

The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement does not constitute nor is intended to constitute an offer to sell or a solicitation of an offer to buy any securities.



(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))  
(Stock code: 00405)

Managed by



## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “Board”) of Yuexiu REIT Asset Management Limited (the “Manager”) is pleased to announce the unaudited interim results of Yuexiu Real Estate Investment Trust (“Yuexiu REIT”) for the six months ended 30 June 2019 (the “Interim Period”) as follows:

### FINANCIAL HIGHLIGHTS

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

(in Renminbi (“RMB”), unless otherwise specified)

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

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

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

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

## **DISTRIBUTION**

In accordance with the Trust Deed, Yuexiu REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager has intended to distribute to the Unitholders an amount equal to 100% of Yuexiu REIT's Total Distributable Income and Additional Item (as defined in the Offering Circular issued to Unitholders dated 30 June 2012) for the financial year ending for 2019.

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

In light of the above, the Manager has determined that an interim distribution to Unitholders for the 2019 Interim Period will be approximately RMB0.1360 which is equivalent to HK\$0.1546 (June 2018: approximately RMB0.1400 which was equivalent to HK\$0.1615) per unit. Such interim distribution per unit, however, is subject to adjustment once new units are issued to the Manager (in satisfaction of the Manager's fee) prior to the record date for the 2019 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the 2019 Interim Period.

The 2019 interim distribution amounted to approximately RMB424,360,000 which is equivalent to HK\$482,172,000 (June 2018: approximately RMB423,811,000 which was equivalent to HK\$488,824,000), includes an amount of approximately RMB73,000,000 (2018: RMB67,000,000), that is capital in nature. The total distribution amount for the Interim Period comprises the distributable amount calculated pursuant to the formula set out in the Trust Deed plus a further distribution of approximately RMB97,099,000 having regard to the abovementioned discretion of the Manager under Yuexiu REIT's trust deed to distribute excess amounts where it has surplus funds. Further details regarding the breakdown of the total distributable amount are set out in the Distribution Statement.

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the Manager is the central parity rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distribution.

### **Distribution Per Unit**

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

### **CLOSURE OF REGISTER OF UNITHOLDERS**

The record date for the interim distribution will be 13 September 2019. The register of Unitholders will be closed from 13 September 2019 to 16 September 2019, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with the completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 12 September 2019. The 2019 interim distribution will be paid on 17 October 2019 to the Unitholders whose names appear on the register of Unitholders on 13 September 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Maintained stability in Operating Results**

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

#### **Property Portfolio**

As at 30 June 2019, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("YueXiu Tower"), which is located in Shanghai, and "Wuhan Yuexiu Fortune Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces ("Wuhan Properties"), which are located in Wuhan, as well as Hangzhou Victory Business Center Units and certain Carpark Spaces ("Hangzhou Victory"), which is located in Hangzhou. The aggregate area of ownership of the properties was approximately 969,488.8 sq.m. and the total rentable area was 632,915.1 sq.m. (excluding 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.7 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas), of which the area of ownership of maturity properties (GZIFC, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and YueXiu Tower) accounted for 70.3%, and the area of ownership of growth properties (Wuhan Properties and Hangzhou Victory) accounted for 29.7%.

## Property Valuation

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

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

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

Particulars of the properties are as follows:

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

*Notes:*

- (1) As at 30 June 2019;
- (2) Excluding 76,512.3 sq.m. of parking space area and other ancillary facilities area;
- (3) Including 2,262.0 sq.m. of hotel ancillary facilities and refuge floor;
- (4) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (5) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;
- (6) Excluding 1,924.8 sq.m. of common facilities area;
- (7) Excluding 17,663.6 sq.m. of parking space area.

**Occupancy rate remained at relatively high level**

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

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

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



Operational Property	Type	Commencement of Operation	Area of Ownership	No. of Units (units)	Average	Average
					Occupancy Rate <sup>(1)</sup>	Rent <sup>(1)</sup> (RMB/room/ day)
Four Seasons Hotel Guangzhou <sup>(2)</sup>	Five-star hotel	August 2012	91,460.9	344	83.5%	2,042
Ascott Serviced Apartments <sup>(2)</sup>	High-end serviced Apartments	September 2012	51,102.3	314	93.5%	1,057

*Notes:*

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

### **Revenue remained basically flat**

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

No bad debt was recorded during the reporting period.

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

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

(1) Neo Metropolis was disposed in December 2018.

(2) Hangzhou Victory was acquired on 28 December 2018.

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

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

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

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

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

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

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

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

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

## **YUE XIU TOWER – HANDLING MARKET CHALLENGES TO STABILIZE THE OPERATION**

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

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

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

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

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

## **HANGZHOU VICTORY - MINIMIZING VACANT UNITS AND MANAGING RISKY CUSTOMERS**

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

## **ACTIVE PROMOTION OF ASSET APPRECIATION PROJECTS TO ACHIEVE VALUE PRESERVATION AND APPRECIATION OF PROPERTIES**

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

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

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

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



## FINANCIAL REVIEW

### Financial Results

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

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

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

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

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

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

<i>(RMB'000)</i>	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
Office	<b>452,438</b>	466,847
Wholesales	<b>185,222</b>	189,915
Retails	<b>94,372</b>	82,407
Hotel and serviced apartments	<b>267,626</b>	263,625
Total	<b><u>999,658</u></b>	<u>1,002,794</u>

Net property income amounted to approximately RMB728,846,000 (2018: RMB726,800,000), being the income after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agents' fees and other property operating expenses, representing approximately 72.9% (2018: 72.5%) of total gross income. The table below sets out an analysis of net property income:

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

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

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

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

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

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

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

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

In the Interim Period of 2019, the Wuhan Properties recorded actual adjusted net profit of approximately RMB34,370,000 and contributed net distribution of RMB9,830,000 after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB24,540,000), etc to the REIT.

Moreover, based on the agreements set forth in the Circular in relation to the Acquisition of Wuhan Properties, the amounts under the support arrangement for the first half of the year calculated according to the actual adjusted net profit is approximately RMB14,630,000. Yuexiu Property shall pay the said amount within 7 business days after the announcement of Yuexiu REIT's interim results for the 2019 Interim Period. Please refer to the Circular dated 15 November 2017 for details of the amounts under the support arrangement.

## **New Units Issued and Unit Activity**

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 13,167,795 new units at HK\$5.46 per unit on 14 March 2019. As at 30 June 2019, a total of 3,119,618,222 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK\$5.63 and a low of HK\$4.95 during the 2019 Interim Period. The average trading volume amounted to approximately 5,073,000 Units per day during the 2019 Interim Period (2018: 4,745,000 Units).

## **Deferred Units**

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

On 31 December 2018, Yuexiu REIT issued 67,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Ltd, and the remaining balance of deferred units were approximately 535,401,000 units.

## Net Asset Value

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

## CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

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

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

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

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

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

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

As at 30 June 2019, total borrowings of Yuexiu REIT amounted to approximately RMB13,810,081,000 which represented approximately 38.1% of total assets of Yuexiu REIT.

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

As at 30 June 2019, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB20,319,334,000, representing approximately 56.0% of total assets of Yuexiu REIT.

### **Cash Position**

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2019 amounted to approximately RMB1,330,061,000. Yuexiu REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

## **REVIEW OF FINANCIAL RESULTS**

The results of Yuexiu REIT for the 2019 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by Yuexiu REIT's auditor in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **ISSUANCE OF 2019 INTERIM REPORT**

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

## **REPURCHASE, SALE OR REDEMPTION OF UNITS**

Yuexiu REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange. During the 2019 Interim Period, there was no repurchase, sale or redemption of units of Yuexiu REIT by Yuexiu REIT or any of its subsidiaries.

## **SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES**

Yuexiu REIT or any of its subsidiaries did not enter into any real estate sale and purchase during the 2019 Interim Period.

## **EMPLOYEES**

As at 30 June 2019, Yuexiu REIT employed 585 and 129 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

## **CORPORATE GOVERNANCE**

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

The Manager has adopted an overall corporate governance framework of the Code of Best Practice that is designed to promote the operation of Yuexiu REIT in a transparent manner with built-in checks and balances which are critical to the performance of the Manager and consequently, 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 2019 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	6	<b>999,658</b>	1,002,794
Operating expenses	7	<b>(460,184)</b>	(452,194)
Fair value gains on investment properties	14	<b>719,916</b>	601,114
Change in fair value of			
– support arrangement asset	17	<b>16,646</b>	11,092
– derivative financial instruments	18	<b>(1,726)</b>	(19,753)
Finance income	9	<b>17,612</b>	17,311
Finance expenses	10	<b>(294,658)</b>	(342,844)
Profit before income tax and transactions with unitholders		<b>997,264</b>	817,520
Income tax expense	11	<b>(266,595)</b>	(200,732)
Profit after income tax before transactions with unitholders		<b>730,669</b>	616,788
Transactions with unitholders	26	<b>(697,617)</b>	(533,326)
Profit after income tax after transactions with unitholders		<b>33,052</b>	83,462
Other comprehensive income/(loss) for the period			
<u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
– Gross		<b>6,419</b>	(79,320)
– Tax		<b>(1,798)</b>	22,217
Other comprehensive income/(loss) for the period, net of tax		<b>4,621</b>	(57,103)
Total comprehensive income for the period		<b>37,673</b>	26,359

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Attributable to				Total
	Unitholders before transactions with unitholders	Transactions with unitholders (Note 26)	Unitholders after transactions with unitholders	Non- controlling interests	
<b>Unaudited</b>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period ended 30 June 2018	589,834	(533,326)	56,508	26,954	83,462
Other comprehensive income: <u>Items that will not be reclassified</u> <u>to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	(56,508)	—	(56,508)	(595)	(57,103)
Total comprehensive income/(loss) for the period ended 30 June 2018	<u>533,326</u>	<u>(533,326)</u>	<u>—</u>	<u>26,359</u>	<u>26,359</u>
Profit/(loss) for the period ended 30 June 2019	<b>693,044</b>	<b>(697,617)</b>	<b>(4,573)</b>	<b>37,625</b>	<b>33,052</b>
Other comprehensive income: <u>Items that will not be reclassified</u> <u>to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	<b>4,573</b>	—	<b>4,573</b>	<b>48</b>	<b>4,621</b>
Total comprehensive income/(loss) for the period ended 30 June 2019	<u><b>697,617</b></u>	<u><b>(697,617)</b></u>	<u><b>—</b></u>	<u><b>37,673</b></u>	<u><b>37,673</b></u>

Notes:

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

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2019**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>2,310,891</b>	2,340,934
Land use rights	13	<b>1,355,327</b>	1,379,969
Investment properties	14	<b>29,837,000</b>	29,115,000
Deferred assets	15	<b>201,014</b>	219,847
Goodwill	16	<b>859,868</b>	859,868
Support arrangement asset	17	<b>9,247</b>	—
		<hr/>	<hr/>
		<b>34,573,347</b>	33,915,618
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>4,102</b>	4,337
Trade receivables	19	<b>32,893</b>	26,785
Amounts due from related parties		<b>228,956</b>	238,915
Prepayments, deposits and other receivables	20	<b>97,935</b>	147,852
Tax recoverable		<b>4,072</b>	8,526
Support arrangement asset	17	<b>14,874</b>	11,645
Short-term bank deposits	21	<b>22,692</b>	22,633
Cash and cash equivalents	21	<b>1,307,369</b>	1,458,755
		<hr/>	<hr/>
		<b>1,712,893</b>	1,919,448
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>36,286,240</b>	35,835,066
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

**AS AT 30 JUNE 2019**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Trade payables	23	<b>13,543</b>	17,689
Rental deposits, current portion	24	<b>179,675</b>	172,221
Receipts in advance	24	<b>90,541</b>	85,625
Accruals and other payables	24	<b>927,742</b>	998,607
Amounts due to related parties		<b>106,056</b>	103,227
Derivative financial instruments	18	<b>118,114</b>	113,745
Borrowings	25	<b>3,906,777</b>	2,276,543
Tax payables		<b>96,348</b>	144,845
		<u><b>5,438,796</b></u>	<u>3,912,502</u>
		-----	-----
<b>Non-current liabilities, other than net assets</b>			
<b>attributable to unitholders</b>			
Rental deposits, non-current portion	24	<b>188,788</b>	184,377
Borrowings	25	<b>9,903,304</b>	11,599,185
Deferred tax liabilities	22	<b>4,784,816</b>	4,536,795
Derivative financial instruments	18	<b>3,630</b>	6,273
		<u><b>14,880,538</b></u>	<u>16,326,630</u>
		-----	-----

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 30 JUNE 2019**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Total liabilities, other than net assets</b>			
<b>attributable to unitholders</b>		<b>20,319,334</b>	20,239,132
Net assets attributable to unitholders	26	<u>14,787,421</u>	<u>14,454,122</u>
<b>Total liabilities</b>		<u><b>35,106,755</b></u>	<u>34,693,254</u>
<b>Net assets</b>		<u><b>1,179,485</b></u>	<u>1,141,812</u>
<b>Equity</b>			
Revaluation reserve		424,747	420,174
Accumulated losses		<u>(424,747)</u>	<u>(420,174)</u>
		—	—
Non-controlling interests		<u>1,179,485</u>	<u>1,141,812</u>
<b>Total equity</b>		<u><b>1,179,485</b></u>	<u>1,141,812</u>
<b>Net current liabilities</b>		<u><b>3,725,903</b></u>	<u>1,993,054</u>
<b>Total assets less current liabilities</b>		<u><b>30,847,444</b></u>	<u>31,922,564</u>
Units in issue ('000)	26	<u><b>3,119,618</b></u>	<u>3,106,450</u>
<b>Net assets attributable to unitholders</b>			
<b>per unit (RMB)</b>		<u><b>RMB4.74</b></u>	<u>RMB4.65</u>

**DISTRIBUTION STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

**DISTRIBUTION STATEMENT (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Distributable income after additional items</b>		<b>424,286</b>	423,746
Distributable amount at 1 January		<b>425,902</b>	431,127
Distribution paid during the period (iii)	26	<u><b>(425,828)</b></u>	<u>(431,062)</u>
Interim distribution declared (iv)		<u><b>424,360</b></u>	<u>423,811</u>
Distribution per unit, declared (iv)		<u><b>RMB0.1360</b></u>	<u>RMB0.1400</u>

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after income tax before transactions with unitholders attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated statement of comprehensive income for the relevant period.
- (ii) Pursuant to the circular dated 30 June 2012, Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the “Manager”) intends to distribute certain additional items on top of the total distributable income under the Trust Deed.
- (iii) A distribution of RMB0.1365 per unit, totaling RMB425,828,000 (equivalent to HK\$495,707,000), was paid to unitholders on 27 May 2019.
- (iv) A final distribution in respect of the six months ended 30 June 2019 of RMB0.1360 (equivalent to HK\$0.1546) per unit, totaling RMB424,360,000 equivalent to HK\$482,172,000) was declared by the Board of the Manager on 1 August 2019.



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS  
ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Equity				Total
	Net assets attributable to unitholders	Accumulated losses	Revaluation reserve	Non- controlling interests	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units (Note 26)	54,476	—	—	—	54,476
Profit for the period attributable to:					
– Unitholders	533,326	—	—	—	533,326
– Equity holders	—	56,508	—	26,954	83,462
Distributions paid to unitholders	(431,062)	—	—	—	(431,062)
Change in fair value of property, plant and equipment, net of tax	—	—	(56,508)	(595)	(57,103)
At 30 June 2018	<u>14,478,124</u>	<u>(398,704)</u>	<u>398,704</u>	<u>1,113,779</u>	<u>15,591,903</u>
At 1 January 2019	<b>14,454,122</b>	<b>(420,174)</b>	<b>420,174</b>	<b>1,141,812</b>	<b>15,595,934</b>
Issuance of units (Note 26)	<b>61,510</b>	—	—	—	<b>61,510</b>
Profit for the period attributable to:					
– Unitholders	<b>697,617</b>	—	—	—	<b>697,617</b>
– Equity holders	—	<b>(4,573)</b>	—	<b>37,625</b>	<b>33,052</b>
Distributions paid to unitholders	<b>(425,828)</b>	—	—	—	<b>(425,828)</b>
Change in fair value of property, plant and equipment, net of tax	—	—	4,573	48	4,621
At 30 June 2019	<u><b>14,787,421</b></u>	<u><b>(424,747)</b></u>	<u><b>424,747</b></u>	<u><b>1,179,485</b></u>	<u><b>15,966,906</b></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 1 August 2019.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018 which have been prepared in accordance with HKFRS.

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

### 3 Accounting policies

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

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

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2019:

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

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

- (b) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

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

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

#### **4 Significant judgements and accounting estimates**

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

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

## **5 Financial risk management**

### **5.1 Financial risk factors**

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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

## **6 Revenue and segment information**

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

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

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

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

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

	<b>Hotel and serviced apartments</b>	<b>Office rental</b>	<b>Wholesale and shopping mall</b>	<b>Group</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Period ended 30 June 2019</b>				
Revenue from external customers	267,626	452,438	279,594	999,658
Segment results	43,183	902,863	438,089	1,384,135
Depreciation and amortisation	64,583	43	—	64,626
Fair value gains on investment properties	—	517,302	202,614	719,916
<b>Period ended 30 June 2018</b>				
Revenue from external customers	263,625	466,847	272,322	1,002,794
Segment results	40,901	749,697	472,712	1,263,310
Depreciation and amortisation	64,526	78	—	64,604
Fair value gains on investment properties	—	356,161	244,953	601,114
<b>As at 30 June 2019</b>				
Total reportable segments' assets	4,378,854	20,646,817	10,346,496	35,372,167
<b>As at 31 December 2018</b>				
Total reportable segments' assets	4,345,379	19,757,166	10,791,248	34,893,793

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Segment results	1,384,135	1,263,310
Fair value loss on derivative financial instruments	(1,726)	(19,753)
Unallocated operating costs (Note)	<u>(124,745)</u>	<u>(111,596)</u>
Operating profit	1,257,664	1,131,961
Finance income	17,612	17,311
Finance expenses	(294,658)	(342,844)
Change in fair value of support arrangement asset	<u>16,646</u>	<u>11,092</u>
Profit before income tax and transactions with unitholders	<u><u>997,264</u></u>	<u><u>817,520</u></u>

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

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total reportable segments' assets	35,372,167	34,893,793
Corporate assets	<u>914,073</u>	<u>941,273</u>
Total assets	<u><u>36,286,240</u></u>	<u><u>35,835,066</u></u>



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

The Group's revenue by nature is as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Hotel and serviced apartments operations		
Room rentals	162,362	151,734
Food and beverages	95,307	102,637
Property rentals	732,032	739,169
Others	<u>9,957</u>	<u>9,254</u>
	<u>999,658</u>	<u>1,002,794</u>

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

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

## 7 Expenses by nature

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

Note:

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

## 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Manager's fee:		
In the form of units	<b>57,621</b>	56,300
In the form of cash	<b>14,406</b>	14,075
	<u><b>72,027</b></u>	<u>70,375</u>

Pursuant to the circular of Yuexiu REIT dated 30 June 2012 and subsequent announcement dated 15 January 2018 and 15 January 2019, a portion of the manager's fee for the period from 1 July 2012 to 31 December 2017 and 1 January 2018 to 31 December 2018 and 1 January 2019 to 31 December 2019, will be paid in the form of units.

## 9 Finance income

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

## 10 Finance expenses

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

## 11 Income tax expenses

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

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current income tax		
- China corporate income tax	20,372	28,248
Deferred income tax (Note 22)	<u>246,223</u>	<u>172,484</u>
	<u><b>266,595</b></u>	<u><b>200,732</b></u>

## 12 Property, plant and equipment

	<b>Hotel and serviced apartments</b>	<b>Office supplies</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2018				
Opening net book amount as at				
1 January 2018	2,450,000	443	638	2,451,081
Additions	9,204	—	—	9,204
Depreciation	(39,884)	(53)	(25)	(39,962)
Fair value loss on revaluation	<u>(79,320)</u>	<u>—</u>	<u>—</u>	<u>(79,320)</u>
Closing net book amount as at				
30 June 2018	<u><b>2,340,000</b></u>	<u><b>390</b></u>	<u><b>613</b></u>	<u><b>2,341,003</b></u>
At 30 June 2018				
At fair value	2,340,000	—	—	2,340,000
At cost	<u>—</u>	<u>390</u>	<u>613</u>	<u>1,003</u>
	<u><b>2,340,000</b></u>	<u><b>390</b></u>	<u><b>613</b></u>	<u><b>2,341,003</b></u>

	<b>Hotel and serviced apartments</b>	<b>Office supplies</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2019				
Opening net book amount as at				
1 January 2019	2,340,000	366	568	2,340,934
Additions	3,522	—	—	3,522
Depreciation	(39,941)	(43)	—	(39,984)
Fair value gain on revaluation	6,419	—	—	6,419
	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
Closing net book amount as at				
30 June 2019	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>
At 30 June 2019				
At fair value	2,310,000	—	—	2,310,000
At cost	—	323	568	891
	<u>2,310,000</u>	<u>323</u>	<u>568</u>	<u>2,310,891</u>

If hotel and serviced apartments had not been revalued, it would have been included in these condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,713,798,000 (31 December 2018: RMB1,750,216,000).

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

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

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

### **Valuation processes of the Group**

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

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

At each financial year end the finance department:

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

## **Valuation techniques**

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

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

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

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

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

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

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



### **Significant inputs used to determine fair value**

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

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

#### **As at 30 June 2019**

	<b>Depreciated replacement cost method</b>		
	<b>Building cost<sup>1</sup> (RMB/m<sup>2</sup>)</b>	<b>Finance cost (% on construction cost)</b>	<b>Professional fee (% on construction cost)</b>
Hotel	18,500	4.75	6
Serviced apartments	15,300	4.75	6

#### **As at 31 December 2018**

	<b>Depreciated replacement cost method</b>		
	<b>Building cost<sup>1</sup> (RMB/m<sup>2</sup>)</b>	<b>Finance cost (% on construction cost)</b>	<b>Professional fee (% on construction cost)</b>
Hotel	18,500	4.75	6
Serviced apartments	15,300	4.75	6

### 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Beginning of the period	<b>1,379,969</b>	1,429,254
Amortisation	<b>(24,642)</b>	(24,642)
End of the period	<b><u>1,355,327</u></b>	<b><u>1,404,612</u></b>

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

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

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

As at 30 June 2019, land use rights were pledged with an aggregate net book amount of RMB1,264 million (31 December 2018: RMB1,288 million) as collateral for the Group's bank borrowings (Note 25).

## 14 Investment properties

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	29,115,000	28,706,000
Additions during the period	2,084	3,886
Fair value gains during the period, included in profit or loss under 'Fair value gains on investment properties'	<u>719,916</u>	<u>601,114</u>
End of the period	<u><u>29,837,000</u></u>	<u><u>29,311,000</u></u>

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB5,895,000 (2018: RMB6,078,000) relating to investment properties that were vacant.

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

As at 30 June 2019, investment properties with an aggregate carrying value of approximately RMB3,729 million (31 December 2018: RMB3,551 million) were pledged as collateral for the Group's bank borrowings (Note 25).

### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited, being independent qualified valuer not related to the Group at 30 June 2019 and 31 December 2018.

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

At each financial year end the finance department:

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

### **Valuation techniques**

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

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

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

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

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

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

#### **Significant inputs used to determine fair value**

Capitalisation rate and discount rates are estimated by Savills Valuation and Professional Services Limited for 30 June 2019 and 31 December 2018 based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

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

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

**As at 30 June 2019**

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

**As at 31 December 2018**

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

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

**As at 30 June 2019**

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

As at 31 December 2018

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

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

## 17 Support Arrangement Asset

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

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

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

## 18 Derivative financial instruments

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

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

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

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

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



## 19 Trade receivables

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b><u>32,893</u></b>	<u>26,785</u>

The fair values of trade receivables approximate their carrying amounts.

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

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

As at 30 June 2019, the Group has insignificant trade receivables which are past due but not impaired. These relate to independent customers for whom there are no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Majority of the Group's trade receivables are denominated in RMB.

## 20 Prepayments, deposits and other receivables

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

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

## 21 Short-term bank deposits and cash and cash equivalents

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

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

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

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

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

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

## 22 Deferred tax liabilities

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

## 23 Trade payables

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

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

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

## 24 Rental deposits, receipts in advance and accruals and other payables

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

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.

## 25 Borrowings

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

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

Note:

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

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

## 26 Net assets attributable to unitholders

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

The movement of numbers of existing units is as below:

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

Note:

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

In 2018, a total of 25,165,000 units were issued for the payment of manager's fee. At 31 December 2018, the Group also issued 67,000,000 units from deferred units to YXP. Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeover Code for all units owned or agreed to be acquired by YXP at the relevant time. After the issuance of 67,000,000 units at 31 December 2018, the outstanding deferred units were approximately 535,401,000 units.

**27 Earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders**

(a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u><b>693,044</b></u>	<u>589,834</u>
Weighted average number of units in issue ('000)	<u><b>3,114,380</b></u>	<u>3,022,088</u>
Basic earnings per unit (RMB)	<u><b>0.22</b></u>	<u>0.20</u>



(b) Diluted

Diluted earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units. Yuexiu REIT has deferred units outstanding and manager's fee in form of units during the period which are dilutive potential units. The number of units calculated as above is compared with the number of units that would have been issued assuming the exercise of the units. The number of units calculated for manager's fee in form of units was calculated based on the closing price of Yuexiu REIT as at 30 June 2019.

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

## 28 Capital commitments

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

## 29 Future minimum rental receivables

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

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

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

**LIN Deliang**

*Chairman*

Hong Kong, 1 August 2019

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

Executive Directors:	Mr. LIN Deliang (Chairman) and Mr. CHENG Jiuzhou
Non-executive Directors:	Mr. LI Feng and Mr. LIANG Danqing
Independent Non-executive Directors:	Mr. CHAN Chi On Derek, Mr. CHAN Chi Fai Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou