

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

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



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

Managed by



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (the “Interim Period”) as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of Yuexiu REIT’s financial results during the Interim Period together with comparative figures for the six months ended 30 June 2021 and year ended 31 December 2021:

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

	Six months ended 30 June		Change
	2022	2021	Increase/ (decrease)
Gross income	943,667,000	881,684,000	7.0%
Net property income	686,742,000	638,506,000	7.6%
Net (loss)/profit after tax before transactions with Unitholders	(521,079,000)	285,599,000	(282.5)%
Interim distribution	342,943,000	340,274,000	0.8%
(Losses)/Earnings per unit	(0.1191)	0.0801	(248.7)%
Distribution per unit	0.0734	0.1025	(28.4)%
Equivalent to HK\$	0.0853	0.1233	(30.8)%

	As at		Change
	30 June 2022	31 December 2021	Increase/ (Decrease)
Property portfolio valuation	42,380,000,000	42,395,000,000	0.0%
Net assets attributable to Unitholders	16,973,668,000	14,717,852,000	15.3%
Net assets attributable to Unitholders per unit	3.63	4.31	(15.8)%

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 2022.

The Manager also has the discretion under the 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 practices.

In light of the above, the Manager has determined that an interim distribution to Unitholders for the Interim Period will be approximately RMB0.0734 which is equivalent to Hong Kong Dollars ("HK\$") 0.0853 (June 2021: approximately RMB0.1025 which was equivalent to HK\$0.1233) 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 2022 interim distribution. A further announcement will be made to inform Unitholders of the interim distribution per unit for the six months ended 30 June 2022.

The total 2022 interim distribution amounted to approximately RMB342,943,000 which is equivalent to HK\$398,712,000 (June 2021: approximately RMB340,274,000 which was equivalent to HK\$409,269,000), includes an amount of approximately RMB108,604,000 (June 2021: RMB117,285,000), 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 RMB779,563,000 having regard to the abovementioned discretion of the Manager under the 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 of this announcement.

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the Manager is the average 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 Interim Period is HK\$0.0853 per unit (June 2021: HK\$0.1233), representing a yield of approximately 2.79% (June 2021: 3.08%) based on the closing price of HK\$3.06 per unit as at 30 June 2022 (30 June 2021: HK\$4.00). This represents an annualized distribution yield of 5.58%.

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the interim distribution will be 15 September 2022. The register of Unitholders will be closed from 15 September 2022 to 16 September 2022, 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 14 September 2022. The 2022 interim distribution will be paid on 21 October 2022 to the Unitholders whose names appear on the register of Unitholders on 15 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

ACTIVELY COPE WITH THE PANDEMIC AND STRIVE FOR OPERATION STABILITY

Since the beginning of this year, there have been multiple outbreaks of the coronavirus disease 2019 (“COVID-19”) in China, spreading to certain major cities where Yuexiu REIT properties are located, including Guangzhou, Shanghai and Wuhan. The implementation of various public health measures in response to COVID-19 had adversely affected the financial performance of Yuexiu REIT in the first half of the year, especially that of the Four Seasons Hotel Guangzhou. During this challenging time, the Manager has formulated a more flexible, targeted and effective leasing strategy, and offered temporary rental concessions to support our tenants to go through this challenging period together.

PROPERTY PORTFOLIO

As of 30 June 2022, Yuexiu REIT’s portfolio of properties consisted of nine properties, namely, White Horse Building Units (“White Horse Building”), Fortune Plaza Units and certain Carpark Spaces (“Fortune Plaza”), City Development Plaza Units and certain Carpark Spaces (“City Development Plaza”), Victory Plaza Units (“Victory Plaza”), Guangzhou International Finance Center (“GZIFC”), Yuexiu Financial Tower (“Yuexiu Financial Tower”) located in Guangzhou, Yue Xiu Tower (“Yue Xiu Tower”) located in Shanghai, Wuhan Yuexiu Fortune Centre, Starry Victoria Shopping Centre and certain Carpark Spaces (“Wuhan Properties”), located in Wuhan, and Hangzhou Victory Business Center Units and certain Carpark Spaces (“Hangzhou Victory”) located in Hangzhou. The aggregate area of ownership of the properties was approximately 1,183,284.3 sq.m. and the total rentable area was 803,111.9 sq.m. (excluding 1,408.3 sq.m. of parking space of Fortune Plaza; 2,104.3 sq.m. of parking space of City Development Plaza; 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 7,752.5 sq.m. of other ancillary facilities area of GZIFC; and 13,502.6 sq.m. of parking space and 2,610.4 sq.m. of specific purpose area of Yue Xiu Tower; 62,785.7 sq.m. of parking space and 12,415.1 sq.m. of common facilities area of Wuhan Properties; and 17,663.6 sq.m. of parking space of Hangzhou Victory; 10,289.1 sq.m. of parking space and 29,797.1 sq.m. of common facilities area of Yuexiu Financial Tower, and the following statistics of both aggregate rented area and occupancy rate have excluded the above areas).

PROPERTY VALUATION

On 30 June 2022, revaluation of the portfolio of properties of Yuexiu REIT was carried out by Colliers International (Hong Kong) Limited (“Colliers”), an independent professional valuer, the revalued market value was approximately RMB42.38 billion.

The following table summarizes the valuation of each of the properties as at 30 June 2022 and 31 December 2021:

Name of Property	Valuation as at 30 June 2022 RMB million	Valuation as at 31 December 2021 RMB million	(Decrease)/ Increase percentage
White Horse Building	4,953	5,007	(1.1)
Fortune Plaza	1,253	1,253	0.0
City Development Plaza	1,051	1,056	(0.5)
Victory Plaza	955	955	0.0
GZIFC	18,756	18,786	(0.2)
Yue Xiu Tower	3,035	3,060	(0.8)
Wuhan Properties	3,629	3,629	0.0
Hangzhou Victory	621	619	0.3
Yuexiu Financial Tower	8,127	8,030	1.2
Total	<u>42,380</u>	<u>42,395</u>	0.0

Particulars of the properties are as follows:

Name of 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⁾ (RMB/sq.m./month)
White Horse Building	Wholesale mall	Yuexiu District, Guangzhou	1990	50,199.3	50,128.9	86.6%	811	510.6
Fortune Plaza	Grade A office	Tianhe District, Guangzhou	2003	42,763.5	41,355.2 ⁽²⁾	96.4%	78	152.7
City Development Plaza	Grade A office	Tianhe District, Guangzhou	1997	44,501.7	42,397.4 ⁽³⁾	91.1%	79	141.6
Victory Plaza	Retail shopping mall	Tianhe District, Guangzhou	2003	27,698.1	27,262.3	94.1%	28	207.5
GZIFC	Commercial complex	Tianhe District, Guangzhou	2010	457,356.8	230,266.9	91.3%	270	223.4
Including:	Grade A office			267,804.4	183,539.6 ⁽⁴⁾	90.2%	217	239.2
	Retail shopping mall			46,989.2	46,727.3	95.8%	53	164.9
	Hotel			91,460.9 ⁽⁵⁾	N/A	N/A	N/A	N/A
	Serviced apartments			51,102.3	N/A	N/A	N/A	N/A
Yue Xiu Tower	Commercial complex	Pudong New District, Shanghai	2010	62,139.4	46,026.3 ⁽⁶⁾	88.7%	118	234.8
Wuhan Properties	Commercial complex	Qiaokou District, Wuhan		248,194.2	172,993.3	75.6%	258	84.4
Including:	Grade A office		2016	139,937.1	129,446.7 ⁽⁷⁾	70.0%	162	96.4
	Retail shopping mall		2015	45,471.4	43,546.6 ⁽⁸⁾	92.1%	96	57.5
	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
Hangzhou Victory	Grade A office	Shangcheng District, Hangzhou	2017	40,148.4	22,484.8 ⁽⁹⁾	93.3%	26	123.5
Yuexiu Financial Tower	Grade A office	Tianhe District, Guangzhou	2015	210,282.9	170,196.8 ⁽¹⁰⁾	95.5%	238	198.0
Total				<u>1,183,284.3</u>	<u>803,111.9</u>	88.8%	<u>1,906</u>	198.3

Notes:

- (1) As at 30 June 2022;
- (2) Excluding 1,408.3 sq.m. of carpark spaces area.
- (3) Excluding 2,104.3 sq.m. of carpark spaces area.
- (4) Excluding 76,512.3 sq.m. of carpark spaces and 7,752.5 sq.m. of other ancillary facilities area;
- (5) Including 2,262.0 sq.m. of hotel ancillary facilities area and refuge floor;
- (6) Excluding 13,502.6 sq.m. of carpark spaces and 2,610.4 sq.m. of specific purpose area (management office, owners' committee office, bicycle parking space and refuge floor);
- (7) Excluding 10,490.3 sq.m. of common facilities area and refuge floor;
- (8) Excluding 1,924.8 sq.m. of common facilities area;
- (9) Excluding 17,663.6 sq.m. of carpark spaces area; and
- (10) Excluding 10,289.1 sq.m. of carpark spaces area and 29,797.1 sq.m. of common facilities area.

OCCUPANCY RATE REMAINED AT RELATIVELY HIGH LEVEL

As at 30 June 2022, the overall occupancy rate of the properties was approximately 88.8%.

The following table sets out a comparison of occupancy rates in respect of all the properties between the Interim Period and the corresponding period of 2021:

Name of Property	Occupancy rate as at 30 June 2022	Occupancy rate as at 30 June 2021	Percentage (decrease) as compared to 30 June 2021
White Horse Building	86.6%	90.1%	(3.5)%
Fortune Plaza	96.4%	99.1%	(2.7)%
City Development Plaza	91.1%	94.7%	(3.6)%
Victory Plaza	94.1%	98.7%	(4.6)%
GZIFC Office	90.2%	92.9%	(2.7)%
GZIFC Shopping Mall	95.8%	96.5%	(0.7)%
Yue Xiu Tower	88.7%	92.2%	(3.5)%
Wuhan Properties Office	70.0%	88.1%	(18.1)%
Wuhan Properties Shopping Mall	92.1%	99.2%	(7.1)%
Hangzhou Victory	93.3%	95.9%	(2.6)%
Subtotal	86.9%	93.2%	(6.3)%
Yuexiu Financial Tower	95.5%	N/A	N/A
Total	88.8%	93.2%	(4.4)%

Operational Property	Type	Commencement of Operation	Area of Ownership (sq.m.)	No. of Units (units)	Average Occupancy rate⁽¹⁾	Average room rate⁽¹⁾ (RMB)
Four Seasons Hotel Guangzhou ⁽²⁾	Five-star hotel	August 2012	91,460.9	344	52.6%	1,558
Ascott Serviced Apartments ⁽²⁾	High-end serviced apartments	September 2012	51,102.3	314	84.2%	995

Notes:

- (1) From 1 January 2022 to 30 June 2022;
- (2) Both hotel and serviced apartments are entrusted operators.

REVENUE GREW STEADILY

During the Interim Period, the properties of Yuexiu REIT recorded total revenue of approximately RMB943.7 million representing an increase of approximately RMB62.0 million as compared to the corresponding period of 2021. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, GZIFC, Yue Xiu Tower, Wuhan Properties, Hangzhou Victory and YueXiu Financial Tower accounted for approximately 6.7%, 3.7%, 3.5%, 3.4%, 45.9%, 5.5%, 7.2%, 1.8% and 22.3% of the total revenue, respectively.

The following table sets out a comparison of revenue in respect of the properties between the Interim Period and the corresponding period of 2021:

Name of Property	Six months ended 30 June		(Decrease)/	(Decrease)/
	2022	2021	Increase	Increase
	RMB million	RMB million	RMB million	percentage
White Horse				
Building	63.3	139.9	(76.6)	(54.8)
Fortune Plaz	34.7	36.4	(1.7)	(4.7)
City Development				
Plaza	33.3	35.2	(1.9)	(5.4)
Victory Plaza	32.5	34.8	(2.3)	(6.6)
GZIFC				
Office building	235.9	240.7	(4.8)	(2.0)
Retail mall	31.4	32.0	(0.6)	(1.9)
Hotel	116.8	145.1	(28.3)	(19.5)
Service				
apartments	48.9	50.5	(1.6)	(3.2)
Yue Xiu Tower	51.9	60.6	(8.7)	(14.4)
Wuhan Properties	68.1	90.0	(21.9)	(24.3)
Hangzhou Victory	16.9	16.5	0.4	2.4
Subtotal	733.7	881.7	(148.0)	(16.8)
YueXiu Financial				
Tower	210.0	N/A	N/A	N/A
Total	943.7	881.7	62.0	7.0

GZIFC - STRENGTHENED LEASE RENEWAL TO ENHANCE RETENTION OF OFFICE TENANTS, OPTIMIZATION OF MALL LAYOUT TO BRING IN TRENDY BRANDS

In the first quarter of 2022, Guangzhou economy recovered gradually, however, the pandemic outbreak in Shanghai had extended the decision making period of many enterprises in leasing offices, the overall leasing demand in the Grade A office market was slowed down. The project team from GZIFC sought lease renewals by expanding channels in client visits and flexible leasing policies to retain tenants. Given the fact that the leasing area of over 30,000 sq.m. was going to expire in the first half of the year, based on a thorough understanding of customer needs, a targeted lease renewal plan was formulated by the project team to retain successfully a number of high-quality customers, achieving a high lease renewal rate of 96% for the first half of the year. Through continuous adjustment in tenant structure and well-promoted ties with the CBD management committee and prestigious foreign-funded consulting firms, established enterprises, including Tonghang Insurance Brokers Co. (同行保險經紀), Calorie Technology Co., Ltd (Keep), Zhongwan Private Equity (中灣私募), Beijing Trust (北京信託), LHP Law Firm (羅歡平律所) etc, were successfully introduced at a rent roughly on par with prevailing market price.

The operation team of GZIFC successfully introduced various brands, such as Famous Cuisine (半島名軒) for high-end banquet catering, “Paix” for western and light food, and Royal Garden (禦花房) for high-end light luxury florist, proving its mettle in properly overcoming the impact of the resurging pandemic. The team also renovated the stores on the atrium of B1 floor, and entered into a contract with the very first flagship store of Moutai Ice Cream (茅台冰淇淋) in Guangzhou, and the first Internet celebrity coffee shop of Fastfoot (急急腳) in the CBD, all of which had enriched the business format and attracted customers to visit and make purchases on the B1 floor and even the whole shopping mall in a comprehensive manner. By leveraging the said advantages of brands and stores with specific marketing strategies implemented in holidays and festivals, attracting and bringing in new customers via both online and offline marketing activities, as well as by synergizing the strengths of the mall tenants to further enhance the influence and competitiveness of GZIFC.

In the first half of the year, Four Seasons Hotel actively participated in the leading media platform live events and grand promotions to boost the hotel's exposure. By continuously launching creative themed rooms and gift packages, we captured high net worth leisure customers and improved hotel's revenue generation index. Ascott Serviced Apartments insisted on "complementing the long-term rent offering a preferential rate with the short-term rent asking for a comparatively higher rate", in order to strengthen revenue management, stabilized long-stay revenue through incentive programmes, and stimulated an increasing occupancy rate in the short-stay rental market with diversified product promotions, as a result, it ranked first both in operating revenue and GOP as compared to other Ascott Serviced Apartments in China. As of June 2022, when compared with direct competitors, the average occupancy rate for the Four Seasons Hotel was lower by 3.8 percentage points, however, average daily rent was higher by 10.7%, and RevPAR was higher by 3.3%, ranking second among the competitive hotels. Compared with market competitors, the average occupancy rate of Ascott Serviced Apartments was higher by 8.4 percentage points, average daily rent was higher by 16.2%, and RevPAR was higher by 53.2%, and it has been in a leading position continuously in the market.

YUEXIU FINANCIAL TOWER - STRINGENT QUALITY CONTROL TO ATTRACT NEW CUSTOMERS, LEASE RENEWAL IN ADVANCE TO BOOST AND STABILIZE OPERATION

Despite the sluggish external economic environment leading to weak leasing demand, coupled with fierce competition in Guangzhou office market, our project team had successfully introduced certain famous enterprises including Xinyuan Asset Management (鑫源基金) and Huarong Consumer Finance (華融消費金融) in the first half of the year, by vigorously initiating and expanding independent tenant solicitation, actively deepening promotion channels, and introducing stringent measures in selecting high-quality tenants, representing an additional contracted area of 11,353 square meters. Through minor renovations and capital innovation, the unit products were optimized and transformed to enhance product competitiveness, effectively shortened the tenant solicitation cycle, and stabilized the building occupancy rate. In respect of lease renewal, the project team negotiated for renewal in advance, and successfully renewed with foremost customers such as GD Technology Assets (粵科資產), isuwang.com (快塑網), Easylink Payment Co. Ltd. (易聯支付), achieving a renewal rate of 72% and an increase in rent by 7.5% in the first half of the year and ensuring a high-quality customer base.

WHITE HORSE BUILDING - FOCUSING ON PROCUREMENT NEEDS, PRECISE CUSTOMER SERVICE BOOSTED TRANSACTIONS

Facing local pandemic and multiple pressures from inside and outside the industry, White Horse Building has identified its goals as that precision marketing empowers tenants through actively fighting the pandemic, maintaining stable leasing activities, as well as providing timely preferential rental concessionary policies. On top of furthering tenant solicitation, achieving breakthrough in tenant solicitation while stabilizing existing leases, formulating relevant, specific and flexible leasing strategies, 37 premium tenants were successfully introduced in the first half of the year, leading to a gradually ascending occupancy rate. Publicity and promotion were carried out through organizing activities and scenario-based marketing in the form of events and micro-penetration in line with the business and communication format of new media. Launched summer sale events, VIP presale sessions and kiosks for on sale summer products. Moreover, research was conducted on the multiplicity of the business of tenants on the atrium of the first floor, and carried out multiple customer negotiations, which had engendered a breakthrough in new tenant portfolio, facilitating that Kowloon Ice House (九龍冰室), a top brand and other catering facilities were introduced to effectively improve customer flow and business ambience in the White Horse Building.

FORTUNE PLAZA, CITY DEVELOPMENT PLAZA - ACTIVELY ADJUSTING APPROACHES TO ACHIEVE OPERATIONAL STABILITY, PROACTIVE TENANTS SOLICITATION FOR LEASE RENEWAL

Based on market assessment and feedback, Fortune Plaza quickly adjusted the business positioning of the podium and introduced several tenants in the Comprehensive Health (大健康) industry, effectively stabilized operation on the podium, and successfully promoted and facilitated the important client, COSCO Logistics (中遠物流) to expand its lease area to the entire floor. City Development Plaza paid close attention to tenants' business dynamics, in the first half of the year, it successfully eliminated the risk of individual early lease cancellation of an entire floor, swiftly introduced a number of well-known enterprises, and continued to manage subsequent lease renewals to stabilize the occupancy rate of the building.

VICTORY PLAZA - COMPOSEDLY TACKLE RISKS TO STABILIZE OVERALL OPERATION

The operation team had decisively addressed the risk of rent arrears from the abrupt lease withdrawals by certain tenants due to the intermittent resurgence of the pandemic after the Spring Festival of this year. At the same time, this team performed well in tenant solicitation and set up tenant reserve in advance, seamlessly introduced new leases to reduce rental loss resulting from vacancies. Furthermore, the lease of the high-quality brand Hey Tea (喜茶) was successfully renewed at a rent increased by 13.65%, and stabilized the overall operation.

YUE XIU TOWER - PULLING TOGETHER TO COMBAT THE PANDEMIC AND SURMOUNTING ADVERSITY FOR BREAKTHROUGH

In the first half of 2022, in view of the lockdown measures imposed in Shanghai and the accompanying economic uncertainties, corporate tenants controlled their operating costs resulting in a significant decrease in their rental affordability. In this regard, the operation team of Yue Xiu Tower united in solidarity and seized the opportunities concealed in the pandemic crisis and managed to conclude contracts for the first time by online promotion, and completed the first online roadshow. The team also formulated unique lease renewal plans for high-quality customers and achieved a renewal rate of approximately 75% for the first half of the year. In addition, pursuant to the project positioning, focusing on the needs of small and medium-sized enterprises, introducing customized decoration in units achieving fully furnished and decorated office units for tenants' settling in instantly, and completing renovation of certain floors have continuously improved its product competitiveness.

WUHAN PROPERTIES - MAKING AN ALL-OUT EFFORT TO CONDUCT BUSINESS SOLICITATION, STABILIZING CUSTOMERS WITH ASSISTANCE IN THEIR OPERATION

In the first half of 2022, the office market in Wuhan started to see an outburst of new supplies, coupled with the resurgent pandemic further increased the difficulty of leasing transactions. In this regard, Wuhan Yuexiu Fortune Center adjusted its strategies for business solicitation in a timely manner, and dug deep into the industrial resources of government and enterprise channels. It flexibly adjusted its leasing resources according to customers' specific needs, and completed contract signing for drawings of leasing adjustment, ensuring a seamless connection. It actively expanded customer base and obtained high-quality customer information, and the proportion of independent business solicitation reached 80%. It contacted in advance the tenancy expiring in the year to carry out business solicitation, striving for seamless connection with tenants who would not renew leases after expiration. Affected by the low-price strategy of competing products in the market, the operation team strictly adhered to the bottom line of the pricing policy, and recorded a rental price of RMB96.4 per square meter in June, representing a year-on-year increase of 1.4%. In the first half of 2022, the LEED platinum certification service was officially launched, and the quality of customer service was continuously improved to attract and sign tenancy contract with more powerful customers.

Starry Victoria Shopping Centre implemented refined management for business solicitation. It conducted business solicitation in advance for shops with potential risk of lease termination, effectively shortened the business solicitation cycle and reduced its rental loss. In the first half of 2022, the newly contracted area was 3,818 square meters, representing a year-on-year increase of approximately 58%. Through multiple rounds of negotiation and the assistance policies provided during the pandemic, the tenants engaging in education and training industries on the third floor of Hall A have been stabilized, and all of them will be renewed upon tenancy expiration. The unit price of rent of renewed contracts increased by more than 3% compared with that last time. It will continue to implement the assistance mechanism of one strategy for one shop, strengthen on-site operation and quality management of tenants, and carry out operation assistance through multiple strategies.

HANGZHOU VICTORY - PREVENT BUSINESS RISKS AND PROACTIVELY MAINTAIN CUSTOMER RESERVE

Affected by the rebound of the pandemic and the postponement of the Asian Games, the on-site operation team monitored tenants' operating risks in multiple dimensions, alarmed the management about customers with potential risk of lease termination, actively visited companies with different channels and related business entities. At the same time, it maintained customer reserve, responded to risks in a timely manner and reduced loss from vacant units.

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

In the first half of the year, the Manager continued to invest in a number of asset upgrading and refurbishment projects, among which projects been completed included the upgrading and renovation project of swimming pool in Ascott Serviced Apartment GZIFC, the ground renovation project of the logistics passage on the B2 floor and the logistics passage of the 1F banquet hall in Four Seasons Hotel GZIFC, the capital expenditure renovation has started for the change on the star-triangle of the fire water pumps in Yuexiu Fortune Center and Starry Victoria Shopping Centre, and the quality improvement and public area facilities renovation project for Yuexiu Fortune Center and Starry Victoria Shopping Centre. For the rest, ongoing projects formed part converting the replacement project of the air-conditioning cooling tower and the foam fire suppression system of the aircraft parking apron on the roof of the Four Seasons Hotel GZIFC, the water leakage retrofit project of the corridor on the 1st floor and the roof glass on the 103rd floor of the Four Seasons Hotel GZIFC, the replacement and retrofit project of heat medium pipelines in the Four Seasons Hotel GZIFC, the retrofit project of fan coil unit of air conditioners on the third floor of White Horse Building, the retrofit project of main fire hose in White Horse Building, the reconstruction project of stores for new leasing portfolio in White Horse Building, the wind cabinet replacement project on the second and third floors of the podium of Fortune Plaza, the replacement and retrofit project of certain air-conditioning system terminal in Fortune Plaza, retrofit project of surveillance system in Victoria Plaza, the retrofit project of fan coil unit of air conditioners in City Development Plaza, retrofit project and safety inspection and appraisal of glass curtain wall for City Development Plaza, renovation and reconstruction project of rental units for the office building of Yuexiu Fortune Center, rainwater and sewage pipeline retrofit project

of Hangzhou Victory Block B, capital expenditure renovation of expired and vacant office units in Shanghai Yue Xiu Tower, retrofit project of the collecting well of pumping and drainage system for rainwater catchment for the office building of Shanghai Yue Xiu Tower, safety inspection of glass curtain walls for Guangzhou IFC, Yuexiu Financial Tower, City Development Plaza and Victory Plaza, structural safety monitoring programme for Guangzhou IFC, renovation and reconstruction projects of rental units for the office buildings of City Development Plaza, Fortune Plaza and Yuexiu Financial Tower. In total, they all amounted to an estimated investment of more than RMB50 million, aiming at continuously improving energy-saving efficiency, equipment safety and business environment across all projects.

In the second half of this year, the Manager is upholding plans to invest primarily in White Horse Building, the Four Seasons Hotel at GZIFC, Wuhan Yuexiu Fortune Centre and Starry Victoria Shopping Centre to achieve property preservation and value appreciation.

PROACTIVE MANAGEMENT OF MATURING DEBTS TO ALLEVIATE IMPACTS OF MARKET FLUCTUATIONS

The Manager proactively managed the maturing and subsisting debts, and in the first half of the year, exchanged the original domestic 4.31% interest rate bank loan for that of 3.5% by leveraging the downward trend in domestic interest rate. Being affected by the overall upward international market interest rate, the overall financing cost increased slightly, from an average of 2.25% at the beginning of the year to an average of 2.68% at the end of June 2022. Benefiting from the reasonable financing structures and the proactive management of the Manager, however, the increase of overall financing cost is lower than the market level. At the same time, the Manager maintained reasonable financing structures, exchange rate and interest rate exposures to alleviate any impacts from market fluctuations on the performance of Yuexiu REIT.

FINANCIAL REVIEW

Financial Results

During the Interim Period, gross income was higher than the corresponding period of 2021. The following is a summary of Yuexiu REIT's financial results during the Interim Period:

	Six months ended 30 June		Increase/ (decrease)
	2022 Unaudited RMB'000	2021 Unaudited RMB'000	
Gross income	<u>943,667</u>	<u>881,684</u>	7.0%
Hotel and serviced apartments			
direct expenses	(126,235)	(132,742)	(4.9)%
Leasing agents' fee	(23,881)	(21,876)	9.2%
Property related taxes (<i>Note 1</i>)	(105,655)	(87,189)	21.2%
Other property expenses (<i>Note 2</i>)	<u>(1,154)</u>	<u>(1,371)</u>	(15.8)%
Total property operating expenses	<u>(256,925)</u>	<u>(243,178)</u>	5.7%
Net property income	<u>686,742</u>	<u>638,506</u>	7.6%
Withholding tax	(16,362)	(24,707)	(33.8)%
Depreciation and amortization	(67,525)	(64,665)	4.4%
Manager's fees	(82,130)	(71,078)	15.5%
Trustee's fees	(6,350)	(5,212)	21.8%
Other trust expenses (<i>Note 3</i>)	<u>(45,526)</u>	<u>(7,904)</u>	476.0%
Total non-property operating expenses	<u>(217,893)</u>	<u>(173,566)</u>	25.5%
Profit before finance income,			
finance expenses and tax	468,849	464,940	0.8%
Finance income	11,395	144,987	(92.1)%
Finance expenses	<u>(995,477)</u>	<u>(213,263)</u>	366.8%

	Six months ended 30 June		
	2022	2021	Increase/ (decrease)
	Unaudited	Unaudited	
	RMB'000	RMB'000	
(Loss)/profit before tax	(515,233)	396,664	(229.9)%
Income tax expenses	<u>(132,074)</u>	<u>(105,482)</u>	25.2%
Net (loss)/profit after tax before fair value gains on investment properties and fair value gain/(loss) on derivative financial instruments			
on derivative financial instruments	(647,307)	291,182	(322.3)%
Fair value gains on investment properties	13,940	18,513	(24.7)%
Fair value gain/(loss) on derivative financial instruments	<u>112,288</u>	<u>(24,096)</u>	566.0%
Net (loss)/profit after tax before transactions with Unitholders	<u>(521,079)</u>	<u>285,599</u>	(282.5)%

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

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

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

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

(RMB'000)	Six months ended 30 June	
	2022	2021
Office <i>(Note 1,2)</i>	637,862	465,108
Wholesales <i>(Note 2)</i>	63,337	139,876
Retails <i>(Note 2)</i>	76,763	81,162
Hotel and serviced apartments <i>(Note 3)</i>	165,705	195,538
Total	943,667	881,684

Note 1 The revenue of Yuexiu Financial Tower was recorded since 24 December 2021.

Note 2 In 2022, due to the re-emergence of the COVID-19, Yuexiu REIT provided temporary rent concessions to certain tenants of its office, wholesales mall and retail mall.

Note 3 Due to the relapse of the COVID-19, Four Seasons Hotel Guangzhou recorded a drop in its average occupancy rate and average room rate.

During the Interim Period, net property income amounted to approximately RMB686,742,000 (2021: RMB638,506,000), 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 72.8% (2021: 72.4%) of total gross income. The table below sets out an analysis of net property income:

(RMB'000)	Six months ended 30 June	
	2022	2021
Office	536,762	393,992
Wholesales	53,900	119,306
Retails	64,554	68,923
Hotel and serviced apartments	31,526	56,285
Total	686,742	638,506

Hotel and serviced apartments direct expenses were RMB126,235,000 (including depreciation expense of RMB4,987,000 incurred in connection with right-of-use assets and interest expense of RMB184,000 incurred in connection with lease liabilities), a decrease of 4.9% as compared with six months ended 30 June 2021. It is mainly due to a decrease in the gross income from hotel and serviced apartments.

Leasing agents' fee increased by approximately 9.2% as compared with six months ended 30 June 2021, it was mainly due to an increase of rental income.

Property related taxes increased by approximately 21.2% as compared with six months ended 30 June 2021, it was mainly due to an increase of rental income and the PRC Government had provided tax relief after the rent concession provided by Yuexiu REIT to its tenants at six months ended 30 June 2021 which did not occur in 2022.

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

The finance income received for the Interim Period amounted to approximately RMB11,395,000 (2021: RMB11,291,000 (After deducting the exchange gain of RMB against HK\$ and United States Dollar ("USD"), approximately RMB133,696,000)).

As RMB depreciated against HK\$ and USD for the Interim Period, the bank borrowings denominated in Hong Kong Dollar and guaranteed medium term notes denominated in Hong Kong Dollar and United States Dollar resulted in an exchange loss of approximately RMB779,563,000. The finance expenses incurred for the Interim Period amounted to approximately RMB215,914,000 (2021: RMB213,263,000).

Loss after tax before transactions with Unitholders amounted to approximately RMB521,079,000 (2021: Profit RMB285,599,000), which represented a decrease of approximately 282.5%, mainly due to an increase of finance expenses and the bank borrowings denominated in HK\$ and guaranteed medium term notes denominated in HK\$ and USD resulted in an exchange loss.

The impact of the outbreak of COVID-19 and the acquisition of Yuexiu Financial Tower on Yuexiu REIT

Multiple outbreaks of coronavirus disease 2019 have emerged in the People's Republic of China ("PRC") since the beginning of 2022. The Manager regards all of Yuexiu REIT's tenants as its long-term business partners. As such, having considered various factors, including (i) Yuexiu REIT's corporate social responsibility, (ii) the Rental Concession Guidelines issued by certain provincial or municipal governments in the PRC, (iii) the relevant profiles of Yuexiu REIT's tenants, and (iv) the operating pressure of tenants whose businesses were and may continue to be adversely affected by the outbreak, Yuexiu REIT will offer temporary rental concessions to certain tenants of offices, retail malls and the wholesale mall held by Yuexiu REIT (namely White Horse Building (白馬大廈) in Guangzhou, Yue Xiu Tower (上海越秀大廈) in Shanghai and Starry Victoria Shopping Centre (星匯維港購物中心) in Wuhan, but shall not include International Grade A office buildings) in support of the affected tenants and commercial and retail industry generally during this challenging time. At the same time, the hotel industry in the PRC has been adversely affected by the COVID-19 outbreak and the COVID-19 Measures, and Four Seasons Hotel Guangzhou, being the only hotel in Yuexiu REIT's property portfolio, was expected to have a negative impact on the gross revenue.

The acquisition of Yuexiu Financial Tower was completed on 23 December 2021. It is an international Grade-A office building and has borne less impact under this outbreak of COVID-19.

The following is a summary of Yuexiu REIT's financial results, after the acquisition of Yuexiu Financial Tower and under the outbreaks of COVID-19, during the Interim Period:

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

	Existing Properties Portfolio (excluding Yuexiu Financial Tower)	Yuexiu Financial Tower	Total
Operation:			
Revenue	733,696,000	209,971,000	943,667,000
Net Property Income	508,932,000	177,810,000	686,742,000
Distribution:			
Interim Distribution	226,280,000		342,943,000
Number of Units issued (units)	3,437,385,017		4,671,788,055
DPU	0.0658		0.0734

New Units Issued and Unit Activity

On 26 January 2022, the Right Issue on the basis of 37 units for every 100 units held on the Rights Issue Record Date was completed, and Yuexiu REIT issued 1,234,403,038 units, of which 454,547,406 units were issued to independent third parties and 779,855,632 units were issued to YXP and its associates. The fund was used for partial payment of the acquisition cost of Guangzhou Yuexiu Financial Tower.

In respect of the partial settlement of Manager's fee during the relevant period, Yuexiu REIT issued 20,160,589 new units at HK\$3.35 per unit on 22 March 2022. As at 30 June 2022, a total of 4,671,788,055 units were issued by Yuexiu REIT.

The unit price of the Yuexiu REIT reached a high of HK\$3.47 and a low of HK\$2.99 during the Interim Period. The average trading volume amounted to approximately 3,095,000 units per day (2021: 2,353,000 units) during the Interim Period.

Deferred Units

According to the offering circular in relation to the acquisition of GZIFC dated 30 June 2012, commencing from 31 December 2016, the Yuexiu REIT will, on 31 December of each year, issue to Yuexiu Property Company Limited (“YXP”) (or YXP Nominee) such number of Deferred Units as shall be equal to the maximum number of units that may be issued to YXP (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 YXP (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.

Accordingly, on 31 December 2021, the Yuexiu REIT issued 81,000,000 units (being the “2021 Deferred Units”) at a price of HK\$4.00 per unit to a wholly-owned subsidiary of YXP in partial satisfaction of the outstanding consideration from the Yuexiu REIT’s investment in Guangzhou International Finance Center in 2012.

As stated in the circular dated 13 November 2021 (“2021 Circular”), in light of the subscription price of the Rights Issue (being HK\$3.20) being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive trading days preceding the date of the 2021 Announcement (being HK\$3.67), the Deferred Units Issue Price shall be adjusted by multiplying the current Deferred Units Issue Price (being HK\$4.00 per unit) by the fraction as set out under the Indebtedness Agreement and further described in the 2021 Circular (the “Deferred Units Issue Price Adjustment”). The Deferred Units Issue Price Adjustment has taken effect upon the completion of the Rights Issue, which has taken place on 26 January 2022.

Accordingly, following the Deferred Units Issue Price Adjustment and the Deferred Units Arrangement Modification (as described in the announcement on 31 December 2021), and assuming no other Deferred Units Adjustment Events eventuate, it is expected that the balance of the Assignment consideration will be fully settled before 31 December 2025 by the issue of 329,808,584 Deferred Units (the “Further Deferred Units”) in aggregate at HK\$3.861652 per unit.

Net Asset Value

The net assets (including net assets attributable to deferred unitholders) attributable to existing Unitholders per unit as at 30 June 2022 was approximately RMB3.63 (31 December 2021: RMB4.31).

CAPITAL AND FINANCIAL STRUCTURE

Yuxiu REIT's borrowings are as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Bank borrowings and notes		
Denominated in RMB	1,555,400	1,284,400
Denominated in HK\$	15,234,892	13,793,799
Denominated in USD	2,678,981	2,544,240
Total bank borrowings and notes	<u>19,469,273</u>	<u>17,622,439</u>
Maturity analysis		
Within one year	3,445,067	2,893,984
Two to five years	15,853,206	14,557,455
Beyond five years	171,000	171,000
The effective interest rate (per annum) of the borrowings and notes at the balance sheet date		
RMB	3.80%	4.31%
HK\$	2.56%	1.98%
USD	2.72%	2.72%

The overall effective interest rate (per annum) of the borrowings and notes at the balance sheet date was 2.68% (as at 31 December 2021: 2.25%). The average interest rate was approximately 2.28% (2021: 2.77%) for the Interim Period.

On 21 June 2022, Yuexiu REIT, through its onshore project company, entered into a facility agreement with certain bank in connection with a five-year secured and fixed rate term loan facility of RMB2,000,000,000. RMB713,400,000 was drawn down on 21 June 2022 and RMB271,000,000 was drawn down on 30 June 2022 for the purpose of repayment of certain RMB bank loan facility.

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

As at 30 June 2022, capped forward hedging was applied to certain foreign bank loans and bonds to fix the RMB exchange rate. The total hedged loan and bonds amount was approximately RMB6,737,932,000 (as at 31 December 2021: RMB2,525,377,000).

As at 30 June 2022, Yuexiu REIT held certain hedging financial derivatives with fair value liabilities of RMB123,506,000.

As at 30 June 2022, total borrowings of Yuexiu REIT amounted to approximately RMB19,469,273,000 which represented approximately 43.9% of total assets of Yuexiu REIT.

The abovesaid gearing ratio was below the maximum borrowing limit of 50% as stipulated in the REIT Code.

As at 30 June 2022, total liabilities of Yuexiu REIT (excluding net assets attributable to Unitholders) amounted to approximately RMB26,127,655,000, representing approximately 59% of total assets of Yuexiu REIT.

Cash Position

As at 30 June 2022, cash and cash equivalents, short-term deposit balance and long-term bank deposit balance of Yuexiu REIT amounted to approximately RMB1,883,232,000. 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 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 2022 INTERIM REPORT

The interim report of Yuexiu REIT for the six months ended 30 June 2022 will be published on the websites of the Stock Exchange and Yuexiu REIT, and will be sent to Unitholders on or before 31 August 2022.

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 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 Interim Period.

EMPLOYEES

As at 30 June 2022, Yuexiu REIT employed 546 and 125 employees in China for hotel operation and for serviced apartments operation through its subsidiaries respectively, mainly to fulfill its operating functions and provision of service for hotel and serviced apartments.

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

CORPORATE GOVERNANCE

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

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

The Manager has adopted a compliance manual (the "Compliance Manual") and the principles and provisions of the Corporate Governance Code 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 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of Yuexiu REIT.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Revenue	6	943,667	881,684
Operating expenses, net	7	(474,634)	(416,317)
Fair value gains on investment properties	14	13,940	18,513
Change in fair value of derivative financial instruments		112,288	6,326
Finance income	9	11,395	144,987
Finance expenses	10	(995,661)	(244,112)
(Loss)/profit before income tax and transactions with unitholders		(389,005)	391,081
Income tax expense	11	(132,074)	(105,482)
(Loss)/profit after income tax before transactions with unitholders		(521,079)	285,599
Transactions with unitholders	24	478,091	(255,061)
(Loss)/profit after income tax and transactions with unitholders		(42,988)	30,538
Other comprehensive income/(loss) for the period <u>Items that will not be reclassified to profit or loss:</u>			
Change in fair value of property, plant and equipment			
– Gross		78,473	(15,289)
– Tax		(21,978)	4,284
Other comprehensive income/(loss) for the period, net of tax		56,495	(11,005)
Total comprehensive income for the period		13,507	19,533

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Attributable to				Total
	Unitholders before transactions with unitholders	Transactions with unitholders (Note 24)	Unitholders after transactions with unitholders	Non- controlling interests	
Unaudited	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period ended					
30 June 2021	265,953	(255,061)	10,892	19,646	30,538
Other comprehensive loss:					
<u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	(10,892)	—	(10,892)	(113)	(11,005)
Total comprehensive income for the period ended 30 June 2021	<u>255,061</u>	<u>(255,061)</u>	<u>—</u>	<u>19,533</u>	<u>19,533</u>
Loss for the period ended					
30 June 2022	(533,998)	478,091	(55,907)	12,919	(42,988)
Other comprehensive income:					
<u>Items that will not be reclassified to profit or loss:</u>					
Change in fair value of property, plant and equipment, net of tax	55,907	—	55,907	588	56,495
Total comprehensive income for the period ended 30 June 2022	<u>(478,091)</u>	<u>478,091</u>	<u>—</u>	<u>13,507</u>	<u>13,507</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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, third supplemental deed on 25 July 2012, fourth supplemental deed dated 3 April 2020 and fifth supplemental deed dated 28 May 2021 (the “Trust Deed”), Yuexiu REIT is required to distribute to the 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 distributions 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 interim condensed 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 interim condensed consolidated balance sheet and how distributions are disclosed in the interim condensed consolidated statement of comprehensive income. Total distributable income is determined in the interim condensed consolidated distribution statement.
- (ii) (Losses)/earnings per unit, based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders and the weighted average number of units in issue, are presented in Note 25.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	12	2,202,699	2,158,714
Right-of-use assets	13	1,211,631	1,241,260
Investment properties	14	37,680,000	37,657,000
Derivative financial instruments	17	23,226	—
Deferred assets, prepayments, deposits and other receivables	15	235,694	259,740
Goodwill	16	859,868	859,868
Long-term bank deposits	19	20,000	—
		42,233,118	42,176,582
Current assets			
Inventories		2,770	3,254
Trade and lease receivables	18	31,801	26,147
Amounts due from related parties		54,668	62,089
Deferred assets, prepayments, deposits and other receivables	15	131,060	113,224
Tax recoverable		4,207	4,072
Short-term bank deposits	19	30,000	23,524
Cash and cash equivalents	19	1,833,232	1,453,356
		2,087,738	1,685,666
Total assets		44,320,856	43,862,248
Equity			
Revaluation reserve		478,451	422,544
Retained earnings		(478,451)	(422,544)
		—	—
Non-controlling interests		1,219,533	1,206,026
Total equity		1,219,533	1,206,026

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2022

		Unaudited	Audited
		30 June	31 December
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Current liabilities			
Trade payables	21	20,389	27,561
Rental deposits, current portion	22	190,068	181,124
Receipts in advance	22	111,320	118,064
Accruals and other payables	22	442,037	530,637
Amounts due to related parties		120,116	3,643,438
Derivative financial instruments	17	101,228	174,942
Borrowings	23	3,445,067	2,893,984
Lease liabilities	13	4,596	9,993
Tax payables		90,989	142,910
		<hr/> 4,525,810	<hr/> 7,722,653
Non-current liabilities, other than net			
assets attributable to unitholders			
Rental deposits, non-current portion	22	234,068	246,756
Borrowings	23	16,024,206	14,728,455
Deferred tax liabilities	20	5,321,293	5,201,515
Derivative financial instruments	17	22,278	38,991
		<hr/> 21,601,845	<hr/> 20,215,717

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2022

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Total liabilities, other than net assets attributable to unitholders		<u>26,127,655</u>	<u>27,938,370</u>
Net assets attributable to unitholders	24	<u>16,973,668</u>	<u>14,717,852</u>
Total equity and liabilities		<u>44,320,856</u>	<u>43,862,248</u>
Net current liabilities		<u>(2,438,072)</u>	<u>(6,036,987)</u>
Units in issue ('000)	24	<u>4,671,788</u>	<u>3,417,224</u>
Net assets attributable to unitholders per unit (RMB)		<u>RMB3.63</u>	<u>RMB4.31</u>

**INTERIM CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
(Loss)/profit after income tax before transactions			
with unitholders attributable to unitholders		(533,998)	265,953
Adjustments for the total distributable income (i)			
– Fair value gains on investment properties		(14,895)	(19,174)
– Deferred taxation in respect of fair value gains on investment properties charged to profit or loss		24,700	3,049
– Different depreciation and amortisation charges on investment properties, property, plant and equipment and land use rights under China Accounting Standards (“CAS”)		(195,278)	(188,852)
– Foreign exchange gains on financing activities		—	(133,696)
– Fair value gains on derivative financial instruments		(112,288)	(6,326)
		(831,759)	(79,046)
Additional items (ii)			
– Different depreciation and amortisation charge on investment properties, property, plant and equipment and land use rights under CAS		195,278	188,852

**INTERIM CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
– Depreciation and amortisation of property, plant and equipment and land use rights under Hong Kong Financial Reporting Standards (“HKFRSs”)		66,841	64,004
– Deferred taxation in respect of the depreciation and amortisation of investment properties, property, plant and equipment and land use rights		50,735	49,126
– Manager’s fee paid and payable in units in lieu of cash		82,130	56,863
– Losses on settlement of derivative financial instruments		—	30,422
– Foreign exchange losses on financing activities		779,563	—
– Surplus cash		—	30,000
		<hr/>	<hr/>
Distributable income after additional items		342,788	340,221
Distributable amount at 1 January		457,990	329,990
Distribution paid during the period (iii)	24	(457,835)	(329,937)
		<hr/>	<hr/>
Interim distribution declared (iv)		342,943	340,274
		<hr/> <hr/>	<hr/> <hr/>
Distribution per unit, declared (iv)		RMB0.0734	RMB0.1025
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED DISTRIBUTION STATEMENT (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 interim condensed consolidated statement of comprehensive income for the relevant period.
- (ii) 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 and the circular dated 30 June 2012.
- (iii) A distribution of RMB0.0980 per unit, totaling RMB457,835,000 (equivalent to HK\$566,688,000), was paid to unitholders on 26 May 2022.
- (iv) Interim distribution in respect of the six months ended 30 June 2022 of RMB0.0734 (equivalent to HK\$0.0853) per unit, totaling RMB342,943,000 (equivalent to HK\$398,712,000) was declared by the Board of the Manager on 4 August 2022.

The Manager calculated the above per unit figures based on the units in issue as at 30 June 2022 as disclosed in Note 24.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Equity					Total <i>RMB'000</i>
	Net assets Attributable to unitholders <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Revaluation reserve <i>RMB'000</i>	Hedge reserve <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	
At 1 January 2021	14,584,563	(375,524)	375,524	—	1,188,103	15,772,666
Issuance of units (<i>Note 24</i>)	54,616	—	—	—	—	54,616
Profit for the period attributable to:						
– Unitholders	255,061	—	—	—	—	255,061
– Equity holders	—	10,892	—	—	19,646	30,538
Distributions paid to unitholders	(329,937)	—	—	—	—	(329,937)
Change in fair value of property, plant and equipment, net of tax	—	—	(10,892)	—	(113)	(11,005)
At 30 June 2021	<u>14,564,303</u>	<u>(364,632)</u>	<u>364,632</u>	<u>—</u>	<u>1,207,636</u>	<u>15,771,939</u>
At 1 January 2022	14,717,852	(422,544)	422,544	—	1,206,026	15,923,878
Issuance of units (<i>Note 24</i>)	3,276,892	—	—	—	—	3,276,892
Loss for the period attributable to:						
– Unitholders	(478,091)	—	—	—	—	(478,091)
– Equity holders	—	(55,907)	—	—	12,919	(42,988)
Change in fair values of cash flow hedges	—	—	—	1,365	—	1,365
Hedging gain reclassified to profit or loss	—	—	—	(1,365)	—	(1,365)
Distributions paid to unitholders	(542,985)	—	—	—	—	(542,985)
Change in fair value of property, plant and equipment, net of tax	—	—	55,907	—	588	56,495
At 30 June 2022	<u>16,973,668</u>	<u>(478,451)</u>	<u>478,451</u>	<u>—</u>	<u>1,219,533</u>	<u>18,193,201</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	581,215	561,232
Interest paid	(198,452)	(178,962)
Income tax paid	(86,330)	(45,160)
Support arrangement asset received	—	9,786
	296,433	346,896
Net cash generated from operating activities	296,433	346,896
Cash flows from investing activities		
Additions of investment properties	(29,129)	(30,671)
Additions of property, plant and equipment	(8,395)	(13,288)
Interest received	11,395	11,291
Increase in bank deposits	(73,196)	(23,524)
Decrease in bank deposits	46,720	23,196
Payment for acquisition of a subsidiary, net of cash acquired	(3,527,788)	—
	(3,580,393)	(32,996)
Net cash used in investing activities	(3,580,393)	(32,996)
Cash flows from financing activities		
Distribution paid	(542,985)	(329,937)
Proceeds from borrowings, net of transaction costs	1,730,563	3,000,916
Repayment of borrowings	(713,400)	(2,865,400)
Issuance of units	3,221,968	54,616
Settlement of derivative financial instruments	—	(205,248)
Principal elements of lease payments	(5,581)	(5,367)
	3,690,565	(350,420)
Net cash generated from/(used in) financing activities	3,690,565	(350,420)
Net increase/(decrease) in cash and cash equivalents	406,605	(36,520)
Cash and cash equivalents at beginning of the period	1,453,356	1,802,495
Effects of exchange rate changes on cash and cash equivalents	(26,729)	3,991
Cash and cash equivalents at end of the period	1,833,232	1,769,966

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 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, Third Supplemental Deed dated 25 July 2012, Fourth Supplemental Deed dated 3 April 2020 and Fifth Supplemental Deed dated 28 May 2021) and authorised under section 104 of the Securities and Futures Ordinance subject to the applicable conditions imposed by Securities and Futures Commission from time to time. The address of its registered office is 17B, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Yuexiu REIT was listed 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 4 August 2022.

This condensed consolidated interim financial information has not been audited.

The outbreak of the Coronavirus disease 2019 (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including the rental revenue and fair value of investment properties and hotel and serviced apartments, allowance for expected credit losses on trade and lease receivables, other receivables and so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021 which have been prepared in accordance with HKFRSs.

As at 30 June 2022, the Group’s current liabilities exceeded its current assets by RMB2,438,072,000 (31 December 2021: RMB6,036,987,000) due to the borrowings of RMB3,445,067,000 fall due within twelve months from the balance sheet date (31 December 2021: borrowings of RMB2,893,984,000 fall due within twelve months from the balance sheet date and an amount due to Yuexiu Property Company Limited (“YXP”) of approximately RMB3,500,000,000). 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 fall due within twelve months from the balance sheet date based on the Group’s past experience, its asset base and low gearing ratio. Taking into account other financial resources available including internally generated funds and undrawn bank facilities, the Manager considers the Group has adequate resources to meet its liabilities as and when they fall due as well as its working capital and operating requirements for the foreseeable future. Accordingly, the directors consider it is appropriate the going concern basis has been adopted in preparing this interim condensed consolidated 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 2021.

(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 or after 1 January 2022:

Amendments to HKFRS 3	Reference to the conceptual framework
amendments to HKFRS 16	Covid-19-related Rent concessions
Amendments to HKAS 16	Property, plant and equipment: proceeds before Intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Annual Improvements to HKFRSs 2018 - 2020	Annual improvements
Amendments to Accounting Guideline 5	Merger accounting for common control combinations

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 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9 and HKFRS 4	1 January 2023
HK Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

(c) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain foreign exchange forward contracts as hedges of foreign currency risk associated with the cash flows of foreign currency denominated borrowings (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 17. Movements in the hedging reserve are shown in the interim condensed consolidated statement of net assets attributable to unitholders and changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within operating expenses, net.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity are immediately reclassified to profit or loss.

4 Significant judgements and accounting estimates

The preparation of the 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 2021.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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 2021.

There have been no significant 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 service apartments, office rental and wholesale and shopping mall.

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

Total assets excluded corporate assets which are not directly attributable to segments.

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

	Hotel and serviced apartments <i>RMB'000</i>	Office rental <i>RMB'000</i>	Wholesale and shopping mall <i>RMB'000</i>	Group <i>RMB'000</i>
Period ended 30 June 2022				
Revenue from external customers	<u>165,705</u>	<u>637,862</u>	<u>140,100</u>	<u>943,667</u>
Segment results	<u>(35,802)</u>	<u>604,687</u>	<u>64,454</u>	<u>633,339</u>
Depreciation	<u>72,501</u>	<u>11</u>	<u>—</u>	<u>72,512</u>
Fair value gains/(losses) on investment properties	<u>—</u>	<u>67,940</u>	<u>(54,000)</u>	<u>13,940</u>
Period ended 30 June 2021				
Revenue from external customers	<u>195,538</u>	<u>465,108</u>	<u>221,038</u>	<u>881,684</u>
Segment results	<u>(7,928)</u>	<u>376,720</u>	<u>223,991</u>	<u>592,783</u>
Depreciation	<u>69,628</u>	<u>24</u>	<u>—</u>	<u>69,652</u>
Fair value gains/(losses) on investment properties	<u>—</u>	<u>(17,249)</u>	<u>35,762</u>	<u>18,513</u>
As at 30 June 2022				
Total reportable segments' assets	<u>3,693,604</u>	<u>29,379,808</u>	<u>10,333,043</u>	<u>43,406,455</u>
As at 31 December 2021				
Total reportable segments' assets	<u>3,660,669</u>	<u>28,923,658</u>	<u>10,377,958</u>	<u>42,962,285</u>

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	633,339	592,783
Changes in fair value of derivative financial instruments	112,288	6,326
Unallocated operating costs (Note)	(150,366)	(108,903)
Operating profit	595,261	490,206
Finance income	11,395	144,987
Finance expenses	(995,661)	(244,112)
(Loss)/profit before income tax and transactions with unitholders	(389,005)	391,081

Note: Unallocated operating costs include mainly manager's fee, legal and professional expenses and other operating expenses incurred at corporate level.

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	43,406,455	42,962,285
Corporate assets	914,401	899,963
Total assets	44,320,856	43,862,248

	Revenue		Total assets	
	Unaudited		Unaudited	Audited
	Six months ended 30 June		30 June	31 December
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
China	<u>943,667</u>	<u>881,684</u>	43,406,455	42,962,285
Unallocated corporate assets			<u>914,401</u>	<u>899,963</u>
			<u>44,320,856</u>	<u>43,862,248</u>

The Group's revenue by nature is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Hotel and serviced apartments operations		
Room rentals	98,595	124,171
Food and beverages	61,031	64,393
Property rentals	777,962	686,146
Others	6,079	6,974
	<u>943,667</u>	<u>881,684</u>

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised at a point in time	63,982	70,035
Revenue recognised over time	101,033	124,171
Other sources	778,652	687,478
	<u>943,667</u>	<u>881,684</u>

7 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Property management fee (i)	23,881	21,876
Employee benefit expense	55,406	53,939
Real estate tax	98,912	80,771
Flood prevention fee, urban construction and maintenance tax, education surcharge and local education surcharge	5,090	4,984
Withholding tax (ii)	16,362	24,707
Depreciation of property, plant and equipment (Note 12)	42,883	40,023
Depreciation of right-of-use assets (Note 13)	29,629	29,629
Cost of inventories sold or consumed in operation	39,360	41,685
Other direct expenses on hotel and serviced apartments	26,296	31,704
Manager's fee (Note 8)	82,130	71,078
Trustee's fee	6,350	5,212
Valuation fee	428	374
Legal and professional fee	6,877	8,129
Auditor's remuneration	1,800	1,830
Bank charges	221	231
Foreign exchange losses/(gains)	25,880	(3,991)
Others	13,129	4,136
	<hr/>	<hr/>
Total operating expenses, net	474,634	416,317

Notes:

- (i) The Group received leasing, marketing and tenancy management services from three leasing agents, namely, Guangzhou Yuexiu Yicheng Business Operation Management Co., 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 derived from properties located in China and held by BVI companies is calculated 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 as defined in the Trust Deed; a service fee of 3% per annum of net property income; a transaction fee of 1% of the consideration for the acquisition of any real estate from external party and a transaction fee of 0.5% of the gross sale price of the disposal of any part of deposited property comprising of Real Estate, as defined in the Trust Deed.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Manager's fee:		
In the form of units	82,130	56,863
In the form of cash	—	14,215
	<u>82,130</u>	<u>71,078</u>

Note:

- (i) Pursuant to the announcement dated 15 January 2021, a portion of the manager's fee for the year ended 31 December 2021, will be paid in the form of units. Pursuant to the circular of Yuexiu REIT dated 13 November 2021 ("2021 Circular") and subsequent announcement dated 14 January 2022, all of the manager's fee for the year ended 31 December 2022, will be paid in the form of units.

9 Finance income

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	9,683	9,553
Interest income from a related party	1,712	1,738
Foreign exchange gains on financing activities	—	133,696
	<u>11,395</u>	<u>144,987</u>

10 Finance expenses

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense for bank borrowings	147,777	94,076
Interest expense for other borrowings	50,675	84,886
Interest and finance charges paid/payable for lease liabilities (Note 13)	184	427
Amortisation of transaction costs for borrowings	13,843	14,918
Foreign exchange losses on financing activities	779,563	—
Loss on settlement of derivative financial instruments	—	49,805
Interest expense due to a related party	3,619	—
	<u>995,661</u>	<u>244,112</u>

11 Income tax expense

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 the People's Republic 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– China corporate income tax	25,109	37,639
– PRC withholding tax	9,165	—
Deferred income tax (Note 20)	97,800	67,843
	<u>132,074</u>	<u>105,482</u>

12 Property, plant and equipment

	Hotel and serviced apartments	Office supplies	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2021				
Opening net book amount as at				
1 January 2021	2,157,000	310	485	2,157,795
Additions	13,288	—	—	13,288
Depreciation	(39,999)	(24)	—	(40,023)
Fair value losses on revaluation	(15,289)	—	—	(15,289)
	<u>2,115,000</u>	<u>286</u>	<u>485</u>	<u>2,115,771</u>
Closing net book amount				
as at 30 June 2021	<u>2,115,000</u>	<u>286</u>	<u>485</u>	<u>2,115,771</u>
At 30 June 2021				
At fair value	2,115,000	—	—	2,115,000
At cost	<u>—</u>	<u>286</u>	<u>485</u>	<u>771</u>
	<u>2,115,000</u>	<u>286</u>	<u>485</u>	<u>2,115,771</u>
Six months ended 30 June 2022				
Opening net book amount as at				
1 January 2022	2,158,000	263	451	2,158,714
Additions	8,395	—	—	8,395
Depreciation	(42,868)	(15)	—	(42,883)
Fair value gains on revaluation	78,473	—	—	78,473
	<u>2,202,000</u>	<u>248</u>	<u>451</u>	<u>2,202,699</u>
Closing net book amount				
as at 30 June 2022	<u>2,202,000</u>	<u>248</u>	<u>451</u>	<u>2,202,699</u>
At 30 June 2022				
At fair value	2,202,000	—	—	2,202,000
At cost	<u>—</u>	<u>248</u>	<u>451</u>	<u>699</u>
	<u>2,202,000</u>	<u>248</u>	<u>451</u>	<u>2,202,699</u>

If hotel and serviced apartments had not been revalued, it would have been included in the condensed consolidated interim financial information at historical cost less accumulated depreciation of RMB1,490,016,000 (31 December 2021: RMB1,551,207,000).

As at 30 June 2022, property, plant and equipment with an aggregate carrying amount of approximately RMB1,960 million (31 December 2021: RMB1,921 million) were pledged as collateral for the Group's bank borrowings (Note 23).

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	2,158,000	2,157,000
Additions	8,395	13,288
Depreciation	(42,868)	(39,999)
Unrealised gains/(losses) recognised in reserve	78,473	(15,289)
	<hr/>	<hr/>
Closing balance	2,202,000	2,115,000
	<hr/> <hr/>	<hr/> <hr/>
Unrealised gains/(losses) for the period included in other comprehensive income/(loss) for assets held at the end of the period	78,473	(15,289)
	<hr/> <hr/>	<hr/> <hr/>

Valuation processes of the Group

The Group measures the building portion of hotel and serviced apartments at fair value. Hotel and serviced apartments were revalued by Colliers International (Hong Kong) Limited, being independent qualified valuer not related to the Group as at 30 June 2022 and 31 December 2021.

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 the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial period 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 of the building portion of hotel and serviced apartments of Guangzhou International Financial Centre (“Guangzhou IFC”) is derived using 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 portions) 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.

The building portion of hotel and serviced apartments in property, plant and equipment are included in Level 3 (31 December 2021: Level 3) of the fair value hierarchy.

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, finance cost and professional fee, the higher the fair value.

Discount rates are estimated by Colliers International (Hong Kong) Limited based on the risk profile of hotel and serviced apartments being valued. The higher the rates, the lower the fair value. Prevailing market room rents are estimated based on recent lettings for hotel and serviced apartments in China, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

As at 30 June 2022

	Depreciated replacement cost method		
	Building	Finance	Professional
	cost	cost (% on	fee (% on
	(RMB/m²)	construction	construction
		cost)	cost)
Hotel	20,900	4.65	6
Serviced apartments	17,050	4.65	6

As at 31 December 2021

	Depreciated replacement cost method		
	Building	Finance	Professional
	cost	cost (% on	fee (% on
	(RMB/m²)	construction	construction
		cost)	cost)
Hotel	20,140	4.65	6
Serviced apartments	16,430	4.65	6

13 Lease

	Land use rights	Staff quarter	Total
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
At 1 January 2021	1,281,399	19,123	1,300,522
Depreciation	<u>(24,642)</u>	<u>(4,987)</u>	<u>(29,629)</u>
At 30 June 2021	<u>1,256,757</u>	<u>14,136</u>	<u>1,270,893</u>
At 1 January 2022	1,232,114	9,146	1,241,260
Depreciation	<u>(24,642)</u>	<u>(4,987)</u>	<u>(29,629)</u>
At 30 June 2022	<u>1,207,472</u>	<u>4,159</u>	<u>1,211,631</u>

Lease liabilities

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Current portion	<u>4,596</u>	<u>9,993</u>

As at 30 June 2022, the fair value of land use rights is approximately RMB2,498 million (31 December 2021: RMB2,580 million). The change in fair value was not reflected in the condensed consolidated interim financial information.

As at 30 June 2022, rights-of-use assets were pledged with an aggregate net book amount of approximately RMB1,215 million (31 December 2021: RMB1,214 million) as collateral for the Group's bank borrowings (Note 23).

As at 30 June 2022 and 31 December 2021, all of the lease liabilities are due to 廣州越秀星寓公寓管理有限公司, a subsidiary of YXP.

The interim condensed consolidated statement of comprehensive income shows the following amount relating to leases:

Depreciation charge of right-of-use assets

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Land use rights	24,642	24,642
Staff quarter	4,987	4,987
	<u>29,629</u>	<u>29,629</u>
Interest expense (included in finance expenses) <i>(Note 10)</i>	<u>184</u>	<u>427</u>

14 Investment properties

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	37,657,000	29,700,000
Additions	9,060	11,487
Fair value gains during the period, included in profit or loss under 'Fair value gains on investment properties'	<u>13,940</u>	<u>18,513</u>
End of the period	<u>37,680,000</u>	<u>29,730,000</u>
Fair value gains for the period included in profit or loss for assets held at the end of the period, under 'Fair value gains on investment properties'	<u>13,940</u>	<u>18,513</u>

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

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB14,196,000 (six months ended 30 June 2021: RMB7,086,000) relating to investment properties that were vacant.

As at 30 June 2022, investment properties with an aggregate carrying value of approximately RMB3,832 million (31 December 2021: RMB3,832 million) were pledged as collateral for the Group's bank borrowings (Note 23).

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Colliers International (Hong Kong) Limited being independent qualified valuer not related to the Group as at 30 June 2022 and 31 December 2021.

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 period 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

As at 30 June 2022 and 31 December 2021, Colliers International (Hong Kong) Limited has relied on the income capitalisation method as the primary approach and cross-checked by the market approach. The use of income capitalisation method is in line with market practice of property valuation for income-producing commercial assets which are the main asset class of the Group.

The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent-free period, ongoing vacancy voids/marketing periods and non-recoverable expenses for the vacant space have been allowed.

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.

The investment properties are included in Level 3 (31 December 2021: Level 3) of the fair value hierarchy.

Significant inputs used to determine fair value

Capitalisation rates are estimated by Colliers International (Hong Kong) Limited as at 30 June 2022 and 31 December 2021 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 2022

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	90 to 320	4.00% to 6.25%
Wholesale and shopping mall	65 to 1,040	4.00% to 7.25%

As at 31 December 2021

	Monthly Market Unit Rent (RMB per sq.m.)	Capitalisation Rate (per annum)
Office	90 to 317	4.00% to 6.50%
Wholesale and shopping mall	65 to 1,040	4.00% to 7.25%

15 Deferred assets, prepayments, deposits and other receivables

Rental income is recognised on an accrued 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 within twelve months after the balance sheet date are classified as current assets. The balance of prepayments, deposits and other receivables mainly represents other tax prepayments, deposits for utilities and property maintenance fund. The deferred assets, prepayments, deposits and other receivables are denominated in RMB.

16 Goodwill

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Cost	859,868	859,868
Accumulated impairment	—	—
Net book amount	<u>859,868</u>	<u>859,868</u>

Goodwill of the Group mainly represents the deferred income tax liabilities in relation to the investment properties acquired through business combinations. In assessing whether goodwill has suffered any impairment, the carrying value of the respective investment properties as at period end is compared with their fair value as at acquisition completion dates. Key assumption used for goodwill impairment is consistent with those used in the valuation of investment properties. The results of the tests undertaken as at 30 June 2022 and 31 December 2021 indicated no impairment charge was necessary.

17 Derivative financial instruments

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Interest rate swap contracts	21,861	—
Foreign exchange forward contracts - cash flow hedges	1,365	—
Total	23,226	—
Non-current liabilities		
Interest rate swap contracts	—	38,991
Capped foreign exchange forward contracts	22,278	—
Total	22,278	38,991
Current liabilities		
Capped foreign exchange forward contracts	101,228	174,942

The derivative financial instruments are classified as non-current assets or liabilities if the settlement date is beyond 12 months after the balance sheet date.

The notional principal amounts of the outstanding capped foreign exchange forward contracts at 30 June 2022 were HK\$400,000,000 due on 7 November 2022 (31 December 2021: HK\$400,000,000 due on 7 November 2022), HK\$1,100,000,000 due on 3 November 2022 (31 December 2021: HK\$1,100,000,000 due on 3 November 2022), HK\$1,600,000,000 due on 3 November 2022 (31 December 2021: HK\$1,600,000,000 due on 3 November 2022), HK\$1,500,000,000 due on 21 December 2023 and HK\$2,800,000,000 due on 18 August 2023. The notional principal amounts of the outstanding foreign exchange forward contracts at 30 June 2022 were HK\$500,000,000 due on 21 December 2023.

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2022 were HK\$2,800,000,000 due on 21 August 2023 (31 December 2021: HK\$2,800,000,000 due on 21 August 2023).

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.

The fair values of capped and uncapped forward exchange contracts and interest rate swap 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. If significant inputs required to fair value of a financial instrument are observable, the instrument is included in Level 2 of the fair value hierarchy.

18 Trade and lease receivables

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade and lease receivables	32,451	26,797
Less: impairment allowance	(650)	(650)
	<hr/>	<hr/>
Trade and lease receivables, net	31,801	26,147
	<hr/> <hr/>	<hr/> <hr/>

The fair values of trade and lease receivables approximate their carrying amounts.

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	29,117	13,105
31 - 90 days	2,364	12,406
91 - 180 days	17	345
181 - 365 days	303	332
Over 1 year	650	609
	<hr/> 32,451 <hr/>	<hr/> 26,797 <hr/>

The Group applies the HKFRS 9 simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The identified impairment loss was immaterial.

All of the Group's trade and lease receivables are denominated in RMB.

19 Long-term bank deposits, short-term bank deposits and cash and cash equivalents

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Cash at bank and on hand	1,782,608	1,433,605
Short-term bank deposits with original maturity of less than three months	<u>50,624</u>	<u>19,751</u>
Cash and cash equivalents	1,833,232	1,453,356
Short-term bank deposits with original maturity of more than three months but less than twelve months	<u>30,000</u>	<u>23,524</u>
Total	<u><u>1,863,232</u></u>	<u><u>1,476,880</u></u>
Long-term bank deposits with original maturity of more than twelve months	<u><u>20,000</u></u>	<u><u>—</u></u>
Maximum exposure to credit risk	<u><u>1,882,735</u></u>	<u><u>1,476,384</u></u>

As at 30 June 2022, included in the long-term bank deposits, short-term bank deposits and cash and cash equivalents of the Group are bank deposits in China of approximately RMB1,702,297,000 (31 December 2021: RMB1,182,502,000) 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 long-term bank deposits, short-term bank deposits and cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

Long-term bank deposits, short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,702,794	1,182,998
HK\$	179,547	258,647
US\$	891	35,235
	<u>1,883,232</u>	<u>1,476,880</u>

20 Deferred tax liabilities

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	5,201,515	4,996,679
Deferred taxation charged to profit or loss (Note 11)	97,800	67,843
Deferred taxation charged/(credited) to reserve	21,978	(4,284)
	<u>5,321,293</u>	<u>5,060,238</u>

21 Trade payables

The fair values of trade payables approximate their carrying amounts. The ageing analysis of the trade payables by invoice date is as follows:

	Unaudited	Audited
	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	13,245	16,430
31 - 90 days	4,750	7,734
91 - 180 days	1,896	3,168
181 - 365 days	441	77
Over 1 year	57	152
	<hr/> 20,389 <hr/>	<hr/> 27,561 <hr/>

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

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

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Rental deposits		
Current portion	190,068	181,124
Non-current portion	234,068	246,756
	<u>424,136</u>	<u>427,880</u>
Receipts in advance		
Current portion	111,320	118,064
Accrued urban real estate tax	76,619	66,559
Accrued withholding tax payable	13,430	14,059
Accrued surcharge tax	20,069	16,409
Construction payable	191,163	211,232
Transaction costs payable for the acquisition of Gain Force Investments Limited (the “Acquisition”) (i)	7,996	78,329
Accruals for operating expenses	132,760	144,049
Accruals and other payables	<u>442,037</u>	<u>530,637</u>
	<u>977,493</u>	<u>1,076,581</u>

Notes:

- (i) On 23 December 2021, Yeuxiu REIT completed the acquisition of the 100% equity interest in Gain Force Investments Limited and its subsidiaries (the “Target Group”). The Target Group is engaged in the leasing of Yuexiu Financial Tower, an International Grade A office building located in Guangzhou.
- (ii) The carrying amounts of rental deposits, receipts in advance, accruals 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.

23 Borrowings

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Current		
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note a)	180,000	268,440
– Unsecured	<u>3,265,067</u>	<u>2,625,544</u>
Total current portion of long-term borrowings	<u>3,445,067</u>	<u>2,893,984</u>
Non-current		
Long-term borrowings		
Bank borrowings		
– Secured (Note a)	1,555,400	1,284,400
– Unsecured	14,277,802	12,878,957
Other borrowings, unsecured (Note b)	<u>3,636,071</u>	<u>3,459,082</u>
Total long-term borrowings	19,469,273	17,622,439
Less: current portion of long-term borrowings	<u>(3,445,067)</u>	<u>(2,893,984)</u>
Total non-current borrowings	<u>16,024,206</u>	<u>14,728,455</u>
Total borrowings	<u>19,469,273</u>	<u>17,622,439</u>
Analysis into:		
– Unsecured	17,913,873	16,338,039
– Secured	<u>1,555,400</u>	<u>1,284,400</u>
	<u>19,469,273</u>	<u>17,622,439</u>

Note a:

As at 30 June 2022, syndicated and entrustment loans of approximately RMB1,555 million (31 December 2021: RMB1,284 million) are secured by certain parts of Guangzhou IFC with carrying value of RMB7,007 million (31 December 2021: RMB6,967 million).

Note b:

On 2 February 2021, Yuexiu REIT MTN Company Limited (“REIT MTN”), a wholly owned subsidiary of Yuexiu REIT, issued and sold a total of US\$400 million principal amount of 2.65% notes due in February 2026 to investors under the US\$1.5 billion guaranteed medium term note programme established on 16 April 2018 pursuant to the subscription agreement dated 23 April 2018 (the “MTN Programme”), which was updated in January 2021.

On 28 May 2019 and 14 June 2019, REIT MTN, issued and sold HK\$770 million and HK\$350 million principal amount of 3.6% additional notes both due in May 2024 to investors under the MTN Programme.

24 Net assets attributable to unitholders

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Beginning of the period	14,717,852	14,584,563
Issuance of units	3,276,892	54,616
Transfer from the interim condensed consolidated statement of comprehensive income	(478,091)	255,061
Distributions paid for the period from 1 July 2021 to 31 December 2021	(457,835)	(329,937)
Special distribution for the Acquisition	(85,150)	—
End of the period	<u>16,973,668</u>	<u>14,564,303</u>

The movement of numbers of existing units is as below:

	Unaudited	
	Six months ended 30 June	
Units in issue ('000)	2022	2021
Beginning of the period	3,417,224	3,303,113
Rights issue for the Acquisition (the “Rights Issue”) (Note a)	1,234,403	—
Manager’s fee in form of units (Note b)	20,161	16,175
End of the period	<u>4,671,788</u>	<u>3,319,288</u>

Note a:

On 26 January 2022, total 1,234,403,038 units were issued on the basis of 37 units for every 100 units held on Rights Issue record date for HK\$3.20 per unit.

Note b:

During the period, 20,161,000 units were issued for the payment of manager’s fee (2021: 16,175,000 units). Pursuant to the announcement of Yuexiu REIT dated 22 March 2022, RMB54,924,000 (equivalent to approximately HK\$67,538,000) of the manager’s fee for the period from 1 July 2021 to 31 December 2021 to be settled in the form of units would be deferred and settled after the manager fee units reference date.

25 (Losses)/earnings per unit based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders

(a) Basic

Basic (losses)/earnings per unit based upon (loss)/profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the (loss)/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	
	2022	2021
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>(533,998)</u>	<u>265,953</u>
Weighted average number of units in issue ('000)	<u>4,485,448</u>	<u>3,310,620</u>
Basic (losses)/earnings per unit (RMB)	<u>(0.12)</u>	<u>0.08</u>

(b) Diluted

Diluted (losses)/earnings per unit based upon (loss)/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 deferred units outstanding and manager's fee in form of units during the period are not included in the calculation of diluted losses per unit because they are antidilutive for the period ended 30 June 2022.

	Unaudited	
	Six months ended 30 June	
	2022	2021
(Loss)/profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<u>(533,998)</u>	<u>265,953</u>
Weighted average number of units in issue ('000)	4,485,448	3,310,620
Adjustments for deferred units ('000) (Note)	—	399,401
Adjustments for manager's fee in form of units ('000)	—	<u>16,409</u>
Weighted average number of units for diluted (losses)/earnings per unit ('000)	<u>4,485,448</u>	<u>3,726,430</u>
Diluted (losses)/earnings per unit (RMB)	<u>(0.12)</u>	<u>0.07</u>

Note:

Pursuant to the terms disclosed in the circular dated 30 June 2012, Yuexiu REIT will, on 31 December of each year, issue to YXP certain number of units starting from 31 December 2016 (the “Deferred Units”). The number of Deferred Units to be issued to YXP 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 which will not trigger an obligation on the part of YXP to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by YXP at the relevant time.

Pursuant to the terms disclosed in the 2021 Circular, in light of the subscription price of the Rights Issue (being HK\$3.20) being at a discount greater than 10% of the average of the daily closing prices of the Units for the five consecutive trading days preceding the date of the announcement (being HK\$3.67), which was made on 24 October 2021 in relation to the Acquisition, the issue price for the Deferred Units (the “Deferred Units Issue Price”) shall be adjusted by multiplying the current Deferred Units Issue Price (being HK\$4.00 per Unit) by the fraction as set out under the indebtedness agreement dated 28 May 2012 between YXP, the Trustee and the Manager and further described in the 2021 Circular (the “Deferred Units Issue Price Adjustment”). The Deferred Units Issue Price Adjustment took effect upon the completion of the Rights Issue on 26 January 2022.

The adjusted Deferred Units Issue Price is HK\$3.86 per Unit and the Deferred Units to be issued was adjusted to 329,809,000 units following the Deferred Units Issue Price Adjustment.

26 Capital commitments

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment and investment properties		
Contracted but not provided for	<u>16,334</u>	<u>13,506</u>

27 Future minimum rental receivables

At 30 June 2022 and 31 December 2021, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Within one year	1,278,303	1,317,906
Between one year and five years	1,751,804	2,001,030
Over five years	<u>49,321</u>	<u>68,295</u>
	<u>3,079,428</u>	<u>3,387,231</u>

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

LIN Deliang
Chairman

Hong Kong, 4 August 2022

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

Executive Directors:	Mr. LIN Deliang (Chairman) and Ms. Ou Haijing
Non-executive Directors:	Mr. LI Feng and Mr. ZENG Zhizhao
Independent Non-executive Directors:	Mr. CHAN Chi Fai Brian, Mr. CHAN Chi On Derek, Mr. CHEUNG Yuk Tong and Mr. CHEN Xiaou