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(Stock code: 00405)*

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## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 (“Interim Period”) as follows:

### FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT’s financial results during the 2012 and 2011 Interim Period:

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

	Six months ended 30 June		Change
	2012	2011	Increase / (Decrease) %
Gross Income	271,489,000	257,546,000	5.41%
Net property income	212,319,000	201,624,000	5.30%
Profit after tax	252,992,000	839,541,000	(69.87)%
Earnings per unit	0.2373	0.7876	(69.87)%
Distribution per unit	0.1114	0.1109	0.5%
Equivalent to HK\$	0.1367	0.1339	2.1%

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>Change Increase %</b>
Portfolio valuation	6,644,000,000	6,471,000,000	2.67%
Net assets attributable to Unitholders	5,235,050,000	5,095,264,000	2.74%
Net assets attributable to Unitholders per unit	4.91	4.78	2.74%

## **DISTRIBUTION**

In accordance with the Trust Deed, Yuexiu REIT will distribute no less than 90% of Total Distributable Income to the Unitholders.

The Manager has resolved to declare an interim distribution to Unitholders for the 2012 Interim Period of approximately RMB0.1114 which is equivalent to HK\$0.1367 (2011: approximately RMB0.1109 which is equivalent to HK\$0.1339) per unit. The interim distribution represents a 133% of Yuexiu REIT's Total Distributable Income for the 2012 Interim Period.

The 2012 interim distribution amounting to approximately RMB118,775,000 which is equivalent to HK\$145,718,000 (2011: approximately RMB118,239,000 which is equivalent to HK\$142,716,000), will be effected on 26 October 2012 and HK\$0.1367 (equivalent to RMB0.1114) per unit will be paid to the Unitholders whose names appear on the register of Unitholders on 26 July 2012.

The Manager confirms that the interim distribution referred above comprises the Total Distributable Income and an additional amount which was related to the transaction costs amounting to approximately RMB29,511,000, in the nature of capital, incurred during the Interim Period for the proposed subscription which was disclosed in the circular dated 30 June 2012.

The Manager has calculated the Total Distributable Income based on Yuexiu REIT's consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the consolidated statement of comprehensive income for the relevant year or period.

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the Manager is the average closing exchange 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 2012 Interim Period is HK\$0.1367 (2010: HK\$0.1339) per unit, represents a yield of approximately 3.67% (2010: 3.33%) per unit based on the closing price of HK\$3.72 per unit as at 30 June 2012 (2011: HK\$4.02). This represents an annualized distribution yield of 7.34%.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Stable growth in operating results**

In the first half of 2012, Yuexiu REIT achieved satisfactory results amid a flat leasing market in Guangzhou by implementing sound and stable leasing and asset management strategies. Property competitiveness was further strengthened laying down a solid foundation for future income growth and long-term development of Yuexiu REIT.

### **PROPERTY PORTFOLIO AND VALUATION**

As at 30 June 2012, Yuexiu REIT consists of five properties - White Horse Building Units (“White Horse Building”), Fortune Plaza Units (“Fortune Plaza”), City Development Plaza Units (“City Development Plaza”), Victory Plaza Units (“Victory Plaza”) and Yue Xiu Neo Metropolis Plaza Units (“Neo Metropolis”) (together the “Properties”). The aggregate area of ownership was approximately 223,614.3 sq.m., total rentable area was approximately 211,031.1 sq.m. (excluding 7,549.0 sq.m. parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, and the following statistics of both current aggregate rented area and occupancy rate exclude the above area).

According to a valuation performed by an independent professional valuer, Savills Valuation and Professional Services Limited (“Savills”), the valuation of the Properties of Yuexiu REIT as at 30 June 2012 in aggregate was approximately RMB6.644 billion, representing an increase of approximately RMB0.173 billion or 2.7% over the valuation as at 31 December 2011. The net assets attributable to Unitholders per unit was approximately RMB4.91 as at 30 June 2012, representing an increase of 2.74% over the net assets attributable to Unitholders per unit as at 31 December 2011.

The following table summarizes the valuation of each of the Properties as at 30 June 2012 and 31 December 2011:

Property Name	Valuation as at	Valuation as at	Increase
	30 June 2012	31 December 2011	
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
White Horse Building	3,753.0	3,651.0	2.8%
Fortune Plaza	761.0	749.5	1.5%
City Development Plaza	631.0	612.0	3.1%
Victory Plaza	768.0	747.0	2.8%
Neo Metropolis	<u>731.0</u>	<u>711.5</u>	2.7%
Total	<u>6,644.0</u>	<u>6,471.0</u>	2.7%

Particulars of the properties:

Property	Type	Location	Year of Completion	Area of Ownership <i>(Sq.m.)</i>	Total	Property	# of Lease Contract <sup>(2)</sup>	Appraised Value <sup>(2)</sup> <i>(RMB million)</i>
					Rental Area <i>(Sq.m.)</i>	Occupancy Rate <sup>(2)</sup>		
White Horse Building	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	100.00%	1,105	3,753
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	97.73%	76	761
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	97.69%	67	631
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	95.94%	19	768
Neo Metropolis	Commercial complex	Yuexiu District	2007	<u>61,964.3</u>	<u>49,887.3</u> <sup>(1)</sup>	<u>99.05%</u> <sup>(1)</sup>	<u>112</u>	<u>731</u>
Total				<u>223,614.3</u>	<u>211,031.1</u>	<u>98.34%</u>	<u>1,379</u>	<u>6,644</u>

Note:

(1) excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area;

(2) As at 30 June 2012.

## OCCUPANCY RATE STAYED AT HIGH LEVEL

As at 30 June 2012, the overall occupancy rate of the Properties was approximately 98.34%, representing 1.58% lower than 99.92% for the same period last year.

The following table sets out a comparison of occupancy rates in respect of all the Properties between this reporting period and the same period of previous year:

<b>Name of Property</b>	<b>Occupancy Rate as at 30 June 2012</b>	<b>Occupancy Rate as at 30 June 2011</b>	<b>Percentage Change Compared to 30 June 2011 %</b>
White Horse Building	100.00%	100.00%	0.00%
Fortune Plaza	97.73%	99.64%	-1.91%
City Development Plaza	97.69%	100.00%	-2.31%
Victory Plaza	95.94%	99.96%	-4.02%
Neo Metropolis	99.05%	100.00%	-0.95%
Total	98.34%	99.92%	-1.58%

## REVENUE CONTINUED TO INCREASE

For 2012 Interim Period, the Properties recorded revenue of approximately RMB271.5million, representing a 5.4% increase compared to that of the previous year. In particular, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis accounted for approximately 59%, 11%, 10%, 10% and 10% respectively of the total revenue of the Properties.

No bad debt was recorded during this Interim Period.

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

Name of Property	Revenue	Revenue	Increase	Increase of
	For 2012	For 2011	Compared	Revenue
	Interim	Interim	to 2011	From
	Period	Period	Interim	Properties
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	%
White Horse Building	158.9	153.0	5.9	3.9%
Fortune Plaza	31.7	29.7	2.0	6.7%
City Development Plaza	25.8	24.5	1.3	5.3%
Victory Plaza	27.9	24.5	3.4	13.9%
Neo Metropolis	<u>27.2</u>	<u>25.8</u>	<u>1.4</u>	5.4%
Total	<u>271.5</u>	<u>257.5</u>	<u>14.0</u>	5.4%

#### **White Horse Building — Enhancing efficiency by promoting marketing and pursuing development by reinforcing management**

During the first half of 2012, White Horse Building continued to implement its “White House Influences” promotion program. With the participation of dozens of branded apparel retailers, it successfully held the “White Horse Fashion Market Nationwide Circuit Show” in Hunan province - an apparel distribution center in the PRC, the said Circuit Show effectively expanded the sales and promotion channels for its customers, gained business opportunities, enhanced the scope of White House Influences and elevated its market recognition and reputation. Meanwhile, the Manager continued to implement its tenants brand entry review system, and carried out comprehensive categorized and stratified management on customers, which optimized the structure of its customers and enhanced the quality of customer service.

### **Fortune Plaza — Bring in quality customers to explore potentials for expanding leased area**

In the first half of 2012, Fortune Plaza completed the expiring leasing work for the expiring large units in its commercial podium, and successfully brought in a number of regional offices of chained large-sized enterprises. The Manager initiated an early and timely lease renewal work, facilitated the successful retention of a number of quality tenants, such as “LGChem” and “Citibank” to expand their leased area, ensured the stability of its occupancy rate, optimized its tenant structure and augmented the number of premium tenants.

### **City Development Plaza — A decrease in vacant units and a significant increase in rent renewal**

City Development Plaza carried out its leasing work by various effective means and successfully leased out a whole floor and a number of units at a satisfactory rent level. With its effective asset enhancement initiatives, precise market positioning and strong leasing negotiating power, City Development Plaza achieved a remarkable result in renewing expiring leases.

### **Neo Metropolis — Strong performance in leasing business and a new record high in rental income**

In view of a large amount of expiring leases with a greater proportion of expiring leases with small-sized tenants in the year, Neo Metropolis raised rents by taking the opportunity of lease renewals and set a new record high on its average rent at approximately RMB93.17 per square meter in June. Meanwhile, the Manager, from a long-term perspective, is consolidating rentable spaces by taking the opportunity of lease renewal in order to meet tenants demands which are in line with our market positioning and rental income initiatives.

### **Victory Plaza — Extending support to tenants and pursuing long-term development**

With the prevailing macroeconomic environment in the first half of 2012, the retail industry of Guangzhou experienced a slow growth and the anchor tenants of Victory Plaza recorded a year-on-year decreasing operating result. In view of this, the Manager initiated a series of timely supporting measures by extending support and offering preferential incentives to tenants in respect of marketing promotion and property services. As a result, the overall operation of the property remained stable in the first half of the year. At the same time, the Manager took proactive measures in making various operational adjustments, including optimizing the deployment of shopping area and enriching operating conditions, aimed at realizing the long-term steady development of Victory Plaza and growth in rental income.

### **Actively propelling asset enhancement project, preserving and appreciating property value**

In the first half of 2012, the Manager completed a number of asset enhancement works, including the renovation work of installing an additional air conditioner and replacing some air-conditioning ventilating shafts at White Horse Building; renovation work of the power supply system at City Development Plaza; renovation work of the podium LOGO at Fortune Plaza; renovation work of the public areas on the 18th floor at City Development Plaza; renovation work of the podium lights at Victory Plaza; and the renovation work of the surveillance system at Neo Metropolis, which effectively improved the business environment and competitiveness of the Properties.

In the second half of the year, the Manager will focus on the modification work of lifts No. 6 and No. 7 at White Horse Building, the capacity expansion work for the spare circuits of transformer No. 5 at Neo Metropolis, and the decoration and renovation work in the public floor area of City Development Plaza and Fortune Plaza.

### **Seizing opportunities, expanding the scale of assets**

In the first half of 2012, the Manager, on the basis of thorough market research on the property and capital market, entered into a transaction with Yuexiu Property Company Limited (“YXP”), a major unitholder of Yuexiu REIT, in relation to Guangzhou IFC via an interactive capital circulation mode, which will be submitted for consideration and approval at the upcoming Unitholders’ Extraordinary General Meeting. The Manager aims at adding quality assets to Yuexiu REIT’s property portfolio and optimizing its property structure, significantly expanding the scale of the Trust, increasing public float and liquidity of the Yuexiu REIT, so as to enable the Unitholders to benefit from the buoyant economic growth and the opportunities brought by the constantly growing commercial property market in Guangzhou.



## FINANCIAL REVIEW

### Financial Results

Both rental income and net property income were higher than the interim period of 2011. The following is a summary of Yuexiu REIT's financial results during the 2012 Interim Period:

	<b>Six months ended 30 June</b>		
	<b>2012</b>	<b>2011</b>	<b>Increase/</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>(decrease)</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
<b>Gross income</b>	<u>271,489</u>	<u>257,546</u>	5.4%
Leasing agents' fee	(9,271)	(8,773)	5.7%
Property related taxes ( <i>Note 1</i> )	(48,047)	(45,514)	5.6%
Other property expenses ( <i>Note 2</i> )	<u>(1,852)</u>	<u>(1,635)</u>	13.3%
<b>Total property operating expenses</b>	<u>(59,170)</u>	<u>(55,922)</u>	5.8%
<b>Net property income</b>	<u>212,319</u>	<u>201,624</u>	5.3%
Withholding tax	(24,527)	(23,255)	5.5%
Manager's fees	(17,720)	(14,724)	20.3%
Trustee's fees	(1,135)	(904)	25.6%
Other trust expenses ( <i>Note 3</i> )	<u>(5,555)</u>	<u>(8,559)</u>	(35.1)%
Total non-property expenses	<u>(48,937)</u>	<u>(47,442)</u>	3.2%
<b>Profit before finance costs, interest income and tax</b>	163,382	154,182	6.0%
Interest income	3,208	1,318	143.4%
Finance (cost)/income, net	<u>(35,477)</u>	<u>15,982</u>	322.0%
<b>Profit before tax</b>	131,113	171,482	(23.5)%
Income tax expenses	<u>(13,817)</u>	<u>(12,313)</u>	12.2%
<b>Net profit after tax before fair value gain on investment properties</b>	117,296	159,169	(26.3)%
Fair value gain on investment properties	165,207	680,372	(75.7)%
Expenses incurred in connection with any transaction in which a transfer of ownership, asset or business	<u>(29,511)</u>	—	N/A
<b>Net profit after tax before transactions with Unitholders</b>	<u>252,992</u>	<u>839,541</u>	(69.9)%

*Note 1* Property related tax includes urban real estate tax, land use right tax, business tax, flood prevention, urban construction and maintenance tax, education surcharge, local education surcharge and stamp duties.

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

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

Gross income was approximately RMB271,489,000 (2011: RMB257,546,000), which represented an increase of 5.4%. It was mainly because of an increase in average rent of the Properties. The average rental income per square meter per month of five premises as at 30 June 2012 was approximately RMB222 (2011: RMB207).

Property related tax increased by approximately 5.6% as compared with interim period 2011. It was mainly because of an increase of related tax amount due to an increase of gross income.

Due to the appreciation of Hong Kong dollar against RMB at the end of mid-2012, an unfavourable exchange loss in RMB3,127,000 was added to the financial cost of HK\$2.502 billion term loan, excluding this unfavourable adjustment, the actual financial cost for the said HK\$2.502 billion term loan was approximately RMB32,350,000.

Profit after tax before transactions with Unitholders amounted to approximately RMB252,992,000 (2011: RMB839,541,000), which represented 69.9% decrease, mainly due to the fair value gain on properties valuation for the 2012 Interim Period being approximately RMB165,207,000, far lower than the amount of approximately RMB680,372,000 recorded for the same period of last year. Moreover, a transaction cost amounting approximately RMB29,511,000 was incurred for the proposed subscription of Guangzhou International Financial Center during the Interim Period. Details of the proposed subscription was disclosed in the circular dated 30 June 2012.

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

There were no new units issued by Yuexiu REIT during the 2012 Interim Period. As at 30 June 2012, a total of 1,065,972,687 units were issued by Yuexiu REIT.

The closing price of Yuexiu REIT as at 30 June 2012 was HK\$3.72 per unit which represented a 21.0% increase compared to the IPO price of HK\$3.075 per unit. Yuexiu REIT's unit price reached a high of HK\$4.20 and a low of approximately HK\$3.36 during the 2012 Interim Period. The volume transacted during the 2012 Interim Period was approximately 200,980,000 units, equivalent to an average of approximately 1,861,000 units daily.

## **Asset Value**

The net assets attributable to Unitholders per unit as at 30 June 2012 was approximately RMB4.91 (31 December 2011: RMB4.78).

## **CAPITAL STRUCTURE**

On 26 September 2011, Yuexiu REIT, through its SPVs, had entered into a facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK\$2.502 billion. The new loan was fully drawn down on 17 October 2011.

As at 30 June 2012, total borrowings of Yuexiu REIT amounted to approximately RMB1,990,459,000 which is approximately HK\$2,451,334,000 representing approximately 26.3% of total assets of Yuexiu REIT.

As at 30 June 2012, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB2,330,497,000, representing approximately 30.8% of total assets of Yuexiu REIT.

The above-said gearing ratios were below the maximum borrowing limit of 45% as stipulated by the REIT Code.

## **Cash Position**

Cash balance of Yuexiu REIT as at 30 June 2012 amounted to approximately RMB714,457,000 which was approximately HK\$879,884,000. 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 2012 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by Yuexiu REIT's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **ISSUANCE OF 2012 INTERIM REPORT**

The interim report of Yuexiu REIT for the six months ended 30 June 2012 will be published on the websites of the Stock Exchange and Yuexiu REIT and will be sent to Unitholders on or before 31 August 2012.

## **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 2012 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**

On 28 May 2012, the Trustee entered into a conditional Subscription Deed with YXP, to subscribe for 99.99% of the enlarged share capital of Tower Top Development Limited ("Tower Top"), which is holding 99% interests in Guangzhou International Finance Center ("GZIFC"), a mixed-use commercial building in Guangzhou. On the same date, the Trustee, the Manager and YXP also entered into a conditional indebtedness agreement in which YXP agreed to transfer and assign the amount owed by Tower Top Group to the Trustee. The consideration of the above transactions of RMB9,050 million will be settled by cash, issuance of units and deferred units and new bank facility. Upon the completion of the above transactions, Yuexiu REIT will effectively own 98.99% interests in GZIFC. The above transaction will be subject to the Unitholders' approval in the Extraordinary General Meeting which will be held on 23 July 2012. For details of this proposed subscription, please refer to the circular dispatched on 30 June 2012 and the announcement published on 28 May 2012.

## **EMPLOYEES**

Yuexiu REIT is managed by the Manager. Yuexiu REIT does not employ any staff.

## **CORPORATE GOVERNANCE**

The Manager has adopted an overall corporate governance framework 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 (“Compliance Manual”) for use in relation to the management and operation of Yuexiu REIT which includes key policies and procedures for maintaining a high standard of corporate governance.

During the 2012 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

## **CLOSURE OF REGISTER OF UNITHOLDERS**

The register of Unitholders will be closed on Friday, 27 July 2012, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Yuexiu REIT’s unit registrar, Tricor Investor Services Limited, of 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 26 July 2012.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue - rental income		271,489	257,546
Operating expenses	4	<u>(108,107)</u>	<u>(103,364)</u>
Operating profit		163,382	154,182
Fair value gains on investment properties		165,207	680,372
Transaction costs for a potential acquisition	5	(29,511)	—
Net finance (cost)/income - excluding amounts attributable to Unitholders	6	<u>(32,269)</u>	<u>17,300</u>
Profit before income tax and transactions with Unitholders		266,809	851,854
Income tax expenses	7	<u>(13,817)</u>	<u>(12,313)</u>
Profit after income tax before transactions with Unitholders		252,992	839,541
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the period before transactions with Unitholders		<u>252,992</u>	<u>839,541</u>
Change in net assets attributable to Unitholders	11	<u>252,992</u>	<u>839,541</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

*Notes:*

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (the “Trust Deed”), Yuexiu REIT is required to distribute to Unitholders not less than 90% 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 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. Distributable income is determined in the Distribution Statement.
- (ii) Earnings per unit, based upon profit after tax before transactions with Unitholders and the average number of units in issue, is presented in Note 8.

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2012**

		<b>Unaudited 30 June 2012 RMB'000</b>	<b>Audited 31 December 2011 RMB'000</b>
<b>Non-current assets</b>			
Machinery and tools		—	10
Investment properties		6,644,000	6,471,000
Deferred assets		36,762	39,104
Goodwill		<u>160,324</u>	<u>160,324</u>
		<u>6,841,086</u>	<u>6,670,438</u>
<b>Current assets</b>			
Tax recoverable		2,130	2,248
Prepayments, deposits and other receivables	9	7,874	6,831
Short-term bank deposits		—	175,111
Cash and cash equivalents		<u>714,457</u>	<u>520,650</u>
		<u>724,461</u>	<u>704,840</u>
<b>Total assets</b>		<u>7,565,547</u>	<u>7,375,278</u>
<b>Current liabilities</b>			
Rental deposits, current portion	10	52,973	54,055
Receipts in advance	10	9,087	7,986
Accruals and other payables	10	70,387	44,944
Amounts due to related companies		<u>18,764</u>	<u>22,179</u>
		<u>151,211</u>	<u>129,164</u>
<b>Non-current liabilities, other than net assets attributable to Unitholders</b>			
Rental deposits, non-current portion	10	79,558	72,576
Deferred tax liabilities		109,269	100,105
Bank borrowings, secured		<u>1,990,459</u>	<u>1,978,169</u>
		<u>2,179,286</u>	<u>2,150,850</u>
<b>Total liabilities, other than net assets attributable to Unitholders</b>		2,330,497	2,280,014
Net assets attributable to Unitholders	11	<u>5,235,050</u>	<u>5,095,264</u>
<b>Total liabilities</b>		<u>7,565,547</u>	<u>7,375,278</u>
<b>Net assets</b>		<u>—</u>	<u>—</u>



**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 30 JUNE 2012**

	<i>Note</i>	<b>Unaudited 30 June 2012 RMB'000</b>	<b>Audited 31 December 2011 RMB'000</b>
<b>Total equity</b>		<u>—</u>	<u>—</u>
<b>Net current assets</b>		<u>573,250</u>	<u>575,676</u>
<b>Total assets less current liabilities</b>		<u>7,414,336</u>	<u>7,246,114</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,065,973</u>
Net assets attributable to Unitholders per unit (RMB)		<u>4.91</u>	<u>4.78</u>

**DISTRIBUTION STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Profit after income tax before transactions with Unitholders		252,992	839,541
Adjustments for the total distributable income <sup>(i)</sup>			
- Fair value gains on investment properties		(165,207)	(680,372)
- Deferred taxation charged to the consolidated statement of comprehensive income		6,630	5,349
- Amortisation charges on investment property under China Accounting Standards		(5,115)	(5,115)
- Exchange gain on bank borrowings		<u>—</u>	<u>(41,129)</u>
Total distributable income		89,300	118,274
Distributable amount at 1 January		113,170	104,750
Distribution paid during the period <sup>(ii)</sup>	11	<u>(113,206)</u>	<u>(104,785)</u>
Distributable amount at 30 June		89,264	118,239
Additional amount <sup>(iii)</sup>		<u>29,511</u>	<u>—</u>
Interim distribution declared <sup>(iv)</sup>		<u>118,775</u>	<u>118,239</u>
Distribution per unit, declared <sup>(iv)</sup>		<u>RMB0.1114</u>	<u>RMB0.1109</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 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) A distribution of RMB0.1062 per unit, totaling RMB113,206,000 (equivalent to HK\$139,429,000), was paid to Unitholders on 9 May 2012.
- (iii) Pursuant to the terms of the Trust Deed and as disclosed in the Circular dated 30 June 2012 about the potential transaction as disclosed in Note 5, the Manager decided to distribute an additional amount of RMB29,511,000 (equivalent to HK\$36,243,000), which was related to the transaction costs for the potential transaction, on top of the Total Distributable Income for the six months ended 30 June 2012. Such additional amount is capital in nature and the additional distribution per unit is RMB0.0277 (equivalent to HK\$0.0340).
- (iv) An interim distribution in respect of six months ended 30 June 2012 of RMB0.1114 (equivalent to HK\$0.1367) per unit, totaling RMB118,775,000 (equivalent to HK\$145,718,000) was declared by the Board of the Manager on 11 July 2012.

The Manager calculated the above per unit figures based on the average units in issue as disclosed in Note 8.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	164,209	173,280
Interest paid	(23,187)	(17,441)
Corporate income tax paid	<u>(4,535)</u>	<u>(4,554)</u>
Net cash generated from operating activities	<u>136,487</u>	<u>151,285</u>
<b>Cash flows from investing activities</b>		
Additions of investment properties	(7,793)	(3,628)
Interest received	3,208	1,318
Decrease in short-term bank deposits with original maturity of more than three months	<u>175,111</u>	<u>—</u>
Net cash generated from/(used in) investing activities	<u>170,526</u>	<u>(2,310)</u>
<b>Cash flows from financing activities</b>		
Distribution paid	<u>(113,206)</u>	<u>(104,785)</u>
Net cash used in financing activities	<u>(113,206)</u>	<u>(104,785)</u>
<b>Net increase in cash and cash equivalents</b>	193,807	44,190
Cash and cash equivalents at beginning of the period	<u>520,650</u>	<u>378,955</u>
Cash and cash equivalents at end of the period	<u><u>714,457</u></u>	<u><u>423,145</u></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 and Second Supplemental Deed dated 23 July 2010) 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 11 July 2012.

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 2012 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### 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 2011, as described in those annual financial statements.

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

- (a) Amendments and interpretations to existing standards effective in 2012 but not relevant to the Group

The following interpretations, amendments and revision to existing standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012.

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets
HKFRS 1 (Amendment)	Disclosures — Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances. The Group rebutted this presumption as the Manager considered that the investment properties that are measured using the fair value model will be recovered through use under Yuexiu REIT for the purpose of measuring deferred tax in respect of such properties. As a result, the adoption of the above amendments to existing standards does not have material impact on the Group’s financial performance and position.

- (b) The following new standards and amendments to standards have been issued but are not effected for the financial year beginning 1 January 2012 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of financial statements <sup>1</sup>
HKAS 19 (Amendment)	Employee benefits <sup>2</sup>
HKAS 27 (revised 2011)	Separate financial statements <sup>2</sup>
HKAS 28 (revised 2011)	Investment in associates and joint ventures <sup>2</sup>
HKAS 32 (Amendment)	Financial instruments : Presentation — Offsetting financial assets and financial liabilities <sup>3</sup>
HKFRS 7 (Amendment)	Financial instruments : Disclosures — Offsetting financial assets and financial liabilities <sup>2</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures <sup>4</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint arrangements <sup>2</sup>
HKFRS 12	Disclosures of interests in other entities <sup>2</sup>
HKFRS 13	Fair value measurements <sup>2</sup>
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine <sup>2</sup>

<sup>1</sup> effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> effective for annual periods beginning on or after 1 January 2015

In addition, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) also published a number of amendments for the existing standards/interpretations under forth annual improvement project (2011). The directors of the Manager anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective.

#### 4 Expenses by nature

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Property management fee <sup>(i)</sup>	9,271	8,773
Urban real estate tax	32,314	30,556
Business tax, flood prevention fee urban construction and maintenance tax, education surcharge and local education surcharge	15,448	14,628
Withholding tax <sup>(ii)</sup>	24,527	23,255
Depreciation of property, plant and equipment	10	725
Manager’s fee	17,720	14,724
Trustee’s fee	1,135	904
Valuation fee	195	123
Legal and professional fee	4,445	2,905
Auditor’s remuneration	734	757
Bank charges	20	22
Others	<u>2,288</u>	<u>5,992</u>
 Total operating expenses	 <u>108,107</u>	 <u>103,364</u>

*Notes:*

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents, namely, Guangzhou Yicheng Property Management Ltd. and Guangzhou White Horse Property Management Co. Ltd.
- (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%.

## 5 Transaction costs for a potential acquisition

On 28 May 2012, the Trustee entered into a conditional subscription agreement with Yuexiu Property Company Limited (“YXP”), a major unitholder of Yuexiu REIT, to subscribe for 99.99% of the enlarged share capital of Tower Top Development Limited (“Tower Top Group”), which is holding 99% interest in Guangzhou International Finance Center (“GZIFC”), a mixed-use commercial building in Guangzhou. On the same date, the Trustee, the Manager and YXP also entered into a conditional indebtedness agreement in which YXP agreed to transfer and assign the amount owed by Tower Top Group to YXP to the Trustee. The consideration of RMB9,050 million of the above transactions will be satisfied by cash, issuance of units and deferred units and new bank facility. Upon the completion of the above Transactions, Yuexiu REIT will effectively own 98.99% interests in GZIFC. The above transaction will be subject to the unitholders’ approval in the extraordinary general meeting which will be held on 23 July 2012. The transaction costs incurred for the six months ended 30 June 2012 were RMB29,511,000.

## 6 Net finance (cost) / income - excluding amounts attributable to Unitholders

	Unaudited	
	Six months ended	
	30 June	
	2012	2011
	RMB'000	RMB'000
Interest income from bank deposits	3,208	1,318
Interest expense for bank borrowings	(23,187)	(17,441)
Loan transaction costs for bank borrowings	(9,163)	(7,706)
Net foreign exchange (loss)/gain	<u>(3,127)</u>	<u>41,129</u>
Net finance (cost)/income	<u>(32,269)</u>	<u>17,300</u>



## 7 Income tax expenses

Since a subsidiary carries out its operation through a sino-foreign co-operative joint venture in China, it is subject to corporate income tax at a rate of 25% (2011: 25%).

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 4(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	
	2012	2011
	RMB'000	RMB'000
Current income tax		
- China corporate income tax	4,653	4,469
Deferred income tax	<u>9,164</u>	<u>7,844</u>
	<u>13,817</u>	<u>12,313</u>

## 8 Earnings per unit based upon profit after income tax before transactions with Unitholders

Earnings per unit based upon profit after income tax before transactions with Unitholders for the six months ended 30 June 2012 is approximately RMB0.2373 (2011: RMB0.7876). The calculation of earnings per unit is based on profit after income tax before transactions with Unitholders of approximately RMB252,992,000 (2011: RMB839,541,000) and on average units in issue of 1,065,973,000 units (2011: 1,065,973,000 units) during the period.

Diluted earnings per unit is not presented as there is no dilutive instrument for the six months ended 30 June 2012.

## 9 Prepayments, deposits and other receivables

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

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

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Rental deposits		
Current portion	52,973	54,055
Non-current portion	<u>79,558</u>	<u>72,576</u>
	-----	-----
	132,531	126,631
Receipts in advance	<u>9,087</u>	<u>7,986</u>
Provision for withholding tax payable	7,665	7,603
Provision for business tax, flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	5,738	5,727
Construction fee payable	3,685	3,685
Accruals for operating expenses	28,369	27,929
Accruals for transaction costs for a potential acquisition	<u>24,930</u>	<u>—</u>
Accruals and other payables	<u>70,387</u>	<u>44,944</u>
	-----	-----
	<u>212,005</u>	<u>179,561</u>

The carrying amounts of rental deposits, receipts in advance and other payables approximate their fair values.

11 **Net assets attributable to Unitholders**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	5,095,264	3,980,990
Transfer from the statement of comprehensive income	252,992	839,541
Distribution paid during the period	<u>(113,206)</u>	<u>(104,785)</u>
End of the period	<u>5,235,050</u>	<u>4,715,746</u>

## 12 Capital commitments

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Capital commitments in respect of investment properties, contracted but not provided for	<u>3,064</u>	<u>5,664</u>

## 13 Future minimum rental receivables

At 30 June 2012, the Group had future minimum rental receivables under non-cancellable leases as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	406,130	513,976
Between one year and five years	585,182	701,081
Over five years	<u>45,465</u>	<u>17,913</u>
	<u>1,036,777</u>	<u>1,232,970</u>

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

Hong Kong, 11 July 2012

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

*Executive Directors: Messrs. Liang Ningguang and Liu Yongjie*

*Non-executive Director: Mr. Li Feng*

*Independent Non-executive Directors: Messrs. Chan Chi On, Derek, Lee Kwan Hung, Eddie and Chan Chi Fai, Brian.*