,697,125,730 ⁽³⁾	59.99%	1,697,125,730 ⁽³⁾	59.66% ⁽⁴⁾	(0.33%)
	Deemed	—	—	—	—	—
	Total	1,697,125,730 ⁽³⁾	59.99%	1,697,125,730 ⁽³⁾	59.66% ⁽⁴⁾	(0.33%)
Yuexiu International Investment Limited ("YXII")	Beneficial	85,677,633	3.03%	101,352,498	3.56%	0.53%
	Deemed	—	—	—	—	—
	Total	85,677,633	3.03%	101,352,498	3.56%	0.53%

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	—
	GZYX	100.00	N	1,807,712,493 ⁽³⁾	—
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	1,806,413,263 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	1,798,478,228 ⁽³⁾	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
YXP	Bosworth International Limited	33.89	N	1,798,478,228 ⁽³⁾	—
Dragon Yield	YXP	100.00	Y	1,697,125,730 ⁽³⁾	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development Co., Ltd.	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	1,299,230	—
YXII	YXP	100.00	Y	101,352,498	—

(2) The deemed interest in 1,798,478,228 Units were held through Dragon Yield and YXII, both are 100% owned subsidiaries of YXP.

(3) The number of units includes 733,280,494 deferred units. Commencing from 31 December 2016, Yuexiu REIT will, on 31 December of each year, issue a number of deferred units to Yuexiu Property (or YXP Nominee) at an issue price of HK\$4.00 per unit. Further details are included in the circular dated 30 June 2012 and announcement dated 27 September 2012 of Yuexiu REIT.

(4) After deducting the unissued deferred units, the approximate interest held by GZYX and Yue Xiu will be approximately 37.77%, while the approximate interest in Yuexiu REIT held by YXP, Dragon Yield and YXII will be approximately 37.44%.

Connected Party Transactions

Holdings of Senior Executives of the Manager

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

Name of Senior Executive	Nature of interest	As at 1 January 2016		As at 30 June 2016		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Mr. Cheng Jiuzhou	Personal	480	0.000017%	480	0.000017%	—
Mr. Liao Ningjun	Personal	1,250	0.000044%	1,250	0.000044%	—
Ms. Chen Huiqing	Personal ⁽¹⁾	510	0.000018%	510	0.000018%	—
Ms. Ou Haijing	Personal	1,000	0.000035%	1,000	0.000035%	—
Mr. Liu Bihong	Personal	225	0.000008%	225	0.000008%	—

⁽¹⁾ 255 units held by spouse

Holdings of Other Connected Person

Name	Nature of interest	As at 1 January 2016		As at 30 June 2016		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Trustee	Deemed ⁽¹⁾	283,900	0.01%	16,014,200	0.56%	0.55%

⁽¹⁾ Associated company of the trustee (as defined in the REIT Code) were beneficially interested in such units as at 30 June 2016.

Save as disclosed above, the Manager is not aware of any connected persons of Yuexiu REIT, including Vigers, holding any Units as at 30 June 2016.

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 47 to 85, 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 2016 and the related interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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Report on Review of Interim Financial Information

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 3 August 2016

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	909,358	790,391
Operating expenses	7	(484,521)	(473,630)
Fair value gains on investment properties	14	500,367	434,589
Finance income	9	14,726	26,713
Finance expenses	10	(360,143)	(174,708)
Profit before income tax and transactions with unitholders		579,787	603,355
Income tax expenses	11	(171,004)	(58,327)
Profit after income tax before transactions with unitholders		408,783	545,028
Transactions with unitholders		(439,436)	(590,765)
Loss after income tax after transactions with unitholders		(30,653)	(45,737)
Other comprehensive 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		47,444	66,169
– Tax		(13,288)	(18,532)
Other comprehensive income for the period, net of tax		34,156	47,637
Total comprehensive income for the period		3,503	1,900

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders	Transactions with unitholders (Note 25)	Unitholders after transactions with unitholders	Non- controlling interests	
Unaudited	RMB'000	RMB'000	RMB'000	RMB'000	
Profit/(loss) for the period ended 30 June 2015	543,624	(590,765)	(47,141)	1,404	(45,737)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Change in fair value of property, plant and equipment, net of tax	47,141	—	47,141	496	47,637
Total comprehensive income/(loss) for the period ended 30 June 2015	590,765	(590,765)	—	1,900	1,900
Profit/(loss) for the period ended 30 June 2016	405,635	(439,436)	(33,801)	3,148	(30,653)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Change in fair value of property, plant and equipment, net of tax	33,801	—	33,801	355	34,156
Total comprehensive income/(loss) for the period ended 30 June 2016	439,436	(439,436)	—	3,503	3,503

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008, second supplemental deed on 23 July 2010, and third supplemental deed on 25 July 2012 (the "Trust Deed"), Yuexiu REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial period. Yuexiu REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of Yuexiu REIT less any liabilities, in accordance with unitholders' proportionate interests in Yuexiu REIT at the date of the termination of Yuexiu REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the consolidated balance sheet and how distributions are disclosed in the consolidated statement of comprehensive income. Total distributable income is determined in the Distribution Statement.
- (ii) Earnings per unit, based upon profit after income tax before transactions with unitholders to unitholders and the average number of units in issue, is presented in Note 26.

The notes on pages 55 to 85 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	12	2,408,576	2,412,453
Land use rights	13	1,503,182	1,527,824
Investment properties	14	23,726,500	23,194,000
Deferred assets	15	196,359	187,412
Goodwill	16	824,459	824,459
Top-up payment asset, non-current portion	17	—	32,237
		28,659,076	28,178,385
Current assets			
Inventories		3,436	4,241
Trade receivables	18	13,883	13,168
Amount due from related parties	27	175,142	292,172
Prepayments, deposits and other receivables	19	54,902	42,907
Top-up payment asset, current portion	17	67,704	64,314
Short-term bank deposits	20	30,343	57,269
Cash and cash equivalents	20	852,660	682,596
		1,198,070	1,156,667
Total assets		29,857,146	29,335,052
Current liabilities			
Trade payables	22	14,389	13,094
Rental deposits, current portion	23	120,480	127,160
Receipts in advance	23	60,946	77,016
Accruals and other payables	23	687,489	769,245
Amounts due to related parties	27	76,273	74,926
Borrowings	24	2,899,501	2,841,730
Tax payables		2,794	2,849
		3,861,872	3,906,020

Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	23	192,571	175,842
Receipts in advance	23	9,528	12,669
Borrowings	24	8,385,655	8,136,215
Deferred tax liabilities	21	3,779,764	3,611,190
		12,367,518	11,935,916
Total liabilities, other than net assets attributable to unitholders			
		16,229,390	15,841,936
Net assets attributable to unitholders	25	13,531,609	13,400,472
Total liabilities			
		29,760,999	29,242,408
Net assets			
		96,147	92,644
Equity			
Revaluation reserve		337,684	303,883
Retained earnings		(337,684)	(303,883)
		—	—
Non-controlling interests		96,147	92,644
Total equity			
		96,147	92,644
Net current liabilities			
		(2,663,802)	(2,749,353)
Total assets less current liabilities			
		25,995,274	25,429,032
Units in issue ('000)	25	2,844,562	2,828,887
Net assets (including net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)			
	25	RMB4.76	RMB4.74
Net assets (excluding net assets attributable to deferred unitholder) attributable to existing unitholders per unit (RMB)			
	25	RMB4.01	RMB3.98

The notes on pages 55 to 85 are an integral part of this condensed consolidated interim financial information.

Distribution Statement

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Profit after income tax before transactions with unitholders attributable to unitholders		405,635	543,624
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		(500,367)	(434,589)
– Deferred taxation in respect of fair value gain on investment properties charged to profit or loss		100,212	31,598
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(148,043)	(137,237)
– Foreign exchange gain on financing activities		–	(2,923)
Total distributable income		(142,563)	473
Additional items (ii)			
– Cash received and/or receivable according to the Deed of Top-up Payments		35,442	38,093
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		148,043	137,237
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		78,062	75,975
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		41,925	38,630
– Manager’s fee paid and payable in units in lieu of cash		51,277	47,571
– Interest income from top-up payment asset		(684)	(2,697)
– Fair value loss on top-up payment asset		800	6,407
– Foreign exchange loss on financing activities		172,283	–
Distributable income after additional items		384,585	341,689
Distributable amount at 1 January		362,749	338,835
Distribution paid during the period (iii)	25	(362,682)	(338,775)
Interim distribution declared (iv)		384,652	341,749
Distribution per unit, declared (iv)		RMB0.1352	RMB0.1213

Distribution Statement

For the six months ended 30 June 2016

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 RMB0.1275 per unit, totaling RMB362,682,000 (equivalent to HK\$432,942,000), was paid to unitholders on 17 May 2016.
- (iv) An interim distribution in respect of the six months ended 30 June 2016 of RMB0.1352 (equivalent to HK\$0.1577) per unit, totaling RMB384,652,000 (equivalent to HK\$448,587,000) was declared by the Board of the Manager on 3 August 2016.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2016 as disclosed in Note 25.

The notes on pages 55 to 85 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Net Assets Attributable to Unitholders and Changes in Equity

For the six months ended 30 June 2016

	Net assets attributable to unitholders RMB'000	Equity			Total RMB'000
		Retained earnings RMB'000	Revaluation reserve RMB'000	Non-controlling interests RMB'000	
At 1 January 2015	13,141,954	(201,529)	201,529	86,700	13,228,654
Issuance of units	53,183	—	—	—	53,183
Profit/(loss) for the period attributable to:					
– Unitholders	590,765	—	—	—	590,765
– Equity holders	—	(47,141)	—	1,404	(45,737)
Distributions paid to unitholders	(338,775)	—	—	—	(338,775)
Change in fair value of property, plant and equipment, net of tax	—	—	47,141	496	47,637
At 30 June 2015	13,447,127	(248,670)	248,670	88,600	13,535,727
At 1 January 2016	13,400,472	(303,883)	303,883	92,644	13,493,116
Issuance of units	54,383	—	—	—	54,383
Profit/(loss) for the period attributable to:					
– Unitholders	439,436	—	—	—	439,436
– Equity holders	—	(33,801)	—	3,148	(30,653)
Distributions paid to unitholders	(362,682)	—	—	—	(362,682)
Change in fair value of property, plant and equipment, net of tax	—	—	33,801	355	34,156
At 30 June 2016	13,531,609	(337,684)	337,684	96,147	13,627,756

The notes on pages 55 to 85 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	510,802	380,918
Interest paid	(174,408)	(157,997)
Corporate income tax paid	(15,774)	(5,875)
Top-up payment received	28,731	38,221
Net cash generated from operating activities	349,351	255,267
Cash flows from investing activities		
Additions of investment properties	(32,133)	(19,911)
Additions of property, plant and equipment	(2,099)	(20)
Interest received	14,042	21,093
Decrease in short-term bank deposits with original maturity of more than three months	26,926	5,984
Net cash generated from investing activities	6,736	7,146
Cash flows from financing activities		
Distribution paid	(362,682)	(338,775)
Repayment of borrowings	(602,610)	(615,000)
Proceeds from borrowings, net of transaction costs	724,886	307,422
Issuance of units	54,383	53,183
Net cash used in financing activities	(186,023)	(593,170)
Net increase/(decrease) in cash and cash equivalents	170,064	(330,757)
Cash and cash equivalents at beginning of the period	682,596	986,300
Cash and cash equivalents at end of the period	852,660	655,543

The notes on pages 55 to 85 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the "Trustee") on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Deed dated 25 July 2012) (the "Trust Deed") and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time. The address of its registered office is 24/F, 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 3 August 2016.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with HKFRS.

As at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB2,663,802,000 (31 December 2015: RMB2,749,353,000) mainly as the bank borrowings of RMB2,899,501,000 fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group's principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group's past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities, 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 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs and new HKFRS effective for the financial year beginning 1 January 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2016:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual improvements 2012-2014 cycle	Improvements to HKFRSs

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

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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 2015.

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 2015.

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

6 REVENUE AND SEGMENT INFORMATION

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Hotel and serviced apartments RMB'000	Office rental RMB'000	Wholesale and shopping mall RMB'000	Group RMB'000
Period ended 30 June 2016				
Revenue from external customers	231,231	406,951	271,176	909,358
Segment results	(10,105)	730,999	279,072	999,966
Depreciation and amortisation	77,185	877	—	78,062
Fair value gain on investment properties	—	415,262	85,105	500,367
Period ended 30 June 2015				
Revenue from external customers	236,038	323,711	230,642	790,391
Segment results	(12,421)	407,338	428,534	823,451
Depreciation and amortisation	75,025	950	—	75,975
Fair value gain on investment properties	—	163,103	271,486	434,589
As at 30 June 2016				
Total reportable segments' assets	4,425,750	14,962,438	9,629,111	29,017,299
As at 31 December 2015				
Total reportable segments' assets	4,620,454	14,380,713	9,497,134	28,498,301

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Segment results	999,966	823,451
Unallocated operating costs (Note)	(74,762)	(72,101)
Operating profit	925,204	751,350
Finance income	14,726	26,713
Finance expenses	(360,143)	(174,708)
Profit before income tax and transactions with unitholders	579,787	603,355

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
	2016	2015
	RMB'000	RMB'000
Total reportable segments' assets	29,017,299	28,498,301
Corporate assets	839,847	836,751
Total assets	29,857,146	29,335,052

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION (Continued)

	Revenue		Total assets	
	Unaudited		Unaudited	Audited
	Six months ended 30 June		30 June	31 December
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
China	909,358	790,391	29,017,299	28,498,301
Unallocated assets			839,847	836,751
			29,857,146	29,335,052

The Group's revenue by nature is as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Hotel and serviced apartments operations		
Room rentals	132,859	133,869
Food and beverages	91,507	94,606
Property rentals	678,127	554,353
Others	6,865	7,563
	909,358	790,391

Notes to the Condensed Consolidated Interim Financial Information

7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Property management fee (i)	20,540	17,581
Employee benefit expense	54,328	58,153
Real estate tax	90,780	74,555
Business tax, urban construction and maintenance tax, education surcharge and local education surcharge	39,880	47,066
Withholding tax (ii)	31,645	30,383
Depreciation of property, plant and equipment	53,420	51,333
Amortisation of land use rights	24,642	24,642
Cost of inventories sold or consumed in operation	68,278	66,259
Other direct expenses on hotel and serviced apartments	19,530	24,977
Manager's fee (Note 8)	60,326	52,857
Trustee's fee	4,400	3,804
Valuation fee	621	618
Legal and professional fee	3,762	10,696
Auditor's remuneration	1,715	1,625
Bank charges	441	374
Others	10,213	8,707
Total operating expenses	484,521	473,630

Note:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou Baima Business Operation Management Co. Ltd. (previously known as Guangzhou White Horse Property Management Co., Ltd.) and Guangzhou Yuexiu Asset Management Company Limited (Note 27).
- (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	
	2016	2015
	RMB'000	RMB'000
Manager's fee:		
In the form of units	51,277	47,571
In the form of cash	9,049	5,286
	60,326	52,857

Pursuant to the circular of Yuexiu REIT dated 30 June 2012, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 will be paid in the form of units.

9 FINANCE INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income from bank deposits	4,424	4,755
Interest income from a related company	9,618	16,338
Interest income from top-up payment asset	684	2,697
Foreign exchange gain on financing activities	—	2,923
	14,726	26,713

Notes to the Condensed Consolidated Interim Financial Information

10 FINANCE EXPENSES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest expense for bank borrowings	139,065	125,011
Interest expense for other borrowings	35,343	32,986
Amortisation of transaction costs for borrowings	12,652	10,304
Fair value loss on top-up payment asset	800	6,407
Foreign exchange loss on financing activities	172,283	—
	360,143	174,708

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	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	15,718	5,682
– Under-provision in prior years	—	245
Deferred income tax (Note 21)	155,286	52,400
	171,004	58,327

Notes to the Condensed Consolidated Interim Financial Information

12 PROPERTY, PLANT AND EQUIPMENT

	Hotel and serviced apartments	Office supplies	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2015				
Opening net book amount as at 1 January 2015	2,364,217	148	5,129	2,369,494
Additions	20	—	—	20
Depreciation	(50,406)	(40)	(887)	(51,333)
Fair value gain on revaluation	66,169	—	—	66,169
Closing net book amount as at 30 June 2015	2,380,000	108	4,242	2,384,350
Six months ended 30 June 2016				
Opening net book amount as at 1 January 2016	2,409,000	88	3,365	2,412,453
Additions	2,099	—	—	2,099
Depreciation	(52,543)	(12)	(865)	(53,420)
Fair value gain on revaluation	47,444	—	—	47,444
Closing net book amount as at 30 June 2016	2,406,000	76	2,500	2,408,576
At 30 June 2016				
At fair value	2,406,000	—	—	2,406,000
At cost	—	76	2,500	2,576
	2,406,000	76	2,500	2,408,576

If hotel and serviced apartments had not been revalued, it would have been included in these condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,940,785,000 (31 December 2015: RMB1,991,229,000).

As at 30 June 2016, property, plant and equipment with an aggregate carrying amount of RMB2,133 million (31 December 2015: RMB2,136 million) were pledged as collateral for the Group's bank borrowings (Note 24).

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:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Opening balance	2,409,000	2,364,217
Additions	2,099	1,804
Depreciation	(52,543)	(100,691)
Unrealised gains recognised in reserve	47,444	143,670
Closing balance	2,406,000	2,409,000
Changes in unrealised gains or losses for the period included in other comprehensive income at the end of the period	47,444	143,670

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Vigers Appraisal and Consulting Limited, independent qualified valuer not related to the Group at 30 June 2016 and 31 December 2015.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers 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 hotel and serviced apartments in China is generally derived using the discounted cash flow analysis. Breakdown of the fair values of both hotel and serviced apartments portions of Guangzhou International Finance Center ("Guangzhou IFC") into land element and building element is required. Fair values of the land and building elements are assessed using the discounted cash flow analysis and depreciated replacement cost method.

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

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

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

Significant inputs used to determine fair value

Discount rates are estimated by Vigers Appraisal and Consulting Limited for 30 June 2016 and 31 December 2015 based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

As at 30 June 2016

	Unit Rate/day (RMB)	Discount Rate (%)	Stabilised Occupancy Rate (%)
Hotel	1,957	7.75	75.0
Serviced apartments	972	7.25	95.0

Notes to the Condensed Consolidated Interim Financial Information

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Significant inputs used to determine fair value (Continued)

As at 31 December 2015

	Unit Rate/day (RMB)	Discount Rate (%)	Stabilised Occupancy Rate (%)
Hotel	2,010	8.0	73.0
Serviced apartments	964	7.5	95.0

13 LAND USE RIGHTS

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

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Beginning of the period	1,527,824	1,577,109
Amortisation	(24,642)	(24,642)
End of the period	1,503,182	1,552,467

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

	30 June 2016 RMB'000	30 June 2015 RMB'000
In China:		
Land use rights of between 10 and 50 years	1,503,182	1,552,467

As at 30 June 2016, the fair value of land use rights is approximately RMB1,994 million (31 December 2015: RMB1,971 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2016, land use rights were pledged with an aggregate net book amount of RMB1,420 million (31 December 2015: RMB1,443 million) as collateral for the Group's bank borrowings (Note 24).

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	23,194,000	19,299,000
Additions during the period	32,133	19,911
Fair value gains during the period, included in profit or loss under 'Fair value gain on investment properties'	500,367	434,589
End of the period	23,726,500	19,753,500

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 RMB3,408,000 (2015: RMB6,136,000) relating to investment properties that were vacant.

As at 30 June 2016, investment properties with an aggregate net book value of approximately RMB3,263 million (31 December 2015: RMB3,177 million) were pledged as collateral for the Group's bank borrowings (Note 24).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Vigers Appraisal and Consulting Limited, independent qualified valuer not related to the Group at 30 June 2016 and 31 December 2015.

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

At each financial year end the finance department:

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

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENT PROPERTIES (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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

Significant inputs used to determine fair value

Capitalisation rate and discount rates are estimated by Vigers Appraisal and Consulting Limited for 30 June 2016 and 31 December 2015 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value (Continued)

The adopted monthly market unit rents and capitalisation rates used in the income capitalisation method are summarised as follows:

As at 30 June 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	75 to 312	4.50% to 7.75%
Retail	35 to 1,242	4.50% to 8.25%

As at 31 December 2015

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	104 to 360	4.75% to 8.00%
Retail	49 to 1,207	4.75% to 8.50%

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

As at 30 June 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	75 to 312	7.00% to 9.00%	90.00% to 99.00%
Retail	35 to 1,242	7.25% to 9.25%	95.00% to 99.50%

As at 31 December 2015

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	104 to 360	7.25% to 9.25%	97.30% to 100.00%
Retail	49 to 1,207	7.50% to 9.50%	86.81% to 100.00%

Notes to the Condensed Consolidated Interim Financial Information

15 DEFERRED ASSETS

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

16 GOODWILL

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Net book amount	824,459	824,459
Cost	824,459	824,459
Accumulated impairment	—	—
	824,459	824,459

17 TOP-UP PAYMENT ASSET

During 2012, the Group acquired Guangzhou IFC from Yuexiu Property Company Limited ("YXP"). Pursuant to the acquisition, YXP agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartments business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of hotel and serviced apartments.

Top-up payment asset is recognised as financial assets in Yuexiu REIT, which is denominated in RMB. The fair value of the balance approximates its carrying amount.

It is initially recognised at fair value. In determining the fair value of the top-up payment asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the market interest rate of 1.65% per annum. Top-up payment asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly.

Notes to the Condensed Consolidated Interim Financial Information

17 TOP-UP PAYMENT ASSET (Continued)

The carrying amount of top-up payment asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in “finance income” or “finance expenses”.

The top-up payment received/receivable for the six months period ended 30 June 2016 was RMB35,442,000 (2015: RMB38,093,000).

18 TRADE RECEIVABLES

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade receivables	13,883	13,168

The fair values of trade receivables approximate their carrying amounts.

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
0 - 30 days	12,303	11,120
31 - 90 days	1,435	1,796
91 - 180 days	145	252
	13,883	13,168

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

19 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

20 SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Cash at bank and on hand	737,793	572,621
Short-term bank deposits with original maturity of less than three months	114,867	109,975
Cash and cash equivalents	852,660	682,596
Short-term bank deposits with original maturity of more than three months	30,343	57,269
Total	883,003	739,865
Maximum exposure to credit risk	882,536	739,425

As at 30 June 2016, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB708,781,000 (31 December 2015: RMB572,004,000) denominated in RMB, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

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

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

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
HK\$	140,319	63,575
RMB	709,249	572,444
USD	33,435	103,846
	883,003	739,865

Notes to the Condensed Consolidated Interim Financial Information

21 DEFERRED TAX LIABILITIES

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	3,611,190	2,607,530
Deferred taxation charged to profit or loss (Note 11)	155,286	52,400
Deferred taxation charged to reserve	13,288	18,532
End of the period	3,779,764	2,678,462

22 TRADE PAYABLES

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Trade payables	14,389	13,094

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
	2016	2015
	RMB'000	RMB'000
0 - 30 days	9,306	11,061
31 - 90 days	4,915	2,026
91 - 180 days	168	7
	14,389	13,094

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

Notes to the Condensed Consolidated Interim Financial Information

23 RENTAL DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUALS AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Rental deposits		
Current portion	120,480	127,160
Non-current portion	192,571	175,842
	313,051	303,002
Receipts in advance		
Current portion	60,946	77,016
Non-current portion	9,528	12,669
	70,474	89,685
Provision for withholding tax payable	14,223	9,353
Provision for business tax, urban construction and maintenance tax, education surcharge and local education surcharge	—	5,473
Construction fee payable	532,889	645,072
Accruals for operating expenses	140,377	109,347
Accruals and other payables	687,489	769,245
	1,071,014	1,161,932

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

24 BORROWINGS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Current portion of long term borrowings	2,899,501	2,841,730
Long-term borrowings		
Bank borrowings		
– Secured	2,355,500	2,360,000
– Unsecured	6,619,522	6,358,503
Other borrowings, unsecured (Note)	2,310,134	2,259,442
	11,285,156	10,977,945
Less: current portion of long-term borrowings	(2,899,501)	(2,841,730)
Total long-term borrowings	8,385,655	8,136,215
Analysed into:		
Unsecured	8,929,656	8,617,945
Secured	2,355,500	2,360,000
	11,285,156	10,977,945

Bank borrowings of the Group are guaranteed on a joint and several basis¹ and also secured by the following:

- certain parts of Guangzhou IFC amounting to RMB6,816 million;
- present and future assets (including but not limited to: (a) a charge over any interest-bearing accounts (the “Charged Accounts”), (b) a floating charge over all assets, (c) an assignment of dividends and all other revenue generated) of Yuexiu REIT 2012 Company Limited (“REIT 2012”), Tower Top Development Ltd. (“Tower Top”), BVI Holdcos² and HK Holdcos³, subsidiaries of the Group;

Notes to the Condensed Consolidated Interim Financial Information

24 BORROWINGS (Continued)

- all right, title and interest in all present and future loans of REIT 2012, Tower Top, BVI Holdcos² and HK Holdcos³;

¹ A syndicated loan amounting to RMB2,356 million is jointly and severally guaranteed by Guangzhou City Construction and Development Co., Ltd., Guangzhou Charcon Real Estate Co., Ltd. and Guangzhou City Construction and Development Group Co., Ltd. with an effective period expiring on the date two years after full repayment of the syndicated loan. A syndicated loan amounting to RMB1,919 million is jointly and severally guaranteed by Tower Top, BVI Holdcos² and HK Holdcos³.

² "BVI Holdcos" include Bliss Town Holdings Ltd., Hoover Star International Ltd., Miller Win Group Ltd. and Shinning Opal Management Ltd.

³ "HK Holdcos" include Ever Joint Investment International Limited, Long Grace Holdings Limited, Profit Link Investment International Limited and San Bright Holdings Limited.

Note: On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due 2018 (the "USD Bond") to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. All of the USD Bond remained outstanding at 30 June 2016.

25 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Beginning of the period	13,400,472	13,141,954
Issuance of units	54,383	53,183
Transfer from the statement of comprehensive income	439,436	590,765
Distribution paid during the period	(362,682)	(338,775)
End of the period	13,531,609	13,447,127

Notes to the Condensed Consolidated Interim Financial Information

25 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net assets attributable to existing unitholders	11,402,028	11,317,546
Net assets attributable to deferred unitholder (Note)	2,129,581	2,129,581
	13,531,609	13,447,127

Note: 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 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 Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time. The outstanding deferred units at 30 June 2016 were 733,280,000 units (31 December 2015: 733,280,000 units).

The movement of units is as below:

	Unaudited Six months ended 30 June	
	2016 '000	2015 '000
Beginning of the period	2,828,887	2,799,796
Units issued during the period (Note)	15,675	15,481
End of the period	2,844,562	2,815,277

Note: During the period, 15,675,000 units were issued for the payment of manager's fee for the period from 1 July 2015 to 31 December 2015. In 2015, 29,091,000 units were issued for the payment of manager's fee for the year.

Notes to the Condensed Consolidated Interim Financial Information

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

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	405,635	543,624
Weighted average number of units in issue ('000)	2,838,706	2,807,921
Basic earnings per unit (RMB)	0.14	0.19

(b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the period which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 30 June 2016.

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	405,635	543,624
Weighted average number of units in issue ('000)	2,838,706	2,807,921
Adjustments for deferred units ('000)	733,280	733,280
Adjustments for manager's fee in form of units ('000)	13,667	14,127
Weighted average number of units for diluted earnings per unit ('000)	3,585,653	3,555,328
Diluted earnings per unit (RMB)	0.11	0.15

Notes to the Condensed Consolidated Interim Financial Information

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 June 2016, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 37% of Yuexiu REIT's units. The remaining approximately 63% of the units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 30 June 2016:

Connected/related companies	Relationship with Yuexiu REIT
Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited ("YXP") ¹	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the "Manager") ¹	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited ("GZAM") ¹	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. ("Yicheng") ¹	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. ("White Horse JV") ¹	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. (previously known as Guangzhou White Horse Property Management Co., Ltd.) ("Baima BM") ¹	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited ("GZYX") ¹	Immediate holding company of Yue Xiu
廣州越秀企業集團有限公司 ¹	A subsidiary of GZYX
Guangzhou City Construction and Development Group Co., Ltd. ¹	A subsidiary of GZYX
Golden Eagle Asset Management Co. Ltd. ("Golden Eagle") ^{1,2}	A subsidiary of GZYX
Guangzhou Grandcity Development Ltd. ¹	A subsidiary of YXP
Guangzhou Yue Xiu City Construction Jones Lang La Salle Property Services Co., Ltd. ("GZ JLL") ¹	A subsidiary of YXP
廣州市祥港房地產開發有限公司 ¹	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 ¹	A subsidiary of YXP
廣州東耀房地產開發有限公司 ¹	A subsidiary of YXP

Notes to the Condensed Consolidated Interim Financial Information

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. ("Guang Zheng") ^{1,2}	A subsidiary of GZYX
Guangzhou Suiqiao Development Co., Ltd. ("Suiqiao") ¹	A subsidiary of GZYX
Guangzhou Securities Company Limited ^{1,2}	A subsidiary of GZYX
Guangzhou Futures Co., Ltd. ^{1,2}	A subsidiary of GZYX
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ^{1,2}	A subsidiary of GZYX
Guangzhou Yuexiu Financial Leasing Co., Ltd. ^{1,2}	A subsidiary of GZYX
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ^{1,2}	A subsidiary of GZYX
廣州越秀小額貸款有限公司 ^{1,2}	A subsidiary of GZYX
Beijing Jones Lang La Salle Property Management Services Company Limited, Guangzhou Branch ("Beijing JLL") ¹	A subsidiary of GZYX
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("Yue Tong") ¹	A subsidiary of GZYX
Guangzhou Yue Peng Information Ltd. ("Yue Peng") ¹	A subsidiary of GZYX
Yuexiu (China) Transport Infrastructure Investment Company Limited ¹	A subsidiary of GZYX
Guangzhou Paper Group Ltd. ¹	A subsidiary of GZYX
Chong Hing Bank Limited Guangzhou Tianhe Sub-Branch (previously known as Chong Hing Bank Limited Guangzhou Sub-Branch) ("Chong Hing Guangzhou") ¹	A subsidiary of GZYX
Chong Hing Bank Limited Shanghai Branch ("Chong Hing Shanghai") ¹	A subsidiary of GZYX
Guangzhou Building Materials Enterprise Group Co., Ltd. ¹	A subsidiary of GZYX
Guang Zhou Titanium Dioxide Factory ¹	A subsidiary of GZYX
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The Trustee of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the "Incumbent Valuer")	The current principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Associates of the Trustee

¹ 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.

² These connected companies ceased to be related companies of the Group from 1 May 2016.

Notes to the Condensed Consolidated Interim Financial Information

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(a) Transactions with connected/related companies

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Manager's fee paid/payable to the Manager (ii)	(60,326)	(52,857)
Management fee paid/payable to Yicheng	(5,233)	(5,134)
Management fee paid/payable to Baima BM	(6,055)	(5,887)
Management fee paid/payable to GZAM	(9,252)	(6,560)
Rental income received/receivable from Xingye	2,607	2,772
Rental income received/receivable from Yicheng	2,112	1,265
Rental income received/receivable from GCCD	7,205	15,441
Rental income received/receivable from White Horse JV	638	600
Rental income received/receivable from Golden Eagle	835	2,256
Rental income received/receivable from 廣州越秀企業集團有限公司	16,384	16,059
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	1,090	9,524
Rental income received/receivable from Guang Zheng	1,115	1,723
Rental income received/receivable from Suiqiao	305	308
Rental income received/receivable from Guangzhou Securities Company Limited	11,146	12,214
Rental income received/receivable from Guangzhou Futures Company Limited	993	—
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	992	1,526
Rental income received/receivable from GZ JLL	7,327	7,035
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	2,177	3,007
Rental income received/receivable from GZAM	4,693	4,691
Rental income received/receivable from 廣州祥港房地產開發有限公司	4,316	—
Rental income received/receivable from 廣州宏錦房地產開發有限公司	9,086	—

Notes to the Condensed Consolidated Interim Financial Information

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Rental income received/receivable from 廣州東耀房地產開發有限公司	304	—
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	2,959	3,751
Rental income received/receivable from Yue Tong	397	401
Rental income received/receivable from Yue Peng	405	409
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,107	3,456
Rental income received/receivable from 廣州越秀小額貸款有限公司	220	329
Rental income received/receivable from Beijing JLL	622	619
Rental income received/receivable from Guangzhou Paper Group Ltd.	140	143
Rental income received/receivable from Guangzhou Building Materials Enterprise Group Co., Ltd.	140	143
Rental income received/receivable from Guang Zhou Titanium Dioxide Factory	140	143
Rental income received/receivable from Chong Hing Guangzhou	1,671	1,696
Rental income received/receivable from Chong Hing Shanghai	43	—
Interest income received/receivable from GCCD	9,618	16,338
Trustee's fee paid/payable to the Trustee	(4,400)	(3,804)
Valuation fee paid/payable to the Valuer	(621)	(618)
Transactions with the HSBC Group – Interest expense paid/payable to the HSBC Group	(3,581)	(3,458)

Note:

- (i) All transactions with connected/related companies were carried out in accordance with the terms of the relevant agreement 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

27 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related companies

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Amount due from GCCD (i)	175,142	292,172
Amount due to Yicheng	(2,631)	(1,927)
Amount due to Baima BM	(1,842)	(1,037)
Amount due to the Manager	(60,326)	(60,426)
Amount due to GZAM	(1,474)	(1,536)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Rental deposits from related companies (ii)	(29,357)	(33,201)

Except for an amount due from GCCD of approximately RMB165 million (31 December 2015: RMB278 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and reasonable approximation to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

(i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction cost related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB175 million (31 December 2015: RMB292 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 2016 (2015: nil).

Notes to the Condensed Consolidated Interim Financial Information

28 CAPITAL COMMITMENTS

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	25,237	45,937

29 FUTURE MINIMUM RENTAL RECEIVABLES

At 30 June 2016, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Within one year	1,207,748	1,053,541
Between one year and five years	1,633,138	1,736,437
Over five years	271,549	241,282
	3,112,435	3,031,260

30 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

Performance Table

	Unaudited 30 June 2016	Unaudited 30 June 2015
Net assets attributable to Unitholders (RMB)	13,531,609,000	13,447,127,000
Net assets attributable to Unitholders per unit (RMB)	4.76	4.78
Equivalent to HK\$	5.57	6.06
The highest premium of the traded price to net asset value (i)	—	—
The highest discount of the traded price to net asset value (i)	HK\$1.75	HK\$2.18
Net yield per unit (ii)	3.82%	5.75%
Number of units in issue	2,844,562,239 units	2,815,276,784 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.48 (2015: HK\$4.57) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the period from 1 January 2016 to 30 June 2016. The highest discount is calculated based on the lowest traded price of HK\$3.82 (2015: HK\$3.88) on the Stock Exchange during the period from 1 January 2016 to 30 June 2016. Since the highest traded price during the six months ended 30 June 2016 was HK\$4.48, which was lower than the net asset value as at 30 June 2016, no premium of the traded price to net asset value was presented for 30 June 2016.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with Unitholders per unit for the period from 1 January 2016 to 30 June 2016 over the traded price of HK\$4.39 as at 30 June 2016 (2015: HK\$4.27) on the Stock Exchange.

Corporate and Investor Relations Information

BOARD OF DIRECTORS OF THE MANAGER

Executive director

Mr Lin Deliang

Non-executive directors

Mr Lin Zhaoyuan (*Chairman*)

Mr Li Feng

Independent non-executive directors & audit committee members

Mr Chan Chi On, Derek

Mr Chan Chi Fai, Brian

Mr Cheung Yuk Tong

Responsible Officers of the Manager

Mr Lin Deliang

Mr Cheng Jiuzhou

Mr Kwan Chi Fai

COMPANY SECRETARY OF THE MANAGER

Mr Yu Tat Fung

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF YUEXIU REIT

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL VALUER

Vigers Appraisal and Consulting Limited

HONG KONG LEGAL ADVISOR

Baker & McKenzie

PRINCIPAL BANKERS OF YUEXIU REIT

Bank of China (Hong Kong) Limited

China Everbright Bank Co. Ltd., Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

Industrial and Commercial Bank of China (Asia) Limited

Malayan Banking Berhad Group

OCBC Wing Hang Bank Limited

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO YUEXIU REIT

<http://www.yuexiureit.com>

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

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UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

22/F Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Corporate and Investor Relations Information

LISTING EXCHANGE

Units

The Stock Exchange of Hong Kong Limited
Stock code: 00405

Bond

The Stock Exchange of Hong Kong Limited
US\$350,000,000 3.1 % Notes due 2018
Stock code: 05943

INVESTOR RELATIONS

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Manager



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YUEXIU REIT ASSET MANAGEMENT LIMITED