越秀房地產投資信託基金
YUEXIU REAL ESTATE INVESTMENT TRUST

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

(Stock code: 00405)

Managed by

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 (the "Interim Period") as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT's financial results during the 2018 Interim Period and the 2017 Interim Period:

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

	Six months ended 30 June 2018	2017	Change Increase/ (Decrease) %
Gross income	1,002,794,000	909,229,000	10.3%
Net property income	726,800,000	644,816,000	12.7%
Net profit after tax before transactions with Unitholders	616,788,000	1,005,596,000	(38.7)%
Interim distribution	423,811,000	395,412,000	7.2%
Earnings per unit	0.2038	0.3416	(40.3)%
Distribution per unit	0.1400	0.1341	4.4%
Equivalent to HK$	0.1615	0.1560	3.5%

	30 June 2018	31 December 2017	Change Increase %
Portfolio valuation	34,072,000,000	33,356,000,000	2.1%
Net assets attributable to Unitholders	14,478,124,000	14,321,384,000	1.1%
Net assets attributable to Unitholders per unit	4.78	4.75	0.6%

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 2018.

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 2018 Interim Period will be approximately RMB0.1400 which is equivalent to HK$0.1615 (June 2017: approximately RMB0.1341 which was equivalent to HK$0.1560) 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 2018 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the 2018 Interim Period.

The 2018 interim distribution amounted to approximately RMB423,811,000 which is equivalent to HK$488,824,000 (June 2017: approximately RMB395,412,000 which was equivalent to HK$460,049,000), includes an amount of approximately RMB67,000,000 (2017: RMB51,962,000), 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 RMB146,018,000 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 2018 Interim Period is HK$0.1615 (June 2017: HK$0.1560) per unit, represents a yield of approximately 3.06% (June 2017: 3.21%) based on the closing price of HK$5.27 per unit as at 30 June 2018 (30 June 2017: HK$4.85). This represents an annualized distribution yield of 6.12%.

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 14 September 2018. The register of Unitholders will be closed from 14 September 2018 to 17 September 2018, 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 13 September 2018. The 2018 interim distribution will be paid on 24 October 2018 to the Unitholders whose names appear on the register of Unitholders on 14 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Steady Growth in Operating Results

In the first half of 2018, the macro-economy of China recorded stable growth. Yuexiu REIT continued to implement a focused and flexible leasing policy in response to different market conditions. The substantial increase in Shanghai office supply and the high vacancy rate in Wuhan office buildings were proactively handled, whereas the great opportunity derived from low supply in Guangzhou office market was firmly captured. Taking advantage of the transformation trend of the retail commercial market and the hotel and serviced apartment market, properties under Yuexiu REIT were given full play as Manager undertook to optimize operation model and upgrade tenant mix. Under such continuous capital asset enhancement, the overall operation income maintained its steady growth and the performance result was satisfactory.

Property Portfolio

As at 30 June 2018, Yuexiu REIT's portfolio of properties consisted of eight properties, namely, White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza"), Yue Xiu Neo Metropolis Plaza Units ("Neo Metropolis"), Guangzhou International Finance Center ("GZIFC"), which are located in Guangzhou, Yue Xiu Tower ("Yue Xiu Tower"), which is located in Shanghai, and Wuhan Properties including "Wuhan Yuexiu Forture Centre", "Starry Victoria Shopping Centre" and certain Carpark Spaces ("Wuhan Properties"), which is located in Wuhan. The aggregate area of ownership of the properties was approximately 991,300.4 sq.m. and the total rentable area was 660,317.6 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; 62,785.8 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; 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 Savills Valuation and Professional Services Limited ("SVPSL"), an independent professional valuer, on the portfolio of properties of Yuexiu REIT, the revalued market valuation was approximately RMB34,072 million as at 30 June 2018, representing an increase of RMB716 million or 2.1% over the valuation as at 31 December 2017.

The following table summarizes the valuation of each of the properties as at 30 June 2018 and 31 December 2017:

Name of property	**Valuation as at 30 June 2018** *RMB million*	**Valuation as at 31 December 2017** *RMB million*	**Increase percentage**
White Horse Building	5,021	4,906	2.3%
Fortune Plaza	1,175	1,150	2.2%
City Development Plaza	961	935	2.8%
Victory Plaza	922	904	2.0%
Neo Metropolis	1,112	1,110	0.2%
GZIFC	18,154	17,734	2.4%
Yue Xiu Tower	3,108	3,030	2.6%
Wuhan Properties	3,619	3,587	0.9%
Total	34,072	33,356	2.1%

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)	**Number of lease** (1)	**Unit Rent**(1) **(VAT exclusive)** *(RMB/ sq.m./ month)*
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	100%	908	628.4
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	41,355.2	41,355.2	99.6%	76	151.4
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	42,397.4	42,397.4	95.4%	78	131.4
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	100%	30	201.5
Neo Metropolis	Commercial complex	Yuexiu District, Guangzhou	2007	61,960.0	49,887.3(2)	98.9%(2)	185	113.5

Property	Type	Location	Year of Completion	Area of Ownership *(sq.m.)*	Total Rentable Area *(sq.m.)*	Property Occupancy Rate [1]	Number of lease [1]	Unit Rent[1] (VAT exclusive) *(RMB/ sq.m./ month)*
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9[3]	97.7%[3]	281	212.6
Including:	Grade A office			267,804.4	183,539.6[3]	97.8%[3]	230	230.0
	Retail shopping mall			46,989.2	46,727.3	97.5%	51	144.2
	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]	95.1%	112	270.4
Wuhan Properties	Commercial complex	Wuhan Qiaokou District		248,194.2	172,993.3	68.0%	164	77.2
Including:	Grade A office		2016	139,937.1	129,446.7[6]	59.4%	68	92.5
	Retail shopping mall		2015	45,471.4	43,546.6[7]	93.7%	96	48.5
	Commercial parking spaces		2015-2016	47,182.9	N/A	N/A	N/A	N/A
	Residential parking spaces		2014-2016	15,602.8	N/A	N/A	N/A	N/A
Total				991,300.4	660,317.6	90.1%	1,834	206.6

Notes:

(1) As at 30 June 2018;

(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);

(6) Excluding 10,490.3 sq.m. of common facilities area and refuge floor area;

(7) Excluding 1,924.8 sq.m. of common facilities area.

Occupancy rate remained at relatively high level

As at 30 June 2018, the overall occupancy rate of the properties was approximately 90.1%, whereas the occupancy rate of the original five properties was 98.8% and that of the original seven properties was 97.9%, which remained operating at high level. The overall occupancy rate of Wuhan Properties was 68.0%, of which the occupancy rate of offices was 59.4% and that of retail shopping mall was 93.7%.

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

Name of property	Occupancy rate as at 30 June 2018	Occupancy rate as at 30 June 2017	Percentage Increase/ (decrease) as compared to 30 June 2017
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	99.6%	97.7%	1.9%
City Development Plaza	95.4%	96.9%	(1.5)%
Victory Plaza	100.0%	100.0%	0.0%
Neo Metropolis	98.9%	99.5%	(0.6)%
Subtotal of original five projects	98.8%	98.8%	0.0%
GZIFC Offices	97.8%	96.2%	1.6%
GZIFC Shopping Mall	97.5%	96.9%	0.6%
Subtotal of GZIFC	97.7%	96.4%	1.3%
Yue Xiu Tower	95.1%	96.2%	(1.1)%
Subtotal of original seven projects	97.9%	97.4%	0.5%
Wuhan Properties Offices	59.4%	40.5%(1)	18.9%
Wuhan Properties Shopping Mall	93.7%	86.8%(1)	6.9%
Subtotal of Wuhan Properties	68.0%	52.2%(1)	15.8%
Total	90.1%	N/A	N/A

Notes:

(1) As at 10 November 2017.

Operational Property	Type	Commencement of Operation	Area of Ownership *(sq.m.)*	No. of Units *(units)*	Average Occupancy Rate[(1)]	Average Rent[(1)] (VAT exclusive) *(RMB/ room/day)*
Four Seasons Hotel Guangzhou[(2)]	Five star hotel	August 2012	91,460.9	344	79.0%	1,989
Ascott Serviced Apartments[(2)]	High-end serviced apartments	September 2012	51,102.3	314	94.7%	1,002

Notes:

(1) From 1 January 2018 to 30 June 2018;

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

Revenue increase

During the Interim Period of 2018, the properties of Yuexiu REIT recorded total revenue of approximately RMB1,002.8 million, representing an increase of approximately RMB93.6 million as compared to the corresponding period of the previous year. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, GZIFC, Yue Xiu Tower and Wuhan Properties accounted for approximately 19.0%, 3.8%, 3.3%, 3.5%, 3.6%, 54.4%, 7.0% and 5.4% 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 2018	Revenue for the interim period of 2017	Increase as compared to interim period of 2017	Increase in revenue from properties percentage
	RMB million	*RMB million*	*RMB million*	
White Horse Building	189.9	189.9	0.0	0.0%
Fortune Plaza	37.8	34.4	3.4	9.9%
City Development Plaza	33.4	31.6	1.8	5.7%
Victory Plaza	35.0	32.8	2.2	6.7%
Neo Metropolis	36.4	33.2	3.2	9.6%
Subtotal of original five projects	332.5	321.9	10.6	3.3%
GZIFC	545.3	517.7	27.6	5.3%
Yue Xiu Tower	69.9	69.6	0.3	0.4%
Subtotal of original seven projects	947.7	909.2	38.5	4.2%
Wuhan Properties	55.1	—	55.1	N/A
Total	1,002.8	909.2	93.6	10.3%

GZIFC — Performance of office building remained stable with continuous enhancement in operation of shopping mall

The Manager actively dealt with the expiry of large-area leases of GZIFC offices and formulated a reasonable renewal plan based on customer demand. In the first half of the year, renewal of leases for an area of 18,200 sq.m. was completed with renewal rate of 82.5%, stabilizing the premium customer base with satisfactory rental increase of the renewed leases. The Manager was aware of certain changes in the macro policies of the finance industry, paid close attention to the dynamics of tenant business operation, took the initiative to decline high-risk tenants and in the meantime actively introduced stable customers such as AMC (招商平安) and strongly supported lease expansion by well-known corporate customers. As at the end of June, with the average rent level of the office building reached RMB230.0 / square meter / month (excluding value-added taxes), GZIFC continued to maintain the benchmark position in rentals for core CBD in Zhujiang New Town.

Through measures such as optimized merchant portfolio, continuous innovation of marketing and implementation of the shop-manager-meeting model, on its second anniversary for commencement of operation, the "GZIFC Shopping Mall" recorded 11% and 328% growth year-on-year in average daily customer flow and membership, respectively and there was a gradual increase of tenants who adopted turnover rent, resulting in an approximately 15% rental increase year-on-year. Besides enjoying sales growth of its tenants, the "GZIFC Shopping Mall" also achieved new heights in indicators such as occupancy rate and rental income which signified further enhancement of its popularity and influence. The "NIO House", located on the first two floors of the mall officially commenced operation in January, not only provided a more diversified consumption experience for shopping mall customers, but also further consolidated the image of GZIFC as a city landmark. Moreover, the Manager planned on making adjustments to shops facing the streets and strived to offer new retail experience to create a favourable business ambience.

In the first half of the year, the average room rate and occupancy rate for high-end hotel market in Guangzhou increased slightly, and the overall market demand continued to grow steadily. The operation of high-end serviced apartment market tended to become stable and small apartments were favoured. The Manager promoted upgrade and improvement in the core management team of Four Seasons Hotel, strengthened customer resources integration and collaboration, expanded sales channels, and conducted multi-channel and multi-platform marketing to elevate hotel reputation. Following Four Seasons Hotel's being given the honour as a Five-Star Hotel by Forbes Travel Guide in January, as a result of which it received the honour consecutively for four years, Yuyuexuan (愉粵軒), the Chinese restaurant of Four Seasons Hotel, received the honour as the first Michelin Star restaurants in Guangzhou in June. Meanwhile, the Manager deeply explored the operation potential of the apartments, optimized customer sources structure, introduced the hi-tech approach of services by robots, and successfully undertook municipal high-end commercial activities initiated by the government for the first time to increase room and club revenues. As of June 2018, compared with direct competitors, the average occupancy rate of Four Seasons Hotel was higher by 3.1 percentage points, average room rate higher by 36.9%, and RevPAR higher by 42.6%, further consolidating its market benchmark position. Compared with direct competition group, the average occupancy rate of Ascott apartment was higher by 9.6 percentage points, average room rate higher by 33.2%, and RevPAR higher by 48.2%, and continued to lead in the first tier.

Wuhan Properties — achieved breakthrough in business solicitation with steady growth in occupancy rate

In the first half of the year, affected by massive new supply in the market, the vacancy rate of Grade A office market in Wuhan was pushed up to 24.8%. Under fierce market competition, the Manager vigorously explored channels and expanded coverage of business solicitation, strengthened in-depth cooperation with several intermediary organizations in Wuhan to identify potential customers in the market. Meanwhile, on the basis of good customer relationship, the business solicitation team continued to explore the demand for lease expansion by internal customers, as well as the lease demand from upstream and downstream business partners. In the first half of the year, Yuexiu Fortune Centre signed new contracts for an area of nearly 25,000 sq.m., accounting for about one seventh of Wuhan's net absorption during the same period, which ranked the forefront in the nurture period of the office projects in Wuhan.

The Starry Victoria Shopping Centre successfully introduced the "Zhongbai Living Theater (中百生活劇場)" supermarket, which has satisfied the consumption requirement of surrounding residential and office buildings, not only bringing stable customer flow to the shopping mall, but also revitalizing the customer flow of Mall A and enhancing the overall rental value of the shopping mall. However, due to fencing-off construction of municipal projects, the impact on accessibility and visibility of shopping malls was quite large which directly influenced the sales of merchants in the supermarket. The Manager strengthened operation support and mobilized active participation of merchants in a targeted way to drive customer flow and sale within the shopping mall.

White Horse Building — promoted product enhancement to accelerate upgrade and transformation

In the first half of the year, the Manager continued to implement the "Double Hundred Plans" (introducing 100 quality brand merchants and supporting 100 internal powerful merchants) to support the superior and remove the inferior, successfully attracting dozens of brand merchants to enter and operate, further optimizing the tenant structure of White Horse. Meanwhile, the Manager fortified marketing and visitor flow diversion, and carried out diversified innovative marketing to expand the number of purchaser members and effectively increased the customer flow in White Horse, achieved double-digit growth in market transactions and further highlighted the value of White Horse's trading platform. In terms of industry exchange, in the first half of the year, White Horse once again organized a delegation to participate in the 2018 China International Clothing Accessories Exhibition (2018年中國國際服裝服飾博覽會) and made its debut at the China Import and Export Fair (中國進出口商品交易會), received favourable social response and economic results. In terms of hardware transformation, the Manager actively prepared and planned to renovate the public areas on the fifth floor for achieving the goal of bringing in quality operator merchants. The project was planned to be implemented in the second half of the year. Acting on measures such as active support of business solicitation, brand access review and local operational adjustment, the Manager promoted product quality improvement in a multi-pronged manner to better adapt to the development trend of domestic consumption upgrades.

Shanghai Yuexiu Building — managed lease renewal and stabilized quality customers

Under the dual pressure of the state to implement policy control over financial risks and the large number of new supplies entering the market, the Manager adopted flexible leasing strategies to prevent customer loss, endeavoured to expand channels for business solicitation, enhanced delivery standards of vacant units, increased customer reserve, and effectively dissipated lease withdrawal and vacant area, thus stabilizing the occupancy rate of the building. In view of the large area of lease expiry this year which concentrated in the first half of the year, the Manager initiated lease renewal negotiations in advance, effectively managed expiry of leases, and actively retained quality customers, achieving a remarkable result of 82% renewal rate as well as an average rental increase of 11.3% in the renewed leases.

Fortune Plaza, City Development Plaza, Yue Xiu Neo Metropolis Plaza — Rental rate remained high and rents increased slightly

Apart from satisfactory performance of lease renewal in the first half of the year, Fortune Plaza also actively dissipated areas of withdrawn leases and realized seamless transition of leases by tapping into domestic demands, business solicitation in advance and reserving customers and other means; City Development Plaza successfully introduced a number of well-known enterprises in the industry to enter and operate in the plaza, which optimized the tenant mix of the building; Yue Xiu Neo Metropolis Plaza seized the opportunity of the peak renewal period to rationally allocate distribution of lease expiry and effectively reduce concentration of lease expiry in future.

Victoria Plaza — Improved brand richness and integrated resources to promote sales

In the first half of the year, the Manager signed contracts with two renowned catering brands. Compared with the previous leases, the contracted rents recorded double-digit growth, further enriching the brands entering and operating in the plaza and enabling the occupancy rate of the plaza to reach 100%. In the first half of the year, Victoria Plaza tapped into various resources by holding nearly 40 theme activities and membership activities during which the customer flow increased by 25%, greatly promoted the business and sales of merchants in the plaza. The anchor tenant "Uniqlo" and the newly opened "McDonald" drove the customer flow through promotion activities, in which year-on-year sale performance of "Uniqlo" increased by 76%. The Manager also optimized the shopping guide system of the plaza which has enhanced shopping experience and satisfaction of consumers.

Active promotion of value-added asset projects to achieve value preservation and appreciation of properties

In the first half of the year, the Manager continued to invest in a number of asset enhancement and improvement projects, including the addition of glass doors on the first floor lobby as well as facilities renovation projects on 1F and 103F of the Four Seasons Hotel at GZIFC, image upgrade project for the Ascott apartment; office image and safety enhancement construction project; image enhancement project in the public area on the fifth floor of White Horse Building; the renovation of public toilets and first-grade biochemical treatment of domestic sewage in Yuexiu Building; the water supply and drainage system and renovation work in public areas on certain floors of City Development Plaza and Fortune Plaza, with an expected spending of over RMB30 million, they will continue to elevate the operational efficiency and business environment of the projects.

In the second half of the year, the Manager will still plan to focus on investing in capital renovation projects for GZIFC, White Horse Building and Yuexiu Building etc. to realize value preservation and appreciation of the properties.

Proactive management of maturing debts and continuous optimization of financing structure

The Manager actively managed maturing debts by arranging financing in advance to control liquidity risk, and introduced exchange rate or interest rate hedging instruments to ensure the quality of existing financing. A US$400 million 3-year guaranteed medium-term note at a coupon rate of 4.75% was successfully launched in the first half of this year, enriching the financing channels and optimizing the financing structure. However, due to rising interest rate of financing, the overall finance cost rose to 3.91% from 3.16% at the beginning of the year.

FINANCIAL REVIEW

Financial Results

During the Interim Period of 2018, rental income and net property income was higher than the Interim Period of 2017. The following is a summary of Yuexiu REIT's financial results during the 2018 Interim Period:

	Six months ended 30 June		
	2018	**2017**	**Increase/**
	Unaudited	**Unaudited**	**(decrease)**
	RMB'000	*RMB'000*	%
Gross income	1,002,794	909,229	10.3%
Hotel and serviced apartments direct expenses	(150,822)	(150,315)	0.3%
Leasing agents' fee	(23,041)	(20,175)	14.2%
Property related taxes *(Note 1)*	(98,128)	(88,355)	11.1%
Other property expenses *(Note 2)*	(4,003)	(5,568)	(28.1)%
Total property operating expenses	(275,994)	(264,413)	4.4%
Net property income	726,800	644,816	12.7%
Withholding tax	(29,733)	(28,923)	2.8%
Depreciation and amortization	(64,604)	(80,198)	(19.4)%
Manager's fees	(70,375)	(64,953)	8.4%
Trustee's fees	(5,077)	(4,593)	10.5%
Other trust expenses *(Note 3)*	(6,411)	(20,684)	(69.0)%
Total non-property operating expenses	(176,200)	(199,351)	(11.6)%
Profit before finance costs, finance income and tax	550,600	445,465	23.6%
Finance income	28,403	238,573	(88.1)%
Finance expenses	(342,844)	(189,724)	80.7%
Profit before tax	236,159	494,314	(52.2)%
Income tax expenses	(200,732)	(196,956)	1.9%
Net profit after tax before fair value gains on investment properties & fair value loss on derivative financial instruments	35,427	297,358	(88.1)%
Fair value gains on investment properties	601,114	809,189	(25.7)%
Fair value loss on derivative financial instruments	(19,753)	(100,951)	(80.4)%
Net profit after tax before transactions with Unitholders	616,788	1,005,596	(38.7)%

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, legal advisory fees, exchange differences related to operating activities and miscellaneous expenses.

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

	Six months ended 30 June	
(RMB'000)	**2018**	**2017**
Office	466,847	406,885
Wholesales	189,915	189,859
Retails	82,407	61,330
Hotel and serviced apartments	263,625	251,155
Total	1,002,794	909,229

Net property income amounted to approximately RMB726,800,000 (2017: RMB644,816,000), being the income after deduction of hotel and serviced apartments direct expenses, property related taxes, leasing agents' fees and other property operating expenses, representing approximately 72.5% of total gross income. The table below sets out an analysis of net property income:

	Six months ended 30 June	
(RMB'000)	**2018**	**2017**
Office	393,614	344,432
Wholesales	159,119	159,648
Retails	68,640	51,718
Hotel and serviced apartments	105,427	89,018
Total	726,800	644,816

Hotel and serviced apartments direct expenses were RMB150,822,000, a slight increase of 0.3% as compared with the 2017 Interim Period.

Leasing agents' fee increased by approximately 14.2% as compared with the 2017 Interim Period. It was mainly because of an increase of rental income from the new acquired Wuhan Properties and other properties.

Property related tax increased by approximately 11.1 % as compared with the 2017 Interim Period. It was mainly because of an increase of property tax due to the increased rental income from the newly acquired Wuhan Properties and other properties.

The hotel and serviced apartments were booked as fixed assets which incurred the depreciation and amortization charge.

As Renminbi depreciated against Hong Kong dollar and US dollar in the Interim Period, the bank borrowings denominated in Hong Kong Dollar, United States Dollar and secured note loans denominated in United States Dollar resulted in an exchange loss of approximately RMB126,265,000 (2017: an exchange gain of approximately RMB223,900,000). The finance expenses incurred for the Interim Period amounted to approximately RMB342,844,000 (2017: RMB189,724,000).

Profit after tax before transactions with Unitholders amounted to approximately RMB616,788,000 (2017: RMB1,005,596,000), which represented a decrease of 38.7%, mainly due to the exchange loss from Renminbi depreciated against Hong Kong dollar and US dollar in the 2018 Interim Period, and fair value gain from investment properties is lower than 2017 Interim Period.

Financial performance of Wuhan Properties and the support arrangement

In the interim period of 2018, the Wuhan Project recorded actual adjusted net profit of approximately RMB27.91 million and contributed net distribution of RMB1.53 million after deduction of offshore financing expenses, trustee fees, manager's fee (approximately RMB26.38 million), etc. to the REIT.

Moreover, based on the agreements set forth in the Circular in relation to the Acquisition of Wuhan Properties, the amounts under the support arrangement for the first half of the year calculated according to the actual adjusted net profit is RMB11.09 million, which will be paid by Yuexiu Property within seven business days after Yuexiu REIT published its interim results for 2018. Please refer to the circular date 15 November 2017 for details of the amounts under the support arrangement.

New Units Issued and Unit Activity

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 12,837,571 new units at HK$5.25 per unit on 13 March 2018. As at 30 June 2018, a total of 3,027,123,467 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK$5.60 and a low of HK$5.00 during the 2018 Interim Period. The average trading volume amounted to approximately 4,745,000 Units per day during the 2018 Interim Period (2017: 6,559,000 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 2017, Yuexiu REIT issued 66,000,000 Units to a wholly-owned subsidiary of Yuexiu Property Company Ltd and the remaining balance of deferred units were approximately 602,401,000 units.

Net Asset Value

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2018 was approximately RMB4.78 (31 December 2017: RMB4.75).

CAPITAL AND FINANCIAL STRUCTURE

Group's borrowings are as follows:

	As at 30 June 2018 *RMB'000*	**As at 31 December 2017** *RMB'000*
Bank borrowings and notes		
Denominated in RMB	2,721,280	3,021,280
Denominated in HKD	5,624,082	5,569,459
Denominated in USD	4,507,959	4,140,034
Total bank borrowings and notes	12,853,321	12,730,773
Maturity analysis		
Within one year	1,879,066	4,408,474
Two to five years	9,324,975	6,643,219
Beyond five years	1,649,280	1,679,080
The overall interest rate (per annum) of the borrowings and notes at the balance sheet		
RMB	4.31%	4.31%
HKD	3.30%	2.47%
USD	4.55%	3.26%

The overall interest rate (per annum) of the borrowings and notes at the balance sheet is 3.91%.

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

As at 30 June 2018, Capped Forward hedging was applied to certain foreign currency bank loans to fix the RMB exchange rate. The total loan amount is approximately RMB3,099,000,000.

Referring to the US$1,500,000,000 guaranteed medium-term note plan established in April 2018, Yuexiu REIT issued a total principal of US$400,000,000 guaranteed note at 4.75% which would mature in 2021. The fund was used for repayment of US$350,000,000 guaranteed note and for general corporate working capital requirement.

As at 30 June 2018, total borrowings of Yuexiu REIT amounted to approximately RMB12,853,320,000, which represented approximately 36.0% 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 2018, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB20,092,550,000, representing approximately 56.3% of total assets of Yuexiu REIT.

Cash Position

Cash and cash equivalents and short-term deposit balance of Yuexiu REIT as at 30 June 2018 amounted to approximately RMB1,201,940,000. 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 2018 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 2018 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2018 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2018.

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 2018 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 2018 Interim Period.

EMPLOYEES

As at 30 June 2018, Yuexiu REIT employed 652 and 131 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

CORPORATE GOVERNANCE

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 2018 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 2018

		Unaudited Six months ended 30 June	
	Note	**2018**	**2017**
		RMB'000	*RMB'000*
Revenue	6	1,002,794	909,229
Operating expenses	7	(452,194)	(463,764)
Fair value gains on investment properties	14	601,114	809,189
Fair value loss on derivative financial instruments	18	(19,753)	(100,951)
Finance income	9	28,403	238,573
Finance expenses	10	(342,844)	(189,724)
Profit before income tax and transactions with unitholders		817,520	1,202,552
Income tax expense	11	(200,732)	(196,956)
Profit after income tax before transactions with unitholders		616,788	1,005,596
Transactions with unitholders		(533,326)	(1,043,381)
Profit/(loss) after income tax after transactions with unitholders		83,462	(37,785)
Other comprehensive (loss)/income for the period			
Items that will not be reclassified to profit or loss:			
Change in fair value of property, plant and equipment			
- Gross		(79,320)	58,928
- Tax		22,217	(16,505)
Other comprehensive (loss)/income for the period, net of tax		(57,103)	42,423
Total comprehensive income for the period		26,359	4,638

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

Unaudited	Attributable to Unitholders before transactions with unitholders *RMB'000*	Transactions with unitholders (Note 26) *RMB'000*	Unitholders after transactions with unitholders *RMB'000*	Non - controlling interests *RMB'000*	Total *RMB'000*
Profit/(loss) for the period ended 30 June 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	41,980	—	41,980	443	42,423
Total comprehensive income/(loss) for the period ended 30 June 2017	1,043,381	(1,043,381)	—	4,638	4,638
Profit/(loss) for the period ended 30 June 2018	589,834	(533,326)	56,508	26,954	83,462
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	(56,508)	—	(56,508)	(595)	(57,103)
Total comprehensive income/(loss) for the period ended 30 June 2018	533,326	(533,326)	—	26,359	26,359

Notes:

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

(ii) Earnings per unit, based upon profit after income tax before transactions with unitholders attributable to unitholders and the average number of units in issue, is presented in Note 27.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018

	Note	**Unaudited 30 June 2018** *RMB'000*	**Audited 31 December 2017** *RMB'000*
Non-current assets			
Property, plant and equipment	12	2,341,003	2,451,081
Land use rights	13	1,404,612	1,429,254
Investment properties	14	29,311,000	28,706,000
Deferred assets	15	222,613	224,343
Goodwill	16	845,325	845,325
		34,124,553	33,656,003
Current assets			
Inventories		4,365	3,127
Trade receivables	19	20,517	19,746
Amount due from related parties		264,374	266,357
Prepayments, deposits and other receivables	20	57,611	59,885
Other financial asset	17	11,092	—
Short-term bank deposits	21	22,574	26,702
Cash and cash equivalents	21	1,179,366	1,303,904
		1,559,899	1,679,721
Total assets		35,684,452	35,335,724
Current liabilities			
Trade payables	23	12,838	17,611
Rental deposits, current portion	24	99,985	151,145
Receipts in advance	24	89,289	76,743
Accruals and other payables	24	1,031,438	1,158,000
Amounts due to related parties		905,862	887,404
Derivative financial instruments	18	41,940	46,457
Borrowings	25	1,879,066	4,408,474
Tax payables		61,380	89,646
		4,121,798	6,835,480
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	24	256,236	201,109
Receipts in advance	24	489	2,798
Borrowings	25	10,974,255	8,322,299
Deferred tax liabilities	22	4,578,577	4,428,310
Derivative financial instruments	18	161,194	136,924
		15,970,751	13,091,440

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AS AT 30 JUNE 2018

	Note	**Unaudited 30 June 2018** *RMB'000*	**Audited 31 December 2017** *RMB'000*
Total liabilities, other than net assets attributable to unitholders		20,092,549	19,926,920
Net assets attributable to unitholders	26	14,478,124	14,321,384
Total liabilities		34,570,673	34,248,304
Net assets		1,113,779	1,087,420
Equity			
Revaluation reserve		398,704	455,212
Accumulated losses		(398,704)	(455,212)
		—	—
Non-controlling interests		1,113,779	1,087,420
Total equity		1,113,779	1,087,420
Net current liabilities		2,561,899	5,155,759
Total assets less current liabilities		31,562,654	28,500,244
Units in issue ('000)	26	3,027,123	3,014,285
Net assets attributable to unitholders per unit (RMB)		RMB4.78	RMB4.75

DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited Six months ended 30 June 2018 *RMB'000*	2017 *RMB'000*
Profit after income tax before transactions with unitholders attributable to unitholders		589,834	1,001,401
Adjustments for the total distributable income (i)			
- Fair value gains on investment properties		(601,114)	(809,189)
- Deferred taxation in respect of fair value gain on investment properties charged to profit or loss		117,785	152,224
- Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards ("CAS")		(173,961)	(147,075)
- Foreign exchange gain on financing activities		—	(223,900)
Total distributable loss		(67,456)	(26,539)
Additional items (ii)			
- Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		173,961	147,075
- Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards ("HKFRS")		64,604	80,198
- Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		50,319	41,654
- Manager's fee paid and payable in units in lieu of cash		56,300	51,962
- Fair value loss on derivative financial instruments		19,753	100,951
- Foreign exchange loss on financing activities		126,265	—
Distributable income after additional items		423,746	395,301
Distributable amount at 1 January		431,127	440,245
Distribution paid during the period (iii)	26	(431,062)	(440,134)
Interim distribution declared (iv)		423,811	395,412
Distribution per unit, declared (iv)		RMB0.1400	RMB0.1346

DISTRIBUTION STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 RMB0.1424 per unit, totaling RMB431,062,000 (equivalent to HK$535,195,000), was paid to unitholders on 16 May 2018.

(iv) A final distribution in respect of the six months ended 30 June 2018 of RMB0.1400 (equivalent to HK$0.1615) per unit, totaling RMB423,811,000 (equivalent to HK$488,824,000) was declared by the Board of the Manager on 2 August 2018.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2018 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 2018

		Equity			
	Net assets attributable to unitholders	Accumulated losses	Revaluation reserve	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	13,534,400	(373,831)	373,831	99,984	13,634,384
Issuance of units (Note 26)	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	14,196,791	(415,811)	415,811	104,622	14,301,413
At 1 January 2018	14,321,384	(455,212)	455,212	1,087,420	15,408,804
Issuance of units (Note 26)	54,476	—	—	—	54,476
Profit for the period attributable to:					
- Unitholders	533,326	—	—	—	533,326
- Equity holders	—	56,508	—	26,954	83,462
Distributions paid to unitholders	(431,062)	—	—	—	(431,062)
Change in fair value of property, plant and equipment, net of tax	—	—	(56,508)	(595)	(57,103)
At 30 June 2018	14,478,124	(398,704)	398,704	1,113,779	15,591,903

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	512,414	349,001
Interest paid	(198,041)	(178,935)
Corporate income tax paid	(56,514)	(19,046)
Top-up payment received	—	17,184
Net cash generated from operating activities	257,859	168,204
Cash flows from investing activities		
Additions of investment properties	(3,886)	(18,311)
Additions of property, plant and equipment	(9,204)	(6,761)
Interest received	17,311	14,673
Decrease/(increase) in short-term bank deposits with original maturity of more than three months	4,128	(58)
Net cash generated from/(used in) investing activities	8,349	(10,457)
Cash flows from financing activities		
Distribution paid	(431,062)	(440,134)
Repayment of borrowings	(2,531,880)	(2,028,250)
Proceeds from borrowings, net of transaction costs	2,517,720	1,844,543
Issuance of units	54,476	59,144
Net cash used in financing activities	(390,746)	(564,697)
Net decrease in cash and cash equivalents	(124,538)	(406,950)
Cash and cash equivalents at beginning of the period	1,303,904	1,180,828
Cash and cash equivalents at end of the period	1,179,366	773,878

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 **General information**

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 2 August 2018.

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 2018 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 2017, which have been prepared in accordance with HKFRS.

As at 30 June 2018, the Group's current liabilities exceeded its current assets by RMB2,561,899,000 (31 December 2017: RMB5,155,759,000) mainly as the bank borrowings of RMB1,879,066,000 fall due within twelve months from the balance sheet date and the deferred completion payment of approximately RMB803,803,000 (31 December 2017: RMB803,803,000) for the acquisition of a subsidiary in Wuhan which primarily operates a commercial development, a shopping arcade and certain carpark spaces in Wuhan together ("Wuhan Properties"). 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 and deferred completion payment 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, medium term notes programme and potential disposal of the Group's properties, 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 2017.

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

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2018:

Amendments to HKAS 40	Transfer of investment properties
Amendments to HKFRS 1 and HKAS28	Annual Improvement to HKFRS 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts - Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

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

(b) The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

4 Significant judgements and accounting estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

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 2017.

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2018				
Revenue from external customers	263,625	466,847	272,322	1,002,794
Segment results	40,901	749,697	472,712	1,263,310
Depreciation and amortisation	64,526	78	—	64,604
Fair value gain on investment properties	—	356,161	244,953	601,114
Period ended 30 June 2017				
Revenue from external customers	251,155	406,885	251,189	909,229
Segment results	9,689	1,140,374	223,744	1,373,807
Depreciation and amortisation	79,330	868	—	80,198
Fair value gain on investment properties	—	796,811	12,378	809,189
As at 30 June 2018				
Total reportable segments' assets	4,437,208	20,204,566	10,135,966	34,777,740
As at 31 December 2017				
Total reportable segments' assets	4,512,532	20,056,202	9,799,923	34,368,657

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 2018	2017
	RMB'000	*RMB'000*
Segment results	1,263,310	1,373,807
Fair value loss on derivative financial instruments	(19,753)	(100,951)
Unallocated operating costs (Note)	(111,596)	(119,153)
Operating profit	1,131,961	1,153,703
Finance income	28,403	238,573
Finance expenses	(342,844)	(189,724)
Profit before income tax and transactions with unitholders	817,520	1,202,552

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

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

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Total reportable segments' assets	34,777,740	34,368,657
Corporate assets	906,712	967,067
Total assets	35,684,452	35,335,724

	Revenue		Total assets	
	Unaudited			
	Six months ended 30 June		Unaudited 30 June	Audited 31 December
	2018	2017	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
China	1,002,794	909,229	34,777,740	34,368,657
Unallocated assets			906,712	967,067
			35,684,452	35,335,724

The Group's revenue by nature is as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Hotel and serviced apartments operations		
Room rentals	151,734	147,305
Food and beverages	102,637	95,131
Property rentals	739,169	658,074
Others	9,254	8,719
	1,002,794	909,229

7 Expenses by nature

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Property management fee (i)	23,041	20,175
Employee benefit expense	58,656	60,797
Real estate tax	90,186	82,063
Business tax, urban construction and maintenance tax, education surcharge and local education surcharge	6,186	5,361
Withholding tax (ii)	29,733	28,923
Depreciation of property, plant and equipment	39,962	55,556
Amortisation of land use rights	24,642	24,642
Cost of inventories sold or consumed in operation	34,045	31,516
Other direct expenses on hotel and serviced apartments	58,122	58,002
Manager's fee (Note 8)	70,375	64,953
Trustee's fee	5,077	4,593
Valuation fee	690	596
Legal and professional fee	15,036	7,477
Auditor's remuneration	1,855	1,646
Bank charges	306	1,148
Exchange (gain)/loss from operating activities	(13,202)	8,114
Others	7,484	8,202
Total operating expenses	452,194	463,764

Note:

(i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yicheng Property Management Ltd., Guangzhou Baima Business Operation Management Co., Ltd. and Guangzhou Yuexiu Asset Management Company Limited.

(ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10%.

8 **Manager's fee**

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

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Manager's fee:		
In the form of units	56,300	51,962
In the form of cash	14,075	12,991
	70,375	64,953

Pursuant to the announcement of Yuexiu REIT dated 15 January 2018, a portion of the manager's fee for the period from 1 January 2018 to 31 December 2018 will be paid in the form of units.

9 **Finance income**

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Interest income from bank deposits	6,474	6,396
Interest income from a related company	10,837	8,277
Fair value gain on other financial asset (Note 17)	11,092	—
Foreign exchange gain on financing activities	—	223,900
	28,403	238,573

10 Finance expenses

	Unaudited Six months ended 30 June 2018 *RMB'000*	2017 *RMB'000*
Interest expense for bank borrowings	150,986	141,568
Interest expense for other borrowings	47,055	37,367
Interest expense to a related party	8,093	—
Amortisation of transaction costs for borrowings	10,445	10,789
Foreign exchange loss on financing activities	126,265	—
	342,844	189,724

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 2018 *RMB'000*	2017 *RMB'000*
Current income tax		
— China corporate income tax	28,248	17,945
Deferred income tax (Note 22)	172,484	179,011
	200,732	196,956

12 **Property, plant and equipment**

	Hotel and serviced apartments *RMB'000*	Office supplies *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Six months ended 30 June 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	58,928	—	—	58,928
Closing net book amount as at 30 June 2017	2,423,000	53	779	2,423,832
At 30 June 2017				
At fair value	2,423,000	—	—	2,423,000
At cost	—	53	779	832
	2,423,000	53	779	2,423,832
Six months ended 30 June 2018				
Opening net book amount as at 1 January 2018	2,450,000	443	638	2,451,081
Additions	9,204	—	—	9,204
Depreciation	(39,884)	(53)	(25)	(39,962)
Fair value loss on revaluation	(79,320)	—	—	(79,320)
Closing net book amount as at 30 June 2018	2,340,000	390	613	2,341,003
At 30 June 2018				
At fair value	2,340,000	—	—	2,340,000
At cost	—	390	613	1,003
	2,340,000	390	613	2,341,003

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 RMB1,780,353,000 (31 December 2017: RMB1,811,033,000).

As at 30 June 2018, property, plant and equipment with an aggregate carrying amount of RMB2,078 million (31 December 2017: RMB2,171 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 2018	**31 December 2017**
	RMB'000	*RMB'000*
Opening balance	2,450,000	2,411,999
Additions	9,204	19,106
Depreciation	(39,884)	(95,336)
Unrealised (loss)/gain recognised in reserve	(79,320)	114,231
Closing balance	2,340,000	2,450,000
Changes in unrealised gains or losses for the period included in other comprehensive income at the end of the period	(79,320)	114,231

Valuation processes of the Group

The Group measures hotel and serviced apartments at fair value. Hotel and serviced apartments was revalued by Savills Valuation and Professional Services Limited, independent qualified valuer not related to the Group at 30 June 2018 and 31 December 2017.

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

At each financial year end the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

The depreciated replacement cost method involves estimation of the market redevelopment costs of the building portion of hotel and serviced apartments of 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 2018

	Depreciated replacement cost method		
	Building cost *(RMB /m^2)*	**Finance cost** *(% on construction cost)*	**Professional fee** *(% on construction cost)*
Hotel	18,300	4.75	6
Serviced apartments	14,800	4.75	6

As at 31 December 2017

	Depreciated replacement cost method		
	Building cost *(RMB /m^2)*	**Finance cost** *(% on construction cost)*	**Professional fee** *(% on construction cost)*
Hotel	19,000	4.75	6
Serviced apartments	15,000	4.75	6

13 **Land use rights**

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

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Beginning of the period	1,429,254	1,478,539
Amortisation	(24,642)	(24,642)
End of the period	1,404,612	1,453,897

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

	30 June 2018	**30 June 2017**
	RMB'000	*RMB'000*
In China:		
Land use rights of between 40 and 50 years	1,404,612	1,453,897

As at 30 June 2018, the fair value of land use rights is approximately RMB2,421 million (31 December 2017: RMB2,200 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2018, land use rights were pledged with an aggregate net book amount of RMB1,313 million (31 December 2017: RMB1,343 million) as collateral for the Group's bank borrowings (Note 25).

14 **Investment properties**

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Beginning of the period	28,706,000	24,197,500
Additions during the period	3,886	18,311
Fair value gains during the period, included in profit or loss under 'Fair value gain on investment properties'	601,114	809,189
End of the period	29,311,000	25,025,000

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB6,078,000 (2017: RMB3,254,000) relating to investment properties that were vacant.

Yuexiu REIT acquired Wuhan Properties on 21 December 2017. In accordance with the REIT Code, Yuexiu REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the unitholders have passed a special resolution consenting to the proposed disposal.

As at 30 June 2018, investment properties with an aggregate net book value of approximately RMB3,525 million (31 December 2017: RMB3,471 million) were pledged as collateral for the Group's bank borrowings (Note 25).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Savills Valuation and Professional Services Limited, independent qualified valuer not related to the Group at 30 June 2018 and 31 December 2017.

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

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report

- Assesses property valuations movements when compared to the prior year valuation report

- Holds discussions with the independent valuer

Valuation techniques

Fair value measurements using significant unobservable inputs

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

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

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

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

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

Significant inputs used to determine fair value

Capitalisation rate and discount rates are estimated by Savills Valuation and Professional Services Limited for 30 June 2018 and 31 December 2017 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 2018

	Monthly Market Unit Rent *(RMB per sq.m.)*	**Capitalisation Rate** *(per annum)*
Office	97 to 313	4.00% to 7.25%
Wholesale and shopping mall	84 to 1,380	4.00% to 7.75%

As at 31 December 2017

	Monthly Market Unit Rent *(RMB per sq.m.)*	**Capitalisation Rate** *(per annum)*
Office	96 to 312	4.00% to 7.25%
Wholesale and shopping mall	83 to 1,335	4.00% to 7.75%

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

As at 30 June 2018

	Monthly Market Unit Rent *(RMB per sq.m.)*	**Discount Rate**	**Stabilised Occupancy Rate**
Office	97 to 313	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	84 to 1,380	6.75% to 8.75%	98.00% to 99.50%

As at 31 December 2017

	Monthly Market Unit Rent *(RMB per sq.m.)*	Discount Rate	Stabilised Occupancy Rate
Office	96 to 312	6.50% to 8.50%	95.00% to 99.00%
Wholesale and shopping mall	83 to 1,335	6.75% to 8.75%	98.00% to 99.50%

15 **Deferred assets**

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

16 **Goodwill**

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Net book amount	845,325	845,325
Cost	845,325	845,325
Accumulated impairment	—	—
	845,325	845,325

17 **Other financial asset**

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

Other financial asset is initially recoginsed at fair value. In determining the fair value of the other financial asset, Yuexiu REIT applied a valuation model that has taken into account the expected future cashflows due to the shortfall for the period from 1 January 2018 until 31 December 2020. Other financial asset is subsequently carried at amortised cost using the effective interest method. The expected future cash flows are revisited regularly. The carrying amount of other financial asset will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income (Note 9)".

18 **Derivative financial instruments**

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Non-current liability		
Capped forward foreign exchange contracts	161,194	136,924
Current liability		
Capped foreign exchange forward contracts	41,940	46,457

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

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2018 were USD177,000,000 and HK$2,300,000,000 (31 December 2017: USD177,000,000 and HK$2,300,000,000).

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

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

19 **Trade receivables**

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Trade receivables	20,517	19,746

The fair values of trade receivables approximate their carrying amounts.

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

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
0 - 30 days	17,893	16,293
31 - 90 days	1,505	3,040
91 - 180 days	1,119	413
	20,517	19,746

As at 30 June 2018, the Group has insignificant trade receivables which are past due but not impaired. These relate to independent customers for whom there are no significant financial difficulty and based on past experience, the overdue amounts can be recovered. Majority of the Group's trade receivables are denominated in RMB.

20 Prepayments, deposits and other receivables

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

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

21 Short-term bank deposits and cash and cash equivalents

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Cash at bank and on hand	1,170,881	1,299,718
Short-term bank deposits with original maturity of less than three months	8,485	4,186
Cash and cash equivalents	1,179,366	1,303,904
Short-term bank deposits with original maturity of more than three months	22,574	26,702
Total	1,201,940	1,330,606
Maximum exposure to credit risk	1,201,493	1,330,159

As at 30 June 2018, included in the cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,035,282,000 (31 December 2017: RMB1,086,661,000) 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 30 June 2018	**Audited 31 December 2017**
	RMB'000	*RMB'000*
HK$	83,640	204,766
RMB	1,035,934	1,099,367
USD	82,366	26,473
	1,201,940	1,330,606

22 Deferred tax liabilities

	Unaudited Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Beginning of the period	4,428,310	3,891,364
Deferred taxation charged to profit or loss (Note 11)	172,484	179,011
Deferred taxation (credited)/charged to reserve	(22,217)	16,505
End of the period	4,578,577	4,086,880

23 Trade payables

The fair values of trade payables approximate their carrying amounts.

The ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
0 - 30 days	8,210	10,394
31 - 90 days	4,184	4,473
91 - 180 days	444	2,744
	12,838	17,611

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

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Rental deposits		
Current portion	99,985	151,145
Non-current portion	256,236	201,109
	356,221	352,254
Receipts in advance		
Current portion	89,289	76,743
Non-current portion	489	2,798
	89,778	79,541
Provision for urban real estate tax	12,129	13,509
Provision for withholding tax payable	13,049	11,697
Provision for value-added tax, urban construction and maintenance tax, education surcharge, local education surcharge and other taxes	12,141	11,272
Construction fee payable	862,491	943,171
Accruals for operating expenses	131,628	178,351
Accruals and other payables	1,031,438	1,158,000
	1,477,437	1,589,795

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 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Current portion of long term borrowings		
Bank borrowings		
- Secured	—	268,440
- Unsecured	1,879,066	1,855,375
Other borrowings, unsecured (Note)	—	2,284,659
	1,879,066	4,408,474
Long-term borrowings		
Bank borrowings		
- Secured	2,721,280	3,021,280
- Unsecured	7,503,148	7,424,834
Other borrowings, unsecured (Note)	2,628,893	2,284,659
	12,853,321	12,730,773
Less: current portion of long-term borrowings	(1,879,066)	(4,408,474)
Total long-term borrowings	10,974,255	8,322,299
Unsecured	10,132,041	9,709,493
Secured	2,721,280	3,021,280
	12,853,321	12,730,773

As at 30 June 2018, syndicated and entrustment loans totalling to RMB2,721 million which are secured by certain parts of Guangzhou IFC with carrying value of RMB6,916 million (31 December 2017: RMB7,107 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 in May 2018 (the "US$350 million 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 US$350 million bond was fully repaid in May 2018.

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

26 **Net assets attributable to unitholders**

	Unaudited	
	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Beginning of the period	14,321,384	13,534,400
Issuance of units	54,476	59,144
Transfer from the statement of comprehensive income	533,326	1,043,381
Distribution paid during the period	(431,062)	(440,134)
End of the period	14,478,124	14,196,791

The movement of numbers of existing units is as below:

	Unaudited	
	Six months ended 30 June	
Units in issue ('000)	**2018**	**2017**
Beginning of the period	3,014,285	2,921,780
Units issued during the period	12,838	14,401
End of the period	3,027,123	2,936,181

Note:

During the period, 12,838,000 units were issued for the payment of manager's fee (2017: 14,401,000 units).

In 2017, a total of 26,505,000 units were issued for the payment of manager's fee. At 31 December 2017, the Group also issued 66,000,000 units from deferred units to YXP. Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016. The number of units to be issued each year, when aggregated with the Manager Fee Units to be issued within 12 months of the issue, will be limited to the maximum number of units that may be issued to YXP which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeover Code for all units owned or agreed to be acquired by YXP at the relevant fine. After the issuance of 66,000,000 units at 31 December 2017, the outstanding deferred units were approximately 602,401,000 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	
	2018	**2017**
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	589,834	1,001,401
Weighted average number of units in issue ('000)	3,022,088	2,930,692
Basic earnings per unit (RMB)	0.20	0.34

(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 2018.

	Unaudited Six months ended 30 June 2018	2017
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	589,834	1,001,401
Weighted average number of units in issue ('000)	3,022,088	2,930,692
Adjustments for deferred units ('000)	602,401	668,401
Adjustments for manager's fee in form of units ('000)	12,671	12,345
Weighted average number of units for diluted earnings per unit ('000)	3,637,160	3,611,438
Diluted earnings per unit (RMB)	0.16	0.28

28 **Capital commitments**

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Capital commitments in respect of property, plant and equipment and investment properties contracted but not provided for	10,538	16,120

29 **Future minimum rental receivables**

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

	Unaudited 30 June 2018 *RMB'000*	**Audited 31 December 2017** *RMB'000*
Within one year	1,286,606	1,161,671
Between one year and five years	1,870,004	1,564,887
Over five years	159,857	176,550
	3,316,467	2,903,108

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, 2 August 2018

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

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