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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 (the “Interim Period”) as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT’s financial results during the 2017 Interim Period and the 2016 Interim Period:

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

	Six months ended 30 June 2017	2016	Change Increase/ (Decrease) %
Gross income	909,229,000	909,358,000	0.0%
Net property income	644,816,000	609,305,000	5.8%
Net profit after tax before transactions with Unitholders	1,005,596,000	408,783,000	146.0%
Interim distribution	395,412,000	384,652,000	2.8%
Earnings per unit	0.3416	0.1437	137.7%
Distribution per unit	0.1346	0.1346	0.0%
Equivalent to HK\$	0.1566	0.1570	(0.3)%

	30 June 2017	31 December 2016	Change Increase %
Portfolio valuation	29,635,000,000	28,658,000,000	3.4%
Net assets attributable to Unitholders	14,196,791,000	13,534,400,000	4.9%
Net assets attributable to Unitholders per unit	4.83	4.63	4.3%

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 2017.

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 2017 Interim Period will be approximately RMB0.1346 which is equivalent to HK\$0.1566 (June 2016: approximately RMB0.1346 which is equivalent to HK\$0.1570) 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 2017 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the 2017 Interim Period.

The 2017 interim distribution amounted to approximately RMB395,412,000 which is equivalent to HK\$460,049,000 (June 2016: approximately RMB384,652,000 which is equivalent to HK\$448,587,000), includes an amount of approximately RMB51,962,000 (2016: RMB177,000,000), 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 RMB100,951,000 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 2017 Interim Period is HK\$0.1566 (June 2016: HK\$0.1570) per unit, represents a yield of approximately 3.23% (June 2016: 3.59%) based on the closing price of HK\$4.85 per unit as at 30 June 2017 (30 June 2016: HK\$4.39). This represents an annualized distribution yield of 6.46%.

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 15 September 2017. The register of Unitholders will be closed from 15 September 2017 to 18 September 2017, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with the completed transfer forms must be lodged with Yuexiu REIT's unit registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 14 September 2017. The 2017 interim distribution will be paid on 26 October 2017 to the Unitholders whose names appear on the register of Unitholders on 15 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Steady Growth in Operating Results

In the first half of 2017, the macro-economy of China recorded stable growth, Yuexiu REIT continued to implement active leasing and asset management strategies, its properties continued to achieve excellent results in performance, many operation indicators performed favourably against the trend, competitiveness of properties increased further, establishing a solid foundation for income growth and sustainable development in the future for Yuexiu REIT.

Property Portfolio

As at 30 June 2017, Yuexiu REIT's portfolio of properties consisted of seven properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, and Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai. The aggregate area of ownership of the properties was approximately 743,106.2 sq.m. and the total rentable area was 487,324.3 sq.m. (excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area of Neo Metropolis; 91,460.9 sq.m. of hotel, 51,102.3 sq.m. of serviced apartments and 76,512.3 sq.m. of parking space and other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

Property Valuation

According to a revaluation performed by an independent professional valuer, Vigers Appraisal and Consulting Limited, on the portfolio of properties of Yuexiu REIT, the revalued market valuation was approximately RMB29,635 million as at 30 June 2017, representing an increase of RMB977 million or 3.4% over the valuation as at 31 December 2016.

The following table summarizes the valuation of each of the properties as at 30 June 2017 and 31 December 2016:

Name of property	Valuation as at	Valuation as at	Increase percentage
	30 June 2017	31 December 2016	
	<i>RMB million</i>	<i>RMB million</i>	
White Horse Building	4,900	4,885	0.3%
Fortune Plaza	1,135	980	15.8%
City Development Plaza	934	811	15.2%
Victory Plaza	888	880	0.9%
Neo Metropolis	1,105	912	21.2%
GZIFC	17,653	17,190	2.7%
Yue Xiu Tower	<u>3,020</u>	<u>3,000</u>	0.7%
Total	<u>29,635</u>	<u>28,658</u>	3.4%

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 ⁽¹⁾	Unit Rent ⁽¹⁾ (VAT inclusive) (RMB/sq.m./month)	Unit Rent ⁽¹⁾ (VAT exclusive) (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District	1990	50,199.3	50,128.9	100.0%	657.2	625.9
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	97.7%	157.3	149.8
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	96.9%	139.9	133.3
Victory Plaza	Retail shopping mall	Tianhe District	2003	27,698.1	27,262.3	100.0%	194.9	185.6
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,960.0	49,887.3 ⁽²⁾	99.5% ⁽²⁾	117.9	112.3
GZIFC	Commercial complex	Tianhe District	2010	457,356.8	230,266.9 ⁽³⁾	96.4% ⁽³⁾	210.9	200.9
Including:	Grade A office			267,804.4	183,539.6 ⁽³⁾	96.2% ⁽³⁾	236.7	225.4
	Retail shopping mall			46,989.2	46,727.3	96.9%	110.6	105.3
	Hotel			91,460.9 ⁽⁴⁾	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Shanghai Pudong New District	2010	62,139.4	46,026.3 ⁽⁵⁾	96.2%	275.6	262.5
Total				<u>743,106.2</u>	<u>487,324.3</u>	97.4%	242.7	231.2

Notes:

- (1) As at 30 June 2017;
- (2) Excluding 7,544.7 sq.m. of parking space and 4,528.0 sq.m. of clubhouse and common facilities area;
- (3) Excluding 76,512.3 sq.m. of parking space area and other facilities area;
- (4) Including 2,262.0 sq.m. of hotel ancillary facilities and fire refuge floor area;
- (5) Excluding 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor).

Occupancy rate remained at relatively high level

As at 30 June 2017, the overall occupancy rate of the properties was approximately 97.4%, whereas the occupancy rate of the original five properties was 98.8% and remained operating at high level. The overall occupancy rate of GZIFC was 96.4%, of which the occupancy rate of offices was 96.2% and the occupancy rate of retail shopping mall was 96.9%.

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

Name of property	Occupancy rate as at 30 June 2017	Occupancy rate as at 30 June 2016	Percentage Increase/ (decrease) as compared to 30 June 2016
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	97.7%	97.2%	0.5%
City Development Plaza	96.9%	97.2%	(0.3)%
Victory Plaza	100.0%	100.0%	0.0%
Neo Metropolis	99.5%	99.6%	(0.1)%
Subtotal of original projects	98.8%	98.8%	0.0%
GZIFC Offices	96.2%	96.1%	0.1%
GZIFC Shopping Mall	96.9%	97.9%	(1.0)%
Subtotal of GZIFC	96.4%	96.5%	(0.1)%
Yue Xiu Tower	96.2%	100.0%	(3.8)%
Total	97.4%	97.8%	(0.4)%

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy Rate ⁽¹⁾	Average Rent ⁽¹⁾ (VAT inclusive) (RMB/room/day)
Four Seasons Hotel Guangzhou ⁽²⁾	Five star hotel	August 2012	91,460.9	344	82%	1,985
Ascott Serviced Apartments ⁽²⁾	High-end serviced apartments	September 2012	51,102.3	314	93%	1,046

Notes:

(1) From 1 January 2017 to 30 June 2017;

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

Revenue remained unchanged

During the interim period of 2017, the properties of Yuexiu REIT recorded total revenue of approximately RMB909.2 million, representing a decrease of approximately RMB0.2 million as compared to the corresponding period of the previous year. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC and Yue Xiu Tower accounted for approximately 20.9%, 3.8%, 3.5%, 3.6%, 3.7%, 56.9% and 7.6% 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 2017 <i>RMB million</i>	Revenue for the interim period of 2016 <i>RMB million</i>	Increase/(decrease) as compared to interim period of 2016 <i>RMB million</i>	Increase/(decrease) in revenue from properties percentage
White Horse Building	189.9	202.0	(12.1)	(6.0)
Fortune Plaza	34.4	35.5	(1.1)	(3.1)
City Development Plaza	31.6	31.4	0.2	0.6
Victory Plaza	32.8	32.0	0.8	2.5
Neo Metropolis	<u>33.2</u>	<u>32.1</u>	<u>1.1</u>	3.4
Subtotal of original properties	321.9	333.0	(11.1)	(3.3)
GZIFC	517.7	509.4	8.3	1.6
Yue Xiu Tower	<u>69.6</u>	<u>67.0</u>	<u>2.6</u>	3.9
Total	<u>909.2</u>	<u>909.4</u>	<u>(0.2)</u>	0.0

White Horse Building — increased channel expansion, enhanced product competitiveness

During the first half of the year, the Manager dedicated efforts to pursue product enhancements in the White Horse market, and increased the competitiveness of White Horse products through the means of, inter alia, introducing external quality customers, regulating operating behavior of tenants internally and establishing interview and communication mechanism for tenants. The Manager successfully completed the tenancy renewal for the stores on the 8/F and the rental level was quite ideal while keeping quality brand customers. Meanwhile, the Manager actively carried out upgrades and transformation for the common area on the 4/F, which promoted the overall image of the stores and created an attractive shopping environment. It is expected that the transformation will be completed in the second half of the year. In terms of marketing, White Horse appeared in the form of “Brand Collection House” for the first time in the China International Fashion Fair — CHIC, participating tenants reaped good harvest and achieved better-than-expected results in the event. The Manager also consolidated external resources actively, marketing

and publicity activities between business circles of wholesalers and core retailers were organized jointly with branded manufacturers to enhance the business operating atmosphere within the premises, which further enhanced the brand recognition of White Horse Building and consolidated its benchmark position in the industry.

Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — performed sound management on lease renewals to stabilize quality customers

During the first half of the year, lease expiry management was strengthened in the three office projects of Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis Plaza. On the one hand secured successful lease renewals with the core tenants, including the successful lease renewals with numerous key tenants at Fortune Plaza, and early completion was achieved on signing contracts with over 60% of tenants with expired leases contracts. Neo Metropolis Plaza accomplished lease renewal successfully with the key podium tenant, one of the top 10 key tenants, and raised rent after renewal by 6% higher than that of the existing contract. City Development Plaza captured the opportunity of tenant relocation from the entire 19th floor to successfully attract the tenancy of a growth enterprise. Under the premise of ensuring a high occupancy rate of the properties, the rental level of renewed leases recorded satisfactory rate of increase.

On the other hand optimization of tenant mix was actively pursued, by seizing the opportunity of lease expiry at the podium mall of the Neo Metropolis Plaza during the first half of the year, operations of tenants inconsistent with the positioning of the plaza were adjusted to optimize the tenant mix, more diverse business types were brought to the mall, which resulted in enhancement of the podium image and satisfaction of tenants, and a notable increase in the operating revenue from the podium. City Development Plaza had smoothly and successfully removed tenants of high risk and densely populated office area to control risk effectively and prevent the occurrence of risky events. Meanwhile, the Manager enhanced customer service standard based on the concept of “Customer First”, and initial results in SGS mystery shoppers and satisfaction enhancement tasks were achieved effectively, the viscosity of customers was further enhanced.

Victory Plaza — continued efficient marketing, enriched retails brands

During the first half of the year, the Manager responded proactively to the intense market competition in the Tianhe business district in Guangzhou and adopted active outward expansion strategies to seek market breakthroughs and overcame the challenges in tenancy solicitation for shopping malls. The popular brands of red tea beverage “Hey Tea” (喜茶) and cosmetics “nine house” among young consumers over internet were successfully secured as tenants to enrich the retail brands at the mall; lease renewal for Ooh Optical was also secured with significant increase in unit rent. Moreover, the Manager consolidated internal and external resources to organize marketing activities in an orderly and efficient manner. Six key sectors including thematic marketing, festival marketing, weekend marketing, member marketing, cultural and charitable marketing and sports fans marketing were established. A total of 30 marketing events were organized during the first half of the year through connecting with various external resources and joint activities with merchants. Through active consolidation of internal resources and collaboration with the merchants of “Sushi Sei” (誠壽司) and “Genki Sushi” (元氣壽司), exclusively designed brand publicity and sales promotion activities were carried out, the merchant brands were further promoted, customer flow for both the merchants and the shopping mall were also increased as a result. The brand influence of “VT101” continued to expand. The key tenant “UNIQLO” of Victory Plaza met the needs of consumers proactively and formulated new operation strategies, through the approaches of, among other things, extended business hours and innovative marketing promotions, marketing results were boosted effectively.

Guangzhou International Finance Center — operating results of office buildings remained stable, with increased visibility of the shopping podium

Under pressures of increased supply of Grade A office, a slowdown in market demand and early termination of rental by some customers, GZIFC still managed to achieve relatively satisfactory performance on the basis of an excellent business solicitation team, accurate leasing strategies and risk response measures as well as effective customer relationship management. As at 30 June 2017, GZIFC offices recorded an occupancy rate of 96.2%, which was increased by 0.1% from the same period of last year. The Manager actively responded to market competition by prior renewal of lease to stabilize quality tenants of the building. In the first half of the year, lease renewal with a number of key tenants was completed with satisfactory growth in renewal rent. The Manager also strived to maintain customer relationships and enhance property value and investment return. Through comprehensive deepening of the 6S Star Diamond services and initiating the green building LEED certification, the Manager enhanced customer experience and consolidated the iconic image of

high-end efficient business platform. In respect of customer service, the Manager continued to optimize the service process, strengthen staff training, customize professional services and so on to gradually improve the management services standards of high-rise buildings to escalate the service quality of GZIFC.

Centering around the “GZIFC Shopping Mall”, the podium shopping mall at GZIFC, the Manager further optimized the tenant portfolio and enriched the business models of commodities in the first half of the year by introducing well-known restaurants, convenience stores, fitness centers and culture types of brands to become tenants and successfully commenced business to cope better with the needs of the surrounding consumer groups. The fifth floor of the “GZIFC Shopping Mall” re-opened for operation in the first half of the year, recording daily passenger flow exceeding 50,000 people which was a record high. In respect of marketing and promotion, centering around the theme of “environmental protection and energy conservation”, the Manager carried out planning closely related to major festivals, public information, global hot spots etc., and closely cooperated with government bodies, major shop tenants and office tenants to integrate onsite and offsite media, platforms of all kinds of institutions and surrounding public facilities and so on to provide shop tenants with positive and effective publicity and promotion channels. Abundant and enriched marketing activities such as the “Pleasurable” 214 Valentine’s Day Show (“賞心樂意” 214情人節展示) interactive activities, the “Flowery March (花漾三月)” theme activities, and the “Blue Earth (蔚藍地球)” exhibiting environmental arts innovation, which greatly augmented the reputation and publicity of GZIFC. Meanwhile, the Manager also proceeded with construction of the GZIFC membership platform using the parallel operation model of “Weimob + Wechat Service Account” to enhance the interaction between the shopping mall and consumers.

In the first half of the year, newly supplied projects in high-end hotel market of the Guangzhou region competed for customer source in the market leading to increased regional competition. In respect of high-end serviced apartments, the average room rate in the market increased slightly while the occupancy rate decreased, quality long term lessees decreased, and market competition remained fierce. Through implementing active supervisory measures such as intensified benchmark analysis of market information, broadening marketing channels, real-time monitoring of room rates, analysis of supply and demand changes as well as cost control, the Manager effectively monitored the operating conditions of Four Seasons Hotel and the Ascott Serviced Apartments. As of June 2017, the average occupancy rate of Four Seasons Hotel was higher by 8.7 percentage points when compared with direct competitors, but its average room rate was 32.7% higher and its Revenue Per Available Room (“RevPAR”) was 48.6% higher, with good performance in operating results. The

average occupancy rate of the Ascott Serviced Apartments was 6.4 percentage points higher when compared with direct competitors and its average room rate was 34.3% higher, while its RevPAR was 44.2% higher with excellent performance in operating results.

Yue Xiu Tower — optimized lease management and nurtured cornerstone customers

Faced with the blowout of new supply of Grade A offices in Shanghai and the impact of government policies in the first half of the year, the Manager actively responded to the pressures and challenges by timely adjusting the leasing strategy, adopting a prudent operation strategy and implementing prudent strategy to ensure the occupancy rates. Quality tenants of the building were successfully retained by engaging in negotiations six months ahead for lease renewal; continuous optimization of tenant structure was carried out with focus on sustainable customers; priority was given to meet the needs of tenants so as to effectively enhance customer viscosity and cultivate cornerstone customers of the building. The Manager was highly concerned about experience of tenants of the building by optimizing and adjusting outsourced service providers to carry out and implement annual capital improvement and sporadic projects, aiming to further meeting customer demand for quality through continuous improvement of hardware and software services.

Actively pursued progress in asset enhancement work, to realize preservation and appreciation in property values

In the first half of the year, the Manager continued to invest in various asset enhancement and renovation work, including the security system upgrade and renovation work for the GZIFC offices; the upgrade and renovation work for the bathrooms, door closers and air conditioning outlets of guest rooms in the Ascott Serviced Apartments; the image upgrade and renovation work for the 1st floor lobby, the 6th floor golf putt driving range, the conference rooms, the clubhouse and the public corridors of the Ascott Serviced Apartments; the image enhancement work for the public areas on the fourth floor of White Horse Building, as well as the enhancement work for the renovation of restrooms and pantries in the public areas and the renovation of roof waterproofing of Yue Xiu Tower, for an investment cost of more than RMB20 million to continuously enhance the operation efficiency and business environment of the project.

In the second half of the year, the Manager will plan to focus on investment in capital enhancement work for GZIFC, White Horse Building, Yue Xiu Tower to realize the preservation and appreciation in property value.

Examined the REIT's property portfolio, sought development opportunities and optimized the asset structure

In the first half of the year, the Manager continued to conduct market research and continuously examined the REIT's existing property portfolio. Meanwhile, the Manager implemented an investment strategy of actively seeking and making prudent decision to look for high-quality projects from inside and outside, with a focus on investment opportunities in first-tier cities such as Beijing and Shanghai as well as in core areas of key cities such as Wuhan and Hangzhou in order to seek the structural optimization of the REIT's assets and enhance the interests of unit holders of the REIT.

Continuously optimized the debt structures and actively managed foreign exchange risks

To reduce the risk of volatile RMB exchange rate, the Manager actively adopted risk management on foreign exchange. In the first half of 2017, the Manager implemented plans for financing hedging to lock exchange rate through purchase of foreign currency financing hedging products. In the first half of the year, the overall finance costs of Yuexiu REIT continued to reduce and the average finance costs decreased to 2.98% from 3.29% at the beginning of the year.

FINANCIAL REVIEW

Financial Results

Although rental income dropped, net property income was higher than the Interim Period of 2016. The following is a summary of Yuexiu REIT's financial results during the 2017 Interim Period:

	Six months ended 30 June		
	2017	2016	Increase/ (decrease)
	Unaudited	Unaudited	%
	<i>RMB'000</i>	<i>RMB'000</i>	
Gross income	<u>909,229</u>	<u>909,358</u>	0.0%
Hotel and serviced apartments direct expenses	(150,315)	(142,136)	5.8%
Leasing agents' fee	(20,175)	(20,540)	(1.8)%
Property related taxes (<i>Note 1</i>)	(88,355)	(131,209)	(32.7)%
Other property expenses (<i>Note 2</i>)	<u>(5,568)</u>	<u>(6,168)</u>	(9.7)%
Total property operating expenses	<u>(264,413)</u>	<u>(300,053)</u>	(11.9)%
Net property income	<u>644,816</u>	<u>609,305</u>	5.8%
Withholding tax	(28,923)	(31,645)	(8.6)%
Depreciation and amortization	(80,198)	(78,062)	2.7%
Manager's fees	(64,953)	(60,326)	7.7%
Trustee's fees	(4,593)	(4,400)	4.4%
Other trust expenses (<i>Note 3</i>)	<u>(20,684)</u>	<u>(10,035)</u>	106.1%
Total non-property operating expenses	<u>(199,351)</u>	<u>(184,468)</u>	8.1%
Profit before finance costs, finance income and tax	445,465	424,837	4.9%
Finance income	238,573	14,726	1,520.1%
Finance expenses	<u>(189,724)</u>	<u>(360,143)</u>	(47.3)%
Profit before tax	494,314	79,420	522.4%
Income tax expenses	<u>(196,956)</u>	<u>(171,004)</u>	15.2%
Net profit/(loss) after tax before fair value gains on investment properties & fair value loss on derivative financial instruments	297,358	(91,584)	424.7%
Fair value gains on investment properties	809,189	500,367	61.7%
Fair value loss on derivative financial instruments	<u>(100,951)</u>	<u>—</u>	N/A
Net profit after tax before transactions with Unitholders	<u>1,005,596</u>	<u>408,783</u>	146.0%

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>	Six months ended 30 June	
	2017	2016
Office	406,885	406,951
Wholesales	189,859	201,957
Retails	61,330	69,219
Hotel and serviced apartments	<u>251,155</u>	<u>231,231</u>
Total	<u>909,229</u>	<u>909,358</u>

Net property income amounted to approximately RMB644,816,000 (2016: RMB609,305,000), 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 70.9% of total gross income. The table below sets out an analysis of net property income:

<i>(RMB'000)</i>	Six months ended 30 June	
	2017	2016
Office	344,432	323,774
Wholesales	159,648	162,440
Retails	51,718	56,011
Hotel and serviced apartments	<u>89,018</u>	<u>67,080</u>
Total	<u>644,816</u>	<u>609,305</u>

Upon the implementation of the VAT reform, and separation of price and tax, our revenue decreased but the costs and expenses were adjusted accordingly. For example, payment for business tax was no longer required, property tax, leasing agent fees and withholding tax decreased in proportion to the decrease in income. At the same time, due to the adjustment of the business structure for the shopping podium of GZIFC, a one-off non-cash rental reduction had incurred in the first half of 2017.

Hotel and serviced apartments direct expenses were RMB150,315,000, an increase of 5.8% as compared with the 2016 Interim Period. It was mainly because of an increase of the occupancy rate from hotel and serviced apartments.

Leasing agents' fee decreased by approximately 1.8% as compared with the 2016 Interim Period. It was mainly because of the decreased rental income from wholesales and shopping mall.

Property related tax decreased by approximately 32.7 % as compared with the 2016 Interim Period. It was mainly because of the replacing of business tax with value-added tax (VAT), and from May 2016 onwards, no payment of business tax is required.

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

As Renminbi appreciated against Hong Kong dollar and US dollar in the Interim Period, the bank borrowings denominated in Hong Kong Dollar, United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange gain of approximately RMB223,900,000 (2016: an exchange loss of approximately RMB172,283,000). The finance expenses incurred for the Interim Period amounted to approximately RMB189,724,000 (2016: RMB187,060,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB1,005,596,000 (2016: RMB408,783,000), which represented an increase of 146.0%, mainly due to the exchange gain from Renminbi appreciation against Hong Kong dollar and US dollar in the 2017 Interim Period, and fair value gain from investment properties.

New Units Issued and Unit Activity

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 14,401,158 new units at HK\$4.624 per unit on 10 March 2017. As at 30 June 2017, a total of 2,936,181,642 units were issued by Yuexiu REIT.

The Unit price of the Yuexiu REIT reached a high of HK\$4.90 and a low of HK\$4.08 during the 2017 Interim Period. The average trading volume amounted to approximately 6,559,000 Units per day during the 2017 Interim Period (2016: 3,942,000 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 2016, Yuexiu REIT issued 64,879,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Ltd and the remaining balance of deferred units were approximately 668,401,000 units.

Net Asset Value

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2017 was approximately RMB4.83 (31 December 2016: RMB4.63).

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 30 June 2017	As at 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings and notes		
Denominated in RMB	3,021,280	4,165,500
Denominated in HKD	4,217,837	3,370,740
Denominated in USD	<u>4,289,050</u>	<u>4,388,746</u>
Total bank borrowings and notes	<u><u>11,528,167</u></u>	<u><u>11,924,986</u></u>
Maturity analysis		
Within one year	2,933,516	1,503,357
Two to five year	6,244,471	8,408,329
Beyond five year	2,350,180	2,013,300
The effective interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.34%
HKD	1.90%	2.52%
USD	3.11%	2.90%

The Manager also adopted a series of liquidity management measures. It reduced the annual interest rate and managed the foreign exchange risk.

As at 30 June 2017, Capped Forward hedging was applied to certain foreign bank loans to fix the RMB exchange rate. The total loan amount is approximately RMB3,175,000,000.

In May 2017, Yuexiu REIT entered into a HK\$2.95billion loan facility with certain banks and part of the loan amounting to HK\$2.1 billion was drawn down to repay the matured HKD loan facility. Also the annual interest rate is reduced.

As at 30 June 2017, total borrowings of Yuexiu REIT amounted to approximately RMB11,528,167,000, which represented approximately 37.1% 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 2017, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB16,779,497,000, representing approximately 54.0% of total assets of Yuexiu REIT.

Cash Position

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2017 amounted to approximately RMB796,336,000. 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 2017 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 2017 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2017 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2017.

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 2017 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 2017 Interim Period.

EMPLOYEES

As at 30 June 2017, Yuexiu REIT employed 679 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

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 2017 Interim Period, the Manager has complied with the provisions of the Compliance Manual and the code provisions in the Corporate Governance Code for its management of Yuexiu REIT.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	909,229	909,358
Operating expenses	7	(463,764)	(484,521)
Fair value gains on investment properties	14	809,189	500,367
Fair value loss on derivative financial instruments	18	(100,951)	—
Finance income	9	238,573	14,726
Finance expenses	10	<u>(189,724)</u>	<u>(360,143)</u>
Profit before income tax and transactions with unitholders		1,202,552	579,787
Income tax expense	11	<u>(196,956)</u>	<u>(171,004)</u>
Profit after income tax before transactions with unitholders		1,005,596	408,783
Transactions with unitholders		<u>(1,043,381)</u>	<u>(439,436)</u>
Loss after income tax after transactions with unitholders		<u>(37,785)</u>	<u>(30,653)</u>
Other comprehensive income for the period			
<u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
- Gross		58,928	47,444
- Tax		<u>(16,505)</u>	<u>(13,288)</u>
Other comprehensive income for the period, net of tax		<u>42,423</u>	<u>34,156</u>
Total comprehensive income for the period		<u>4,638</u>	<u>3,503</u>

Unaudited	Attributable to				Total RMB'000
	Unitholders before transactions with unitholders RMB'000	Transactions with unitholders (Note 26) RMB'000	Unitholders after transactions with unitholders RMB'000	Non - controlling interests RMB'000	
Profit/(loss) for the period ended 30 June 2016	405,635	(439,436)	(33,801)	3,148	(30,653)
Other comprehensive income: Items that will not be reclassified to profit or loss:					
Change in fair value of property, plant and equipment, net of tax	<u>33,801</u>	<u>—</u>	<u>33,801</u>	<u>355</u>	<u>34,156</u>
Total comprehensive income/(loss) for the period ended 30 June 2016	<u>439,436</u>	<u>(439,436)</u>	<u>—</u>	<u>3,503</u>	<u>3,503</u>
Profit/(loss) for the period ended 30 June 2017	1,001,401	(1,043,381)	(41,980)	4,195	(37,785)
Other comprehensive income: Items that will not be reclassified to profit or loss:					
Change in fair value of property, plant and equipment, net of tax	<u>41,980</u>	<u>—</u>	<u>41,980</u>	<u>443</u>	<u>42,423</u>
Total comprehensive income/(loss) for the period ended 30 June 2017	<u>1,043,381</u>	<u>(1,043,381)</u>	<u>—</u>	<u>4,638</u>	<u>4,638</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 to unitholders and the average number of units in issue, is presented in Note 27.

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017**

		Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	2,423,832	2,413,699
Land use rights	13	1,453,897	1,478,539
Investment properties	14	25,025,000	24,197,500
Deferred assets	15	211,424	219,913
Goodwill	16	824,459	824,459
Derivative financial instruments	18	<u>12,339</u>	<u>74,626</u>
		<u>29,950,951</u>	<u>29,208,736</u>
Current assets			
Inventories		3,801	4,337
Trade receivables	19	13,832	14,865
Amount due from related parties	28	271,683	131,351
Prepayments, deposits and other receivables	20	44,307	41,574
Top-up payment asset	17	—	17,184
Short-term bank deposits	21	22,458	22,400
Cash and cash equivalents	21	<u>773,878</u>	<u>1,180,828</u>
		<u>1,129,959</u>	<u>1,412,539</u>
Total assets		<u>31,080,910</u>	<u>30,621,275</u>
Current liabilities			
Trade payables	23	13,679	15,276
Rental deposits, current portion	24	95,813	106,676
Receipts in advance	24	76,105	71,366
Accruals and other payables	24	613,534	658,019
Amounts due to related parties	28	80,141	83,441
Borrowings	25	2,933,516	1,503,357
Tax payables		<u>9,320</u>	<u>10,421</u>
		<u>3,822,108</u>	<u>2,448,556</u>

	<i>Note</i>	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	24	229,639	213,109
Receipts in advance	24	7,555	12,233
Borrowings	25	8,594,651	10,421,629
Deferred tax liabilities	22	4,086,880	3,891,364
Derivative financial instruments	18	<u>38,664</u>	<u>—</u>
		<u>12,957,389</u>	<u>14,538,335</u>
Total liabilities, other than net assets attributable to unitholders			
		16,779,497	16,986,891
Net assets attributable to unitholders	26	<u>14,196,791</u>	<u>13,534,400</u>
Total liabilities			
		<u>30,976,288</u>	<u>30,521,291</u>
Net assets			
		<u>104,622</u>	<u>99,984</u>
Equity			
Revaluation reserve		415,811	373,831
Accumulated losses		<u>(415,811)</u>	<u>(373,831)</u>
		—	—
Non-controlling interests		<u>104,622</u>	<u>99,984</u>
Total equity			
		<u>104,622</u>	<u>99,984</u>
Net current liabilities			
		<u>(2,692,149)</u>	<u>(1,036,017)</u>
Total assets less current liabilities			
		<u>27,258,802</u>	<u>28,172,719</u>
Units in issue ('000)	26	<u>2,936,181</u>	<u>2,921,780</u>
Net assets attributable to unitholders per unit (RMB)			
	26	<u>RMB4.83</u>	<u>RMB4.63</u>

**DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	<i>Note</i>	Unaudited Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Profit after income tax before transactions with unitholders attributable to unitholders		1,001,401	405,635
Adjustments for the total distributable income (i)			
- Fair value gains on investment properties		(809,189)	(500,367)
- Deferred taxation in respect of fair value gain on investment properties charged to profit or loss		152,224	100,212
- Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(147,075)	(148,043)
- Foreign exchange gain on financing activities		<u>(223,900)</u>	<u>—</u>
Total distributable loss		(26,539)	(142,563)
Additional items (ii)			
- Cash received and/or receivable according to the Deed of Top-up Payments		—	35,442
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		147,075	148,043
- Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRS”)		80,198	78,062
- Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		41,654	41,925
- Manager’s fee paid and payable in units in lieu of cash		51,962	51,277
- Fair value loss on derivative financial instruments		100,951	—
- Interest income from top-up payment asset		—	(684)
- Fair value loss on top-up payment asset		—	800
- Foreign exchange loss on financing activities		<u>—</u>	<u>172,283</u>

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Distributable income after additional items		395,301	384,585
Distributable amount at 1 January		440,245	362,749
Distribution paid during the period (iii)	26	<u>(440,134)</u>	<u>(362,682)</u>
Interim distribution declared (iv)		<u>395,412</u>	<u>384,652</u>
Distribution per unit, declared (iv)		<u>RMB0.1346</u>	<u>RMB0.1352</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 RMB0.1499 per unit, totaling RMB440,134,000 (equivalent to HK\$496,508,000), was paid to unitholders on 16 May 2017.
- (iv) An interim distribution in respect of the six months ended 30 June 2017 of RMB0.1346 (equivalent to HK\$0.1566) per unit, totaling RMB395,412,000 (equivalent to HK\$460,049,000) was declared by the Board of the Manager on 9 August 2017.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2017 as disclosed in Note 26.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Net assets		Equity		
	attributable to unitholders	Accumulated losses	Revaluation reserve	Non- controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016	13,400,472	(303,883)	303,883	92,644	13,493,116
Issuance of units	54,383	—	—	—	54,383
Profit/(loss) for the period attributable to:					
- Unitholders	439,436	—	—	—	439,436
- Equity holders	—	(33,801)	—	3,148	(30,653)
Distributions paid to unitholders	(362,682)	—	—	—	(362,682)
Change in fair value of property, plant and equipment, net of tax	—	—	33,801	355	34,156
At 30 June 2016	<u>13,531,609</u>	<u>(337,684)</u>	<u>337,684</u>	<u>96,147</u>	<u>13,627,756</u>
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units	59,144	—	—	—	59,144
Profit/(loss) for the period attributable to:					
- Unitholders	1,043,381	—	—	—	1,043,381
- Equity holders	—	(41,980)	—	4,195	(37,785)
Distributions paid to unitholders	(440,134)	—	—	—	(440,134)
Change in fair value of property, plant and equipment, net of tax	—	—	41,980	443	42,423
At 30 June 2017	<u>14,196,791</u>	<u>(415,811)</u>	<u>415,811</u>	<u>104,622</u>	<u>14,301,413</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Unaudited	
	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	349,001	510,802
Interest paid	(178,935)	(174,408)
Corporate income tax paid	(19,046)	(15,774)
Top-up payment received	<u>17,184</u>	<u>28,731</u>
Net cash generated from operating activities	<u>168,204</u>	<u>349,351</u>
Cash flows from investing activities		
Additions of investment properties	(18,311)	(32,133)
Additions of property, plant and equipment	(6,761)	(2,099)
Interest received	14,673	14,042
(Increase)/decrease in short-term bank deposits with original maturity of more than three months	<u>(58)</u>	<u>26,926</u>
Net cash (used in)/generated from investing activities	<u>(10,457)</u>	<u>6,736</u>
Cash flows from financing activities		
Distribution paid	(440,134)	(362,682)
Repayment of borrowings	(2,028,250)	(602,610)
Proceeds from borrowings, net of transaction costs	1,844,543	724,886
Issuance of units	<u>59,144</u>	<u>54,383</u>
Net cash used in financing activities	<u>(564,697)</u>	<u>(186,023)</u>
Net (decrease)/increase in cash and cash equivalents	(406,950)	170,064
Cash and cash equivalents at beginning of the period	<u>1,180,828</u>	<u>682,596</u>
Cash and cash equivalents at end of the period	<u>773,878</u>	<u>852,660</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

Yuexiu REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between Yuexiu REIT Asset Management Limited, as the manager of Yuexiu REIT (the “Manager”), and HSBC Institutional Trust Services (Asia) Limited, as the Trustee of Yuexiu REIT (the “Trustee”) on 7 December 2005 (as amended by First Supplemental Deed dated 25 March 2008, Second Supplemental Deed dated 23 July 2010 and Third Supplemental Deed dated 25 July 2012) (the “Trust Deed”) and authorised under section 104 of the Securities and Futures Ordinance (“SFO”) subject to the applicable conditions imposed by Securities and Futures Commission (“SFC”) from time to time. The address of its registered office is 24/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 9 August 2017.

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 2017 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 2016, which have been prepared in accordance with HKFRS.

As at 30 June 2017, the Group’s current liabilities exceeded its current assets by RMB2,692,149,000 (31 December 2016: RMB1,036,017,000) mainly as the bank borrowings of RMB567,746,000 and other borrowings of RMB2,365,770,000 fall due within twelve months from the balance sheet date. The Manager is in the process of discussing with the Group’s principal bankers and believes the Group will be able to refinance the bank borrowings based on the Group’s past experience, its asset base and low gearing ratio. Taking into account the refinancing of bank borrowings and other financial resources available including internally generated funds and existing or new facilities, the Manager considers the Group has adequate resources to meet its liabilities and commitments as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing this condensed consolidated interim financial information.

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 2016.

(a) New and amended standards adopted by the Group

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2017:

Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendment to HKFRS 12	Disclosure of interest in other entities

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

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Lease	1 January 2019
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 would not result in any significant impact on the results and financial position of the Group. The Group plans to adopt these new and amended standards when they become effective.

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 2016.

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 2016.

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

6 Revenue and segment information

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

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

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

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

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

	Hotel and serviced apartments	Office rental	Wholesale and shopping mall	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Period ended 30 June 2017				
Revenue from external customers	<u>251,155</u>	<u>406,885</u>	<u>251,189</u>	<u>909,229</u>
Segment results	<u>9,689</u>	<u>1,140,374</u>	<u>223,744</u>	<u>1,373,807</u>
Depreciation and amortisation	<u>79,330</u>	<u>868</u>	<u>—</u>	<u>80,198</u>
Fair value gain on investment properties	<u>—</u>	<u>796,811</u>	<u>12,378</u>	<u>809,189</u>
Period ended 30 June 2016				
Revenue from external customers	<u>231,231</u>	<u>406,951</u>	<u>271,176</u>	<u>909,358</u>
Segment results	<u>(10,105)</u>	<u>738,159</u>	<u>303,557</u>	<u>1,031,611</u>
Depreciation and amortisation	<u>77,185</u>	<u>877</u>	<u>—</u>	<u>78,062</u>
Fair value gain on investment properties	<u>—</u>	<u>415,262</u>	<u>85,105</u>	<u>500,367</u>
As at 30 June 2017				
Total reportable segments' assets	<u>4,620,805</u>	<u>16,679,192</u>	<u>8,924,696</u>	<u>30,224,693</u>
As at 31 December 2016				
Total reportable segments' assets	<u>4,382,545</u>	<u>16,503,352</u>	<u>8,892,882</u>	<u>29,778,779</u>

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	1,373,807	1,031,611
Fair value loss on derivative financial instruments	(100,951)	—
Unallocated operating costs (Note)	<u>(119,153)</u>	<u>(106,407)</u>
Operating profit	1,153,703	925,204
Finance income	238,573	14,726
Finance expenses	<u>(189,724)</u>	<u>(360,143)</u>
Profit before income tax and transactions with unitholders	<u>1,202,552</u>	<u>579,787</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:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	30,224,693	29,778,779
Corporate assets	<u>856,217</u>	<u>842,496</u>
Total assets	<u>31,080,910</u>	<u>30,621,275</u>

	Revenue		Total assets	
	Unaudited		Unaudited	Audited 31
	Six months ended			
	2017	2016	2017	2016
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
China	<u>909,229</u>	<u>909,358</u>	30,224,693	29,778,779
Unallocated assets			<u>856,217</u>	<u>842,496</u>
			<u>31,080,910</u>	<u>30,621,275</u>

The Group's revenue by nature is as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Hotel and serviced apartments operations		
Room rentals	147,305	132,859
Food and beverages	95,131	91,507
Property rentals	658,074	678,127
Others	<u>8,719</u>	<u>6,865</u>
	<u>909,229</u>	<u>909,358</u>

7 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Property management fee (i)	20,175	20,540
Employee benefit expense	60,797	54,328
Real estate tax	82,063	90,780
Business tax, urban construction and maintenance tax, education surcharge and local education surcharge	5,361	39,880
Withholding tax (ii)	28,923	31,645
Depreciation of property, plant and equipment	55,556	53,420
Amortisation of land use rights	24,642	24,642
Cost of inventories sold or consumed in operation	65,458	68,278
Other direct expenses on hotel and serviced apartments	24,060	19,530
Manager's fee (Note 8)	64,953	60,326
Trustee's fee	4,593	4,400
Valuation fee	596	621
Legal and professional fee	7,477	3,762
Auditor's remuneration	1,646	1,715
Bank charges	1,148	441
Others	<u>16,316</u>	<u>10,213</u>
Total operating expenses	<u><u>463,764</u></u>	<u><u>484,521</u></u>

Note:

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

8 Manager's fee

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Manager's fee:		
In the form of units	51,962	51,277
In the form of cash	<u>12,991</u>	<u>9,049</u>
	<u>64,953</u>	<u>60,326</u>

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

9 Finance income

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	6,396	4,424
Interest income from a related company	8,277	9,618
Interest income from top-up payment asset	—	684
Foreign exchange gain on financing activities	<u>223,900</u>	<u>—</u>
	<u>238,573</u>	<u>14,726</u>

10 Finance expenses

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest expense for bank borrowings	141,568	139,065
Interest expense for other borrowings	37,367	35,343
Amortisation of transaction costs for borrowings	10,789	12,652
Fair value loss on top-up payment asset	—	800
Foreign exchange loss on financing activities	—	<u>172,283</u>
	<u>189,724</u>	<u>360,143</u>

11 Income tax expenses

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

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

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax		
- China corporate income tax	17,945	15,718
Deferred income tax (Note 22)	<u>179,011</u>	<u>155,286</u>
	<u>196,956</u>	<u>171,004</u>

12 Property, plant and equipment

	Hotel and serviced apartments	Office supplies	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2016				
Opening net book amount				
as at 1 January 2016	2,409,000	88	3,365	2,412,453
Additions	2,099	—	—	2,099
Depreciation	(52,543)	(12)	(865)	(53,420)
Fair value gain on revaluation	<u>47,444</u>	<u>—</u>	<u>—</u>	<u>47,444</u>
Closing net book amount				
as at 30 June 2016	<u>2,406,000</u>	<u>76</u>	<u>2,500</u>	<u>2,408,576</u>
Six months ended 30 June 2017				
Opening net book amount				
as at 1 January 2017	2,411,999	65	1,635	2,413,699
Additions	6,761	—	—	6,761
Depreciation	(54,688)	(12)	(856)	(55,556)
Fair value gain on revaluation	<u>58,928</u>	<u>—</u>	<u>—</u>	<u>58,928</u>
Closing net book amount				
as at 30 June 2017	<u>2,423,000</u>	<u>53</u>	<u>779</u>	<u>2,423,832</u>
At 30 June 2017				
At fair value	2,423,000	—	—	2,423,000
At cost	<u>—</u>	<u>53</u>	<u>779</u>	<u>832</u>
	<u>2,423,000</u>	<u>53</u>	<u>779</u>	<u>2,423,832</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 RMB1,839,336,000 (31 December 2016: RMB1,887,263,000).

As at 30 June 2017, property, plant and equipment with an aggregate carrying amount of RMB2,148 million (31 December 2016: RMB2,138 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:

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	2,411,999	2,409,000
Additions	6,761	10,657
Depreciation	(54,688)	(105,840)
Unrealised gains recognised in reserve	<u>58,928</u>	<u>98,182</u>
Closing balance	<u>2,423,000</u>	<u>2,411,999</u>
Changes in unrealised gains or losses for the period included in other comprehensive income at the end of the period	<u>58,928</u>	<u>98,182</u>

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Vigers Appraisal and Consulting Limited, independent qualified valuer not related to the Group at 30 June 2017 and 31 December 2016.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

Fair values of building element of hotel and serviced apartments of Guangzhou International Financial Center ("Guangzhou IFC") is derived using the discounted cash flow analysis and depreciated replacement cost method.

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

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

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

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

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

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 2017

	Depreciated replacement cost method		
	Building cost	Finance cost	Professional fee
	<i>(RMB /m²)</i>	<i>(% on construction cost)</i>	<i>(% on construction cost)</i>
Hotel	14,150	5	5
Serviced apartments	11,400	5	5

As at 31 December 2016

	Depreciated replacement cost method		
	Building cost	Finance cost	Professional fee
	<i>(RMB /m²)</i>	<i>(% on construction cost)</i>	<i>(% on construction cost)</i>
Hotel	14,000	5	5
Serviced apartments	11,300	5	5

13 Land use rights

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	1,478,539	1,527,824
Amortisation	<u>(24,642)</u>	<u>(24,642)</u>
End of the period	<u>1,453,897</u>	<u>1,503,182</u>

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

	30 June	30 June
	2017	2016
	RMB'000	RMB'000
In China:		
Land use rights of between 40 and 50 years	<u>1,453,897</u>	<u>1,503,182</u>

As at 30 June 2017, the fair value of land use rights is approximately RMB2,187 million (31 December 2016: RMB2,048 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2017, land use rights were pledged with an aggregate net book amount of RMB1,369 million (31 December 2016: RMB1,393 million) as collateral for the Group's bank borrowings (Note 25).

14 Investment properties

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Beginning of the period	24,197,500	23,194,000
Additions during the period	18,311	32,133
Fair value gains during the period, included in profit or loss under 'Fair value gain on investment properties'	<u>809,189</u>	<u>500,367</u>
End of the period	<u>25,025,000</u>	<u>23,726,500</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 RMB3,254,000 (2016: RMB3,408,000) relating to investment properties that were vacant.

As at 30 June 2017, investment properties with an aggregate net book value of approximately RMB3,433 million (31 December 2016: RMB3,317 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 Vigers Appraisal and Consulting Limited, independent qualified valuer not related to the Group at 30 June 2017 and 31 December 2016.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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

Significant inputs used to determine fair value

Capitalisation rate and discount rates are estimated by Vigers Appraisal and Consulting Limited for 30 June 2017 and 31 December 2016 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 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	62 to 300	4.00% to 7.25%
Wholesale and shopping mall	90 to 1,318	4.00% to 7.75%

As at 31 December 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	52 to 328	4.25% to 7.50%
Wholesale and shopping mall	85 to 1,250	4.25% to 8.00%

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

As at 30 June 2017

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	62 to 300	6.50% to 8.50%	90.00% to 98.96%
Wholesale and shopping mall	90 to 1,318	6.75% to 8.75%	95.00% to 99.50%

As at 31 December 2016

	Monthly Market Unit Rent (RMB per sq.m.)	Discount Rate	Stabilised Occupancy Rate
Office	52 to 328	6.75% to 8.75%	90.00% to 98.96%
Wholesale and shopping mall	85 to 1,250	7.00% to 9.00%	95.00% to 99.48%

15 Deferred assets

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

16 Goodwill

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Net book amount	<u>824,459</u>	<u>824,459</u>
Cost	824,459	824,459
Accumulated impairment	<u>—</u>	<u>—</u>
	<u>824,459</u>	<u>824,459</u>

17 Top-up payment asset

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

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

The final top-up payment of RMB17,184,000 was received by the Group during the period.

18 Derivative financial instruments

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Capped forward foreign exchange contracts	<u>12,339</u>	<u>74,626</u>
Non-current liabilities		
Capped forward foreign exchange contracts	<u>(38,664)</u>	<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 forward foreign exchange contracts at 30 June 2017 were USD177,000,000 and HK\$2,300,000,000 (31 December 2016: USD177,000,000 and HK\$1,000,000,000).

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

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

19 Trade receivables

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<u>13,832</u>	<u>14,865</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:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	10,924	11,566
31 - 90 days	2,218	3,196
91 - 180 days	<u>690</u>	<u>103</u>
	<u>13,832</u>	<u>14,865</u>

As at 30 June 2017, the Group has insignificant trade receivables which are past due but not impaired. Those 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

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and on hand	755,706	1,162,327
Short-term bank deposits with original maturity of less than three months	<u>18,172</u>	<u>18,501</u>
Cash and cash equivalents	773,878	1,180,828
Short-term bank deposits with original maturity of more than three months	<u>22,458</u>	<u>22,400</u>
Total	<u><u>796,336</u></u>	<u><u>1,203,228</u></u>
Maximum exposure to credit risk	<u><u>795,889</u></u>	<u><u>1,202,781</u></u>

As at 30 June 2017, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB675,149,000 (31 December 2016: RMB999,684,000) 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-terms bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

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

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
HK\$	87,750	143,895
RMB	675,595	1,000,130
USD	<u>32,991</u>	<u>59,203</u>
	<u><u>796,336</u></u>	<u><u>1,203,228</u></u>

22 **Deferred tax liabilities**

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	3,891,364	3,611,190
Deferred taxation charged to profit or loss (Note 11)	179,011	155,286
Deferred taxation charged to reserve	<u>16,505</u>	<u>13,288</u>
End of the period	<u><u>4,086,880</u></u>	<u><u>3,779,764</u></u>

23 **Trade payables**

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	8,496	10,656
31 - 90 days	3,342	2,901
91 - 180 days	<u>1,841</u>	<u>1,719</u>
	<u><u>13,679</u></u>	<u><u>15,276</u></u>

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

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

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Rental deposits		
Current portion	95,813	106,676
Non-current portion	<u>229,639</u>	<u>213,109</u>
	325,452	319,785
	-----	-----
Receipts in advance		
Current portion	76,105	71,366
Non-current portion	<u>7,555</u>	<u>12,233</u>
	83,660	83,599
	-----	-----
Provision for urban real estate tax	24,708	16,550
Provision for withholding tax payable	23,224	13,816
Provision for value-added tax, urban construction and maintenance tax, education surcharge and local education surcharge	16,502	14,147
Construction fee payable	458,595	497,148
Accruals for operating expenses	<u>90,505</u>	<u>116,358</u>
Accruals and other payables	<u>613,534</u>	<u>658,019</u>
	<u>1,022,646</u>	<u>1,061,403</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

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current portion of long term borrowings		
Bank borrowings		
- Secured	134,220	268,440
- Unsecured	433,526	1,234,917
Other borrowings, unsecured (Note)	<u>2,365,770</u>	<u>—</u>
	<u>2,933,516</u>	<u>1,503,357</u>
Long-term borrowings		
Bank borrowings		
- Secured	3,021,280	3,355,500
- Unsecured	6,141,117	6,149,876
Other borrowings, unsecured (Note)	<u>2,365,770</u>	<u>2,419,610</u>
	11,528,167	11,924,986
Less: current portion of long-term borrowings	<u>(2,933,516)</u>	<u>(1,503,357)</u>
Total long-term borrowings	<u>8,594,651</u>	<u>10,421,629</u>
Unsecured	8,506,887	8,569,486
Secured	<u>3,021,280</u>	<u>3,355,500</u>
	<u>11,528,167</u>	<u>11,924,986</u>

Bank borrowings of the Group are secured by certain parts of Guangzhou IFC amounting to RMB6,950 million (31 December 2016: RMB6,755 million)

Note: On 14 May 2013, Yuexiu REIT MTN Company Limited, a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$350 million principal amount of 3.10% notes due May 2018 (the “USD Bond”) to investors under the US\$1 billion guaranteed medium term note programme established on 21 March 2013 pursuant to the subscription agreement dated 7 May 2013. The USD Bond remained outstanding at 30 June 2017.

26 **Net assets attributable to unitholders**

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	13,534,400	13,400,472
Issuance of units	59,144	54,383
Transfer from the statement of comprehensive income	1,043,381	439,436
Distribution paid during the period	<u>(440,134)</u>	<u>(362,682)</u>
End of the period	<u>14,196,791</u>	<u>13,531,609</u>

The movement of numbers of existing units is as below:

	Unaudited	
	Six months ended 30 June	
	2017	2016
Units in issue ('000)		
Beginning of the period	2,921,780	2,828,887
Units issued during the period	<u>14,401</u>	<u>15,675</u>
End of the period	<u>2,936,181</u>	<u>2,844,562</u>

Note:

During the period, 14,401,000 units were issued for the payment of manager's fee. (Period ended 30 June 2016: 15,675,000 units were issued for the payment of manager's fee.)

In 2016, a total of 28,014,000 units were issued for the payment of manager's fee. At 31 December 2016, the Group also issued 64,879,000 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 with 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 64,879,000 units at 31 December 2016, the outstanding deferred units were approximately 668,401,000 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.

	Unaudited Six months ended 30 June	
	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>1,001,401</u>	<u>405,635</u>
Weighted average number of units in issue ('000)	<u>2,930,692</u>	<u>2,838,706</u>
Basic earnings per unit (RMB)	<u>0.34</u>	<u>0.14</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 2017.

	Unaudited Six months ended 30 June	
	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>1,001,401</u>	<u>405,635</u>
Weighted average number of units in issue ('000)	2,930,692	2,838,706
Adjustments for deferred units ('000)	668,401	733,280
Adjustments for manager's fee in form of units ('000)	<u>12,345</u>	<u>13,667</u>
Weighted average number of units for diluted earnings per unit ('000)	<u>3,611,438</u>	<u>3,585,653</u>
Diluted earnings per unit (RMB)	<u>0.28</u>	<u>0.11</u>

28 Connected party transactions and significant related party transactions and balances

As at 30 June 2017, the Group was significantly influenced by YXP (incorporated in Hong Kong), which owns approximately 35% of Yuexiu REIT's units. The remaining units are widely held.

The table set forth below summarised the names of connected/related companies and nature of relationship with Yuexiu REIT as at 30 June 2017:

Connected/related companies	Relationship with Yuexiu REIT
Yuexiu Property Company Limited (“YXP”) ¹	A major unitholder of Yuexiu REIT
Yuexiu REIT Asset Management Limited (the “Manager”) ¹	A subsidiary of YXP
Guangzhou Yuexiu Asset Management Company Limited (“GZ AM”) ¹	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. (“Yicheng”) ¹	A subsidiary of YXP
Guangzhou White Horse Clothings Market Ltd. (“White Horse JV”) ¹	A subsidiary of YXP
Guangzhou Baima Business Operation Management Co. Ltd. (“Baima BM”) ¹	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. (“Xingye”) ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. (“GCCD”) ¹	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) ¹	A major shareholder of YXP
Guangzhou Yuexiu Holdings Limited (“GZYX”) ¹	Immediate holding company of Yue Xiu
廣州越秀企業集團有限公司 ¹	A subsidiary of GZYX
Guangzhou City Construction and Development Group Co., Ltd. ¹	A subsidiary of GZYX
Golden Eagle Asset Management Co. Ltd. (“Golden Eagle”) ¹	A subsidiary of GZYX
Guangzhou Grandcity Development Ltd. ¹	A subsidiary of YXP

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. (“GZ JLL”) ¹	A subsidiary of YXP
廣州市祥港房地產開發有限公司 ¹	A subsidiary of YXP
廣州市宏錦房地產開發有限公司 ¹	A subsidiary of YXP
廣州東耀房地產開發有限公司 ¹	A subsidiary of YXP
廣州市城建開發集團名特網絡發展有限公司 ¹	A subsidiary of YXP
廣州悅停網絡科技有限公司 ¹	A subsidiary of YXP
廣州鵬燁貿易有限公司 ¹	A subsidiary of YXP
Guangzhou Guang Zheng Hang Seng Research Co., Ltd. (“Guang Zheng”) ^{1,2}	A subsidiary of GZYP
Guangzhou Suiqiao Development Co., Ltd. (“Suiqiao”) ¹	A subsidiary of GZYP
Guangzhou Securities Company Limited ^{1,2}	A subsidiary of GZYP
Guangzhou Futures Co., Ltd. ^{1,2}	A subsidiary of GZYP
Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. ^{1,2}	A subsidiary of GZYP
Guangzhou Yuexiu Financial Leasing Co., Ltd. ^{1,2}	A subsidiary of GZYP
Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ^{1,2}	A subsidiary of GZYP
廣州越秀小額貸款有限公司 ^{1,2}	A subsidiary of GZYP
Beijing Jones Lang LaSalle Property Management Services Company Limited, Guangzhou Branch (“Beijing JLL”) ¹	A subsidiary of GZYP
Guangzhou Yue Tong Expressway Operations and Management Company Limited (“Yue Tong”) ¹	A subsidiary of GZYP
Guangzhou Yue Peng Information Ltd. (“Yue Peng”) ¹	A subsidiary of GZYP
Yuexiu (China) Transport Infrastructure Investment Company Limited ¹	A subsidiary of GZYP

Connected/related companies	Relationship with Yuexiu REIT
Guangzhou Paper Group Ltd. ¹	A subsidiary of GZYX
Chong Hing Bank Limited Guangzhou Sub-Branch (“Chong Hing Guangzhou”) ¹	A subsidiary of GZYX
Chong Hing Bank Limited Shanghai Branch (“Chong Hing Shanghai”) ¹	A subsidiary of GZYX
Guangzhou Building Materials Enterprise Group Co., Ltd. ¹	A subsidiary of GZYX
Guang Zhou Titanium Dioxide Factory ¹	A subsidiary of GZYX
HSBC Institutional Trust Services (Asia) Limited (the “Trustee”)	The Trustee of Yuexiu REIT
Vigers Appraisal and Consulting Limited (the “Incumbent Valuer”)	The principal valuer of Yuexiu REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the “HSBC Group”)	Associates of the Trustee

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

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

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

(a) *Transactions with connected/related companies*

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Manager’s fee paid/payable to the Manager (ii)	(64,953)	(60,326)
Management fee paid/payable to Yicheng	(5,266)	(5,233)
Management fee paid/payable to Baima BM	(5,686)	(6,055)
Management fee paid/payable to GZ AM	(9,223)	(9,252)
Rental income received/receivable from Xingye	2,542	2,607
Rental income received/receivable from Yicheng	1,242	2,112
Rental income received/receivable from GCCD	5,040	7,205
Rental income received/receivable from White Horse JV	613	638
Rental income received/receivable from Golden Eagle	—	835

Unaudited
Six months ended 30 June

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>

Rental income received/receivable from 廣州越秀企業集團有限公司	15,784	16,384
Rental income received/receivable from Guangzhou Grandcity Development Ltd.	1,048	1,090
Rental income received/receivable from Guang Zheng	—	1,115
Rental income received/receivable from Suiqiao	293	305
Rental income received/receivable from Guangzhou Securities Company Limited	—	11,146
Rental income received/receivable from Guangzhou Futures Company Limited	—	993
Rental income received/receivable from Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.	—	992
Rental income received/receivable from GZ JLL	7,286	7,327
Rental income received/receivable from Guangzhou Yuexiu Financial Leasing Co., Ltd.	—	2,177
Rental income received/receivable from GZ AM	4,522	4,693
Rental income received/receivable from 廣州祥港房地產開發有限公司	2,800	4,316
Rental income received/receivable from 廣州宏錦房地產開發有限公司	8,737	9,086
Rental income received/receivable from 廣州東耀房地產開發有限公司	1,883	304
Rental income received/receivable from Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	—	2,959
Rental income received/receivable from Yue Tong	381	397
Rental income received/receivable from Guangzhou Yue Peng Information Ltd.	390	405
Rental income received/receivable from Yuexiu (China) Transport Infrastructure Investment Company Limited	4,303	4,107
Rental income received/receivable from 廣州越秀小額貸款有限公司	—	220
Rental income received/receivable from Beijing JLL	—	622
Rental income received/receivable from Guangzhou Paper Group Ltd.	135	140
Rental income received/receivable from Guangzhou Building Materials Enterprise Group Co., Ltd.	135	140
Rental income received/receivable from Guangzhou Titanium Dioxide Factory	135	140
Rental income received/receivable from Chong Hing Guangzhou	1,402	1,671

Unaudited
Six months ended 30 June
2017 **2016**
RMB'000 *RMB'000*

Rental income received/receivable from Chong Hing Shanghai	257	43
Rental income received/receivable from 廣州市城建開發集團名特網絡發展有限公司	45	—
Rental income received/receivable from 廣州悅停網絡科技有限公司	48	—
Rental income received/receivable from 廣州鵬燁貿易有限公司	127	—
Interest income received/receivable from GCCD	8,277	9,618
Trustee's fee paid/payable to the Trustee	(4,593)	(4,400)
Valuation fee paid/payable to the valuer	(596)	(621)
Transactions with the HSBC Group		
- Interest expense paid/payable to the HSBC Group	(2,939)	(3,581)
Transactions with Chong Hing Guangzhou		
- Interest expense paid/payable to Chong Hing Guangzhou	<u>(8,648)</u>	<u>—</u>

Note:

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

(b) *Balances with related companies*

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from GCCD (i)	271,683	131,351
Amount due to Yicheng	(1,764)	(1,087)
Amount due to Baima BM	(1,916)	(1,100)
Amount due to the Manager	(64,953)	(69,580)
Amount due to GZ AM	(1,508)	(1,674)
Amount due to Guangzhou City Construction and Development Group Co., Ltd.	(10,000)	(10,000)
Bank borrowing from Chong Hing Guangzhou	(361,000)	(400,000)
Rental deposits from related companies (ii)	<u>(21,004)</u>	<u>(20,875)</u>

Except for an amount due from GCCD of approximately RMB263 million (31 December 2016: RMB125 million) which is unsecured, interest bearing at 9% per annum and repayable on settlement of the related construction fee payable, all other balances with related companies are unsecured, interest-free, repayable on demand and reasonable approximation to their fair values. All the balances are denominated in RMB, except for the amount due to the Manager which is denominated in HK\$.

Note:

- (i) Pursuant to the settlement agency agreement entered into between GCCD and Tower Top, GCCD would be responsible for settling the outstanding construction cost related to the construction of Guangzhou IFC. On 7 May 2012, an initial amount of RMB1,293 million was transferred to GCCD by Tower Top. The receivable balance of RMB272 million (31 December 2016: RMB131 million) as at period end represents the initial amount transferred to GCCD less the settlement of construction payable. The remaining amount will be paid to GCCD when the receivable balance is less than or equal to RMB100 million.
- (ii) Rental deposits from related companies are included as rental deposits in the condensed consolidated balance sheet.

(c) *Key management compensation*

There was no key management compensation for the period ended 30 June 2017 (2016: nil).

29 Capital commitments

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Capital commitments in respect of property, plant and equipment and investment properties Contracted but not provided for	<u>26,166</u>	<u>31,258</u>

30 Future minimum rental receivables

At 30 June 2017, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited	Audited
	30 June	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,120,066	1,179,765
Between one year and five years	1,435,257	1,623,765
Over five years	<u>119,888</u>	<u>183,953</u>
	<u>2,675,211</u>	<u>2,987,483</u>

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

Hong Kong, 9 August 2017

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

<i>Executive Directors:</i>	<i>Mr. LIN Deliang and Mr. CHENG Jiuzhou</i>
<i>Non-executive Directors:</i>	<i>Mr. LIN Zhaoyuan (Chairman) and Mr. LI Feng</i>
<i>Independent Non-executive Directors:</i>	<i>Mr. CHAN Chi On Derek, Mr. CHAN Chi Fai Brian, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaouu</i>