



**HUI XIAN** REIT

匯賢產業信託

**Hui Xian Real Estate Investment Trust**

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

Stock Code: 87001



**2012**  
ANNUAL REPORT



## HUI XIAN REIT

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) (Stock Code: 87001) is a real estate investment trust constituted by a trust deed (“Trust Deed”) which was entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited, and DB Trustees (Hong Kong) Limited. Hui Xian REIT was listed on The Stock Exchange of Hong Kong Limited on 29 April 2011.

## REIT MANAGER

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “Manager”). The Manager is a direct wholly-owned subsidiary of World Deluxe Enterprises Limited, which in turn is ultimately owned as to 40% by CITIC Securities International Company Limited, 30% by Cheung Kong (Holdings) Limited and 30% by ARA Asset Management Limited.





**HUI XIAN** REIT  
匯賢產業信託

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# FINANCIAL HIGHLIGHTS

## For the financial year from 1 January 2012 to 31 December 2012

	1 Jan–31 Dec 2012	29 Apr–31 Dec 2011 <sup>(1)</sup>
Total Revenue ( <i>RMB million</i> )	<b>2,648</b>	1,588
Net Property Income ( <i>RMB million</i> )	<b>1,671</b>	1,041 <sup>(2)</sup>
Distributable Income ( <i>RMB million</i> )	<b>1,208</b>	735
Distribution per Unit ( <i>RMB</i> )	<b>0.2392</b>	0.1467
Distribution Yield	<b>5.76%</b> <sup>(3)</sup>	N/A
Payout Ratio	<b>100%</b>	100%

	As at 31 Dec 2012	As at 31 Dec 2011
Gross Asset Value ( <i>RMB million</i> )	<b>39,388</b>	33,995
Net Asset Value Attributable to Unitholders ( <i>RMB million</i> )	<b>27,914</b>	25,972
Net Asset Value per Unit ( <i>RMB</i> )	<b>5.4988</b>	5.1845
Debts to Gross Asset Value	<b>5.0%</b>	0.6%

Notes:

- (1) As Hui Xian REIT was listed on the Stock Exchange on 29 April 2011, the previous annual results covered 247 days only, therefore, no year-on-year comparison between 2011 and 2012 is made.
- (2) The amount has been restated to conform with current year's presentation.
- (3) Based on the closing price of the units of Hui Xian REIT ("Units") on 31 December 2012 and the actual distribution amount for the year from 1 January 2012 to 31 December 2012.



We are confident that Hui Xian REIT, with its high quality portfolio in excellent locations, solid track record, and expertise, is well positioned to capitalise on China's bright prospects.

**H L Kam** *Chairman*

Dear Unitholders,

Hui Xian REIT celebrated its first anniversary of listing in 2012. I am pleased to report the annual results of Hui Xian REIT for the financial year ended 31 December 2012. Distributable income for the Reporting Period was RMB 1,208 million and the distribution per unit ("DPU") was RMB 0.2392, representing a distribution yield of 5.76% based on the closing unit price of RMB 4.15 on 31 December 2012.

## **RESULTS AND DISTRIBUTION**

Total revenue for the financial year ended 31 December 2012 was RMB 2,648 million and net property income was RMB 1,671 million. Gross asset value and net asset value attributable to unitholders were RMB 39,388 million and RMB 27,914 million respectively. Hui Xian REIT was listed on the Stock Exchange on 29 April 2011, and the previous annual results covered 247 days only. Therefore, no year-on-year comparison between 2011 and 2012 is made.

Total distributable income during the Reporting Period was RMB 1,208 million. 100% of this amount will be distributed to the unitholders of Hui Xian REIT ("Unitholders") pursuant to the distribution policy stipulated in the Offering Circular.

Hui Xian REIT's total DPU for the financial year amounted to RMB 0.2392, comprising an interim DPU of RMB 0.1178 and a final DPU of RMB 0.1214. This represents a distribution yield of 5.76% based on the closing unit price of RMB 4.15 on 31 December 2012. Total DPU for 2011 (from the listing date of 29 April 2011 to 31 December 2011) was RMB 0.1467.

## **DISTRIBUTION REINVESTMENT ARRANGEMENT**

The Manager recommends that a distribution reinvestment arrangement be made available to Unitholders, subject to obtaining authorisation from the Securities and Futures Commission of Hong Kong ("SFC") of relevant documents. Under the distribution reinvestment arrangement, eligible Unitholders will be entitled to have a scrip distribution in lieu of a cash distribution. Eligible Unitholders can elect to receive their distribution in the form of cash, or in the form of new Units of Hui Xian REIT, or a combination of both. Subject to the SFC's authorisation, an announcement providing further information on the distribution reinvestment arrangement will be published and a circular containing the relevant details together with the relevant election form will be sent to all qualified Unitholders.

## **UNIT PRICE PERFORMANCE**

Hui Xian REIT's unit price has been trending upwards during the Reporting Period. The closing unit price of RMB 4.15 on 31 December 2012 was an increase of 16.6% from RMB 3.56 a year ago.

## **RMB DEVELOPMENT IN HONG KONG**

Hui Xian REIT is the first RMB-denominated REIT listed in Hong Kong as well as outside Mainland China. Its performance has a high correlation with the progress of RMB development.

Hong Kong has successfully developed into the premier offshore RMB centre in the world over the past few years. It hosts the largest pool of RMB liquidity outside Mainland China. In December 2012, offshore RMB deposits in Hong Kong reached RMB 600 billion.

More diversified RMB investment products were introduced in the Hong Kong financial market during 2012, paving the way for wider investments for the growing RMB pool in Hong Kong and for the further development of a healthy and sustainable RMB market. It is anticipated that Hui Xian REIT's liquidity would increase when more RMB investment products are available in the financial market.

RMB value has been strengthening over the past several years, particularly in the second half of 2012. The exchange rate of RMB against the Hong Kong Dollar has appreciated about 1.1%# during the Reporting Period.

## **TOTAL RETURN**

Taking into account a total DPU of RMB 0.2392, together with a 16.6% increase in unit price and a 1.1% appreciation in RMB exchange rate during the Reporting Period, Hui Xian REIT delivered to Unitholders a total return of 24.6% in 2012.

## **CHINA BUSINESS ENVIRONMENT**

The economic drivers in China remained intact despite the weak and uncertain global economic conditions. China's economy maintained the growth momentum in 2012 and the full-year gross domestic product ("GDP") increased 7.8% year-on-year to RMB 51.9 trillion. Total retail sales of consumer goods and industrial production in 2012 grew 14.3% and 10.0% year-on-year respectively.

Beijing, the country's political and economic centre, recorded encouraging economic figures in 2012. The capital city's GDP rose 7.7% year-on-year to RMB 1.8 trillion, about 3.4% of China's GDP. Business activities and tourism continued to grow, which in turn drove up demand for Grade A office space as well as five-star international hotel rooms.

In 2012, the average disposable income per capita of Beijing urban residents increased 10.8% year-on-year according to official data. A number of international and local retailers, ranging from luxury products, fast fashion to food and beverage chains, were keen to tap this huge market of increasing consumer spending. Retail sales of Beijing in 2012 were also 11.6% higher than the previous year, signaling a healthy growth in domestic consumption.

## **BUSINESS REVIEW**

Hui Xian REIT's diversified portfolio spans across retail, office, serviced apartment and hotel businesses. During the Reporting Period, its properties under management consisted of the 800,000 square metre mixed-use development — Oriental Plaza (comprising The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing) and Sheraton Shenyang Lido Hotel, a five-star hotel in Shenyang. Total revenue and net property income of 2012 were RMB 2,648 million and 1,671 million respectively. The appraised value of Hui Xian REIT's properties was RMB 37,850 million as at 31 December 2012.

<b>Net Property Income</b>	<b>January–December 2012</b> <i>(RMB million)</i>
Retail	<b>746</b>
Office	<b>568</b>
Serviced apartment	<b>60</b>
Hotels*	<b>297</b>
<b>TOTAL</b>	<b>1,671</b>

\* Sheraton Shenyang Lido Hotel has become a part of Hui Xian REIT's portfolio since 1 January 2012.

### **Retail Portfolio**

Beijing's retail market was active in 2012. Many international retailers were eager to capture the opportunities in the enormous China consumption market.

Leasing momentum at The Malls at Oriental Plaza remained strong. During the year, we have carried out asset enhancement works and tenant mix refinement exercises to capitalise on the business opportunities arising from the fast-changing retail environment.

The average monthly passing rent continued its upward trend and increased 8.1% year-on-year to RMB 940 per square metre. Rental reversion was 25.8%. The average occupancy rate for 2012 was 97.5%. Net property income was RMB 746 million.

### **Office Portfolio**

Beijing, the capital of China, remained a preferred city for international and domestic corporations, as well as overseas government bodies to establish their headquarters or regional quarters. We continued to see an imbalance between supply and demand for high quality offices in Beijing, which was the key driver for rental growth in 2012.

The average monthly passing rent of The Tower Offices at Oriental Plaza grew 15.2% year-on-year to RMB 194 per square metre. The average monthly spot rent increased 30.0% year-on-year to RMB 314 per square metre. Rental reversion was 68.4%. The average occupancy rate for 2012 was 93.5%. Net property income of our office sector was RMB 568 million.

### **Serviced Apartment Portfolio**

Leasing momentum for luxury serviced apartments in Beijing remained strong in 2012, primarily driven by the continued demand from the increasing pool of senior executives from both multinational and domestic corporations.

The Tower Apartments at Oriental Plaza, providing over 600 furnished units in two towers, experienced encouraging rental growth in 2012. The average occupancy rate for 2012 was 87.0%. Net property income was RMB 60 million.

### Hotel Portfolio

During the Reporting Period, our hotel portfolio consisted of two five-star hotels: Grand Hyatt Beijing at Oriental Plaza and Sheraton Shenyang Lido Hotel. Net property income of two hotels combined was RMB 297 million.

During 2012, Grand Hyatt Beijing's average room rate per night increased 5.7% year-on-year to RMB 1,840. Revenue per available room ("RevPAR") was RMB 1,148. The average occupancy rate for 2012 was 62.4%. The three-year asset enhancement programme to upgrade the guest rooms has commenced.

In addition to Grand Hyatt Beijing, the 590-room Sheraton Shenyang Lido Hotel has been integrated into Hui Xian REIT's hotel portfolio since 1 January 2012<sup>^</sup>. The average room rate per night increased 4.3% year-on-year to RMB 821. RevPAR was RMB 522. The average occupancy rate for 2012 was 63.6%.

Both hotels have been named "Best Business Hotel" in their respective cities in 2012. Grand Hyatt Beijing received "Best Business Hotel in Beijing" award by *Business Traveller Asia Pacific Magazine* for the seventh time. Sheraton Shenyang Lido Hotel was named "Best Business Hotel in Shenyang" by *Business Traveller China Magazine*. This is the sixth consecutive year the hotel has been awarded this accolade.

As the management contract with Sheraton ended on 31 December 2012, the Manager appointed France's Sofitel Luxury Hotels as the new hotel manager. The hotel was renamed Sofitel Shenyang Lido on 1 January 2013.

### STRONG FINANCIAL POSITION

Hui Xian REIT maintained a healthy balance sheet during the Reporting Period. As at 31 December 2012, bank balances and cash on hand amounted to RMB 2,063 million and gross debts amounted to RMB 1,964 million. Debts to gross asset value ratio was 5.0%. We believe that Hui Xian REIT has strong financial capacity to pursue investment opportunities when they occur.

### OUTLOOK

Looking ahead to 2013, we are committed to driving organic growth from our assets through astute asset management. Our priorities are to achieve rental growth, as well as to maintain high occupancy levels for all of our four business sectors: retail, office, serviced apartment and hotel. This would provide us with the security of a strong and sustainable rental income.

We will continue to implement the asset enhancement programmes for Grand Hyatt Beijing and The Malls at Oriental Plaza in 2013. A renovation programme has also been initiated for Sofitel Shenyang Lido.

As we are actively seeking acquisition opportunities in China, we remain of the view that it is crucial to adopt a prudent selection strategy when pursuing quality and yield-accretive assets that are to bring long-term benefits for Hui Xian REIT and Unitholders.

The positive GDP performance and other economic data indicate that China's economy remains strong and the upward momentum is expected to continue in 2013. We firmly believe that China's economic fundamentals are sound and it will maintain the position as the key engine of global economic growth. We are confident that Hui Xian REIT, with its high quality portfolio in excellent locations, solid track record, and expertise, is well positioned to capitalise on China's bright prospects.

On behalf of the Manager, I would like to take this opportunity to thank the Trustee and Unitholders for their continued support and confidence in Hui Xian REIT.

## **KAM Hing Lam**

*Chairman*

**Hui Xian Asset Management Limited**

*(as manager of Hui Xian Real Estate Investment Trust)*

Hong Kong, 28 February 2013

# Based on the RMB/HK Dollar exchange rate of 1:1.2175 on 30 December 2011 and 1:1.2313 on 31 December 2012 (Source: "Exchange Rates for Stamp Duty Calculation" on hkex.com.hk)

^ Hui Xian REIT holds 100% of the issued shares of Shenyang Investment (EVI) Limited ("Shenyang Investment EVI"), which in turn holds Shenyang Investment (Hong Kong) Limited ("Shenyang Investment HK"), the foreign joint venture partner of 瀋陽麗都商務有限公司 (Shenyang Lido Business Co., Ltd. (for identification purposes only)) ("Shenyang Lido"). Shenyang Investment HK is entitled to 70% of the distributions of Shenyang Lido, which is a sino-foreign cooperative joint venture established in the PRC. Shenyang Lido holds the land use rights and building ownership rights in Shenyang Lido Hotel.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PORTFOLIO HIGHLIGHTS

During the Reporting Period, Hui Xian REIT's portfolio spans across the retail, office, serviced apartment and hotel businesses. Its portfolio includes:

- (1) its investment in Hui Xian (B.V.I.) Limited, which in turn holds Hui Xian Investment Limited, the foreign joint venture partner of Beijing Oriental Plaza Co., Ltd. ("BOP"), which is a sino-foreign cooperative joint venture established in the PRC. BOP holds the land use rights and building ownership rights of **Oriental Plaza**, and
- (2) its investment in Shenyang Investment BVI, which in turns holds Shenyang Investment HK, the foreign joint venture partner of Shenyang Lido. Shenyang Investment HK is entitled to 70% of the distributions of Shenyang Lido, which is a sino-foreign cooperative joint venture established in the PRC. Shenyang Lido holds the land use rights and building ownership rights in Shenyang Lido Hotel. Formerly known as "Sheraton Shenyang Lido Hotel", the hotel was rebranded as **Sofitel Shenyang Lido** from 1 January 2013.

Hui Xian REIT's portfolio by sectors:

Sector	Project	City	Gross Floor Area (sq m)
(1) Retail	<ul style="list-style-type: none"> <li>• <b>The Malls at Oriental Plaza:</b> <i>A shopping mall</i></li> </ul>	Beijing	130,195
(2) Office	<ul style="list-style-type: none"> <li>• <b>The Tower Offices at Oriental Plaza:</b> <i>8 Grade A office towers</i></li> </ul>	Beijing	309,552
(3) Serviced apartment	<ul style="list-style-type: none"> <li>• <b>The Tower Apartments at Oriental Plaza:</b> <i>2 serviced apartment towers (over 600 units)</i></li> </ul>	Beijing	81,603
(4) Hotels	<ul style="list-style-type: none"> <li>• <b>2 Hotels:</b> <ul style="list-style-type: none"> <li>➢ <b>Grand Hyatt Beijing at Oriental Plaza:</b> <i>5-star hotel (825 rooms)</i></li> <li>➢ <b>Sofitel Shenyang Lido:</b> <i>5-star hotel (590 rooms)</i></li> </ul> </li> </ul>	Beijing Shenyang	204,166 125,420 78,746
(5) Car parking spaces & other ancillary facilities	<ul style="list-style-type: none"> <li>• <b>1,901 car parking spaces at Oriental Plaza</b></li> </ul>	Beijing	140,289
<b>Total</b>			<b>865,805</b>



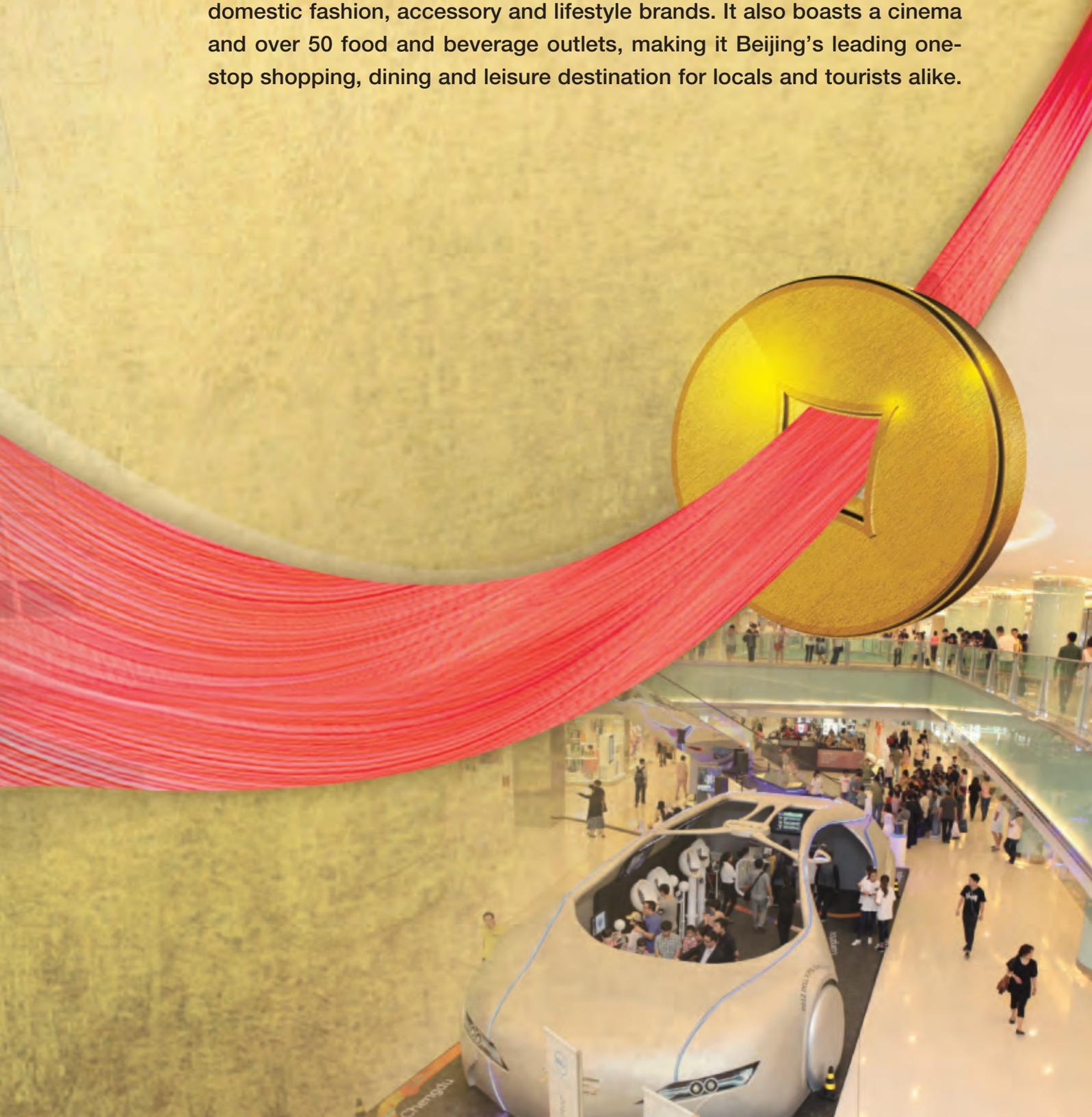
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1ST STREET

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# Retail Portfolio

## The Malls at Oriental Plaza

The Malls, a three-level shopping centre with a gross floor area of over 130,000 square metres, is home to over 280 top international and domestic fashion, accessory and lifestyle brands. It also boasts a cinema and over 50 food and beverage outlets, making it Beijing's leading one-stop shopping, dining and leisure destination for locals and tourists alike.



## OPERATIONS REVIEW

### (1) Retail Portfolio

Beijing's GDP amounted to RMB 1.8 trillion in 2012, or an average increase of 9% during the past five years. The GDP per capita increased to about US\$14,000 and has reached the level of middle- and high-income countries. Retail sales of social consumer goods in 2012 reached RMB 770 billion, twice that in 2007.

Demand for retail space was strong in 2012. Many international and domestic brands continued to invest and increase their presence in China, in particular, Beijing. They were keen to tap into the capital's 20 million population with rising purchasing power. Rents at the Wangfujing area, a popular shopping destination for both locals and tourists, continued to take the lead in the market.

Our retail portfolio includes a 130,000 square metre shopping centre — The Malls, which is part of the Oriental Plaza mixed-use complex in the Wangfujing area of Beijing. Leasing demand for The Malls remained strong as retailers continued to seek top quality retail space in prime locations with heavy footfall.

Net property income of our retail portfolio was RMB 746 million in 2012, accounting for 44.6% of the total net property income of Hui Xian REIT during the Reporting Period.

The average monthly passing rent grew 8.1% year-on-year to RMB 940 per square metre. The average occupancy rate for 2012 was 97.5%, mainly due to the tenant mix exercise and asset enhancement works during the Reporting Period. The level of occupancy recovered quickly and achieved 100% as at the end of 2012. Rental reversion was 25.8%.

The Malls continuously improves the shopping experience by refining the tenant mix and undertaking asset enhancement works. During 2012, a number of international brands, including Aigle, Antepima, Breguet, Chopard, Franck Muller, Marc by Marc Jacobs, Pandora and Puyi Optical opened new stores in The Malls. The 2,000 square metre supermarket became a QDA store, a new fast fashion brand. The world's largest Folli Follie flagship store was officially unveiled in The Malls in 2012.

Gross Revenue	RMB 959 million
Net Property Income	RMB 746 million
Average Occupancy Rate	97.5%
Average Monthly Passing Rent	RMB 940 per square metre
Average Monthly Spot Rent	RMB 1,007 per square metre

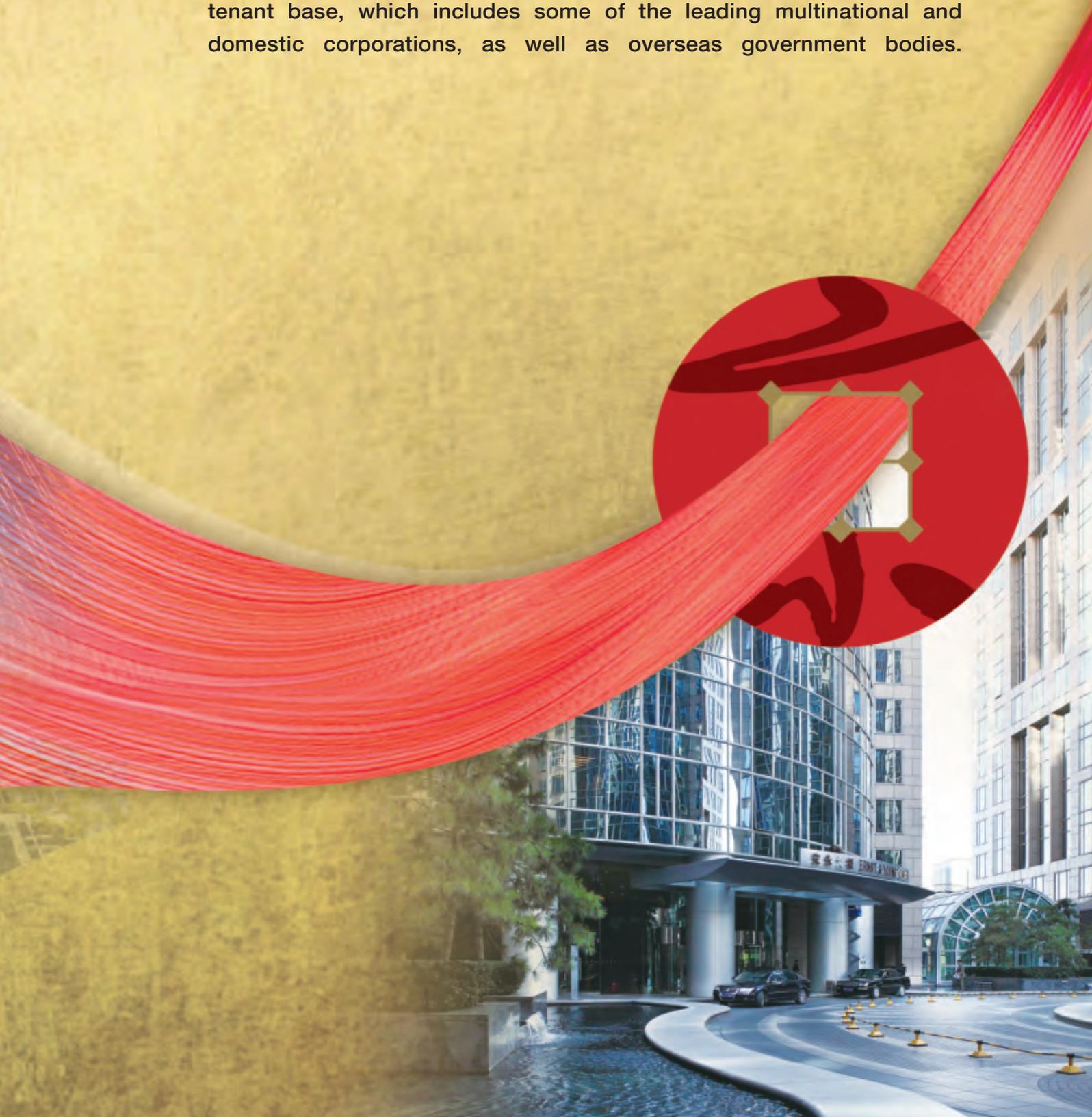




# Office Portfolio

## The Tower Offices at Oriental Plaza

The Tower Offices consists of eight towers offering over 309,000 square metres of Grade A office space. It has a strong and diversified tenant base, which includes some of the leading multinational and domestic corporations, as well as overseas government bodies.



**(2) Office Portfolio**

Beijing, the capital city, is the political and economic centre of China. The Beijing Grade A office market remained strong throughout the year, reflecting a combination of continued international and domestic demand and a limited supply of high quality office space.

Our office portfolio comprises eight buildings providing over 309,000 square metres of Grade A office space known as The Tower Offices at Oriental Plaza. Net property income of our office portfolio in 2012 was RMB 568 million, accounting for 34.0% of the total net property income of Hui Xian REIT.

Strong leasing momentum at The Tower Offices continued in 2012. The Tower Offices has a strong and diversified tenant base, which includes some of the leading multinational and domestic

companies. The average monthly passing rent surged 15.2% year-on-year to RMB 194 per square metre. The average monthly spot rent increased by 30.0% to RMB 314 per square metre. Strong rental reversion of 68.4% was achieved as many expired leases were entered during the global financial market turmoil in 2009.

Amid the uncertain global economic environment, some corporations became more conservative in their expansion plans towards the second half of 2012. We are confident in China's economic fundamentals and we believe that China, particularly Beijing, will continue to attract investments from both international and domestic companies.

Gross Revenue	RMB 785 million
Net Property Income	RMB 568 million
Average Occupancy Rate	93.5%
Average Monthly Passing Rent	RMB 194 per square metre
Average Monthly Spot Rent	RMB 314 per square metre

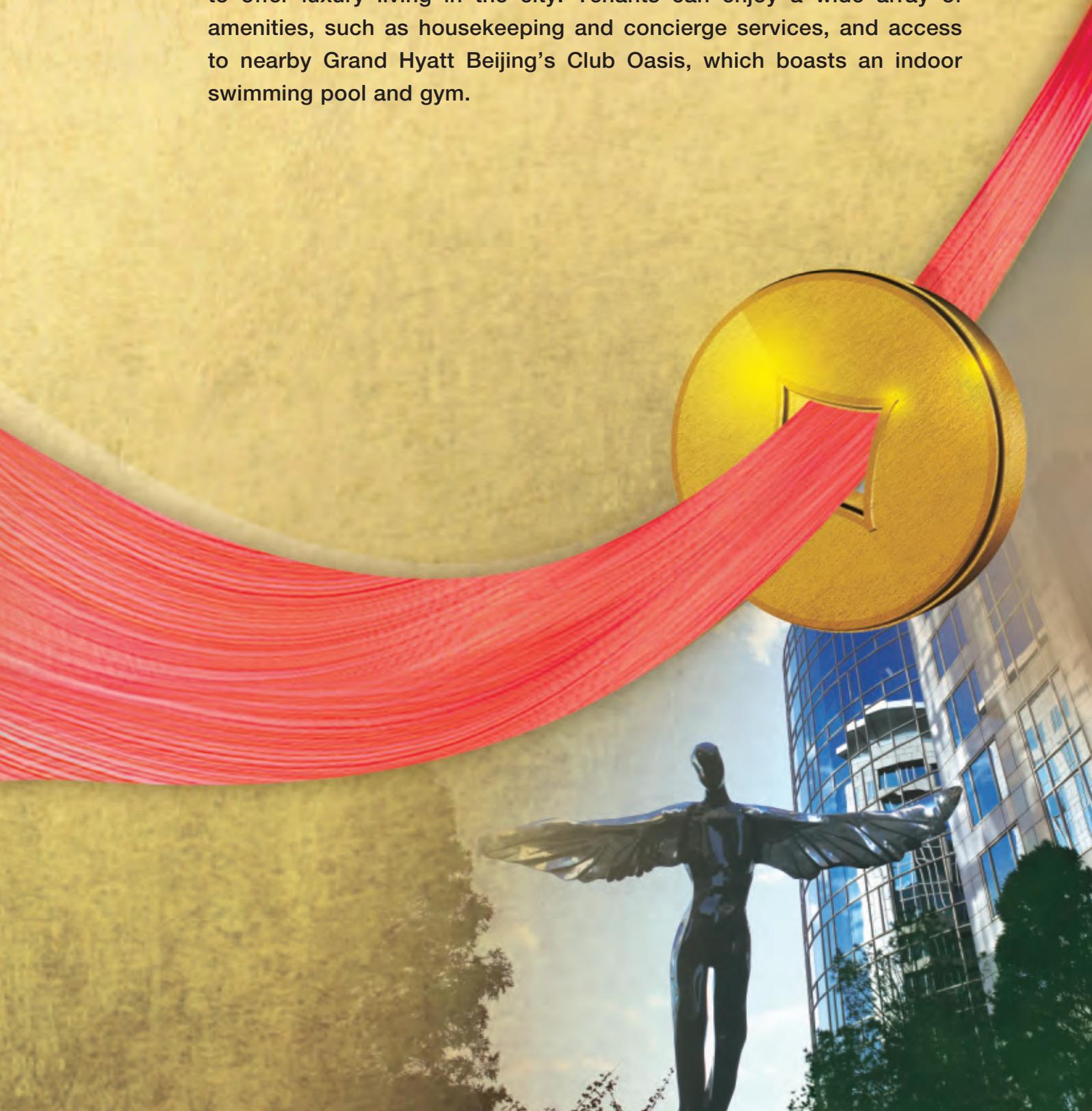




# Serviced Apartment Portfolio

## The Tower Apartments at Oriental Plaza

Comprising two blocks, The Tower Apartments features over 600 apartments of varying sizes, all fully furnished and elegantly appointed to offer luxury living in the city. Tenants can enjoy a wide array of amenities, such as housekeeping and concierge services, and access to nearby Grand Hyatt Beijing's Club Oasis, which boasts an indoor swimming pool and gym.



**(3) Serviced Apartment Portfolio**

There was a strong demand for luxury serviced apartments in Beijing due to the expansion plans and recruitment drives of both multinational and domestic companies, while the supply was also limited.

Our serviced apartment portfolio comprises The Tower Apartments at Oriental Plaza featuring over 600 fully-furnished serviced apartments in two towers. Net property income was RMB 60 million, contributing to 3.6% of the total net property income of Hui Xian REIT in 2012. The average occupancy rate during the Reporting Period was 87.0%.

Gross Revenue	RMB 129 million
Net Property Income	RMB 60 million
Average Occupancy Rate	87.0%





# Hotel Portfolio

- Grand Hyatt Beijing at Oriental Plaza
- Sofitel Shenyang Lido

The hotel portfolio consists of two five-star hotels: Grand Hyatt Beijing at Oriental Plaza and Sofitel Shenyang Lido (formerly known as Sheraton Shenyang Lido Hotel), providing a total of 1,415 rooms.

As an integral part of the Oriental Plaza complex, the award-winning Grand Hyatt Beijing has 825 rooms and suites, all beautifully appointed to offer discerning travellers the ultimate in luxury hotel accommodation.

Located in the business hub of Shenyang and just 20-minute drive away from Taoxian International Airport, the 590-room Sofitel Shenyang Lido is a popular choice for both business and leisure travellers.



**(4) Hotel Portfolio**

Our hotel portfolio consists of two five-star hotels: Grand Hyatt Beijing at Oriental Plaza and Sheraton Shenyang Lido Hotel, providing a total of 1,415 rooms. Net property income of the two hotels combined was RMB 297 million, accounting for 17.8% of the total net property income of Hui Xian REIT in 2012.

***Grand Hyatt Beijing, Beijing***

As an integral part of the Oriental Plaza complex, the 825-room Grand Hyatt Beijing's average room rate per night increased 5.7% year-on-year to RMB 1,840. Revenue per available room ("RevPAR") was RMB 1,148. The average occupancy rate for 2012 was 62.4%.

Grand Hyatt Beijing is well known for its catering services. During the Reporting Period, the catering revenue grew 10% year-on-year to RMB 70.3 million. 2012 also recorded the highest ever catering revenue results in May and June, surpassing the same period of previous operating years. Over 940 conferences and events were held in Grand Hyatt Beijing in 2012.

The asset enhancement programme to upgrade the hotel rooms has commenced in 2012. Renovation works will be carried out in stages over the next three years to ensure minimal guest disruption.

Starting from January 2013, transit tourists from 45 countries can enjoy a 72-hour visa-free stay in Beijing. This new policy is expected to attract more travellers to Beijing, thus is positive news to the hotel industry.

Beijing Capital International Airport was ranked as one of the world's busiest airports for three consecutive years. In 2012, the airport handled over 80 million passengers, and has almost reached its maximum handling capacity. To enable the city to keep up with the rapid growth in air traffic, the construction of another new airport which can handle 70 million passengers annually is expected to commence in 2014.



**Sheraton Shenyang Lido Hotel, Shenyang**

Since January 2012, the 590-room Sheraton Shenyang Lido Hotel has become a part of Hui Xian REIT's hotel portfolio. The average room rate per night increased 4.3% year-on-year to RMB 821, while RevPAR was RMB 522. The average occupancy rate for 2012 was 63.6%.

The management contract with Sheraton expired on 31 December 2012. France's Sofitel Luxury Hotels was appointed as the new hotel manager and the property was rebranded as Sofitel Shenyang Lido from 1 January 2013. A renovation programme will commence in 2013.

Shenyang, the capital of Liaoning province, is the largest economic, cultural, science and transportation hub in Northeastern China. The

city government projected that its GDP in 2012 would grow 11% year-on-year to RMB 670 billion, doubling the figure in 2007.

Shenyang will be the hosting city for the 12th National Games of the People's Republic of China in August 2013. The city is undergoing a robust infrastructure upgrade, including the expansion of its Taoxian International Airport, which is only 20-minute drive away from our hotel. More airline routes were launched between Shenyang and other cities in early 2013, including Singapore and Macau. All these developments are expected to boost tourism and drive demands for hotel rooms in Shenyang.

Gross Revenue	RMB 775 million
Net Property Income	RMB 297 million
<i>Grand Hyatt Beijing</i>	
• Average occupancy rate	• 62.4%
• Average room rate per night	• RMB 1,840
• RevPAR	• RMB 1,148
<i>Sheraton Shenyang Lido Hotel</i>	
• Average occupancy rate	• 63.6%
• Average room rate per night	• RMB 821
• RevPAR	• RMB 522

## FINANCIAL REVIEW

### Net Property Income

The net property income was RMB 1,671 million for the year ended 31 December 2012.

### Distributions

#### *Distribution Amount*

Hui Xian REIT will distribute a total of RMB 616 million (“2012 Final Distribution”) to Unitholders for the period from 1 July 2012 to 31 December 2012. The 2012 Final Distribution represents 100% of Hui Xian REIT’s total distributable income during the period from 1 July 2012 to 31 December 2012 and will be paid in RMB. A total of RMB 592 million (“2012 Interim Distribution”) has been distributed to Unitholders of Hui Xian REIT on 25 September 2012 for the period from 1 January 2012 to 30 June 2012. In total, Hui Xian REIT will distribute a total of RMB 1,208 million to Unitholders for the year ended 31 December 2012.

#### *Distribution per Unit*

The final distribution per Unit for the period from 1 July 2012 to 31 December 2012 is RMB 0.1214 based on the number of outstanding Units on 31 December 2012. Together with the interim distribution per Unit of RMB 0.1178, Hui Xian REIT provides a total distribution per Unit for the year ended 31 December 2012 of RMB 0.2392. This represents a distribution yield of 5.76% based on the closing unit price of RMB 4.15 on 31 December 2012.

#### *Closure of Register of Unitholders*

The record date for the 2012 Final Distribution will be 20 March 2013, Wednesday (“Record Date”). The Register of Unitholders will be closed from 18 March 2013, Monday to 20 March 2013, Wednesday, both days inclusive, during which period no transfer of Units will be effected. The final distribution is expected to be payable on 9 May 2013, Thursday to Unitholders whose names appear on the Register of Unitholders on the Record Date.

Subject to obtaining authorisation from the SFC, a distribution reinvestment arrangement will be made available to Unitholders under which eligible Unitholders will be entitled to have a scrip distribution in lieu of a cash distribution. Eligible Unitholders can elect to receive their distribution in the form of cash, in the form of new Units of Hui Xian REIT, (subject to any fractional entitlement being disregarded), or a combination of both.

In order to qualify for the 2012 Final Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 March 2013, Friday.

### Debt Positions

In January 2012, Hui Xian Investment Limited (“Hui Xian Investment”), a special purpose vehicle wholly-owned by Hui Xian REIT, drew down an unsecured 3-year term loan of HK\$1,200 million offered by The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and DBS Bank Ltd., Hong Kong Branch (the “New Facility”). The purpose of the New Facility was to finance the general corporate needs of the Hui Xian REIT group.

As at 31 December 2012, the outstanding loans drew down by Hui Xian Investment under a revolving credit facility arrangement with Hui Xian Holdings Limited amounted to RMB 1,005 million (31 December 2011: RMB 201.5 million) for the purpose of filling up the timing gap between dividend distributions.

All facilities under Hui Xian REIT are unsecured and unsubordinated and rank pari passu with all other unsecured and unsubordinated obligations of Hui Xian Investment.

Based on Hui Xian REIT’s net assets attributable to Unitholders of RMB 27,914 million as at 31 December 2012 (31 December 2011: RMB 25,972 million), Hui Xian REIT’s debts to net asset value ratio stood at 7.0% (31 December 2011: 0.8%). Meanwhile, the debts to gross asset value ratio was 5.0% as at 31 December 2012 (31 December 2011: 0.6%).

### Bank Balances and Asset Positions

As at 31 December 2012, Hui Xian REIT’s bank balances and cash amounted to RMB 2,063 million (31 December 2011: RMB 883 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed. Hui Xian REIT is indirectly interested in a 130,195 square metre shopping mall, eight blocks of Grade A office, two blocks of serviced apartments towers and an 825-room 5-star hotel in a 787,059 square metre building complex at 1 Chang’an Avenue, Beijing, PRC which are collectively named as Oriental Plaza. Hui Xian REIT’s interests in Oriental Plaza are held through its special purpose vehicle, Hui Xian Investment, which is the foreign joint venture partner of BOP. BOP holds the land use rights and building ownership rights of Oriental Plaza.

American Appraisal China Limited (“American Appraisal”), Hui Xian REIT’s principal valuer, valued the eight blocks of office towers, the shopping mall and car parking spaces at RMB 29,660 million as at 31 December 2012 (31 December 2011: RMB 26,860 million), translating into an increase of 10.4% over the valuation as of 31 December 2011. Together with the hotel and serviced apartment premises, gross property value of BOP was RMB 35,577 million as at 31 December 2012, as compared to RMB 32,965 million as at 31 December 2011.

On 1 January 2012, Hui Xian REIT completed its acquisition of all issued shares of Shenyang Investment BVI, which in turn indirectly owns 70% of the entitlement in the distributions of Shenyang Lido, owner of Sofitel Shenyang Lido (formerly Sheraton Shenyang Lido Hotel). Standing on the famous Qingnian Street, the 30-storey 78,746 square metre Sofitel Shenyang Lido is located in the heart of the newly established Central Business District in southern Shenyang.

American Appraisal valued the hotel premises of Shenyang Lido at RMB 1,620 million as at 31 December 2012 (1 January 2012: RMB 1,670 million). Gross property value of hotel premises as at 31 December 2012 was RMB 1,580 million.

**Net Assets Attributable to Unitholders**

As at 31 December 2012, net assets attributable to Unitholders amounted to RMB 27,914 million (31 December 2011: RMB 25,972 million) or RMB 5.4988 per Unit, representing a 32.5% premium to the closing unit price of RMB 4.15 as at 31 December 2012 (31 December 2011: RMB 5.1845 per Unit, representing a 45.6% premium to the closing unit price of RMB 3.56 as at 31 December 2011).

**Pledge of Assets**

Hui Xian REIT does not pledge its properties to any financial institutions or banks. The Trustee (as trustee of Hui Xian REIT) and certain special purpose vehicles of Hui Xian REIT provide guarantees for the New Facility of HK\$1,200 million.

**Commitments**

As at 31 December 2012, except for capital commitment in respect of the asset enhancement programme for the hotels, Hui Xian REIT did not have any significant commitments.

**Employees**

As at 31 December 2012, BOP, by itself and through its branch, employed a total of approximately 160 employees in the PRC, of which approximately 70 employees performed hotel operation functions and services, and approximately 90 employees handled legal, regulatory and other administrative matters and carried out and provided commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

As at 31 December 2012, Shenyang Lido by itself and through its branch employed a total of approximately 470 employees in the PRC.

Save as disclosed above, Hui Xian REIT is managed by the Manager and did not directly employ any staff as at 31 December 2012.

**Real Estate Sale and Purchase**

On 1 January 2012, the Trustee (as trustee of Hui Xian REIT) completed the acquisition of Shenyang Investment BVI at a consideration of RMB 980 million.

**TOP 5 CONTRACTORS**

Contractors	Nature of services	Value of contract (RMB'000)	Percentage
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	Property management	32,708	8.1%
Hyatt of China Limited	Management services	23,110	5.7%
北京清水百工人力資源管理諮詢服務有限公司	Integrated services	17,696	4.4%
北京金正東人力資源顧問有限公司	Integrated services	15,427	3.8%
中國國際技術智力合作公司	Integrated services	15,118	3.7%
		104,059	25.7%

**TOP 5 REAL ESTATE AGENTS**

Real estate agents	Nature of services	Commission paid (RMB'000)	Percentage
上海司澎投資管理有限公司	Leasing	1,384	5.0%
北京仲量聯行物業管理服務有限公司	Leasing	804	2.9%
北京中原房地產經紀有限公司	Leasing	624	2.3%
北京世邦魏理仕物業管理服務有限公司	Leasing	568	2.1%
北京紐森秋勵房地產經紀有限公司	Leasing	475	1.7%
		3,855	14.0%

\* The English name is shown for identification purpose only.

## **CORPORATE GOVERNANCE**

The Manager was established for the purpose of managing Hui Xian REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasise a quality board of directors, sound internal control, transparency and accountability to all Unitholders. The Manager has adopted a compliance manual (the “Compliance Manual”) for use in relation to the management and operation of Hui Xian REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be implemented and applied for compliance with all applicable regulations and legislation. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Hui Xian REIT.

### **Authorisation Structure**

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and regulated by the provisions of the Code on Real Estate Investment Trusts published by the SFC (the “REIT Code”). The Manager has been licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this report, Mr. CHEUNG Ling Fung, Tom (the Chief Executive Officer and Executive Director of the Manager), Mr. LEE Chi Kin Casey (Executive Director and Chief Investment Officer of the Manager), Mr. HUI Tung Keung, Tommy (the Chief Operating Officer of the Manager) and Ms. LAI Wai Yin, Agnes (the Chief Financial Officer of the Manager) are the responsible officers of the Manager pursuant to the requirements under sections 125 and 126 of the SFO and 5.4 of the REIT Code (“Responsible Officers”).

DB Trustees (Hong Kong) Limited is registered as a trust company under Section 77 of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong). DB Trustees (Hong Kong) Limited is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

### **Roles of the Trustee and the Manager**

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Hui Xian REIT on behalf of the Unitholders.

The Manager’s role under the Trust Deed is to manage Hui Xian REIT in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfil the duties imposed on it under general law as the manager of Hui Xian REIT and, in particular, to ensure that the financial and economic aspects of Hui Xian REIT’s assets are professionally managed in the sole interests of the Unitholders.

### **Board of Directors of the Manager**

The board of directors of the Manager (the “Board”) currently comprises nine members, three of whom are Independent Non-executive Directors (“INEDs”).

The Board principally oversees the day-to-day management of the Manager’s affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board exercises its general powers within the limits defined by the articles of association of the Manager, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board also reviews major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

### **Board Composition**

Pursuant to the Manager's corporate governance policy, INEDs must be individuals who fulfil the independence criteria set out in the Compliance Manual.

The composition of the Board is determined using the following principles:

- (1) the Chairman of the Board should be a Non-executive Director;
- (2) the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
- (3) at least one-third of the Board should comprise INEDs, with a minimum of three INEDs (which, based on the current composition of the Board, will require the Manager to have at least three INEDs).

The positions of Chairman and the Chief Executive Officer are held by two separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. The Chief Executive Officer is responsible for the day-to-day management of the Manager and Hui Xian REIT. He executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Hui Xian REIT's business via management reports.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

### **Changes in Members of the Board**

The changes in members of the Board during 2012 were as follows:

1. Mr. CHU Stephen Henry resigned as an Executive Director, the Chief Executive Officer and ceased to be a Responsible Officer of the Manager with effect from 1 July 2012.
2. Mr. CHEUNG Ling Fung, Tom (who acted as the Chief Operating Officer and a Responsible Officer of the Manager) was appointed as an Executive Director and the Chief Executive Officer of the Manager with effect from 1 July 2012.
3. Mr. PANG Shuen Wai, Nichols resigned as an Executive Director, the Chief Financial Officer, ceased to be a Responsible Officer of the Manager and was appointed as an alternate Director to Mr. YIN Ke, a Non-executive Director of the Manager, with effect from 1 October 2012.
4. Mr. LEE Chi Kin, Casey (who acted as the Chief Investment Officer and a Responsible Officer of the Manager) was appointed as an Executive Director of the Manager with effect from 1 October 2012.

Five full Board meetings of the Manager were held in 2012 and the attendance record of these full Board meetings is as follows:

Members of the Board	Attendance
<b>Chairman and Non-executive Director</b>	
KAM Hing Lam	5/5
<b>Executive Directors</b>	
CHEUNG Ling Fung, Tom ( <i>Chief Executive Officer</i> ) (appointed on 1 July 2012)	3/3
LEE Chi Kin, Casey (appointed on 1 October 2012)	1/1
CHU Stephen Henry (resigned on 1 July 2012)	2/2
PANG Shuen Wai, Nichols (resigned on 1 October 2012)	4/4
<b>Non-executive Directors</b>	
IP Tak Chuen, Edmond	5/5
LIM Hwee Chiang	4/5
YIN Ke	2/5
<b>Independent Non-executive Directors</b>	
CHENG Hoi Chuen, Vincent	5/5
LEE Chak Fan	5/5
CHOI Koon Shum, Jonathan	4/5
<b>Alternate Director to YIN Ke</b>	
PANG Shuen Wai, Nichols (appointed on 1 October 2012)	N/A

Pursuant to the corporate governance policy adopted by the Manager, the INEDs must fulfil the independence criteria set out in the Compliance Manual. The Manager has received written annual confirmation from each INED of his independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual.

#### Appointment and Removal of Directors

The appointment and removal of Directors (including Responsible Officers) is a matter for the Board and the shareholders of the Manager to determine in accordance with the Compliance Manual, the articles of association of the Manager and the applicable law. As the Manager is licensed by the SFC under Part V of the SFO, the appointment and removal of any of its Executive Directors and the Non-executive Directors (including the Independent Non-executive Directors) and the removal of a Responsible Officer must be notified to the SFC and the appointment of a Responsible Officer requires the prior approval of the SFC.

#### Internal Controls

The Manager has an internal audit function in place to provide an independent assessment of the Manager's internal control systems and operational functions and review of their effectiveness. The Internal Auditor prepares an audit plan using a risk based methodology in consultation with, but independent of, the management for review by the Audit Committee. The audit review focuses on operational and compliance controls of Hui Xian REIT and effective implementation of the internal control systems and compliance procedures.

The Board, through the Audit Committee, conducts reviews on the effectiveness of internal control system of Hui Xian REIT, which shall cover all material controls including financial, operational and compliance controls, risk management functions, the adequacy of resources, qualifications and experience of the Manager's staff who carry out Hui Xian REIT's accounting and financial reporting function, and their training programmes and budget.

### Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

### Audit Committee

The Audit Committee of the Manager is appointed by the Board from among its members who are Non-executive Directors. A majority of the members of the Audit Committee are INEDs and at least one member of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee are Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan, all of whom are INEDs, and Mr. IP Tak Chuen, Edmond and Mr. YIN Ke, who are Non-executive Directors. Mr. CHENG Hoi Chuen, Vincent is the Chairman of the Audit Committee.

The Audit Committee is responsible for establishing and maintaining an adequate internal control structure and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of an effective system of internal control and risk management, in respect of both the Manager and Hui Xian REIT.

The Audit Committee's responsibilities also include:

- (1) reviewing dealings of the Manager and the Directors on a half-yearly basis;
- (2) making recommendations for appointment and reappointment as Directors to, and, where appropriate, proposing Directors for removal from the full Board;
- (3) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to supply non-audit services;
- (4) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;
- (5) assisting the Board in its monitoring of the Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- (6) periodically reviewing and monitoring all connected party transactions and related party transactions; and
- (7) reviewing the Manager and Hui Xian REIT's compliance with legal and regulatory requirements on a regular basis.

The Audit Committee held two meetings during 2012 for considering and reviewing the 2011 annual results, 2012 interim results and other internal controls, risk management and compliance matters of Hui Xian REIT. The attendance record of these Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
CHENG Hoi Chuen, Vincent ( <i>Chairman</i> )	2/2
LEE Chak Fan	2/2
CHOI Koon Shum, Jonathan	1/2
IP Tak Chuen, Edmond	2/2
YIN Ke	—

### Disclosures Committee

The Disclosures Committee of the Manager comprises the Chief Executive Officer and two Non-executive Directors, one of whom is an INED. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the disclosure of information is accurate, complete and not misleading. As at the date of this report, the members of the Disclosures Committee are Mr. CHEUNG Ling Fung, Tom, Mr. IP Tak Chuen, Edmond and Professor LEE Chack Fan. Mr. CHEUNG Ling Fung, Tom is the Chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of conflict of interests;
- (2) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Hui Xian REIT to the public and applicable regulatory agencies;
- (3) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Hui Xian REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable;
- (4) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;
- (5) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- (6) reviewing correspondence containing financial information disseminated to Unitholders.

The Disclosures Committee held two meetings during 2012 for considering and reviewing results announcements, interim and annual reports and other corporate disclosure issues of Hui Xian REIT. The attendance record of these Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
CHEUNG Ling Fung, Tom ( <i>Chairman</i> ) (appointed on 1 July 2012)	1/1
IP Tak Chuen, Edmond	2/2
LEE Chak Fan	2/2
CHU Stephen Henry (ceased to be a member on 1 July 2012)	1/1

#### Designated (Finance) Committee

The Designated (Finance) Committee comprises the Chief Executive Officer and two Non-executive Directors, one of whom is an INED. The role of the Designated (Finance) Committee is to review matters relating to hedging strategies, financing and re-financing arrangements, and transactions involving derivative instruments for hedging purposes. As at the date of this report, the members of the Designated (Finance) Committee are Mr. YIN Ke, Mr. CHEUNG Ling Fung, Tom and Dr. CHOI Koon Shum, Jonathan. Mr. YIN Ke is the Chairman of the Designated (Finance) Committee.

The Designated (Finance) Committee's responsibilities include reviewing, considering, and deciding or recommending to the Board (as the case may be), based on recommendation papers prepared by the management, on matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes.

The Designated (Finance) Committee did not hold any meeting in 2012.

#### Management of Business Risk

The Board meets quarterly or more often if necessary and reviews the financial performance of Hui Xian REIT. The Board has reviewed any risks to the assets of Hui Xian REIT, examined liability management and will act upon any comments from the auditors of Hui Xian REIT (where appropriate).

The Manager has appointed experienced and well-qualified management team to handle the day-to-day operations of the Manager and Hui Xian REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving any major transactions.

#### Conflicts of Interests

The Manager is owned by the groups of Cheung Kong (Holdings) Limited ("Cheung Kong"), ARA Asset Management Limited ("ARA") and CITIC Securities International Company Limited ("CITIC Securities International") as to 30%, 30% and 40% respectively. Cheung Kong has an indirect interest of approximately 13.87% in the shares of ARA as at 31 December 2012. Further, Cheung Kong indirectly holds units in both Fortune Real Estate Investment Trust ("Fortune REIT") and Prosperity Real Estate Investment Trust ("Prosperity REIT") which are managed by wholly-owned subsidiaries of ARA.

As the Manager understands:

- (a) Cheung Kong and its subsidiaries (“Cheung Kong Group”) engage in developing high-quality and large scale properties for sale and investment in the retail, office, serviced apartments and hotel sectors in the PRC and elsewhere;
- (b) ARA, its subsidiaries and associated companies (“ARA Group”) are engaged in the management of publicly-listed real estate investment trusts (“REITs”), including Prosperity REIT and Fortune REIT and private real estate funds investing in Asia, including the PRC; and
- (c) the principal activities of CITIC Securities International, its holding company and their respective subsidiaries (“CITIC Securities Group”) include securities and futures trading, underwriting and sponsoring, proprietary trading, asset management, securities investment advisory services, financial advisory, research and fixed income services.

There may be circumstances where Hui Xian REIT (on the one hand), and the Cheung Kong Group, Fortune REIT, Prosperity REIT and other publicly-listed REITs and private real estate funds managed by ARA Group (on the other hand) may compete with each other for property acquisition and leasing opportunities. Hui Xian REIT (on the one hand), the Cheung Kong Group, Fortune REIT, Prosperity REIT and other publicly-listed REITs and private real estate funds managed by ARA (on the other hand) may also acquire properties or other assets from each other or may enter into other transactions with each other in the future. In particular, conflicts of interests may arise in connection with the aforesaid potential acquisitions, leasing opportunities and transactions and in agreeing the terms of such potential acquisitions, leasing opportunities and transactions. Although Hui Xian REIT and CITIC Securities Group are engaged in different businesses, there is no assurance that conflicts of interests will not arise between Hui Xian REIT, the Manager and CITIC Securities Group. In particular, should there be any transactions between Hui Xian REIT and CITIC Securities Group, conflicts of interests may arise in agreeing the terms of such transactions.

The Manager may also experience conflicts of interests as a result of other roles of its Board members. Mr. KAM Hing Lam and Mr. IP Tak Chuen, Edmond, and some of the senior executives of the Manager, are also directors and/or senior executives of the Cheung Kong Group and/or its affiliated companies. Mr. IP Tak Chuen, Edmond is also a Non-executive Director of ARA and a Non-executive Director of the manager of Fortune REIT. Mr. LIM Hwee Chiang is a substantial shareholder and Director of ARA and a Director of the managers of Prosperity REIT and Fortune REIT. Mr. YIN Ke is a Director and senior executive of certain members of CITIC Securities Group. As such, each of Mr. KAM, Mr. IP, Mr. LIM and Mr. YIN may have conflicting duties between his directorship in Hui Xian REIT and his other directorships.

To assist in addressing and managing conflicts of interest relating to Hui Xian REIT, the following measures are or will be taken:

- (1) unless with the approval from the SFC, the Manager will not manage any REIT other than Hui Xian REIT nor manage any real estate assets other than those in which Hui Xian REIT has an ownership interest or investment;

- (2) the Manager has established internal control systems to ensure that connected party transactions between Hui Xian REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest situation that may arise are monitored;
- (3) all conflicts of interests are and will be required to be managed by the full Board, including the INEDs; and
- (4) a Director who has material interests in a matter which is the subject of a resolution proposed at a Board meeting of the Manager is required to abstain from voting on the resolution concerned and not to be counted in the quorum at the Board meeting at which such resolution is proposed.

The Manager confirms that it is capable of performing, and shall continue to perform, its duties for Hui Xian REIT independent of the related business of the Cheung Kong Group, ARA Group and CITIC Securities Group, and of Fortune REIT, Prosperity REIT and other REITs and private real estate funds managed by the ARA Group and in the best interests of Hui Xian REIT and the Unitholders.

#### **Communication with Unitholders**

The Manager considers that effective communication with Unitholders is essential for enhancing investor relations and investor's understanding of Hui Xian REIT's business performance and strategies. The Manager also recognises the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make the best investment decisions.

The general meetings of Unitholders provide a forum for communication between the Board and the Unitholders. Hui Xian REIT was listed on the Hong Kong Stock Exchange on 29 April 2011 and held its first annual general meeting of Unitholders on 22 May 2012. All the Directors of the Manager (except one director who was unable to attend due to his business commitment) were present at the first annual general meeting.

Hui Xian REIT maintains a website at [www.huixianreit.com](http://www.huixianreit.com) where updated information on Hui Xian REIT's business operations and developments, financial information and other information are posted. The Manager has been actively participating in regular press conferences and meetings with investors and analysts in order to update the interested parties on the performance of Hui Xian REIT.

#### **Reporting and Transparency**

Hui Xian REIT prepares its accounts in accordance with Hong Kong Financial Reporting Standards promulgated by the Hong Kong Institute of Certified Public Accountants (as amended, supplemented or otherwise modified for the time being) with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual reports and interim reports for Hui Xian REIT are published and sent to Unitholders within four months of the end of each financial year and within two months of the end of each financial half-year end.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Hui Xian REIT will be made on a timely basis in order to keep Unitholders apprised of the position of Hui Xian REIT. Announcements will be made by publishing them on the website of Hong Kong Exchanges and Clearing Limited and the website of Hui Xian REIT.

The Manager will also issue circulars to the Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Unitholders' approval or circulars in respect of material information in relation to Hui Xian REIT, in accordance with the Trust Deed.

#### **Directors' Responsibility for Financial Statements**

The Directors acknowledge their responsibility for preparation of a true and fair presentation of the financial statements for the year ended 31 December 2012.

The statement of the auditor of Hui Xian REIT about its reporting responsibilities with respect to the financial statements is set out in the Independent Auditor's Report.

#### **Issues of Further Units Post-Listing**

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

#### **Code governing dealings in Units by Directors, or the Manager and interests of the significant holders of Units**

To monitor and supervise any dealings of Units, the Manager has adopted a code ("Units Dealing Code") containing rules on dealings by the Directors equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules"). Pursuant to the Units Dealing Code, all Directors, senior executives, officers and other employees of the Manager, subsidiaries of the Manager or the special purpose vehicles who, because of his/her office or employment in the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles, are likely to be in possession of unpublished price sensitive information in relation to the securities of Hui Xian REIT ("Management Persons") wishing to deal in the Units must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions applied to the securities of Hui Xian REIT.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules as if applicable to Hui Xian REIT or any connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Management Persons who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Management Persons who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Hui Xian REIT's securities for a similar period.

A Management Person must not deal in any of the Units on any day on which Hui Xian REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the annual results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the relevant results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the Units Dealing Code.

The Manager is subject to the same dealing requirements as the Directors (*mutatis mutandis*).

Specific enquiry has been made with the Directors and the Management Person, all of them confirmed that they have complied with the required standard set out in the Units Dealing Code during the year ended 31 December 2012.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Directors and chief executive of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange and the Manager of their holdings in Hui Xian REIT. The Manager keeps a register for these purposes and it records in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager.

#### **Matters to be Decided by Unitholders by Special Resolution**

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, without limitation: (a) change in the Manager's investment policies or strategies for Hui Xian REIT; (b) disposal of any land or an interest, option or right over any of the land forming part of the assets of Hui Xian REIT or shares in any company holding such land, option or right over any of the land for Hui Xian REIT within two years of the acquisition of such land; (c) any increase in the rate of the base fee above the permitted limit or any change in the structure of the base fee; (d) any increase in the variable fee payable to the Manager above the rate stated in the Trust Deed or any change in the structure of the variable fee; (e) any increase in the acquisition fee above the permitted limit or any change in the structure of the acquisition fee; (f) any increase in the divestment fee above the permitted limit or any change in the structure of the divestment fee; (g) any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee; (h) amendment, variation, modification, alteration or addition to the provisions of the Trust Deed; (i) termination of Hui Xian REIT; and (j) merger of Hui Xian REIT. Unitholders may also, by way of special resolution, (i) remove Hui Xian REIT's auditors and appoint other auditors or (ii) remove the Trustee.

Any decisions to be made by resolution of Unitholders other than the above shall be made by ordinary resolution, unless a special resolution is required by the REIT Code. Such matters requiring approval by way of ordinary resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the listing date which would increase the market capitalisation of Hui Xian REIT by more than 50%; (c) any issue of the Units during any financial year that would increase the total number of Units from the number of Units that were

outstanding at the end of the previous financial year by more than 20% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) an issue of new Units to a connected person (other than as part of an offer made to all Unitholders on a pro rata basis) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed, an issue of Units in respect of reinvestment of distribution to Unitholders, or a rights issue; and (e) the election by the Manager for the acquisition fee or the divestment fee, which is to be paid to the Manager in the form of cash, to be paid in the form of the Units or partly in cash and partly in the form of the Units. The appointment of a new manager of Hui Xian REIT by the Trustee upon the dismissal or retirement of the Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an ordinary resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of ordinary resolution, dismiss the Manager and any principal valuer appointed by the Trustee on behalf of Hui Xian REIT in accordance with the Trust Deed.

#### **Change of Director's Information**

Updated information on the Manager's directors are set out in the section on Directors' Biographical Information. Save as disclosed therein, there is no change in the information of the Directors since the last published interim report.

#### **Compliance with the Compliance Manual**

During the year ended 31 December 2012, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the Compliance Manual.

#### **Review of Annual Report**

The annual report of Hui Xian REIT for the year ended 31 December 2012 has been reviewed by the Audit Committee and the Disclosures Committee.

#### **New Units Issued**

Other than the issue of (i) an aggregate of 26,271,988 new Units to the Manager as payment of part of manager's fees; and (ii) an aggregate of 40,622,170 new Units under two occasions of distribution reinvestment arrangement, there were no new Units of the Hui Xian REIT issued during 2012.

#### **Purchase, Sale or Redemption of Units**

During 2012, there was no repurchase, sale or redemption of the Units of Hui Xian REIT by the Manager on behalf of Hui Xian REIT or any of the special purpose vehicles that are owned and controlled by Hui Xian REIT.

#### **Public Float of the Units**

As far as the Manager is aware, more than 25% of the issued and outstanding Units of Hui Xian REIT were held in public hands as at 31 December 2012.

# CONNECTED PARTY TRANSACTIONS

## CONNECTED PARTY TRANSACTIONS

Set out below is a summary information in respect of connected party transactions during the year ended 31 December 2012 involving Hui Xian REIT and its connected persons as defined in 8.1 of the REIT Code, which are governed by Chapter 8 of the REIT Code based on the best knowledge of the Manager (other than those connected transactions which are exempt from disclosure in this annual report pursuant to the waiver(s) granted by the SFC):

### Waivers from Strict Compliance

Waivers from strict compliance with the disclosure and Unitholder's approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions between Hui Xian REIT and its connected persons were granted by the SFC before the listing of Hui Xian REIT, and subsequently, some of such waivers were modified and/or extended. Such waivers, as modified and extended ("the Waivers"), have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that transactions should be entered into on normal commercial terms (to the extent that there are sufficient comparable transactions), and be reviewed by the auditor of Hui Xian REIT and the Independent Non-executive Directors of the Manager or the Audit Committee of the Manager and (in respect of certain types of transactions) the transaction amounts should be within the specified annual caps (the "Waiver Conditions"). During the year ended 31 December 2012, Hui Xian REIT has complied with the applicable Waiver Conditions.

### Connected Party Transactions – Income

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income during the year ended 31 December 2012:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2012 RMB'000
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	4,313
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	497
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	2,307
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	3,202
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,076
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,321

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2012 RMB'000
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	19,330
Cheung Kong (Holdings) Limited Beijing Office	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	67
北京尚乘財策諮詢有限公司 (AMTD Beijing Investment Advisory Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,293
TOM Group International Limited Beijing Representative Office	Associate of a director of a significant holder <sup>2</sup>	Leasing and licensing transaction	378
李嘉誠基金會 (香港) 北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office)*	Associate of a director of a significant holder <sup>3</sup>	Leasing and licensing transaction	395
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	Subsidiary of the Manager	Leasing and licensing transaction	240
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment & Consulting Co., Ltd.)*	Associate of an officer of the Manager <sup>4</sup>	Leasing and licensing transaction	21
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	19,820
東方海外貨櫃航運(中國)有限公司 北京分公司 (Orient Overseas Container Line (China) Co., Ltd. Beijing Branch)*	Subsidiary of a controlling entity of a significant holder <sup>5</sup>	Leasing and licensing transaction	462
東方海外物流(中國)有限公司 北京分公司 (OOCL Logistics (China) Ltd. Beijing Branch)*	Subsidiary of a controlling entity of a significant holder <sup>5</sup>	Leasing and licensing transaction	525
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Interest income on deposits	19,382
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest income on deposits	247
<b>Total</b>			<b>74,876</b>

## CONNECTED PARTY TRANSACTIONS

### Notes:

- 1 Significant holders being Hui Xian (Cayman Islands) Limited ("HX Cayman") and Hui Xian Holdings Limited ("Hui Xian Holdings").
- 2 The connected person concerned is an associate of Mr. IP Tak Chuen, Edmond, being a director of each of HX Cayman and Hui Xian Holdings.
- 3 The connected person concerned is an associate of Mr. LI Tzar Kuoi, Victor, who was a director of each of HX Cayman and Hui Xian Holdings but resigned from such office with effect from 3 September 2012.
- 4 The connected person concerned is an associate of Mr. WONG K, James, who was the Deputy Chief Operating Officer of the Manager but resigned from such office with effect from 9 July 2012.
- 5 The connected person concerned is a subsidiary of a controlling entity of HX Cayman and Hui Xian Holdings.

The terms "associate", "associated company", "controlling entity" and "significant holder" have the same meanings as they are defined under the REIT Code.

\* The English name is shown for identification purpose only.

### Connected Party Transactions – Expenses

The following table sets out information on connected party transactions in which Hui Xian REIT incurred its expenses during the year ended 31 December 2012:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the year ended 31 December 2012 RMB'000
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	Associated company of a significant holder <sup>1</sup>	Property management fee	4,993
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	Associated company of a significant holder <sup>1</sup>	Property management fee	7,596
麗都飯店有限公司 (Lido Hotel Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Club facilities usage fee	24
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Internet services fee	3,594
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	Associated company of a significant holder <sup>1</sup>	Promotional expenses	25
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch)*	Associated company of a significant holder <sup>1</sup>	Insurance expenses	500
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch)*	Associated company of a significant holder <sup>1</sup>	Insurance expenses	1,749

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the
			year ended 31 December 2012 RMB'000
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest expenses on loan	10,022
Hui Xian Holdings Limited	Significant holder <sup>1</sup>	Interest expenses on loan	30,447
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	Subsidiary of the Manager	Property manager's fee	32,708
屈臣氏酒窖 (廣州) 有限公司 (Watson's Wine Cellar (Guangzhou) Company Limited)*	Associated company of a significant holder <sup>1</sup>	Beverages	11
北京屈臣氏蒸餾水有限公司 (Beijing Watson's Distilled Water Co., Ltd.)*	Associated company of a significant holder <sup>1</sup>	Beverages	180
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited)*	Associated company of a significant holder <sup>1</sup>	Cleaning supplies	698
Hutchison Hotel Hong Kong Limited	Associated company of a significant holder <sup>1</sup>	Banquet services	52
<b>Total</b>			<b>92,599</b>

Note:

1 Significant holders being HX Cayman and Hui Xian Holdings.

\* The English name is shown for identification purpose only.

### CONFIRMATION BY THE INEDs

The INEDs have confirmed that they have reviewed the terms of all the relevant connected party transactions conducted during the year ended 31 December 2012 and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and (where applicable) the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the unitholders of Hui Xian REIT as a whole.

## **REPORT FROM THE AUDITOR OF HUI XIAN REIT**

Messrs. Deloitte Touche Tohmatsu, auditor of Hui Xian REIT, was engaged to report on Hui Xian REIT's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing and licensing transactions, property management arrangements, third party services, insurance transactions and other operational transactions and transactions involving ordinary banking and financial services disclosed by Hui Xian REIT from pages 42 to 46 of the 2012 Annual Report in accordance with the relevant waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of auditor's letter will be provided by Hui Xian REIT to the SFC.

## **TERMS AND REMUNERATION OF SERVICES PROVIDED BY THE MANAGER AND THE TRUSTEE**

Pursuant to note 2 to 8.10 of the REIT Code, services provided by the Manager, the Trustee and the principal valuer to Hui Xian REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections. During the year ended 31 December 2012, the aggregate amount of fees (cash and/or units) payable by Hui Xian REIT to the Trustee and to the Manager under the Trust Deed were RMB4 million and RMB156 million respectively. Particulars of services provided by the Trustee and the Manager for the year ended 31 December 2012 are set out in notes 1(b) and 1(c) respectively of the Notes to the Consolidated Financial Statements on pages 107 and 108 of this report. The fees payable to the principal valuer of Hui Xian REIT during the year ended 31 December 2012 was less than RMB1 million and thus no disclosure was required in this annual report.

## DISCLOSURE OF INTERESTS

### Holdings of Significant Holders and Other Unitholders

As at 31 December 2012, each of the following persons was considered as a “significant holder” of Units and hence a “connected person” of Hui Xian REIT within the meaning and for the purpose of the REIT Code:

Name	As at 31 December 2012		As at 31 December 2011	
	Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Hui Xian (Cayman Islands) Limited <sup>(1)</sup>	<b>2,190,000,000</b>	<b>60,000,000</b>	2,700,000,000	300,000,000
Hui Xian Holdings Limited <sup>(2)</sup>	<b>60,000,000</b>	<b>2,190,000,000</b>	300,000,000	2,700,000,000

*Notes:*

- (1) Based on information as recorded in the register required to be kept by the Manager under the Trust Deed (“the Register”) as at 31 December 2012, Hui Xian (Cayman Islands) Limited (“HX Cayman”) was the holder of 2,190,000,000 Units and was a connected person of Hui Xian REIT as it was a significant holder (within the meaning of the REIT Code) of Hui Xian REIT as at that date. Based on information available to the Manager, HX Cayman is a direct wholly-owned subsidiary of Hui Xian Holdings Limited (“HX Holdings”) and is deemed, for the purpose of determining whether it is a significant holder of Hui Xian REIT under the REIT Code, to hold also the 60,000,000 Units held by HX Holdings as at 31 December 2012.
- (2) Based on information as recorded in the Register as at 31 December 2012, HX Holdings was a connected person of Hui Xian REIT as it was a significant holder (within the meaning of the REIT Code) of Hui Xian REIT as at that date, by virtue of the aggregation of the deemed holding of its wholly-owned subsidiary, HX Cayman, of 2,190,000,000 Units and its direct interest in 60,000,000 Units as at that date.

Based on information available to the Manager, as at 31 December 2012, Noblecrown Investment Limited (“Noblecrown”), an indirect wholly-owned subsidiary of Cheung Kong (Holdings) Limited (“CKH”), was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of HX Holdings, and was thus taken to be interested in the total of 2,250,000,000 Units held by HX Cayman and/or HX Holdings by virtue of the deemed application of Part XV of the SFO. Based on information as recorded in the Register as at 31 December 2012, Noblecrown was also directly interested in 258,591,479 Units as at that date. By virtue of the deemed application of Part XV of the SFO, Noblecrown was taken to have an interest in a total of 2,508,591,479 Units as at that date.

By virtue of the deemed application of Part XV of the SFO, each of CKH and each of the intermediate holding companies through which CKH was interested in the share capital of Noblecrown (namely, Cheung Kong (China Property Development) Limited, Cheung Kong China Property Limited, Cheung Kong (China Property) Limited, Cheung Kong Holdings (China) Limited and Cheung Kong Investment Company Limited) was taken to have an interest in the same 2,508,591,479 Units as at 31 December 2012.

Further, based on information available to the Manager, as at 31 December 2012, Wisdom Ally Limited and Wealth Finder Limited, indirect wholly-owned subsidiaries of CKH, were directly interested in 42,380,836 Units and 3,689,739 Units respectively and an indirect wholly-owned subsidiary of Hutchison Whampoa Limited was interested in 139,241,566 Units (please also see information below relating to unitholding interests of Hutchison Whampoa Limited and its subsidiaries). As at 31 December 2012, Cheung Kong Investment Company Limited, of which Wisdom Ally Limited and Wealth Finder Limited were indirect wholly-owned subsidiaries, was also taken to have an interest in the 42,380,836 Units and the 3,689,739 Units held by Wisdom Ally Limited and Wealth Finder Limited respectively, and was thus taken to be interested in a total of 2,554,662,054 Units as at that date by virtue of the deemed application of Part XV of the SFO.

Based on information available to the Manager, as at 31 December 2012, CKH, in view of its interest in the above intermediate holding companies through which Noblecrown was held, in Wisdom Ally Limited, in Wealth Finder Limited and in Hutchison Whampoa Limited, was taken to have an interest in a total of 2,693,903,620 Units by virtue of the deemed application of Part XV of the SFO. On a similar basis, also by virtue of the deemed application of Part XV of the SFO, each of Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Company Limited; Li Ka-Shing Unity Trustee Corporation Limited and Li Ka-Shing Unity Trustcorp Limited was also taken to have an interest in the same 2,693,903,620 Units in which CKH was interested as at 31 December 2012.

## DISCLOSURE OF INTERESTS

Based on the information available to the Manager as at 31 December 2012, details of the unitholding interests of the following connected persons (as defined under the REIT Code) were as follows:

Name	As at 31 December 2012 Number of Units Held
Hutchison Whampoa Limited or its subsidiaries	<b>139,241,566</b>
Bank of China Limited or its subsidiaries	<b>148,125,000</b>
Orient Overseas (International) Limited or its subsidiaries	<b>59,250,000</b>
China Life Insurance (Group) Company or its subsidiaries	<b>269,504,000</b>

Based on the record shown on the register of Unitholders as kept by the Unit Registrar of Hui Xian REIT, HKSCC Nominees Limited was the registered holder of 2,281,508,000 Units as at 31 December 2011 and 2,327,077,082 Units as at 31 December 2012, respectively. Based on the information available to the Manager, HKSCC Nominees Limited held such Units as nominee and the Manager has not received any notice from HKSCC Nominees Limited in respect of such unitholdings as at those dates pursuant to the deemed application of Part XV of the SFO.

### Interests of the Manager

As at 31 December 2012, the Manager held 9,876,951 Units.

### Interests of the Directors, Senior Executives and Officers of the Manager

Based on information available to the Manager, details of the unitholding interests of the Directors, senior executives and officers of the Manager were as follows:

Name	As at 31 December 2012 Number of Units held	As at 31 December 2011 Number of Units held
KAM Hing Lam	<b>610,044<sup>(1)</sup></b>	140,000 <sup>(1)</sup>
IP Tak Chuen, Edmond	<b>400,000<sup>(2)</sup></b>	400,000 <sup>(2)</sup>
CHEUNG Ling Fung, Tom	<b>51,649<sup>(3)</sup></b>	50,000 <sup>(3)</sup>
TONG BARNES Wai Che, Wendy	<b>82,638<sup>(4)</sup></b>	80,000 <sup>(4)</sup>
HUI Tung Keung, Tommy	<b>27,000<sup>(5)</sup></b>	27,000 <sup>(5)</sup>
CHU Stephen Henry	<b>N/A<sup>(6)</sup></b>	100,000 <sup>(6)</sup>
MAN Ka Keung, Simon	<b>N/A<sup>(7)</sup></b>	9,000 <sup>(7)</sup>
WONG K, James	<b>N/A<sup>(8)</sup></b>	10,000 <sup>(8)</sup>

Notes:

- (1) These Units were held by Mr. KAM Hing Lam as a bare trustee and this is a voluntary disclosure made by Mr. KAM Hing Lam.
- (2) These Units were owned by Mr. IP Tak Chuen, Edmond as beneficial owner.
- (3) These Units were owned by Mr. CHEUNG Ling Fung, Tom as beneficial owner. Mr. CHEUNG Ling Fung, Tom was appointed as an Executive Director and the Chief Executive Officer of the Manager with effect from 1 July 2012.
- (4) These Units were owned by Mrs. TONG BARNES Wai Che, Wendy as beneficial owner. Mrs. TONG BARNES Wai Che, Wendy was appointed as the Deputy Chief Executive Officer of the Manager with effect from 1 July 2012.

- (5) These Units were owned by Mr. HUI Tung Keung, Tommy as beneficial owner. Mr. HUI Tung Keung, Tommy was appointed as the Chief Operating Officer of the Manager with effect from 1 July 2012.
- (6) These 100,000 Units were owned by Mr. CHU Stephen Henry as beneficial owner as at 31 December 2011. Mr. CHU Stephen Henry resigned as an Executive Director and the Chief Executive Officer of the Manager with effect from 1 July 2012.
- (7) These 9,000 Units were owned by Mr. MAN Ka Keung, Simon as beneficial owner as at 31 December 2011. Mr. MAN Ka Keung, Simon resigned as Chief Corporate Strategic Officer of the Manager with effect from 28 August 2012.
- (8) These 10,000 Units were owned by Mr. WONG K, James as beneficial owner as at 31 December 2011. Mr. WONG K, James resigned as the Deputy Chief Operating Officer of the Manager with effect from 9 July 2012.

Save as disclosed above, the Manager is not aware of any connected persons (within the meaning in the REIT Code) of Hui Xian REIT holding any beneficial interest in the Units as at 31 December 2012.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**KAM Hing Lam**, aged 66, is the founding Chairman and Non-executive Director of Hui Xian Asset Management Limited. He is also the founding Chairman of Beijing Oriental Plaza Co., Ltd.

Since the early 1990s, Mr. Kam has overseen the development of Oriental Plaza from its initial planning, design and construction stages to the company's present state of being one of the leading commercial complexes in Asia. Under Mr. Kam's leadership, Oriental Plaza now boasts an experienced management team strong in tenant mix planning, lease negotiation as well as marketing and promotion.

Mr. Kam has been the Deputy Managing Director of Cheung Kong (Holdings) Limited since 1993. He possesses extensive experience in the real estate sector in Hong Kong and Mainland China. In Mainland China, beyond Oriental Plaza, Mr. Kam has considerable involvement with property developments in a number of cities, including Beijing, Shanghai, Chongqing and Chengdu.

Mr. Kam's wide breadth of experience in the PRC also extends to his role as Group Managing Director of Cheung Kong Infrastructure Holdings Limited ("CKI"). He was instrumental in CKI's listing in 1996, and since then has continued to direct the company's business projects, including those in Mainland China.

In addition, Mr. Kam is the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited, all of which are listed on the Main Board of Hong Kong Stock Exchange. Prior to joining the Cheung Kong Group, he had more than 20 years of experience in a senior and regional capacity at several major US multinational companies.

Mr. Kam is an Advisor of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also an Honourable Citizen of Shenyang, Jiangmen, Foshan and Nanhai.

**CHEUNG Ling Fung, Tom**, aged 46, is an Executive Director and the Chief Executive Officer of Hui Xian Asset Management Limited (the "Manager"), and a member of the Disclosures Committee and a member of the Designated (Finance) Committee of the Manager, such appointments took effect from 1 July 2012. Mr. Cheung is also a Responsible Officer of the Manager.

Mr. Cheung is a Director and the General Manager of Beijing Oriental Plaza Co., Ltd. ("BOP"), the Sino-foreign cooperative joint venture company through which Hui Xian REIT's investment in Oriental Plaza, Beijing is held. Mr. Cheung began his career at BOP as General Manager of The Tower Apartments at Oriental Plaza in 2001 and assumed the role of General Manager of The Tower Offices at Oriental Plaza in 2005. He became General Manager of Business Development for the entire complex in 2006, before adopting the position of General Manager of BOP in 2009. Prior to joining BOP, Mr. Cheung spent seven years in Shanghai, where, as General Manager, he set up the first Mainland China branch in Shanghai for CBRE. He has over 20 years of experience in real estate, encompassing office, retail and residential properties. Mr. Cheung was previously involved in the sales, leasing and marketing of over 20 real estate projects located throughout Mainland China, including Shanghai, Guangzhou, Shenzhen, Hangzhou and Huizhou. He is also a Director of Shenyang Lido Business Co., Ltd..

Mr. Cheung holds a Bachelor of Business Administration in Finance and a Master's degree in Business Administration.

**LEE Chi Kin, Casey**, aged 50, currently the Executive Director and a Responsible Officer of Hui Xian Asset Management Limited (the "Manager"). Mr. Lee, had served as the Deputy Chief Operating Officer – Hotel of the Manager since the listing of the units of Hui Xian REIT on The Stock Exchange of Hong Kong Limited in April 2011 prior to his appointment as the Chief Investment Officer and a Responsible Officer of the Manager in August 2011. Mr. Lee joined the group of Cheung Kong (Holdings) Limited ("Cheung Kong Group") in 1998. His duties include assessing new hotel and related properties development opportunities in China, liaising with local PRC authorities, working with banks in respect of financing and overseeing the operation of various hotels in the group. He is also responsible for the investment in Sheraton Shenyang Lido Hotel, which forms part of the Hui Xian REIT group since the beginning of 2012. Mr. Lee is also the Chairman of Shenyang Lido Business Co., Ltd. and a Director of Beijing Oriental Plaza Co., Ltd..

Mr. Lee has over 28 years of experience in accounting, hotel management and property development. Prior to joining Cheung Kong Group, he worked for various hotel management groups, property investment companies, as well as Coopers and Lybrand. Mr. Lee holds a Bachelor's degree in Social Sciences. He is a member of The Institute of Chartered Accountants in England and Wales, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

He is also a member of the Chinese People's Political Consultative Conference (Shenyang).

**IP Tak Chuen, Edmond**, aged 60, is a Non-executive Director of Hui Xian Asset Management Limited. Mr. Ip has been an Executive Director of Cheung Kong (Holdings) Limited since 1993, and Deputy Managing Director since 2005. He is an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc..

Mr. Ip is also a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Real Nutraceutical Group Limited and Shougang Concord International Enterprises Company Limited. He resigned as Non-executive director of Hong Kong Jewellery Holding Limited (formerly known as Excel Technology International Holdings Limited) on 3 July 2012. All the companies above are listed companies.

In addition, Mr. Ip is a Non-executive Director of ARA Asset Management (Fortune) Limited, and a Director of ARA Trust Management (Suntec) Limited.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

**LIM Hwee Chiang**, aged 56, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is also the Group Chief Executive Officer and Executive Director of ARA Asset Management Limited ("ARA") since its establishment. He is also a Non-executive Director of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT dual-listed in Singapore and Hong Kong), ARA Trust Management (Suntec) Limited (the manager of Singapore-listed Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Hong Kong-listed Prosperity REIT), Am ARA REIT Managers Sdn. Bhd. (the manager of Malaysia-listed AmFIRST REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Singapore-listed Cache Logistics Trust) and APN Property Group Limited (Australia-listed). Mr. Lim is also the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the Management Council of The Management Corporation Strata Title Plan No. 2197 (Suntec City).

In addition, Mr. Lim is an Independent Director and the Chairman of the Remuneration Committee of Singapore-listed Teckwah Industrial Corporation Limited. He is a Council Member and the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce & Industry and a member of the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has more than 30 years of experience in real estate industry and has received many notable corporate awards. His recent accolades include the Ernst & Young Entrepreneur of the Year Singapore 2012, Ernst & Young Entrepreneur of the Year — Financial Services 2012 and the Outstanding CEO of the year 2011 at the Singapore Business Awards 2012. Mr. Lim, together with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

**YIN Ke**, aged 49, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is the Chief Executive Officer, Executive Director and Vice-chairman of CITIC Securities International Company Limited. He is also an Executive Director and Vice-chairman of CITIC Securities Company Limited, a PRC company whose A shares and H shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively. Moreover, he is a Non-executive Director of CITIC Pacific Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Yin began his career as an assistant to the Chief Executive Officer of the Shenzhen Stock Exchange. He has previously served as a Non-executive Director of CITIC Dameng Holdings Limited and Dah Chong Hong Holdings Limited, company listed on the Main Board of the Hong Kong Stock Exchange, an Executive Director of Jun An Securities Limited, an Executive Director of Guo Tai Jun An Securities Company Limited, the Executive Director and President of China United Securities Limited, a Director of ACT 360 Solutions Limited, a Director of CCB Principal Asset Management Company Limited, a Director & Deputy Chief Executive Officer of CITIC Capital Holdings Limited and a Director of Zhongxing Shenyang Commercial Building Group Company Limited. Mr. Yin has extensive investment banking experience in both the PRC and overseas. He is also actively involved in various professional associations including the Securities Association of China and the Securities Association of Shenzhen.

Mr. Yin graduated with a Bachelor's degree in Electrical Engineering and a Master's Degree in Economics from Zhejiang University.

**PANG Shuen Wai, Nichols**, aged 53, has been the alternate Director to Mr. Yin Ke in his position as a Non-executive Director and a member of the Audit Committee and the Designated (Finance) Committee of Hui Xian Asset Management Limited since 1 October 2012.

Mr. Pang is the Executive Director, Capital Management of CITIC Securities International Company Limited ("CSI") and a Director of CSI Capital Advisors, Limited. Mr. Pang is also a Director of World Deluxe Enterprises Limited, which is the sole direct shareholder of Hui Xian Asset Management Limited and the issued share capital of which is in turn owned by the CSI Group, the Cheung Kong (Holdings) Limited group and the ARA Asset Management Limited group. He was seconded by CSI to work as an Executive Director, a Responsible Officer and the Chief Financial Officer for Hui Xian Asset Management Limited on a full-time basis until 30 September 2012.

Before embarking on his capital market career by joining Cresvale Far East Limited in 1989, Mr. Pang had amassed substantial experience in the property market through working in chartered surveyors and property consultants firms. He subsequently held senior positions with major financial institutions including Baring Securities (HK) Limited, Nomura Research Institute (Hong Kong) Limited and Nomura International (Hong Kong) Limited. He moved to the asset management field managing public and private funds in 2001.

Mr. Pang holds a Bachelor's degree in Law, a Master's degree in Business Administration, a Master's degree in Applied Finance, and a Doctor of Philosophy degree.

**CHENG Hoi Chuen, Vincent**, aged 64, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He was the Adviser to the Group Chief Executive of HSBC Holdings plc and is also an Independent Non-executive Director of Great Eagle Holdings Limited, MTR Corporation Limited, CLP Holdings Limited, China Minsheng Banking Corp., Ltd. and Shanghai Industrial Holdings Limited, the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. He is the former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. Cheng had been an Executive Director of HSBC Holdings plc, a Non-executive Director of HSBC China Dragon Fund and an Independent Non-executive Director of Swire Properties Limited during the past three years.

Mr. Cheng is the Chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and a member of the Advisory Committee on Post-service Employment of Civil Servants, a Vice-patron of Community Chest of Hong Kong and the Chairman of the Council of The Chinese University of Hong Kong. He is also a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC"), and a Senior Adviser to the 11th Beijing Municipal Committee of the CPPCC. He was the Chairman of the Process Review Panel for the Securities and Futures Commission, Chairman of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government, a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Vice-chairman of the China Banking Association.

He was conferred the Doctoral degree of Social Science, *honoris causa*, by The Chinese University of Hong Kong and the Doctoral degree of Business Administration, *honoris causa*, by The Open University. Mr. Cheng holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland, New Zealand.

**LEE Chack Fan**, aged 67, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. Professor Lee is the Chair Professor of Geotechnical Engineering and Director of the School of Professional and Continuing Education, The University of Hong Kong. He is an Academician of Chinese Academy of Engineering. He is also an Independent Non-executive Director of Paul Y. Engineering Group Limited.

Professor Lee is an internationally renowned expert in geotechnical engineering. Professor Lee served as a consultant and technical adviser to numerous energy and infrastructure projects in China and overseas, including the construction of the Three Gorges Dam of the Yangtze River. He worked for Ontario Hydro in Canada for more than 20 years before he joined The University of Hong Kong in 1994. He participated in the design of many massive dams and nuclear power stations. He has served as a specialist consultant or an advisor to many international bodies such as the United Nations Development Plan, World Bank and Asian Development Bank on numerous energy and infrastructure projects in many parts of the world.

Professor Lee is the Chairman of the Council of the Lord Wilson Heritage Trust, Chairman of the Hong Kong Institute for Promotion of Chinese Culture, and the President of the Fu Hui Charity Foundation. He is a member of Board of the West Kowloon Cultural District Authority. He is a past Chairman of the Harbourfront Enhancement Committee, and past Chairman of the Veterinary Surgeons Board. He previously also served on the Commission on Strategic Development and the Cultural and Heritage Commission.

Professor Lee's eminent achievement in civil engineering has been highly recognised. He was awarded the K Y Lo Medal in 2000 by the Engineering Institute of Canada and was elected the Academician of the Chinese Academy of Engineering in 2003 in recognition of his contributions to the engineering profession. He was appointed as Justice of the Peace by the Hong Kong Government in 2003 and was awarded the Silver Bauhinia Star in 2005.

Professor Lee graduated from The University of Hong Kong with a Bachelor's degree in Civil Engineering and received his Master's degree from The University of Hong Kong and a Doctor of Philosophy degree from The University of Western Ontario, Canada, in the field of geotechnical engineering. He served as a Fullbright Distinguished Scholar in 2005, and was awarded an Honorary Doctorate of Science by The University of Western Ontario, Canada, in 2006. He was awarded the Gold Medal of the Hong Kong Institution of Engineers (HKIE) in 2009 and elected to the Hall of Fame of the HKIE in 2010.

**CHOI Koon Shum, Jonathan**, aged 55, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is also Chairman of the Sun Wah Group, Chairman of Sunwah International Limited (formerly known as Kingsway International Holdings Limited) (Toronto-listed), Chairman of Sunwah Kingsway Capital Holdings Limited (formerly known as SW Kingsway Capital Holdings Limited) (Hong Kong-listed), Chairman of VinaCapital, Vietnam, Chairman of the Sun Wah Hi-Tech Group and Chairman of the Sun Wah Media Group. Dr. Choi has extensive experience in the financial services business, food industry, real estate development, international trade and technology.

Dr. Choi is a member of the National Committee of the Chinese People's Political Consultative Conference of the PRC. He also holds a number of public positions including Permanent Honorary President of the Hong Kong Chinese General Chamber of Commerce, Standing Committee Member of the All-China Federation of Industry and Commerce, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC, a Council Member of the Hong Kong Trade Development Council, Chairman of the Hong Kong-Japan Business Co-operation Committee, Chairman of the Hong Kong-Vietnam Chamber of Commerce, Chairman of the China-India Software Association, and Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center. Dr. Choi is also a Court/Council Member of a number of universities including United College of The Chinese University of Hong Kong, The Hong Kong University of Science and Technology, The Hong Kong Polytechnic University, the University of Macau, Fudan University, Nanjing University and Northeastern University in Liaoning.

Dr. Choi is a Justice of Peace and has been awarded the Bronze Bauhinia Star by the Hong Kong SAR Government. He has also received the World Outstanding Chinese Award granted by the United World Chinese Association and is an Honorary Citizen or Advisor of Guangzhou, Shenyang, Wuhan, Jinggangshan and Changjiajie.

In 2005, Dr. Choi was conferred the Honorary Doctor of Humanities by the Michigan State University in the United States. He became a University Fellow of The Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by The University of Glamorgan in the United Kingdom in 2009 and Honorary Doctor of Social Sciences by Lingnan University in Hong Kong in October 2011.

## KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

### **TONG BARNES WAI CHE, WENDY**

#### **Deputy Chief Executive Officer**

**TONG BARNES Wai Che, Wendy** is the Deputy Chief Executive Officer of Hui Xian Asset Management Limited ("the Manager"). Mrs. Barnes is also a Director of Beijing Oriental Plaza Co., Ltd. ("BOP") and a Director of Shenyang Lido Business Co., Ltd.. She is the Chief Corporate Affairs Officer of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, and CK Life Sciences Int'l., (Holdings) Inc.. She is also a Board Member of The Community Chest of Hong Kong. Mrs. Barnes has been working on the Oriental Plaza project since the 1990s during the pre-leasing and pre-opening phase. She holds a Bachelor's degree in Business Administration.

### **LAI WAI YIN, AGNES**

#### **Chief Financial Officer**

**LAI Wai Yin, Agnes** is the Chief Financial Officer and Responsible Officer of the Manager. She is also the Financial Controller of BOP, and a Director of Shenyang Lido Business Co. Ltd.. Ms. Lai has worked for BOP since she joined the company as Finance Manager in 2000. She has over 23 years of experience in accounting and auditing. Ms. Lai holds a Bachelor's degree in Business Administration. She is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

### **HUI TUNG KEUNG, TOMMY**

#### **Chief Operating Officer**

**HUI Tung Keung, Tommy** is the Chief Operating Officer and Responsible Officer of the Manager, a Director of BOP and a Director of Shenyang Lido Business Co. Ltd.. He is also the Business Development Manager, China Property of Cheung Kong (Holdings) Limited. Mr. Hui has over 29 years of experience in accounting, hotel and property management. He holds a Master's degree in Business Administration.

### **TSE CHUN WAI, RICHARD**

#### **Internal Audit Manager**

**TSE Chun Wai, Richard** is the Internal Audit Manager of the Manager. He is also the Senior Manager, Internal Audit Department of Cheung Kong (Holdings) Limited. He has over 20 years of experience in auditing. Mr. Tse holds a Master degree in Business Administration, a Master of Science degree in Information Systems Management, a Master of Science degree in Investment Management and a Master of Laws degree in Common Law. He is a fellow member of The Association of Chartered Certified Accountants, an associate member of The Chartered Institute of Management Accountants, and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

### **FONG CHI LAM, JASMINE**

#### **Compliance Manager**

**FONG Chi Lam, Jasmine** is the Compliance Manager of the Manager. Ms. Fong is also the Legal Manager of Cheung Kong Infrastructure Holdings Limited. She has over 15 years experience in legal and regulatory compliance, mergers and acquisitions, as well as project structuring and financing areas. Ms. Fong was qualified as a solicitor of the High Court of Hong Kong in 1997.

### **MAK SUM WUN, SIMMY**

#### **Legal Manager**

**MAK Sum Wun, Simmy** is the Legal Manager of the Manager. Ms. Mak holds a Bachelor of Laws degree, a Master's degree in International Law and a Master of Science degree in Finance. She was admitted as a solicitor in Hong Kong and in England and Wales in 1993 and has over 19 years of legal and company secretarial experience.

# VALUATION REPORT



February 26, 2013

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

DB Trustees (Hong Kong) Limited  
52/F International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Dear Sirs,

We are instructed by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited to value the property interests of Oriental Plaza, located at No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China (the "PRC") (the "Property"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the capital value of the Property as at December 31, 2012 for accounting purpose.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made on the ownership of the Property and the limiting conditions.

## **BASIS OF VALUATION**

Our valuation is our opinion of the *Market Value* which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

*Market Value* is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

## VALUATION METHODOLOGY

We have valued the Property with reference to the tenancy schedules and hotel operating statement provided to us by Beijing Oriental Plaza Co., Ltd. and, where appropriate, by reference to sales evidence as available on the market.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation, we have considered various valuation methodologies and have principally adopted the Income Capitalisation Approach and cross-checked by the Direct Comparison Approach. For the purpose of this valuation, we consider that the Income Capitalisation Approach is a reasonable, and the appropriate, valuation methodology to adopt for assessing the market value of the Property. It is particularly relevant for the valuation of well established income-producing properties that can be expected to have relatively stabilised income streams in the future as it can reflect prevailing economic and investment market conditions, the existing tenancy profile (including, without limitation, the existing rental income and occupancy level, tenancy commencement and expiry profiles, and tenancy duration) and the period of the unexpired term of the land use rights of the Property.

The Income Capitalisation Approach is a valuation method commonly applied for investment properties. The rental income derived from the existing tenancies are capitalised for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the date of valuation, which is then capitalised for the remaining term of the land use rights of the Property. The sum of the capitalised value of the term income, the reversionary income as appropriately deferred and the vacant units provides the market value of the Property.

The key value drivers of the Income Capitalisation Approach are the market rent and the capitalisation rate. The market rent is mainly estimated with reference to the new lettings and/or renewals of the Property. The capitalisation rates are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and our experience in valuing other similar properties. The capitalisation rates are applied to capitalise the rental income generated for the unexpired term of the land use rights of the property until April 2049. No value has been ascribed to any estimated market rent or any form of income beyond the expiry date of the land use rights.

For the hotel portion of the Property, we have capitalised the income generated from operating the hotel after deducting the operating and non-operating expenses. The income and expenses are estimated with regard to the latest hotel operating results and the budget provided by the Company and the changes in market conditions.

For cross-checking purposes, we have also adopted the Direct Comparison Approach by making reference to comparable sales evidence of properties with similar characteristics as available in the relevant market. There is, however, a lack of en-bloc transactions in the vicinity. Comparison can only be made with reference to individual strata-title property transactions in the locality.

## **TITLE DOCUMENTS**

We have been provided with copies of documents in relation to the title of the property interests situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

## **ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property interests on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilisation of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its land use rights. We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation certificates for the Property.

## **LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

## REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the “REIT Code”) issued by the Securities and Futures Commission and the “HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation certificates and market overview.

Respectfully submitted,

For and on behalf of

**AMERICAN APPRAISAL CHINA LIMITED**

**Eric M. H. Poon**

*MRICS, MHKIS, RPS (GP), CIREA, CFA*

*Real Estate Valuation Group*

*Assistant Vice President*

*Note:* Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 12 years experience in valuation of properties in Hong Kong and the PRC.

## VALUATION OF ORIENTAL PLAZA

### Valuation Abstract

Property Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China (中華人民共和國北京市東城區東長安街1號東方廣場)

Description The Property is a mixed use commercial complex comprising a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartments, a 5-star hotel, car parking spaces and other ancillary facilities

Site Area 109,924.1 sq.m.<sup>Note 1</sup>

*Note 1:* The site area of Oriental Plaza is of 77,594.81 square metres under the relevant State-owned Land Use Certificate below and the planned land use area of the Property is of 109,924.1 square metres under the relevant Appendix of Construction Land Use Planning Permit below.

Registered Owner Beijing Oriental Plaza Co., Ltd. ("BOP")

Gross Floor Area According to the information provided by BOP, the breakdown of gross floor area (GFA) is as follow:

Uses	GFA (sq.m.) (approx.)
Retail	130,195
Office	309,552
Serviced Apartment	81,603
Hotel	125,420
Basement (Levels P1 to P4)	116,712 <sup>Note 2</sup>
<b>Total:</b>	<b>763,482<sup>Note 3</sup></b>

*Note 2:* The above GFA of the basement does not include the area of civil defence shelter of about 24,474 square metres.

*Note 3:* Pursuant to the relevant Building Ownership Certificate below, the total gross floor area of Oriental Plaza, is 763,480.35 square metres (exclusive of 24,474 sq.m. of civil defence shelter).

Rentable Area According to the information provided by BOP, the breakdown of rentable area is as follows:

Uses	Rentable Area (sq.m.) (approx.)
Retail	74,847
Office	298,324
Serviced Apartment	81,098
<b>Total:</b>	<b>454,269</b>

State-owned Land Use Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號)

Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號)

Appendix of Construction Land Use Planning Permit 2000-Gui Di Zi-0008 (2000-規地字-0008)

Date of Valuation December 31, 2012

Valuation Methodology Income Capitalization Approach and Direct Comparison Approach

Uses	Capital Value in Existing State (RMB)
Retail	14,560,000,000
Office	14,820,000,000
Serviced Apartment	2,480,000,000
Hotel	4,090,000,000
Basement (Levels P1 to P4)	280,000,000
<b>Total:</b>	<b>36,230,000,000</b>

The Property mainly comprises retail, office, serviced apartment, hotel and basement (levels P1 to P4) portions of Oriental Plaza, Beijing. In the following sections, each portion of the Property is described separately in details.

**VALUATION CERTIFICATE****Retail Portion – The Shopping Mall**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Estimated net property yield (approx.)</b>	<b>Capital Value in Existing State as at December 31, 2012 (RMB)</b>
The retail portion of the Property	The Property comprises retail, office and basement portions of a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.	According to the tenancy schedule dated December 31, 2012 provided to us, the retail portion of the Property is let under various tenancies for various terms with the latest expiring on September 30, 2020, yielding a total monthly rental income of about RMB71,281,221 exclusive of management fee and utility charges. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.	5.7%	14,560,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	The retail portion mainly comprises portion of podium level, 1-upper ground level, 1-lower ground level and portion of the basement P1 level with a total gross floor area of approximately 130,195 square metres. The total rentable area is approximately 74,847 square metres. The retail portion was completed in 2000.	Various advertising spaces are let under various agreements for terms of about 1 month to 1 year with the latest expiry date in December 2013, yielding an average monthly income of approximately RMB1,100,000 in year 2012.		
	The retail portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on April 21, 2049.	The occupancy rate of the retail portion of the Property as at December 31, 2012 is about 100%.		

## Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on April 21, 2049 for composite use.
2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.
3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings with gross floor area of 763,480.35 square metres are held by BOP.
4. As advised by BOP, as at the date of our valuation, the following encumbrances have been released:
  - i). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated January 8, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - ii). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源管理局) dated May 27, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
  - iii). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X京房地證市港澳臺字第008266號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated January 6, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - iv). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X京房地證東字第002681號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated April 27, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
5. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
6. The rentals reported herein are contractual rentals without taking into account rent free periods and turnover rent, if any. The average monthly turnover rent income is approximately RMB2,200,000 in year 2012.
7. The estimated net property yield of the retail portion is based on the said monthly rental income of the retail portion for December 2012 and average monthly income from both advertising spaces and turnover rent after allowing business tax and real estate tax provided by BOP.
8. Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile (excluding advertising spaces and turnover rent) is set out below:

**Occupancy Profile**

Type	Leased Rentable Area (sq.m.) (approx.)	% of total (approx.)
Leased	74,847	100.0
Vacant	0	0.0
<b>Total</b>	<b>74,847</b>	<b>100.0</b>

**Tenancy Commencement Profile**

Year	Leased		Monthly Rental (RMB) (approx.)	% of total (approx.)	No. of Tenancies	% of total (approx.)
	Rentable Area (sq.m.) (approx.)	% of total (approx.)				
2001	2,801	3.7	249,458	0.4	2	0.7
2002	0	0.0	0	0.0	0	0.0
2003	0	0.0	0	0.0	0	0.0
2004	0	0.0	0	0.0	0	0.0
2005	0	0.0	0	0.0	0	0.0
2006	0	0.0	0	0.0	0	0.0
2007	4,402	5.9	2,050,000	2.9	4	1.5
2008	3,879	5.2	1,395,700	2.0	2	0.7
2009	4,224	5.6	3,740,000	5.2	7	2.6
2010	10,748	14.4	12,825,981	18.0	56	20.6
2011	15,817	21.1	19,483,296	27.3	79	29.0
2012	32,976	44.1	31,536,786	44.2	122	44.9
<b>Total</b>	<b>74,847</b>	<b>100.0</b>	<b>71,281,221</b>	<b>100.0</b>	<b>272</b>	<b>100.0</b>

**Tenancy Expiry Profile**

Year	Leased		Monthly Rental (RMB) (approx.)	% of total (approx.)	No. of Tenancies	% of total (approx.)
	Rentable Area (sq.m.) (approx.)	% of total (approx.)				
2012	545	0.7	504,500	0.7	5	1.8
2013	20,855	27.9	23,186,841	32.5	105	38.6
2014	15,650	20.9	22,567,350	31.7	78	28.7
2015	16,665	22.3	15,057,717	21.1	59	21.7
2016	9,397	12.6	4,816,093	6.8	15	5.5
2017	11,280	15.0	4,970,865	7.0	9	3.3
2018	0	0.0	0	0.0	0	0.0
2019	0	0.0	0	0.0	0	0.0
2020	455	0.6	177,855	0.2	1	0.4
<b>Total</b>	<b>74,847</b>	<b>100.0</b>	<b>71,281,221</b>	<b>100.0</b>	<b>272</b>	<b>100.0</b>

**Tenancy Duration Profile**

<b>Year</b>	<b>Leased Rentable Area (sq.m.) (approx.)</b>	<b>% of total (approx.)</b>	<b>Monthly Rental (RMB) (approx.)</b>	<b>% of total (approx.)</b>	<b>No. of Tenancies</b>	<b>% of total (approx.)</b>
Up to 1 year	5,952	8.0	5,147,018	7.2	21	7.7
More than 1 year and up to 2 years	4,895	6.5	7,806,780	11.0	50	18.4
More than 2 years and up to 3 years	23,490	31.4	33,699,891	47.3	139	51.1
More than 3 years and up to 4 years	6,761	9.0	7,365,245	10.3	21	7.7
More than 4 years and up to 5 years	17,751	23.7	10,767,163	15.1	27	9.9
More than 5 years and up to 6 years	5,078	6.8	2,809,711	3.9	5	1.9
More than 6 years and up to 7 years	4,460	6.0	2,597,800	3.6	3	1.1
More than 7 years and up to 8 years	2,661	3.6	708,755	1.0	3	1.1
More than 8 years and up to 9 years	0	0.0	0	0.0	0	0.0
More than 9 years and up to 10 years	998	1.3	129,400	0.2	1	0.4
More than 10 years	2,801	3.7	249,458	0.4	2	0.7
<b>Total</b>	<b>74,847</b>	<b>100.0</b>	<b>71,281,221</b>	<b>100.0</b>	<b>272</b>	<b>100.0</b>

9. We have noted from the market the strata-title transactions and asking retail properties with details as follows:

<b>Property</b>	<b>Location</b>	<b>Completion Date (approx.)</b>	<b>Type of Transaction</b>	<b>Date of Offer</b>	<b>Price (RMB/sq.m. on gross) (About)</b>
Jianwai Soho (Retail portion)	Chaoyang District	2007	Asking	Q4 2012	Level 1: 100,000 (average)
Fuli City Xingguang Avenue	Chaoyang District	2007	Asking	Q4 2012	Level 1: 130,000 (average)
Chaowai Soho (Retail portion)	Chaoyang District	2007	Asking	Q4 2012	Level 1: 130,000 (average)

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

**VALUATION CERTIFICATE****Office Portion – East Office Towers, West Office Towers and Central Office Towers**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Estimated net property yield (approx.)</b>	<b>Capital Value in Existing State as at December 31, 2012 (RMB)</b>
The office portion of the Property	The Property comprises retail, office and basement portions of a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.	According to the tenancy schedule dated December 31, 2012 provided to us, the office portion of the Property is let under various tenancies for various terms with the latest expiring on March 31, 2018, yielding a total monthly rental income of about RMB58,069,230 exclusive of management fee and utility charges. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.	4.1%	14,820,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	The office portion comprises five blocks of 12-storey office towers and three blocks of 18-storey office towers with a total gross floor area of approximately 309,552 square metres. The total rentable area is approximately 298,324 square metres. The office portion was completed between 2000 and 2001. The office portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on April 21, 2049.	Various naming rights are let under various agreements for terms of 5.75 to 9.0 years with the latest expiry date in May 2014, yielding an average monthly rental of approximately RMB202,000 in year 2012. The occupancy rate of the office portion of the Property as at December 31, 2012 was about 91.4%.		

## Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on April 21, 2049 for composite use.
2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.
3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
4. As advised by BOP, as at the date of our valuation, the following encumbrances have been released:
  - i). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated January 8, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - ii). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源管理局) dated May 27, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
  - iii). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X京房他證市港澳臺字第008266號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated January 6, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - iv). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X京房他證東字第002681號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated April 27, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
5. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
6. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
7. The estimated net property yield of the office portion is based on the said monthly rental income of the office portion for December 2012 and average monthly income from naming rights after allowing business tax and real estate tax provided by BOP.
8. Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile (excluding naming rights) is set out below:

**Occupancy Profile**

Type	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)
Leased	272,756	91.4
Self-Used	2,419	0.8
Vacant	23,149	7.8
<b>Total</b>	<b>298,324</b>	<b>100.0</b>

**Tenancy Commencement Profile**

Year	Leased Rentable		Monthly Rental		No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
	Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	(RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)		
2005	3,216	1.2	540,288	0.9	4	0.7
2006	2,379	0.9	399,672	0.7	5	0.9
2007	10,957	4.0	1,843,000	3.2	7	1.3
2008	7,674	2.8	1,062,581	1.8	9	1.7
2009	34,735	12.7	5,312,503	9.2	33	6.1
2010	41,935	15.4	6,587,394	11.3	68	12.5
2011	64,996	23.8	13,777,376	23.7	188	34.7
2012	103,563	38.0	28,546,416	49.2	221	40.8
2013	3,301	1.2	0	0.0	7	1.3
<b>Total</b>	<b>272,756</b>	<b>100.0</b>	<b>58,069,230</b>	<b>100.0</b>	<b>542</b>	<b>100.0</b>

**Tenancy Expiry Profile**

Year	Leased Rentable		Monthly Rental		No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
	Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	(RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)		
2012	13,841	5.1	2,485,372	4.3	29	5.4
2013	122,315	44.8	22,613,602	38.9	242	44.6
2014	91,329	33.5	20,940,873	36.1	180	33.2
2015	31,628	11.6	8,985,425	15.5	72	13.3
2016	3,251	1.2	206,210	0.3	6	1.1
2017	9,765	3.6	2,837,748	4.9	12	2.2
2018	627	0.2	0	0.0	1	0.2
<b>Total</b>	<b>272,756</b>	<b>100.0</b>	<b>58,069,230</b>	<b>100.0</b>	<b>542</b>	<b>100.0</b>

**Tenancy Duration Profile**

Year	Leased Rentable		Monthly Rental		No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
	Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	(RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)		
Up to 1 year	7,255	2.7	1,968,753	3.4	19	3.5
More than 1 year and up to 2 years	72,266	26.5	17,998,631	31.0	213	39.3
More than 2 years and up to 3 years	104,538	38.3	22,800,774	39.3	211	38.9
More than 3 years and up to 4 years	14,562	5.3	2,568,093	4.4	26	4.8
More than 4 years and up to 5 years	54,348	19.9	9,557,164	16.5	53	9.8
More than 5 years and up to 6 years	6,570	2.4	955,359	1.6	8	1.5
More than 6 years and up to 7 years	10,001	3.7	1,680,168	2.9	8	1.5
More than 7 years and up to 8 years	3,216	1.2	540,288	0.9	4	0.7
More than 8 years and up to 9 years	0	0.0	0	0.0	0	0.0
More than 9 years and up to 10 years	0	0.0	0	0.0	0	0.0
More than 10 years	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>272,756</b>	<b>100.0</b>	<b>58,069,230</b>	<b>100.0</b>	<b>542</b>	<b>100.0</b>

*Note 1:* As at the date of valuation, the total leased rentable area of about 272,756 square metres included an area of about 3,301 square metres for tenancies with lease term not yet commenced and an area of about 269,455 square metres for tenancies with lease terms already commenced.

*Note 2:* As at the date of valuation, the total monthly rental only includes the monthly rental receivable from tenancies with lease terms already commenced and excludes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to about RMB1,027,976 per month.

*Note 3:* As at the date of valuation, there are 542 tenancies, in which 535 tenancies are with lease terms already commenced and 7 tenancies are with lease term not yet commenced.

9. We have noted from the market the strata-title transactions and asking office properties with details as follows:

<b>Property</b>	<b>Location</b>	<b>Completion Date</b> <i>(approx.)</i>	<b>Type of Transaction</b>	<b>Date of Offer</b>	<b>Price</b> <i>(RMB/sq.m. on gross)</i> <i>(About)</i>
Kuntai International Building	Chaoyang District	2003	Asking	Q4 2012	46,000 (average)
Lisheng Building	Dongcheng District	2002	Asking	Q3 2012	55,000 (average)
Soho Newtown	Chaoyang District	2001	Asking	Q1 2013	48,000 (average)

*Note:* We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

**VALUATION CERTIFICATE****Serviced Apartment – East Tower and West Tower**

<b>Property</b>	<b>Description and Tenure</b>	<b>Particulars of Occupancy</b>	<b>Estimated net property yield (approx.)</b>	<b>Capital Value in Existing State as at December 31, 2012 (RMB)</b>
The serviced apartment portion of the Property	The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.	The serviced apartment portion of the Property is let under various tenancies for various terms with the latest expiring on August 19, 2015, yielding a total monthly rental income of about RMB8,645,481 exclusive of management fee and utility charges.	3.4%	2,480,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	The serviced apartment portion comprises a 21-storey serviced apartment tower and a 14-storey serviced apartment tower with a total gross floor area of approximately 81,603 square metres. The total rentable area is approximately 81,098 square metres. The serviced apartment portion was completed between 2002 and 2004.	Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.		
	The serviced apartment portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on April 21, 2049.	The occupancy rate of the serviced apartment portion of the Property as at December 31, 2012 was about 86.8%.		

## Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) for a term expiring on April 21, 2049 for composite use.
2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square meters, in which about 94,624.1 square meters of land is for construction land use of Oriental Plaza Project, and about 15,300 square meters of land is to be resumed for city road use.
3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
4. As advised by BOP, as at the date of our valuation, the following encumbrances have been released:
  - i). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated January 8, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - ii). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源管理局) dated May 27, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
  - iii). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X京房他證市港澳臺字第008266號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated January 6, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - iv). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X京房他證東字第002681號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated April 27, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
5. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repairs of common areas and the tenant is responsible to maintain the leased property in a reasonable, tidy and tenable condition when handing back to the landlord upon the lease expiry.
6. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
7. The estimated net property yield of the serviced apartment portion is based on the said monthly rental income of the serviced apartment portion for December 2012 after allowing business tax and real estate tax provided by BOP.
8. Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile is set out below:

**Occupancy Profile**

Type	Leased Rentable Area <sup>Note 2</sup> (sq.m.) (approx.)	% of total (approx.)
Leased	70,377	86.8
Self-Used <sup>Note 1</sup>	567	0.7
Vacant	10,154	12.5
<b>Total</b>	<b>81,098</b>	<b>100.0</b>

**Tenancy Commencement Profile**

Year	Leased	% of total	Monthly Rental	% of total	No. of	% of total
	Rentable Area <sup>Note 2</sup>		(RMB) <sup>Note 3</sup>			
	(sq.m.) (approx.)	(approx.)	(approx.)	(approx.)		(approx.)
2010	248	0.4	1,576	0.0	2	0.4
2011	661	0.9	80,081	0.9	4	0.8
2012	68,483	97.3	8,563,824	99.1	519	97.5
2013	985	1.4	0	0.0	7	1.3
<b>Total</b>	<b>70,377</b>	<b>100.0</b>	<b>8,645,481</b>	<b>100.0</b>	<b>532</b>	<b>100.0</b>

**Tenancy Expiry Profile**

Year	Leased	% of total	Monthly Rental	% of total	No. of	% of total
	Rentable Area <sup>Note 2</sup>		(RMB) <sup>Note 3</sup>			
	(sq.m.) (approx.)	(approx.)	(approx.)	(approx.)		(approx.)
2012	4,270	6.1	530,813	6.1	34	6.4
2013	63,638	90.4	7,838,026	90.7	484	91.0
2014	1,829	2.6	155,745	1.8	11	2.0
2015	640	0.9	120,897	1.4	3	0.6
<b>Total</b>	<b>70,377</b>	<b>100.0</b>	<b>8,645,481</b>	<b>100.0</b>	<b>532</b>	<b>100.0</b>

**Tenancy Duration Profile**

Year	Leased Rentable	% of total	Monthly Rental	% of total	No. of	% of total
	Area <sup>Note 2</sup>		(RMB) <sup>Note 3</sup>			
	(sq.m.) (approx.)	(approx.)	(approx.)	(approx.)		(approx.)
Up to 1 year	65,114	92.5	7,935,955	91.8	499	93.8
More than 1 year and up to 2 years	4,271	6.1	577,053	6.7	27	5.1
More than 2 years and up to 3 years	992	1.4	132,473	1.5	6	1.1
<b>Total</b>	<b>70,377</b>	<b>100.0</b>	<b>8,645,481</b>	<b>100.0</b>	<b>532</b>	<b>100.0</b>

Note 1: As at the date of valuation, the self-use rentable area of about 567 square metres are occupied by staffs.

Note 2: As at the date of valuation, the total leased rentable area of about 70,377 square metres includes an area of about 985 square metres for tenancies with lease term not yet commenced and an area of about 69,392 square metres for tenancies with lease terms already commenced.

Note 3: As at the date of valuation, the total monthly rental only includes the monthly rental receivable from tenancies with lease terms already commenced and excludes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to about RMB150,956 per month.

Note 4: As at the date of valuation, there are 532 tenancies, of which 525 tenancies are with lease terms already commenced and 7 tenancies are with lease term not yet commenced.

9. We have noted from the market the strata-title asking residential properties with details as follows:

Property	Location	Completion Date	Type of Transaction	Date of Offer	Average Price
		(about)			(RMB/sq.m. on gross)
Huayuan Qiumadou	Chaoyang District	2008	Asking	Q1 2013	35,000
Xingfu Ercun	Chaoyang District	2000	Asking	Q4 2012	33,000
Shanshui Wenyuan Phase 3	Chaoyang District	2005	Asking	Q1 2013	36,000

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

**VALUATION CERTIFICATE****Hotel Portion – Grand Hyatt Beijing**

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2012 (RMB)
<p>The hotel portion of the Property</p> <p>No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China</p>	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.</p> <p>The hotel portion is a 5-star hotel comprising one 24-storey tower (including 4 basement levels) with a total gross floor area of approximately 125,420 square metres completed in 2001. The hotel has a total of 825 guest rooms (including a split-level Presidential Suite and 824 luxurious guestrooms) and rooms for in house use, food and beverage outlets, a business centre, a fitness centre with indoor swimming pool, meeting rooms, function rooms and ballrooms.</p> <p>The hotel portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on April 21, 2049.</p>	<p>The hotel portion of the Property is currently operated under the brand name of Grand Hyatt Beijing.</p> <p>The average occupancy rate of the hotel portion of the Property for the year ended December 31, 2012 is about 62.4%.</p>	4,090,000,000

*Notes:*

- Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on April 21, 2049 for composite use.
- Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square meters, in which about 94,624.1 square meters of land is for construction land use of Oriental Plaza Project, and about 15,300 square meters of land is to be resumed for city road use.

3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
4. As advised by BOP, as at the date of our valuation, the following encumbrances have been released:
- i). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated January 8, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - ii). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源管理局) dated May 27, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
  - iii). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X京房他證市港澳臺字第008266號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated January 6, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - iv). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X京房他證東字第002681號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated April 27, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
5. Pursuant to the Management Agreement and Supplementary Management Agreement (管理契約及管理契約補充契約) dated July 27, 2001 and September 13, 2002 respectively, as well as Amendment to Management Agreement (管理契約之修協議) and Termination of 2001 Letter Agreement both dated March 28, 2011, entered into between BOP and Hyatt of China Limited (中國凱悅有限公司) ("Hyatt China") (collectively the "Management Agreement"), Hyatt China shall provide management services for the operation and management of Grand Hyatt Beijing (the "Hotel") for a term commencing from the date of which the agreements are approved and registered by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of the People's Republic of China and expiring on December 31, 2019, with the current basic management fee of 2% of the cumulative revenue of the Hotel during the current calendar year after deducting from such basic management fee all basic management fees previously paid to Hyatt China during such calendar year and an incentive fee equal to 5% of the cumulative gross operating profit of the Hotel during the current fiscal year, after deducting from such incentive fee payment all incentives fees previously paid to Hyatt during such fiscal year.
6. Pursuant to the Reservation Services Agreement (訂房服務契約) entered into between Grand Hyatt Beijing at Oriental Plaza (北京東方廣場有限公司君悅大酒店分公司) ("GHB") and International Reservation Limited ("IRL") dated February 10, 2003, IRL shall provide computerized telephone reservation services outside Mainland China to GHB for a term coterminous with the term of the said Management Agreement.
7. Pursuant to the Chain Marketing Services Agreement (連鎖行銷服務契約) entered into between GHB and Hyatt Chain Services Limited ("HCSL") dated February 10, 2003, HCSL shall provide chain marketing services outside of Mainland China for the benefit of GHB for a term coterminous with the term of the said Management Agreement.
8. Pursuant to the Loyalty Program Services Agreement (常客服務計劃契約) entered into between GHB and HGP (Travel) Limited ("HGP") dated February 10, 2003, HGP shall provide loyalty program services to GHB for a term coterminous with the term of the said Management Agreement. No part of such program services are to be performed in Mainland China.
9. We have noted from the market the transaction of hotel properties with details as follows:

Property	Location	Completion Date (about)	Type of Transaction	Date of Transaction	Price (RMB/room) (About)
Ascot Beijing	Chaoyang District	2002	Transaction noted from the market	Q3 2011	3,500,000

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

## VALUATION CERTIFICATE

### Basement Portion (portion of level P1 and the whole of levels P2 to P4)

Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at December 31, 2012 (RMB)
<p>The basement portion (portion of level P1 and the whole of levels P2 to P4) of the Property</p> <p>No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China</p>	<p>The Property comprises retail, office and basement portions of a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.</p> <p>The basement portion comprises 4 basement levels with a total gross floor area of approximately 116,712 square metres (excluding the civil defence shelter area of about 24,474 square metres). The total number of parking spaces is approximately 1,900 car parking spaces including loading/unloading spaces. The basement portion was completed in 2000.</p> <p>The basement portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on April 21, 2049.</p>	<p>According to the information dated December 31, 2012 provided to us, the total of about 1,900 car parking spaces including loading/unloading spaces are provided within the basement portion of the Property, let under various agreements, occupied by either Beijing Oriental Plaza Co. Ltd. or various other occupiers as car parking spaces. The total average monthly income is approximately RMB2,000,000 in year 2012.</p> <p>Various spaces for postage services, machinery rooms, storage are let under various agreements for terms of 2 to 5 years, with the last expiry date in September 2014, yielding an average monthly rental of approximately RMB5,000 in year 2012.</p> <p>The occupancy rate of the carpark portion of the Property as at December 31, 2012 is about 71%.</p>	280,000,000

#### Notes:

- Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on April 21, 2049 for composite use.

2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.
3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
4. As advised by BOP, as at the date of our valuation, the following encumbrances have been released:
  - i). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated January 8, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - ii). Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源管理局) dated May 27, 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
  - iii). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X京房他證市港澳臺字第008266號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated January 6, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
  - iv). Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Dong Zi Di No.002681 (X京房他證東字第002681號) issued by the Construction Committee of Beijing City (北京市建設委員會) dated April 27, 2009, the building under the Building Ownership Certificate of Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No.10283 has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
5. Pursuant to Civil Defence Shelter Use Certificate (人防工程使用證), Jing (Dong) Fang Yong Zi No. 008 (京(東)防用字008號) issued by the Civil Defence Bureau of Dong Cheng District, Beijing City (北京市東城區民防局), Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) is permitted to use a gross floor area of 23,577 square metres of the Property as car parking purpose for a term commencing from May 20, 2008 and to be expired on May 20, 2013.
6. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
7. We have noted from the market the strata-title asking car parking spaces with details as follows:

Property	Location	Completion Date (about)	Type of Transaction	Date of Offer	Price (RMB/carpark) (About)
Jianwai Soho	Chaoyang District	2007	Asking	Q4 2012	250,000

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

## PRC LEGAL OPINION ON ORIENTAL PLAZA, BEIJING

We have been provided with updated title documents of the Property and are disclosed in the notes of all the valuation certificates above. However the PRC legal opinion has not yet been updated. Pursuant to the PRC legal opinion dated April 6, 2011, it states, inter alias, that:

- a. Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) (“BOP”) has obtained the land use rights and building ownership rights of the property with a site area of 77,594.81 square metres and the gross floor area of 763,480.35 square metres respectively. BOP, being the sole legal owner of the said land use rights and building ownership rights, has obtained all necessary permits and certificates from relevant departments of the PRC Government, and has the right to occupy, use, lease, transfer, mortgage or deal with the said land use rights and building ownership rights by other lawful means in accordance with the permitted use during the term of the said land use rights. However, as the land use rights and building ownership rights of the Property have been mortgaged, BOP has to obtain prior written approval from the Bank of China Limited — Wangfujing Branch (中國銀行股份有限公司北京王府井支行) (the “Bank”) before leasing, transferring, contributing capital by real property, substantially renovating or redeveloping the said land and buildings, or dealing with such land use rights and buildings by other means, except for leasing, renovation or alteration for the purposes of the operation of business and provided that such leasing, renovation or alteration would not reduce the value of the mortgaged property.
- b. BOP does not possess the building ownership rights of the civil defence shelter of the Property with gross floor area of 24,474.37 square metres. However, pursuant to the Civil Defence Shelter Use Certificate, BOP has the right to use the civil defence shelter of the Property with gross floor area of 23,577 square metres for car parking purpose.
- c. Apart from the said mortgage and the existing tenancies, the said land use rights and building ownership rights of the Property are not subject to any other forced requisition, mortgage, encumbrances or other third party rights.
- d. As confirmed by BOP, the approval, permission and certificates related to the completion of the development of the Property have not been revoked, abolished or repealed.
- e. BOP is the sole legal owner of the said building ownership rights and possesses the rights to lease the property and receive rental income from the leased property according to the relevant tenancy agreements.
- f. The existing tenancy agreements are legal and valid, and binding on both the signing parties within the respective tenancy period.
- g. Most of the existing tenancy agreements have been registered with the relevant government departments, and as confirmed by BOP, the remaining tenancy agreements are in the process of applying for registration. For tenancies with the registration process not yet completed, the legal effectiveness, validity and enforceability of those tenancies would not be affected. The risk of being penalised by corresponding government department is minimal.

- h. BOP should not sub-let the leased portion of the Property during relevant lease terms. If BOP wishes to deal with the said leased portion of the Property by other means, BOP should comply with the clauses stipulated in the relevant tenancy agreements. If BOP wishes to dispose of the leased portion of the Property, BOP should, within a reasonable period before the disposal, provide prior notification to those tenants who have not given up the priority purchasing right in the relevant tenancy agreements. Those tenants possess the priority right to purchase the property upon the same conditions.
- i. The said property management agreements regarding the hotel portion of the Property as stipulated in the valuation certificate are legal and valid, and binding on both the signing parties.

## MARKET OVERVIEW

Beijing is one of the most developed cities in the PRC with the tertiary industry accounting for the majority of its GDP. The well developed financial industry, the innovative cultural and other modern service industries are now well established in the international market. The real estate and automotive sectors have also grown rapidly in recent years. The successful hosting of the Olympic Games further enhanced the reputation of Beijing. Tertiary industries continue to buoy Beijing's economic development, supported by the rally in foreign investment and domestic consumption.

### Beijing Retail Market

#### *Supply and Demand*

This prime retail market is quite stable in 2012. As people become accustomed to shopping malls in Beijing, the new supply of shopping malls has surpassed that of department stores over the past five years. Some new shopping malls entered the market in 2012, and the demand for quality shopping mall area remained resilient. Taking this advantage, a number of mature shopping malls in core areas raised their asking rents. In Q4 2012, SPOT in Wangfujing and Indigo Shopping Centre has added over 100,000 square metres retail space in the market, however, since the supply of new retail projects in Wangfujing/East Chang'an Avenue was limited between 2001 and 2007, it is believed that, the new shopping malls in Wangfujing will be absorbed by the market in a positive manner.

More domestic and overseas retailers in fashion, jewellery, cosmetics, F&B, watches, home and lifestyle penetrating the market, opening new stores and expanding outlets, especially fashion brands and children's brands actively expanded in the local market. With more reputable retailers continue entering the Beijing retail market since the second half of year 2011, the vacancy rate of Beijing retail market in Q3 2012 slightly dropped comparing with Q2 2012. Demand for mature shopping malls with high occupancy, good positioning and unique theme is expected to remain high. It is predictable that the demand for retail space will maintain its momentum in the coming quarters.

### **Market Trend**

No significant change for prime retail rents has been recorded since Q3 2012. The Wangfujing/East Chang'an Avenue area is a well developed shopping area with many international brands. The rental level in this area has witnessed stable growth after the global financial crisis. Being a core business and shopping area in Beijing, customer flow is high, especially during public holidays and weekends. Despite the new supply, retailers continued to battle for hot prime shopping centres. The demand continued to edge up and outstripped supply in the market. The average rental level in Wangfujing/East Chang'an Avenue area remains stable in overall year 2012. This area ranks as one of the top retail areas in Beijing. The other major retail areas include the Xidan, CBD and the Lufthansa areas. The average asking rental for ground floor space of prime shopping malls in Wangfujing/East Chang'an Avenue area is ranging at about RMB1,200–RMB2,300 per sq.m. per month approximately in Q3 2012. The growing macro economy is expected to have positive effect on the future rental level of shopping malls in the Wangfujing/East Chang'an Avenue area.

### **Beijing Office Market**

#### **Supply and Demand**

A significant supply of Grade A office space came onto the market between 2005 and 2009. However, the new supply is relatively limited from 2011 to Q3 2012.

Benefiting from the shortage of new supply and the consequent inadequate of leasable space, overall availability ratio of Grade A office in Q3 2012 slightly dropped comparing with Q2 2012. In the end of 2012, a new project in the Financial Street area may enter into the market, however, we expect no significant impact on the market, due to the limit of supply in the market. The office rents and vacancy rate will remain stable in short term. Landlords are in better position to choose high-quality tenants to enhance the positioning of their projects.

### **Market Trend**

Driven by the limited supply, the overall Grade A office average rental level is in the region of RMB250 to RMB320 per sq.m. per month in Q3 2012. However, a slowing trend was observed in the leasing market. It is expected that the average rental level and vacancy rate in the prime location like Wangfujing/East Chang'an Avenue area, will keep stable in the coming quarters.

### **Beijing Serviced Apartment Market**

#### **Supply and Demand**

Wangfujing/East Chang'an Avenue is one of the key areas for serviced apartments in Beijing. The supply of serviced apartments has been steadily increasing over the past 10 years due to the continuous growth of the Beijing economy, the influx of foreign expatriates together with investment and rising demand from the domestic middle class and professionals. Many international serviced apartments have been established in Beijing and have introduced new brand names for different market segments. New projects are expected to come onto the market over the next few years.

Guests of serviced apartments in Beijing are mainly mid to long-term stay expatriates at senior management level. Whilst the majority of the demand comes from foreign expatriates from Japan, Europe and the US, demand from domestic residents is also on the rise. Along with stabilized market conditions, business activity has picked up in Beijing since 2009, bringing new expatriates and increased demand for serviced apartments since 2010. The overall demand remained stable in overall Beijing whilst the demand in some major business areas remained strong in 2012.

**Market Trend**

Beijing, as the capital city of China, is considered as the preferred place for headquarters of international corporations, who demand high quality housing. However, some international corporations adversely impacted by the global financial crisis have become more cost conscious and reduced housing budgets of expatriate staff and localized middle and senior management.

In Q3 2012, there has been no major change in housing policies and Beijing housing market continued to recover stably. Although there were some new projects launched during the year, most of them were offered with prices discounted to attract clients, resulting in an increase of transaction volume in high-end apartments. The market price of the high-end residential units has increased slightly in Q3 2012.

**Beijing Hotel Market****Supply and Demand**

According to a market research, the average daily rate (ADR) of standard star-hotels remained steady in the first half of 2012, while the average occupancy rate has slightly increased comparing with 2011. Grand Hyatt Beijing, as a component of the mixed development of Oriental Plaza, is well positioned to capture the rising demand as it is well located in the Wangfujing shopping area and is close to many historical tourist attractions including Tiananmen Square and the Forbidden City. The conference facilities provided within the hotel and the Grade A offices of Oriental Plaza allow Grand Hyatt Beijing to capture significant corporate business and its convenient location provides substantial leisure demand.

**Market Trend**

More international hotels will enter the market in order to catch-up with the fast-growing market for the hospitality industry. Although operators may experience pressure from rising cost of labour, energy and commodities, it is expected that the ADR as well as the occupancy rate will keep improving steadily in 2013 due to the push from promising local economies and the country's growth in reputation as an international tourism destination.

**ASSUMPTIONS AND LIMITING CONDITIONS**

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or values presented in this report are based upon the premises outlined herein.

4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of American Appraisal China Limited.
7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.



February 26, 2013

Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

DB Trustees (Hong Kong) Limited  
52/F, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Dear Sirs,

We are instructed by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited to value the property interests of a five-star hotel known as "Sofitel Shenyang Lido" (formerly "Sheraton Shenyang Lido Hotel"), located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC") (中華人民共和國遼寧省瀋陽市和平區青年大街386號「瀋陽麗都索菲特酒店」(原為「瀋陽麗都喜來登飯店」)) (the "Hotel Portion") and the staff quarters of the hotel located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the PRC (中華人民共和國遼寧省瀋陽市和平區文安路14-3號) (the "Staff Quarters Portion") (collectively known as the "Property"). We confirm we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the capital value of the Property as at December 31, 2012 for accounting purpose.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made on the ownership of the Property and the limiting conditions.

## **BASIS OF VALUATION**

Our valuation is our opinion of the *Market Value* which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

*Market Value* is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

## **VALUATION METHODOLOGY**

We have valued the Hotel Portion of the Property mainly with reference to the hotel operating statement provided to us and, where appropriate, by reference to sales evidence as available on the market.

In the course of our valuation, we have considered various valuation methodologies and have principally adopted the Discounted Cash Flow Method and cross-checked with Income Capitalization Approach and Direct Comparison Approach. For the purpose of this valuation, we consider that the Discounted Cash Flow Method is a reasonable, and the appropriate, valuation methodology to be adopted for assessing the market value of the Property.

The Discounted Cash Flow Approach as a financial modeling technique is based on explicit assumptions regarding the prospective cash flow to property. This analysis involves the projection of a series of periodic cash flows to an operating property, in which we have taken into account the latest hotel operating results, budget and forecasts provided by Shenyang Lido Business Co. Ltd (as owner of the Property) and the changes in market conditions. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the Property.

The Income Capitalization Approach is a valuation method commonly applied for investment properties. In valuing the Property, we have capitalised the income generated from operating the Property by taking into the operating revenue and expenses. The income and expenses are estimated with regard to the latest hotel operating results and the budget provided by Shenyang Lido Business Co. Ltd (as owner of the Property) and the changes in market conditions.

We have also adopted the Direct Comparison Approach by making reference to comparable sales evidence of properties with similar characteristics if available in the relevant market.

## **TITLE DOCUMENTS**

We have been provided with copies of documents in relation to the title of the property interests situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Shenyang Lido Business Co. Ltd (as owner of the Property) and the PRC legal opinion given by the Company's PRC legal advisor on the PRC law regarding title to the Property.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

## ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilisation of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

We have assumed that the owner of the property interests has free and uninterrupted rights to use, lease, sell or mortgage the property interests for the whole of the unexpired term of its land use rights. We have also assumed that the property interests are freely disposable and transferrable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications of the Property, if any, have been stated in the footnotes of the valuation certificates for the Property.

## LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Shenyang Lido Business Co. Ltd (as owner of the Property) and the PRC legal opinion given by the Company's PRC legal advisor and have accepted advice given to us on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Shenyang Lido Business Co. Ltd (as owner of the Property) and the PRC legal opinion given by the Company's PRC legal advisor. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior, and where possible, the interior of the Property. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

## REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the “REIT Code”) issued by the Securities and Futures Commission and the “HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation certificates and market overview.

Respectfully submitted,

For and on behalf of

**AMERICAN APPRAISAL CHINA LIMITED**

**Eric M. H. Poon**

*MRICS, MHKIS, RPS (GP), CIREA, CFA*

*Real Estate Valuation Group*

*Assistant Vice President*

*Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 12 years experience in valuation of properties in Hong Kong and the PRC.*

## VALUATION ABSTRACT

**Property** “Sofitel Shenyang Lido” (formerly “Shenyang Sheraton Lido Hotel”) located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People’s Republic of China (the “Hotel Portion”) (中華人民共和國遼寧省瀋陽市和平區青年大街386號「瀋陽麗都索菲特酒店」(原為「瀋陽麗都喜來登飯店」))

Staff quarters located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the PRC (the “Staff Quarters Portion”) (中華人民共和國遼寧省瀋陽市和平區文安路14-3號員工宿舍)

**Description** The Property is a 5-star hotel development comprising retail shops, office units, hotel rooms, car parking spaces and other ancillary facilities including 35 staff quarter units.

**Site Area** 9,370 sq.m. for Hotel Portion

**Registered Owner** Shenyang Lido Business Co. Ltd.

**Gross Floor Area** Pursuant to the relevant Building Ownership Certificates below, the total gross floor areas (GFA) of the Hotel Portion and the Staff Quarters Portion of the Property, are 78,746.41 square metres and 2,306.92 square metres respectively.

**Usage** The Hotel Portion:

Floor Levels	Uses
Basement Level 2	Carpark, temporary storage
Basement Level 1	Back of House
Level 1	Hotel lobby, lounge, retail shops and open carpark
Level 2	Coffee shop, restaurants, ballrooms and function rooms
Level 3	Restaurant and function rooms
Levels 4	Office and business centre
Level 5	Health club, swimming pool, SPA and retail shops
Levels 6-7	Offices
Level 8 and above	Hotel rooms

The Staff Quarters Portion is designated for residential uses and is used as staff quarters as at the valuation date.

State-owned Land Use Certificates	<p>The Hotel Portion:          Shenyang Guo Yong (2007) Di No. 0135          (瀋陽國用 (2007) 第0135號)</p> <p>Shenyang Guo Yong (2011) Di Nos. HP05041, HP05316 and HP05407          (瀋陽國用 (2011) 第HP05041號、HP05316號及HP05407號)</p>
	<p>The Staff Quarters Portion:          Shenyang Guo Yong (2011) Di No. HP05042          (瀋陽國用 (2011) 第HP05042號)</p> <p>Shenyang Guo Yong (2011) Di No. HP05043          (瀋陽國用 (2011) 第HP05043號)</p>
Building Ownership Certificates	<p>The Hotel Portion:          Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 11154, 12749 and 12750          (沈房權證市和平字第11154, 12749及12750號)</p> <p>The Staff Quarters Portion:          Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 12747 and 12748          (沈房權證市和平字第12747及12748號)</p>
Date of Valuation	December 31, 2012
Valuation Methodology	<p>The Hotel Portion:          Income Capitalisation Approach, Discounted Cash Flow Approach and Direct Comparison Approach</p>
Capital Value in Existing State	<p>The Hotel Portion:          RMB1,620,000,000</p> <p>The Staff Quarters Portion:          No Commercial Value</p>

## VALUATION CERTIFICATE

### The Hotel Portion

Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at December 31, 2012 (RMB)
<p>The Hotel Portion of the Property known as "Sheraton Shenyang Lido Hotel" located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People's Republic of China</p> <p>中華人民共和國遼寧省瀋陽市和平區青年大街386號「瀋陽麗都喜來登飯店」</p>	<p>The Hotel Portion of the Property known as "Sheraton Shenyang Lido Hotel", is a 5-star hotel comprising one 30-storey tower (including 2 basement levels) with a total gross floor area of approximately 78,746.41 square metres erected on parcels of adjacent land with total site area of approximately 9,370 square metres and completed in about 2002.</p> <p>Level 1 is mainly designated for retail use with a total gross floor area and total rentable area of approximately 2,073 square meters and 1,949 square metres respectively. Upper levels have a total of 590 guest rooms and rooms for in house use, food and beverage outlets, a business centre, ballrooms, meeting rooms, function rooms, office and a clubhouse known as "Lido Spa &amp; Club", providing facilities such as spa and sauna, fitness centre, indoor swimming pool, indoor golf driving range, table tennis room, squash courts and indoor basketball court, with a total gross floor area of approximately 76,674 square metres. Self-use car parking spaces are provided at basement level 2 and guest car parking spaces are provided in the open area of the Property. Basement level 1 is designated for back of house purposes.</p> <p>The Hotel Portion of the Property is held by Shenyang Lido Business Co., Ltd. for terms to be expired on July 1, 2042 and April 9, 2047.</p>	<p>The Hotel Portion of the Property is currently operated under the brand name of Sheraton Shenyang Lido Hotel.</p> <p>The average occupancy rate of the Hotel Portion of the Property for the year 2012 was about 63.55%.</p>	<p>1,620,000,000</p> <p><i>Capital value of 70% of the property interests: 1,134,000,000</i></p>

## Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated April 20, 2007, the land use rights of the Hotel Portion of the Property with a site area of 2,966 square metres are held by Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Shenyang Lido Business") for a term expiring on April 9, 2047 for commercial use.
2. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05407 (瀋陽國用(2011)第HP05407號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 178.79 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.
3. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05316 (瀋陽國用(2011)第HP05316號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 1,763.59 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.
4. Pursuant to the State-owned Land Use Certificate (國有土地使用證) Shenyang Guo Yong (2011) Zi Di Nos. HP05041 (瀋陽國用(2011)字第HP05041號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 4,461.62 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for commercial use.
5. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 11154 (沈房權證市和平字第11154號) issued by the Real Estate Registration Bureau of Shenyang City (瀋陽市房產管理局), the buildings with gross floor area of 21,685.92 square metres are held by Shenyang Lido Business.
6. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (沈房權證市和平字第12749號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 2,198.42 square metres are held by Shenyang Lido Business.
7. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (沈房權證市和平字第12750號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 54,862.07 square metres are held by Shenyang Lido Business.
8. Pursuant to the Company Change Registration Application Form (變更登記申請書) issued by the Industrial and Commerce Administration Bureau of Shenyang City (瀋陽市工商行政管理局) dated July 24, 1996, the name of Huasheng Hotel International (Shenyang) Co., Ltd. (華盛國際酒店(瀋陽)有限公司) has been changed to Huayang International (Shenyang) Co. Ltd. (華陽國際酒店(瀋陽)有限公司).
9. Pursuant to the Notice of Change in Name (更名通知) issued by the Industrial and Commerce Administration Bureau of Shenyang City (瀋陽市工商行政管理局) dated August 10, 1999, the name of Huayang International (Shenyang) Co. Ltd. (華陽國際酒店(瀋陽)有限公司) has been changed to Changyang Hotel International (Shenyang) Co., Ltd. (長陽國際酒店(瀋陽)有限公司).
10. Pursuant to the Foreign Investment Enterprise Change Registration Advice Notice (外商投資企業變更登記通知書) Qi He Liao Shen Zong Zi Di No. 311000261 (企合遼沈總字第311000261號) issued by the Shenyang High Technology Industry Development District Bureau (瀋陽高科技產業開發區分局) dated August 30, 2001, the name of Changyang Hotel International (Shenyang) Co., Ltd. (長陽國際酒店(瀋陽)有限公司) has been changed to Shenyang Lido Hotel Co., Ltd. (瀋陽麗都飯店有限公司).
11. Pursuant to the Approval Regarding the Merger and Combination of four Foreign Investment Corporations of Shenyang Lido Business Co., Ltd (關於瀋陽麗都商務有限公司等四家外商投資企業吸收合併的批覆) dated March 21, 2006 issued by the Foreign Trading and Economy Incorporation of Liaoning Province (遼寧省對外貿易經濟合作廳), approval was granted to the Company Combination Agreement(公司合併協定) dated September 1, 2005 entered into between Shenyang Lido Hotel Co., Ltd. (瀋陽麗都飯店有限公司) ("Party A"), Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Party B"), Shenyang Lido Car Park Co., Ltd. (瀋陽麗都車場有限公司) ("Party C") and Changhe (Shenyang) Property Co., Ltd. (長和(瀋陽)物業有限公司) ("Party D"). Party A, Party C and Party D have been absorbed and merged into Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) from the date of the issuance of the new operating license of Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司).

12. Pursuant to the Management Contract (管理合同) dated September 15, 1995 entered into between Huasheng Hotel International (Shenyang) Co., Ltd. (華盛國際酒店(瀋陽)有限公司) (the former name of "Shenyang Lido Business") (the "Owner") and Sheraton Overseas Management Corporation (喜來登海外管理公司) (the "Operator"), Amendment to Management Contract (管理合同修訂協議) and Second Amendment to Management Contract (管理合同的第二修訂協議) dated April 28, 1998 and August 28, 1999 respectively, entered into between Huayang International (Shenyang) Co., Ltd. (華陽國際酒店(瀋陽)有限公司), Changhua (Shenyang) Business Co., Ltd. (長華(瀋陽)商務有限公司), Changyuan (Shenyang) Park Co., Ltd. (長源(瀋陽)車場有限公司), Hua Yang Industry (Shenyang) Group Ltd. (華陽實業(瀋陽)集團有限公司) and the Operator, as well as a letter issued by the Operator and confirmed by Shenyang Lido Hotel Co., Ltd. (瀋陽麗都飯店有限公司), Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) and Shenyang Lido Car Park Co., Ltd. (瀋陽麗都車場有限公司) dated December 15, 2005 (collectively known as the "Management Contract"), the Owner engages the Operator as its sole and exclusive agent with full authority to operate, direct, manage and supervise the Hotel during the term for and on behalf of Owner, in the name of Sheraton Shenyang Lido Hotel (the "Hotel") for a term commencing from April 4, 2002 and expiring on December 31, 2012, with the current basic management fee of 4% of the gross operating profit of the Hotel during such fiscal year ("Gross Operating Profit") if the Gross Operating Profit of the Hotel is between RMB0 to RMB25,000,000 or 8% of the Gross Operating Profit if the Gross Operating Profit of the Hotel is greater than RMB25,000,000 (the "Basic Fee").
13. Pursuant to a Hotel Management Agreement (酒店管理協議) dated November 6, 2012 entered into between Shenyang Lido Business (the "Owner") and AAPC Shanghai Co., Ltd. (雅華酒店管理(上海)有限公司) (the "New Operator"), the Owner engages the New Operator as its sole and exclusive agent with full authority to operate, direct, manage and supervise the Hotel during the term for and on behalf of Owner, in the name of Sofitel Shenyang Lido (the "Hotel") for a term of 10 years commencing on January 1, 2013, with a basic management fee of 2% of the gross revenue and a incentive fee of 4% of the gross operating profit of the Hotel during such fiscal year ("Gross Operating Profit"). In respect of any fiscal year where the amount of the adjusted gross operating profit exceeds RMB116,000,000, the Owner shall pay the New Operator an additional incentive fee equivalent to 8% of the portion of adjusted gross operating profit that is in excess of RMB116,000,000 on top of the 4% incentive fee charged on the whole of the gross operating profit of the Hotel for that fiscal year. The sales and marketing fee is 1.5% of rooms revenue, while the technical service fee is RMB800,000.
14. Pursuant to the License Contract (許可合同) dated September 15, 1995 entered into between Sheraton International Inc. (喜來登國際公司) (the "Licensor") and Huasheng Hotel International (Shenyang) Co., Ltd. (華盛國際酒店(瀋陽)有限公司) (the "Licensee") and Amendment Agreement to License Contract (許可合同修訂協議) dated April 28, 1998 entered into between the Licensor and Huayang International (Shenyang) Co. Ltd. (華陽國際酒店(瀋陽)有限公司), Changhua (Shenyang) Business Co., Ltd. (長華(瀋陽)商務有限公司), Changyuan (Shenyang) Park Co., Ltd (長源(瀋陽)車場有限公司) (collectively the "Licensee") and Huayang Industry (Shenyang) Group Co., Ltd. (華陽物業(瀋陽)集團有限公司) (collectively the "License Contract"), the Licensee agrees to pay to Licensor a monthly licence fee for each calendar month or portion thereof equal to 4% of gross room sales on an accrual basis from the operation of the Hotel during the month (the "License Fee").
15. Pursuant to the Management Contract as mentioned in Note 12 above, after calculation of the Basic Fee, it shall be deducted from the calculated amount of the License Fee paid under the License Contract. In any year, if the Basic Fee is greater than the License Fee, only the difference between the Basic Fee and the License Fee, is payable to the Operator. In any Fiscal Year, if the Basic Fee is less than the License Fee, the License Fee calculated in accordance with the License Contract is payable to the Licensor and no amount is payable to the Operator as a Basic Fee.
16. Pursuant to Approval Letter for the Construction of the Civil Defence Shelter (結合民用建築修建防空地下室審批表) dated May 18, 1993, Shen Ren Fang Gui Jie Jian Zi (Shi) No. 9318 (沈人防規結建字(市)9318號) issued by the Civil Defence Office of Shenyang City (瀋陽市人民防空辦公室), "瀋陽海通房產開發有限公司" is permitted to construct a gross floor area of 5,643 square metres of Huayang International Mansion (華陽國際大廈) as car parking and warehouse purposes and is permitted to use such area upon completion of construction works.
17. Pursuant to Application Regarding the Use and Area of the Civil Defence Shelter at Basement Level 2 of Huayang Mansion (有關華陽大廈地下二層人防使用面積申請) issued by Changhe (Shenyang) Property Co., Ltd. (長和(瀋陽)物業有限公司) and approved by Civil Defence Office of Shenyang City (瀋陽市人民防空辦公室) dated November 5, 2001, Changhe (Shenyang) Property Co., Ltd. (長和(瀋陽)物業有限公司) is permitted to use a gross floor area of 360 square metres of Huayang Mansion (華陽大廈) as sewage treatment plant purposes.
18. As advised by Shenyang Lido Business, the building name of Huayang International Mansion/Huayang Mansion has been changed to Sheraton Shenyang Lido Hotel.
19. Pursuant to the Car Park Permit (停車場審驗合格證) issued by the Police Bureau of Shenyang City (瀋陽市公安局), part of the subject land of Hotel Portion of the Property is permitted to be used for providing 80 car parking spaces for a term commencing on October 16, 2012 and expiring on October 15, 2013.

20. We have noted from the market the hotel transactions with details as follows:

Property	Location	Completion Date (about)	Type of Transaction	Date of Offer	Average Price (RMB/room) (About)
Celebrity Holiday Hotel Huashiwan	Chongqing	2008	Transaction noted from the market	Q3 2011	2,500,000
Century Plaza Hotel Shenzhen	Shenzhen	1998	Transaction noted from the market	Q4 2011	2,300,000

Note: We are not the transaction parties nor are we the professional advisor in the above transaction. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

21. We have been provided with updated title documents of the hotel portion of the Property and are disclosed in the above notes. However, the PRC legal opinion has not yet been updated. Pursuant to the PRC legal opinion dated November 9, 2011, it states, inter alia, that:

- (a) Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Shenyang Lido Business") has obtained the land use rights and building ownership rights of the Hotel Portion of the Property with a site area of 9,370 square metres and the gross floor area of 78,746.41 square metres respectively.
- (b) Shenyang Lido Car Park Co., Ltd. (瀋陽麗都車場有限公司) ("Shenyang Lido Car Park") has obtained the land use rights of the Hotel Portion of the Property with a site area of 469.5 square metres.
- (c) Shenyang Lido Car Park and Shenyang Lido Hotel are currently under relevant procedures to transfer its land use rights under the name of Shenyang Lido Business. The procedures, however, will not affect Shenyang Lido Business possesses the integrity of the said land use rights and building ownership rights. Furthermore, there is no substantial impediment for Shenyang Lido Business to complete the relevant procedures.
- (d) The current use of this property satisfies the usage requirement as stipulated in the relevant State-owned Land Use Certificates and Building Ownership Certificates.
- (e) As advised by Shenyang Lido Business, Shenyang Lido Business possesses the land use rights and building ownership rights of the said land use rights and building ownership rights. Upon the completion of the procedures of transferring ownership title, Shenyang Lido Business will become the sole legal owner of the said land use rights and building ownership rights. Apart from the said land use rights certificate issue regarding the said land use rights, Shenyang Lido Business has obtained all necessary permits and certificates from relevant departments of the PRC Government, possess good title, and has the right to occupy, use, lease, transfer, mortgage or deal with the said land use rights and building ownership rights by other lawful means in accordance with the permitted use during the term of the said land use rights.
- (f) As confirmed by Shenyang Lido Business, the approval, permission and certificates related to the completion of the development of the Hotel Portion of the Property have not been revoked, abolished or repealed.
- (g) Shenyang Lido Business is the sole legal owner of the said building ownership rights and possesses the rights to lease the Hotel Portion of the Property and receive rental income from the leased property according to the relevant tenancy agreements.
- (h) The existing tenancy agreements are legal and valid, and binding on both the signing parties within the respective tenancy period.
- (i) As confirmed by Shenyang Lido Business, all the tenancy agreements have been registered with the relevant government departments and satisfied the requirements under relevant PRC law.
- (j) The said property management agreements regarding the Hotel Portion of the Property as stipulated in the valuation certificate are legal and valid, and binding on both the signing parties.
- (k) Shenyang Lido Business has the right to construct and use the civil defence shelter of the Property with gross floor area of 5,643 square metres for car parking and storage purposes, and 360 square metres of the said area is permitted to be used for sewage treatment plant purposes.

## VALUATION CERTIFICATE

## The Staff Quarters Portion

Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at December 31, 2012 (RMB)
The Staff Quarters of the Property located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the PRC  中華人民共和國遼寧省瀋陽市和平區文安路14-3號	The Staff Quarters Portion of the Property comprises 35 residential units situated in two 7-storey residential buildings with a total gross floor area of approximately 2,306.92 square metres completed in about 1999.  The land use rights of the Staff Quarters Portion of the Property have been allocated for residential use.  The Staff Quarters Portion of the Property is held by Shenyang Lido Business Co., Ltd.	The Property is currently occupied by staffs of Sheraton Shenyang Lido Hotel as staff quarters.	No commercial value

## Notes:

1. Pursuant to 2 State-owned Land Use Certificates (國有土地使用證) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated October 31, 2011, the land use rights of the Staff Quarters Portion of the Property with land area of 375.18 square metres are allocated to Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Shenyang Lido Business") for residential use. Details are set as follow:

State-owned Land Use Certificate No.	Unit No.	Site Area
Shenyang Guo Yong (2011) Di No. HP05042 瀋陽國用 (2011) 第HP05042號	111-117, 112-172, 113-173, 211-271*	292.79
Shenyang Guo Yong (2011) Di No. HP05043 瀋陽國用 (2011) 第HP05043號	212, 222, 232, 242, 252, 262, 272	82.39
<b>TOTAL:</b>		<b>375.18</b>

\* Remarks: As advised, the unit nos. 111-117, 112-172, 113-173, 211-271 refers to the 28 units with unit nos. 111, 112, 113, 121, 122, 123, 131, 132, 133, 141, 142, 143, 151, 152, 153, 161, 162, 163, 171, 172, 173, 211, 221, 231, 241, 251, 261 and 271.

2. Pursuant to 2 Building Ownership Certificates (房屋所有權證) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with a total gross floor area of 2,306.92 square metres are held by Shenyang Lido Business. Details are set as follow:

Building Ownership Rights Certificate No.	Unit No.	Gross Floor Area (sq.m.)
Shen Fang Quan Zheng Shi He Ping Zi Di No. 12747 (沈房權證市和平字第12747號)	111-117, 112-172, 113-173, 211-271*	1,800.33
Shen Fang Quan Zheng Shi He Ping Zi Di No. 12748 (沈房權證市和平字第12748號)	212, 222, 232, 242, 252, 262	506.59
<b>TOTAL:</b>		<b>2,306.92</b>

\* Remarks: As advised, the unit nos. 111-117, 112-172, 113-173, 211-271 refers to the 28 units with unit nos. 111, 112, 113, 121, 122, 123, 131, 132, 133, 141, 142, 143, 151, 152, 153, 161, 162, 163, 171, 172, 173, 211, 221, 231, 241, 251, 261 and 271.

3. Pursuant to the Company Change Registration Application Form (變更登記申請書) issued by the Industrial and Commerce Administration Bureau of Shenyang City (瀋陽市工商行政管理局) dated July 24, 1996, the name of Huasheng Hotel International (Shenyang) Co., Ltd. (華盛國際酒店(瀋陽)有限公司) has been changed to Huayang International (Shenyang) Co. Ltd. (華陽國際酒店(瀋陽)有限公司).
4. Pursuant to the Notice of Change in Name (更名通知) issued by the Industrial and Commerce Administration Bureau of Shenyang City (瀋陽市工商行政管理局) dated August 10, 1999, the name of Huayang International (Shenyang) Co. Ltd. (華陽國際酒店(瀋陽)有限公司) has been changed to Changyang Hotel International (Shenyang) Co., Ltd. (長陽國際酒店(瀋陽)有限公司).
5. Pursuant to the Foreign Investment Enterprise Change Registration Advice Notice (外商投資企業變更登記通知書) Qi He Liao Shen Zong Zi Di No. 311000261 (企合遼沈總字第311000261號) issued by the Shenyang High Technology Industry Development District Bureau (瀋陽高科技產業開發區分局) dated August 30, 2001, the name of Changyang Hotel International (Shenyang) Co., Ltd. (長陽國際酒店(瀋陽)有限公司) has been changed to Shenyang Lido Hotel Co., Ltd. (瀋陽麗都飯店有限公司).
6. Pursuant to the Approval Regarding the Merger and Combination of four Foreign Investment Corporations of Shenyang Lido Business Co., Ltd (關於瀋陽麗都商務有限公司等四家外商投資企業吸收合併的批覆) dated March 21, 2006 issued by the Foreign Trading and Economy Incorporation of Liaoning Province (遼寧省對外貿易經濟合作廳), approval was granted to the Company Combination Agreement (公司合併協定) dated September 1, 2005 entered into between Shenyang Lido Hotel Co., Ltd. (瀋陽麗都飯店有限公司) ("Party A"), Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Party B"), Shenyang Lido Car Park Co., Ltd. (瀋陽麗都車場有限公司) ("Party C") and Changhe (Shenyang) Property Co., Ltd. (長和(瀋陽)物業有限公司) ("Party D"). Party A, Party C and Party D have been absorbed and merged into Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) from the date of the issuance of the new operating license of Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司).
7. In our course of valuation, we have assigned no commercial value to the Staff Quarters of the Property as it cannot be freely transferred in the market.
8. The PRC legal opinion, dated November 9, 2011, inter alias, states that:
- Shenyang Lido Business has obtained the allocated land use rights of the property with a site area of 375.13 square metres and obtained the building ownership rights of the Staff Quarters Portion of the Property with the gross floor area of 2,306.92 square metres.
  - As advised by Shenyang Lido Business, Shenyang Lido Business possesses the allocated land use rights and building ownership rights of the said land use rights and building ownership rights.
  - The current use of this property satisfies the usage requirement as stipulated in the relevant State-owned Land Use Certificates and Building Ownership Certificates.
  - According to PRC law, Shenyang Lido Business has the rights to use the allocated land use rights but the said land use rights cannot be freely transferred in the market without prior approval by relevant government authority.
  - As confirmed by Shenyang Lido Business, the approval, permission and certificates related to the completion of the development of the Staff Quarters Portion of the Property have not been revoked, abolished or repealed.

## MARKET OVERVIEW

Shenyang is the capital of Liaoning Province, located in the northern region of China. It is a major industrial and cultural city with historical importance. Thanks to the central government's "Revitalize Northeastern China" campaign, the economy of Shenyang City has been revived and the heavy industry had declined gradually in recent years. Led by the overall improvement of economy, the tourist industry of Shenyang is improving since 2011. Some five-star hotels, composite developments and construction projects can be found along Qingnian Street. It is also known as the Golden Corridor, one of the key development areas of the Shenyang City.

### Shenyang Hotel Market

#### *Supply and Demand*

In 2011, the annual tourism income of Shenyang is RMB663.3 thousand million, an increase of 25.6% compared to 2010. The average room rate and occupancy rate of international branded five-star hotels in Shenyang are generally in the region of RMB600 and 70% respectively in the second half of 2011. According to the statistics published by the National Tourism Administration of the PRC in November 2012, the number of international tourists arrived in Shenyang has increased by about 15% y-o-y.

"Sheraton Shenyang Lido Hotel" has changed its name into "Sofitel Shenyang Lido" since January 2013, is one of the well positioned five-star hotels along Qingnian Street which can successfully capture both tourists and business travelers. It is located in the heart of the newly established southern Shenyang Central Business District, providing easy access to the city's finest shopping venues, busy commercial areas and major tourist attractions. The main competitors of Sofitel Shenyang Lido are the Kempinski, Traders, Marvelot and a newly-opened 5-star Doubletree by Hilton Hotel in Shenhe District.

#### *Market Trend*

With the development of the mass transit rail network, Shenyang Metro, the transportation network is expected to be more mature in the near future. Line No. 1 of Shenyang Metro started its service in mid 2010 and Line No. 2 started operation in late 2011. Together with the opening of some prime shopping malls and the construction of composite developments, the city is going to gradually change from an industrial city into a business city in the near future. The increasing tourist arrivals and business arrivals in 2011 have steadily improved the general occupancy of five-star hotels in Shenyang. The rising demand for luxury hotel is forecasted to have a positive impact on room rates. The prospect for the five star hotel market of Shenyang is considered reasonable.

## ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.

3. The value or values presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of American Appraisal China Limited.
7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

# TRUSTEE'S REPORT

**Hui Xian Asset Management Limited**

(in its capacity as the REIT Manager of Hui Xian REIT)

Unit 303, 3rd Floor  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

Dear Sir,

We hereby confirm that, in our opinion, the Manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") has, in all material respects, managed Hui Xian REIT in accordance with the provisions of the Trust Deed dated 1 April 2011 for the period from 1 January 2012 to 31 December 2012.

**DB Trustees (Hong Kong) Limited**

*(in its capacity as trustee of Hui Xian Real Estate Investment Trust)*

Hong Kong, 19 February 2013



## **TO THE UNITHOLDERS OF HUI XIAN REAL ESTATE INVESTMENT TRUST**

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

We have audited the consolidated financial statements of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 154, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and non-controlling interest, consolidated statement of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Hui Xian Asset Management Limited (the "Manager" of Hui Xian REIT) is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the deed of trust dated 1 April 2011 (the "Trust Deed") and the relevant disclosure requirements set out in the Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong, and for such internal control as the Manager determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2012, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 February 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
Revenue	5	<b>2,648</b>	1,588
Rental related income	6	<b>54</b>	41
Other income	7	<b>28</b>	6
Increase in fair value of investment properties	14	<b>2,800</b>	360
Hotel inventories consumed		<b>(75)</b>	(38)
Staff costs		<b>(82)</b>	(55)
Depreciation and amortisation		<b>(304)</b>	(141)
Other operating expenses	8	<b>(833)</b>	(470)
Finance costs	9	<b>(61)</b>	(6)
Manager's fees	10	<b>(156)</b>	(89)
Real estate investment trust expenses	11	<b>(10)</b>	(18)
Profit before taxation and transactions with unitholders		<b>4,009</b>	1,178
Income tax expense	12	<b>(1,110)</b>	(359)
Profit for the year/period, before transactions with unitholders		<b>2,899</b>	819
Distributions to unitholders		<b>(1,208)</b>	(735)
Profit and total comprehensive income for the year/period, after transactions with unitholders		<b>1,691</b>	84
Attributable to:			
Non-controlling interest		<b>(2)</b>	—
Unitholders		<b>1,693</b>	84
		<b>1,691</b>	84
Basic earnings per unit ( <i>RMB</i> )	13	<b>0.5762</b>	0.1637

# DISTRIBUTION STATEMENT

For the year ended 31 December 2012

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Profit for the year/period, before transactions with unitholders	<b>2,899</b>	819
Non-controlling interest	<b>2</b>	—
Profit for the year/period attributable to unitholders, before transactions with unitholders	<b>2,901</b>	819
Adjustments ( <i>Note (i)</i> ):		
Manager's fees	<b>110</b>	54
Deferred tax	<b>711</b>	81
Depreciation and amortisation	<b>208</b>	141
Increase in fair value of investment properties	<b>(2,800)</b>	(360)
	<b>(1,771)</b>	(84)
Discretionary distributions ( <i>Note (ii)</i> ):		
Depreciation and amortisation arising from fair value adjustment ( <i>Note (ii)(1)</i> )	<b>37</b>	—
Other cash distributions by reference to the PDA ( <i>Note (ii)(2)</i> )	<b>41</b>	—
	<b>78</b>	—
Amount available for distribution	<b>1,208</b>	735
Distributions to unitholders ( <i>Note (iii)</i> )		
— Interim distribution paid	<b>592</b>	202
— Final distribution payable	<b>616</b>	533
	<b>1,208</b>	735
	<b>RMB</b>	RMB
Distribution per unit ( <i>Note (iii)</i> )		
— Interim distribution per unit	<b>0.1178</b>	0.0403
— Final distribution per unit	<b>0.1214</b>	0.1064
	<b>0.2392</b>	0.1467

*Notes:*

## (i) Adjustments for the current year/prior period include:

- (a) For the year ended 31 December 2012, Manager's fees paid and payable in units of RMB110 million (21,195,217 units issued and 6,633,270 units estimated to be issued) out of the total Manager's fees of RMB156 million. The difference of RMB46 million are paid or payable in cash.

For the period from 29 April 2011 (date of listing) to 31 December 2011, Manager's fees paid and payable in units of RMB54 million out of the total Manager's fees of RMB89 million. The difference of RMB35 million are paid or payable in cash.

- (b) Deferred tax charge of RMB11 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: Deferred tax credit of RMB9 million) in relation to accelerated tax depreciation and deferred tax charge of RMB700 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB90 million) in relation to revaluation of investment properties.
- (c) Depreciation and amortisation of Beijing Oriental Plaza attributable to unitholders of RMB208 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB141 million).
- (d) Increase in fair value of investment properties of RMB2,800 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB360 million).

In accordance with the Trust Deed, Hui Xian REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial year and it is the Manager's stated policy to distribute 100% of Hui Xian REIT's annual distributable income for the period from the listing date to 31 December 2011 and the financial year ended 31 December 2012 and thereafter at least 90% of Hui Xian REIT's annual distributable income for each financial year. Pursuant to the Trust Deed, interim/annual distributable income is defined as the amount calculated by the Manager as representing the consolidated profit attributable to unitholders for the relevant financial year/period, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of comprehensive income for the relevant financial year/period.

## (ii) Discretionary distribution refers to any additional amount (include capital) which the Manager has determined to be distributed pursuant to clause 11.4.2 of the Trust Deed. Discretionary distributions for the current year/prior period include:

- (1) Depreciation and amortisation arising from fair value adjustment of Shenyang Lido Business Co. Limited upon acquisition by the Group attributable to unitholders of RMB37 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: nil).
- (2) Other cash distributions of RMB41 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: nil) are determined by the Manager by reference to the estimated Yearly Distributions (as defined in the announcement of Hui Xian REIT dated 10 November 2011 (the "Announcement")) of Shenyang Lido Business Co. Limited to Shenyang Investment (Hong Kong) Limited under the preferred distribution agreement (the "PDA"). Details of the PDA are set out in the Announcement.

## (iii) The interim distribution per unit of RMB0.1178 for the six months ended 30 June 2012 is calculated based on Hui Xian REIT's amount available for distribution of RMB591,636,874 over 5,024,495,409 units, representing issued units as at 30 June 2012. The final distribution per unit of RMB0.1214 for the six months ended 31 December 2012 is calculated based on Hui Xian REIT's amount available for distribution of RMB616,347,645 over 5,076,415,649 units, representing issued units as at 31 December 2012.

The interim distribution per unit of RMB0.0403 for the period from 29 April 2011 (date of listing) to 30 June 2011 is calculated based on Hui Xian REIT's amount available for distribution of RMB201,500,000 over 5,000,000,000 units, representing issued units as at 30 June 2011. The final distribution per unit of RMB0.1064 for the six months ended 31 December 2011 is calculated based on Hui Xian REIT's amount available for distribution of RMB533,296,372 over 5,009,521,491 units, representing issued units as at 31 December 2011.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
<b>Non-current assets</b>			
Investment properties	14	<b>29,660</b>	26,860
Property, plant and equipment	15	<b>2,640</b>	1,961
Land and related costs	16	<b>4,798</b>	4,110
<b>Total non-current assets</b>		<b>37,098</b>	32,931
<b>Current assets</b>			
Hotel inventories	17	<b>22</b>	20
Land and related costs	16	<b>141</b>	114
Trade and other receivables	18	<b>64</b>	47
Bank balances and cash	19	<b>2,063</b>	883
<b>Total current assets</b>		<b>2,290</b>	1,064
<b>Total assets</b>		<b>39,388</b>	33,995
<b>Current liabilities</b>			
Trade and other payables	20	<b>441</b>	330
Tenants' deposits		<b>197</b>	221
Tax payable		<b>37</b>	57
Manager's fee payable		<b>44</b>	34
Distribution payable		<b>634</b>	533
Loans from a unitholder	21	<b>1,005</b>	202
<b>Total current liabilities</b>		<b>2,358</b>	1,377
<b>Total assets less current liabilities</b>	28	<b>37,030</b>	32,618

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	<b>31.12.2012</b> <b>RMB million</b>	31.12.2011 RMB million
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loan	22	<b>959</b>	—
Tenants' deposits		<b>377</b>	269
Deferred tax liabilities	23	<b>7,363</b>	6,377
Total non-current liabilities, excluding net assets attributable to unitholders		<b>8,699</b>	6,646
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>11,057</b>	8,023
Non-controlling interest		<b>417</b>	—
<b>Net assets attributable to unitholders</b>		<b>27,914</b>	25,972
Units in issue ('000)	25	<b>5,076,416</b>	5,009,521
Net asset value per unit (RMB) attributable to unitholders		<b>5.4988</b>	5.1845

The consolidated financial statements on pages 99 to 154 were approved and authorised for issue by the Board of Directors of the Manager on 28 February 2013 and were signed on its behalf by:

**CHEUNG Ling Fung, Tom**  
DIRECTOR

**LEE Chi Kin, Casey**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

## ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTEREST

For the year ended 31 December 2012

	Issued units RMB million	Retained profits RMB million	Total RMB million	Non-controlling interest RMB million
Units issued for business combination (Notes 24(b) and 25)	14,148	—	14,148	—
Units issued for initial offering (Note 25)	12,052	—	12,052	—
Unit issue costs	(345)	—	(345)	—
Units issued for settlement of Manager's fees (Note 25)	33	—	33	—
	25,888	—	25,888	—
Profit for the period, before transactions with unitholders	—	819	819	—
Distributions to unitholders				
— Interim distribution paid	—	(202)	(202)	—
— Final distribution payable	—	(533)	(533)	—
Total comprehensive income for the period	—	84	84	—
<b>Net assets as at 31 December 2011</b>	<b>25,888</b>	<b>84</b>	<b>25,972</b>	<b>—</b>
Acquisition of a business (Note 24(a))	—	—	—	419
Units issued for settlement of Manager's fees (Note 25)	103	—	103	—
Units issued pursuant to the distribution reinvestment arrangement in respect of 2011 final and 2012 interim distributions (Note 25)	146	—	146	—
	26,137	84	26,221	419
Profit for the year, before transactions with unitholders	—	2,901	2,901	(2)
Distributions to unitholders				
— Interim distribution paid	—	(592)	(592)	—
— Final distribution payable	—	(616)	(616)	—
Total comprehensive income for the year	—	1,693	1,693	(2)
<b>Net assets as at 31 December 2012</b>	<b>26,137</b>	<b>1,777</b>	<b>27,914</b>	<b>417</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	<i>Notes</i>	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
<b>Operating activities</b>			
Profit before taxation and transactions with unitholders		<b>4,009</b>	1,178
Adjustments for:			
Loss on disposal of property, plant and equipment		<b>1</b>	—
Depreciation of property, plant and equipment		<b>163</b>	65
Amortisation of land and related costs		<b>141</b>	76
Increase in fair value of investment properties		<b>(2,800)</b>	(360)
Interest income		<b>(26)</b>	(5)
Finance costs		<b>61</b>	6
Manager's fees settled by issuing units	25	<b>103</b>	33
Operating cash flows before movements in working capital		<b>1,652</b>	993
Increase in hotel inventories		<b>—</b>	(1)
Decrease (increase) in trade and other receivables		<b>2</b>	(2)
Increase in trade and other payables		<b>52</b>	43
Increase in tenants' deposits		<b>78</b>	26
Increase in Manager's fee payable		<b>10</b>	34
Cash generated from operations		<b>1,794</b>	1,093
Income and withholding tax paid		<b>(435)</b>	(274)
<b>Net cash from operating activities</b>		<b>1,359</b>	819
<b>Investing activities</b>			
Acquisition of a business	24	<b>(866)</b>	259
Purchase of property, plant and equipment		<b>(17)</b>	(7)
Placement of deposits in a bank		<b>(200)</b>	—
Interest received		<b>17</b>	5
<b>Net cash (used in) from investing activities</b>		<b>(1,066)</b>	257

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

<i>Notes</i>	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
<b>Financing activities</b>		
Proceeds from issue of new units	—	12,052
Issue costs paid	—	(332)
Net proceeds from new bank loan raised	<b>952</b>	—
Interest paid	<b>(46)</b>	(6)
Distributions payment to unitholders	<b>(961)</b>	(202)
Repayment of bank loans	—	(200)
Repayment of amount due to a former controlling shareholder of a subsidiary	<b>(61)</b>	—
Loans from a unitholder	<b>1,008</b>	202
Repayment of loans from a unitholder	<b>(205)</b>	—
Repayment of amount due to a unitholder (a)	—	(11,707)
<b>Net cash from (used in) financing activities</b>	<b>687</b>	(193)
<b>Net increase in cash and cash equivalents</b>	<b>980</b>	883
<b>Cash and cash equivalents at the beginning of the year/period</b>	<b>883</b>	—
<b>Cash and cash equivalents at the end of the year/period, represented by bank balances and cash</b>	<b>1,863</b>	883

(a) Following the completion of the initial offering ("Offering") of Hui Xian REIT, the proceeds (net of all fees and charges) from the Offering have been used for repaying the Indebtedness (defined in Note 25) immediately on 29 April 2011 (date of listing).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 1. GENERAL

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing) and its unit were listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) since that date. Hui Xian REIT is governed by the deed of trust dated 1 April 2011 (the “Trust Deed”) made between Hui Xian Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Securities and Futures Commission.

The principal activity of Hui Xian REIT and its subsidiaries (the “Group”) is to own and invest in high quality commercial properties in the People’s Republic of China (the “PRC”) with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of Hui Xian REIT.

The Group has entered into various service agreements in relation to the management of Hui Xian REIT and its property operations. The fee structures of these services are as follows:

### (a) Property Manager’s fee

Under the operations management agreement entered by Beijing Oriental Plaza Co., Ltd and Beijing Hui Xian Enterprise Services Limited (the “Property Manager”) on 29 April 2011, (the “Operations Management Agreement”), the Property Manager will receive a property manager’s fee of 1% per annum of net property income (“NPI”) (before deduction therefrom of the Variable Fee (as defined in Note 1(c)) and the Property Manager’s fee) and reimbursements for the employment costs and remuneration of the employees of the Property Manager for provision of business advisory and management services, marketing and lease management services and property management co-ordination services.

NPI means the amount equivalent to the gross revenue less property operating expenses.

### (b) Trustee’s fee

The Trustee is entitled to receive a one-off inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as is agreed between the Manager and the Trustee from time to time of not more than 0.02% of the fair values of the real estate properties (the “Property Values”) as at the end of such financial year (which may be increased without obtaining unitholders’ approval to a maximum of 0.06% per annum of the Property Values by giving at least one month’s prior written notice to the Manager and the unitholders), subject to a minimum amount of RMB56,000 per month.

## 1. GENERAL (continued)

### (c) Manager's fees

Under the Trust Deed, the Manager is entitled to receive the following remuneration for the provision of asset management services:

#### **Base Fee**

Under the Trust Deed, the Manager will receive a base fee from Hui Xian REIT at 0.3% per annum of the Property Values as at the end of such financial year. For the period from the date of listing until 31 December 2011, the base fee, only to the extent that it is referable to Oriental Plaza, shall be paid to the Manager as to 80% in the form of units and as to 20% in the form of cash. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

On 13 January 2012, the Manager has elected to receive 80% base fee in units and 20% in cash in respect of the financial year ended 31 December 2012.

#### **Variable Fee**

Under the Trust Deed, the Manager will receive a variable fee ("Variable Fee") of 3% per annum of the NPI of that real estate (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's fee) provided however that in respect of Oriental Plaza and as from the date of the Property Manager is appointed pursuant to the Operations Management Agreement and for so long as the Property Manager is a subsidiary of the Manager and with effect from the date on which the Property Manager is appointed, such rate shall be reduced to 2% (instead of 3% as stated above) per annum.

The Manager may elect whether the variable fee is to be paid in cash or in units in accordance with the provisions in the Trust Deed.

On 13 January 2012, the Manager has elected to receive 80% variable fee in units and 20% in cash in respect of the financial year ended 31 December 2012.

#### **Acquisition Fee**

Under the Trust Deed, the Manager will receive an acquisition fee ("Acquisition Fee") from Hui Xian REIT at not exceeding 1% of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired). The Acquisition Fee will be paid to the Manager in the form of cash or, at the election of the Manager, entirely in the form of units or partly in cash and partly in the form of units.

The Manager has elected to receive the acquisition fee in cash in respect of the financial year ended 31 December 2012.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures requirements set out in Appendix C of the REIT Code issued by the Securities and Futures Commission and the Rules Governing the Listing of Securities on the HKSE.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for goods.

The significant accounting policies are set out below.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Hui Xian REIT and entities controlled by Hui Xian REIT (its subsidiaries). Control is achieved where Hui Xian REIT has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, if appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

#### ***Allocation of total comprehensive income to non-controlling interests***

Total comprehensive income and expense of a subsidiary is attributed to the unitholder of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (other than deferred tax assets and liabilities). If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Rental income from operating lease is recognised in the profit or loss on a straight-line basis over the terms of the relevant leases.

Contingent rentals, which include gross turnover rental, are recognised as revenue when it becomes receivable.

Service income is recognised when services are provided.

Revenue from room rental, food and beverage sales and other ancillary services relating to the operation of hotel and serviced suites are recognised when the relevant services have been rendered.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### (e) Investment properties

Investment properties are properties held to earn rentals and capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### (f) Property, plant and equipment

Hotel and serviced suite properties, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment loss where appropriate.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### (g) Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated and costs necessary to make the sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Financial assets**

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables which include trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial assets** (continued)

##### *Impairment of financial assets* (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

In accordance with the Trust Deed, Hui Xian REIT has a limited life of 80 years less 1 day from the date of commencement of Hui Xian REIT. The units contain a contractual obligation to its unitholders, upon the termination of Hui Xian REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Hui Xian REIT less any liabilities, in accordance with their proportionate interests in Hui Xian REIT at the date of its termination.

In accordance with the Trust Deed, Hui Xian REIT's distribution policy provides the unitholders with a right to receive distribution which Hui Xian REIT has a contractual obligation to distribute to unitholders at 100% of Hui Xian REIT's Annual Distributable Income (defined in the Trust Deed) for the period from 29 April 2011 (date of listing) to 31 December 2011 and the financial year ended 31 December 2012 and thereafter at least 90% of Hui Xian REIT's Annual Distributable Income for each financial year.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial liabilities and equity instruments** (continued)

Accordingly, the issued units are compound instruments in accordance with HKAS 32 “Financial Instruments: Presentation”. The Manager considers the equity component of the issued units to be insignificant.

Unit issue costs are the transactions costs relating to issue of units in Hui Xian REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Financial liabilities which include trade and other payables, manager’s fee payable, distribution payable, loans from a unitholder and bank loan are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Derecognition** (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### (i) Impairment losses on tangible assets

At the end of the reporting period, the Manager reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

### (j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Group as lessor**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Land and related costs

Leasehold interests in land (i.e. land use rights) are classified as finance lease if substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The leasehold land is classified as property, plant and equipment when the land is qualified as finance lease. Other leasehold interests in land are accounted for as operating lease and amortised over the lease term on a straight-line basis.

### (l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

### (n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the "profit before taxation" as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Taxation (continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where it is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are charged or credited to profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### (p) Potential impact arising from recently issued accounting standards

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except as described below.

In the current year, the Group has applied, for the first time, the following amendments to the standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Except for the amendments to HKAS 12 as described below, the application of the amendments to HKFRS 7 in the current year has had no material impact on the Group's financial performance and positions for the current year and prior periods and/or on the disclosures set out in these consolidated financial statements.

#### **Amendments to HKAS 12 "Income Taxes"**

The Group has applied the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As at 31 December 2012, the Group had investment properties amounting to RMB29,660 million (2011: RMB26,860 million). The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Manager reviewed the Group's investment properties portfolio which are all located in the PRC and rented out under operating leases and concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather through sale. As the investment properties are depreciable assets and the business model's objective is to consume substantially all of the economic benefits embodied in the investment properties over time through generating rental income, the presumption set out in the amendments to HKAS 12 is rebutted. Deferred taxation in relation to the investment properties was and is continued to be measured based on the tax consequences of recovering through use. Hence, the application of the amendments to HKAS 12 has no effect on the Group's financial performance and financial position in the current year and prior periods.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(p) Potential impact arising from recently issued accounting standards** (continued)

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”), Hong Kong Accounting Standards (“HKAS(s)”), Interpretations (“HK(IFRIC)(s)”) and amendments that have been issued but not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HAS 27	Investment Entities <sup>4</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012 <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

Except for the adoption of HKFRS 10, HKFRS 12 and HKFRS 13 as described below, the Manager anticipates that the application of the above new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Potential impact arising from recently issued accounting standards (continued)

#### **HKFRS 10 “Consolidated Financial Statements”**

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

The Manager anticipates that HKFRS 10 will be adopted in the Group’s consolidated financial statements for annual period beginning on 1 January 2013 and that the application of the new standard is unlikely to affect the amounts reported in the consolidated financial statements.

#### **HKFRS 12 “Disclosure of Interest in Other Entities”**

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

The Manager anticipates that HKFRS 12 will be adopted in the Group’s consolidated financial statements for the annual period beginning on 1 January 2013 and the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

#### **HKFRS 13 “Fair Value Measurement”**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 “Financial Instruments: Disclosures” will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard is unlikely to affect the amounts reported in the consolidated financial statements but will lead to more extensive disclosures in relation to fair value measurement of its investment properties.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As described in Notes 2(e) and 14, as at 31 December 2012, investment properties of RMB29,660 million (2011: RMB26,860 million) are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was principally arrived by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the property. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining term of the land use rights of the property. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties. The key drivers underlying estimation of fair value of investment properties are market rents capitalisation rates.

In relying on the valuation reports of the independent professional valuer, the Manager has exercised its judgment and is satisfied the key drivers underlying estimation of fair value of investment properties by comparing to actual market yield data, actual transactions of the similar properties in the same location and condition and those reported by the market. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

As described in Note 2(p), for the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value, the Manager has reviewed the Group's investment property portfolios which are all located in PRC and rented out under operating leases and concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use rather than through sale. Any change to the business model will lead to a change in the measurement basis of the deferred tax liabilities of the investment properties.

#### 4. SEGMENT REPORTING

Hui Xian REIT determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (i.e. the Manager) for the purpose of allocating resources to segments and assessing their performance. During the current year, the Group acquired Shenyang Investment (BVI) Limited (as disclosed in Note 24(a)). Subsequent to the acquisition of Shenyang Investment (BVI) Limited, the chief operating decision maker reviewed financial information and operating result of Sheraton Shenyang Lido Hotel on stand-alone basis and reported the operation of Sheraton Shenyang Lido Hotel as a separate segment in the interim financial statement for the six months ended 30 June 2012. However, the structure of internal reports provided to the chief operating decision maker has been revised subsequent to 30 June 2012. Under the revised internal reports, the results and financial information of Grand Hyatt Beijing and Sheraton Shenyang Lido Hotel have been reported on a combined basis. Therefore, a new segment "The Hotels" has been presented to show the combined financial information and results of Grand Hyatt Beijing and Sheraton Shenyang Lido Hotel. Furthermore, certain expenses and income which previously presented as unallocated expenses and income have been reclassified and included in each of the segment results. There is no material impact on segment results resulting from the restatement. The amounts reported for the period from 29 April 2011 (date of listing) to 31 December 2011 have been restated to conform with the change made in the internal reports that are regularly reviewed by the chief operating decision maker for the year ended 31 December 2012.

The following are identified operating and reportable segments:

The Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the PRC.
The Tower Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC.
The Tower Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC.
The Hotels:	Operation of Grand Hyatt Beijing in Oriental Plaza, Beijing, the PRC and Sheraton Shenyang Lido Hotel, Shenyang, the PRC.

**4. SEGMENT REPORTING** (continued)**(a) Segment revenue and results*****For the year ended 31 December 2012***

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Consolidated RMB million
Segment revenue	959	785	129	775	2,648
Segment profit	746	568	60	297	1,671
Increase in fair value of investment properties					2,800
Finance costs					(61)
Depreciation and amortisation					(294)
Unallocated income					28
Unallocated expense					(135)
Profit before taxation and transactions with unitholders					4,009

***For the period from 29 April 2011 (date of listing) to 31 December 2011***

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Consolidated RMB million
Segment revenue	602	485	82	419	1,588
Segment profit	486	358	39	158	1,041
Increase in fair value of investment properties					360
Finance costs					(6)
Depreciation and amortisation					(136)
Unallocated income					4
Unallocated expense					(85)
Profit before taxation and transactions with unitholders					1,178

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 4. SEGMENT REPORTING (continued)

#### (a) Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of the increase in fair value of investment properties, certain Manager's fees and real estate investment trust expenses, certain depreciation and amortisation expenses, certain other operating expenses and other income that are not directly related to each segmental activities and finance costs. This is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

#### (b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	31.12.2012 RMB million	31.12.2011 RMB million
The Malls	14,867	14,642
The Tower Offices	14,829	12,263
The Tower Apartments	2,206	2,272
The Hotels	5,581	3,984
Total segment assets	37,483	33,161
Bank balances and cash	1,861	798
Other assets	44	36
Consolidated total assets	39,388	33,995

For the purposes of monitoring segment performances and resources allocation, all investment properties, land and related costs, hotel inventories, certain bank balances and cash, certain property, plant and equipment (mainly buildings) and trade and other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and other receivables) are unallocated.

#### (c) Geographical information

All of the Group's revenue is derived from activities and customers located in the PRC and the Group's non-current assets are all located in Beijing and Shenyang, the PRC.

The Group did not have any major customers as no single customer contributed more than 10% of the Group's revenue during the current year and prior period.

**4. SEGMENT REPORTING** (continued)**(d) Other segment information****For the year ended 31 December 2012**

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Segment Total RMB million
Depreciation of property, plant and equipment	1	1	1	7	10

**For the period from 29 April 2011 (date of listing) to 31 December 2011**

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Segment Total RMB million
Depreciation of property, plant and equipment	—	—	1	4	5

**5. REVENUE**

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Gross rental from investment properties	1,744	1,087
Income from hotel operation	775	419
Income from serviced apartments operation	129	82
Total	2,648	1,588

The gross rental from investment properties includes contingent rents of RMB26 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB16 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB484 million (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB284 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 6. RENTAL RELATED INCOME

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Service income	39	30
Forfeited tenant deposits	7	5
Others	8	6
<b>Total</b>	<b>54</b>	<b>41</b>

### 7. OTHER INCOME

Amount mainly represents bank interest income.

### 8. OTHER OPERATING EXPENSES

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Advertising and promotion	19	7
Audit fee	1	1
Business tax	151	90
Insurance	6	4
Lease agency fee	32	16
Property manager's fee (Note 1(a))	33	12
Property management fees	42	26
Repairs and maintenance	90	52
Other miscellaneous expenses (Note)	215	121
Stamp duty	3	1
Urban land use tax	3	2
Urban real estate tax	112	69
Utilities	126	69
<b>Total</b>	<b>833</b>	<b>470</b>

Note: Other miscellaneous expenses comprise mainly cleaning and security expenses, guest supplies and labour service fees.

**9. FINANCE COSTS**

	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
Interest expense on unsecured bank loan wholly repayable within five years	<b>30</b>	—
Interest expense on secured bank loans wholly repayable within five years	—	5
Interest expense on loans from a unitholder	<b>31</b>	1
	<b>61</b>	6

**10. MANAGER'S FEES**

	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
Base fee ( <i>Note 1(c)</i> )	<b>112</b>	67
Variable fee ( <i>Note 1(c)</i> )	<b>34</b>	22
Acquisition fee ( <i>Note 1(c)</i> )	<b>10</b>	—
	<b>156</b>	89

**11. REAL ESTATE INVESTMENT TRUST EXPENSES**

	<b>1.1.2012 to 31.12.2012 RMB million</b>	29.4.2011 to 31.12.2011 RMB million
Trustee's fee ( <i>Note 1(b)</i> )	<b>4</b>	2
Legal and professional fees	<b>3</b>	11
Public relations — related expenses	<b>1</b>	1
Trust administrative expenses	<b>2</b>	3
Others	—	1
	<b>10</b>	18

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 12. INCOME TAX EXPENSE

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
The income tax expense comprises:		
Current tax — PRC Enterprise Income Tax	353	246
— withholding tax	62	—
Deferred taxation ( <i>Note 23</i> )	695	113
	<b>1,110</b>	359

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong.

PRC Enterprise Income Tax was provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the Group's PRC subsidiaries.

The Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1 January 2008. The applicable withholding tax rate is 5% as approved by the relevant tax authorities in the PRC pursuant to double taxation arrangement between Hong Kong and the PRC. At the end of the reporting period, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

The tax charge for the year/period can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Profit before taxation	4,009	1,178
Tax at the applicable income tax rate of 25%	1,002	295
Tax effect of expenses not deductible for tax purpose	58	32
Deferred tax on undistributed earnings of the Group's PRC subsidiaries	(12)	32
Withholding tax levied on dividend paid	62	—
Tax charge for the year/period	<b>1,110</b>	359

### 13. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2012 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB2,901 million by 5,034,862,794 units, being the weighted average number of units in issue during the year of 5,034,017,734 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 October 2012 to 31 December 2012 of 845,060 units.

The earnings per unit for the period from 29 April 2011 (date of listing) to 31 December 2011 is calculated by dividing the profit for the period attributable to unitholders before transactions with unitholders of RMB819 million by 5,004,237,528 units, being the weighted average number of units in issue during the period of 5,003,141,759 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 October 2011 to 31 December 2011 of 1,095,769 units.

### 14. INVESTMENT PROPERTIES

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
FAIR VALUE		
At the beginning of the year/period	<b>26,860</b>	—
Addition arising from business combination ( <i>Note 24(b)</i> )	—	26,500
Increase in fair value recognised in profit or loss	<b>2,800</b>	360
At the end of the year/period	<b>29,660</b>	26,860

- (a) The Group's investment properties held under operating leases are located in Beijing, the PRC under medium-term leases and are measured using the fair value model.
- (b) Investment properties were revalued on 31 December 2012 and 31 December 2011 by American Appraisal China Limited, an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of properties have been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 15. PROPERTY, PLANT AND EQUIPMENT

	Buildings				Total RMB million
	Hotels RMB million	Serviced apartments RMB million	Plant and machinery RMB million	Others RMB million	
COST					
Addition arising from business combination at 29 April 2011 (Note 24(b))	1,207	578	145	89	2,019
Additions for the period	—	—	—	7	7
Disposals for the period	—	—	—	(2)	(2)
At 31 December 2011	<b>1,207</b>	<b>578</b>	<b>145</b>	<b>94</b>	<b>2,024</b>
Addition arising from acquisition of a business (Note 24(a))	<b>808</b>	—	<b>6</b>	<b>12</b>	<b>826</b>
Additions for the year	<b>3</b>	—	—	<b>14</b>	<b>17</b>
Disposals for the year	—	—	—	<b>(9)</b>	<b>(9)</b>
At 31 December 2012	<b>2,018</b>	<b>578</b>	<b>151</b>	<b>111</b>	<b>2,858</b>
ACCUMULATED DEPRECIATION					
At 29 April 2011	—	—	—	—	—
Provided for the period	27	13	9	16	65
Eliminated on disposals	—	—	—	(2)	(2)
At 31 December 2011	<b>27</b>	<b>13</b>	<b>9</b>	<b>14</b>	<b>63</b>
Provided for the year	<b>108</b>	<b>18</b>	<b>14</b>	<b>23</b>	<b>163</b>
Eliminated on disposals	—	—	—	<b>(8)</b>	<b>(8)</b>
At 31 December 2012	<b>135</b>	<b>31</b>	<b>23</b>	<b>29</b>	<b>218</b>
CARRYING AMOUNTS					
At 31 December 2012	<b>1,883</b>	<b>547</b>	<b>128</b>	<b>82</b>	<b>2,640</b>
At 31 December 2011	1,180	565	136	80	1,961

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, if any, using the straight-line method on the following basis:

Hotels and serviced apartments	3.1%–8.9% per annum
Plant and machinery	5%–18% per annum
Others (comprising of furniture and fixtures and computer equipment)	18%–33.3% per annum

Hotels and serviced apartments, which are situated in Beijing and Shenyang, the PRC are held under medium-term leases.

**16. LAND AND RELATED COSTS**

The carrying amount of prepaid lease payments and other related costs for land use rights held in the PRC under medium-term leases is analysed as follows:

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
Non-current asset	<b>4,798</b>	4,110
Current asset	<b>141</b>	114
	<b>4,939</b>	4,224

**17. HOTEL INVENTORIES**

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
Food and beverage	<b>6</b>	4
Other consumables	<b>16</b>	16
	<b>22</b>	20

**18. TRADE AND OTHER RECEIVABLES**

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
Trade receivables	<b>27</b>	26
Deposits and prepayments	<b>16</b>	15
Advance to suppliers	<b>8</b>	4
Interest receivables	<b>10</b>	1
Other receivables	<b>3</b>	1
	<b>64</b>	47

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 18. TRADE AND OTHER RECEIVABLES (continued)

Aging analysis of the Group's trade receivables by invoice dates at the end of the reporting period is as follows:

	31.12.2012 RMB million	31.12.2011 RMB million
Less than or equal to 1 month	25	24
1–3 months	1	2
Over 3 months	1	—
	<b>27</b>	26

There is no credit period given on billing for rental properties, including the malls, tower offices, tower apartments and hotels, except that a maximum credit period of 30 days (For the period from 29 April 2011 (date of listing) to 31 December 2011: 30 days) is granted to the travel agencies and corporate customers of the hotels. Interest is charged immediately on overdue balance at the rate of 0.05% to 0.1% (For the period from 29 April 2011 (date of listing) to 31 December 2011: 0.05% to 0.1%) per day.

Hotel revenue is normally settled by cash or credit card.

Included in the Group's trade receivable balances are debtors with a carrying amount of RMB4 million as at 31 December 2012 (2011: RMB4 million) which were past due at the reporting date on which the Group did not provide for doubtful debts as there were no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances. The average age of these past due receivables is 49 days at 31 December 2012 (2011: 34 days).

Trade and other receivables are denominated in RMB.

### 19. BANK BALANCES AND CASH

	31.12.2012 RMB million	31.12.2011 RMB million
Cash at bank and in hand	509	473
Time deposits (with original maturity of 3 months or less)	1,354	410
Cash and cash equivalents	1,863	883
Time deposits (with original maturity of more than 3 months)	200	—
Total	<b>2,063</b>	883

Average interest rate per annum is as follows:

Bank deposits — Time deposits	1.49%–3.08%	1.49%
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**19. BANK BALANCES AND CASH** (continued)

Bank balances and cash are denominated in the following currencies:

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
RMB	<b>2,059</b>	870
Hong Kong Dollars ("HK\$")	<b>3</b>	6
United States Dollars ("US\$")	<b>1</b>	7
	<b>2,063</b>	883

**20. TRADE AND OTHER PAYABLES**

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
Trade payables	<b>81</b>	54
Rental received in advance	<b>188</b>	147
Others ( <i>Note</i> )	<b>172</b>	129
	<b>441</b>	330

*Note:* Others comprise mainly accrued salaries, accrued staff welfare and certain operating expense payables.

Aging analysis of the Group's trade payables by invoice dates at the end of the reporting period is as follows:

	<b>31.12.2012</b> RMB million	31.12.2011 RMB million
Less than or equal to 3 months	<b>59</b>	53
Over 3 months	<b>22</b>	1
	<b>81</b>	54

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 20. TRADE AND OTHER PAYABLES (continued)

Trade and other payables are denominated in the following currencies:

	31.12.2012 RMB million	31.12.2011 RMB million
HK\$	2	12
RMB	433	301
US\$	6	17
	<b>441</b>	330

### 21. LOANS FROM A UNITHOLDER

The amounts represent loans of RMB545 million and RMB460 million drawn under a revolving credit facility (Note 34(i)) granted from a unitholder, Hui Xian Holdings Limited ("Hui Xian Holdings"). The loans are unsecured, bear interest at a range of 5.5% to 5.9% (2011: 2.1%) per annum and repayable on 3 January 2013 and 24 March 2013 respectively (2011: 12 March 2012).

### 22. BANK LOAN

	31.12.2012 RMB million	31.12.2011 RMB million
Unsecured term loan	973	—
Loan front-end fee	(14)	—
	<b>959</b>	—

The maturity of the above bank loan is as follows:

More than two years but not exceeding five years	959	—
Amount due after one year	959	—

In relation to the syndication credit facility of HK\$1,200 million (equivalent to RMB973 million) granted to the Group on 29 December 2011 to finance the general corporate funding needs of the Group, the total amount of bank loan utilised by the Group as at 31 December 2012 was HK\$1,200 million (equivalent to RMB973 million) (2011: nil). It bears interest at floating interest rate of HIBOR plus 2% and is repayable in full in January 2015. Bank loan under the syndication credit facility is guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of the Group. The weighted average effective interest rate on the bank loan is 2.4% (2011: nil) per annum.

## 23. DEFERRED TAX LIABILITIES

The following are the major components of deferred tax liabilities recognised and movements therein during the year/period:

	Others RMB million (Note)	Fair value of investment properties RMB million	Withholding tax on retained profits to be distributed RMB million	Total RMB million
Addition arising from business combination at 29 April 2011 (Note 24(b))	2,004	4,159	101	6,264
(Credit) charge to profit or loss (Note 12)	(9)	90	32	113
At 31 December 2011	<b>1,995</b>	<b>4,249</b>	<b>133</b>	<b>6,377</b>
Addition arising from acquisition of a business (Note 24(a))	<b>290</b>	<b>—</b>	<b>1</b>	<b>291</b>
Charge (credit) to profit or loss (Note 12)	<b>7</b>	<b>700</b>	<b>(12)</b>	<b>695</b>
At 31 December 2012	<b>2,292</b>	<b>4,949</b>	<b>122</b>	<b>7,363</b>

Note: Others represented the fair value adjustment on recognised assets and liabilities upon business combination and accelerated tax depreciation.

## 24. ACQUISITION OF A BUSINESS

- (a) On 1 January 2012, the Group completed the acquisition of entire issued share capital of, and shareholder's loan of RMB61 million owing at completion by, Shenyang Investment (BVI) Limited ("Shenyang Investment (BVI)"), which was a wholly owned subsidiary of Yick Ho Limited ("Yick Ho"), a connected party of the Group, for a cash consideration of RMB980 million. Yick Ho is the foreign joint venture party of Shenyang Lido Business Co. Limited ("Shenyang Lido"), a sino-foreign cooperate joint venture enterprise established in the PRC which operates Sheraton Shenyang Lido Hotel in Shenyang, the PRC. Immediately before the acquisition, Yick Ho was entitled to 99% equity interest of Shenyang Lido and Beijing Wondergrow Investment and Consulting Co., Ltd ("Beijing Wondergrow"), the domestic partner, was entitled to the remaining 1%. Pursuant to the transfer agreement entered between Shenyang Investment (Hong Kong) Limited ("Shenyang Investment HK"), Yick Ho, and Beijing Wondergrow, Yick Ho transferred 70% of its equity interest in Shenyang Lido to Shenyang Investment HK as a new foreign joint venture party on 1 January 2012. Since Shenyang Investment HK is a wholly owned subsidiary of Shenyang Investment BVI, so through the acquisition of entire issued share capital of, and shareholder's loan owing at completion by, Shenyang Investment BVI, the Group was in effect acquiring 70% equity interest of Shenyang Lido. Upon completion of the acquisition, Shenyang Lido became a non-wholly owned subsidiary controlled by the Group.

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For the year ended 31 December 2012

### 24. ACQUISITION OF A BUSINESS (continued)

(a) (continued)

#### Consideration transferred

	RMB million
Cash	980

#### Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB million
Property, plant and equipment	826
Land and related costs	856
Hotel inventories	2
Trade and other receivables	10
Bank balances and cash	114
Trade and other payables	(50)
Tenants' deposits	(6)
Tax payable	(1)
Amount due to a former controlling shareholder	(61)
Deferred tax liabilities	(291)
	1,399
Non-controlling interest ( <i>Note (i)</i> )	(419)
	980

	RMB million
Net cash outflow arising on acquisition:	
Consideration paid in cash	980
Less: Bank balances and cash acquired	(114)
	866

*Note:*

(i) The non-controlling interest is measured at a proportionate share of the recognised assets and liabilities at the acquisition date.

**24. ACQUISITION OF A BUSINESS** (continued)**(a)** (continued)

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to RMB10 million. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Fair values of property, plant and equipment and land and related costs at 1 January 2012 have been arrived at on the basis of valuations carried out on that date by American Appraisal China Limited, an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuations of properties have been arrived at by using discounted cash flow approach by the projection of a series of periodic cash flows to the property.

Included in the profit for the year is a loss of RMB6 million attributable to the additional business generated by Shenyang Investment BVI and its subsidiaries. Revenue for the year includes RMB191 million generated from Shenyang Lido.

- (b)** On 29 April 2011, Hui Xian REIT effectively obtained control of Hui Xian (B.V.I.) Limited (“Hui Xian BVI”) together with its subsidiaries and acquired the interests in the amount owing by Hui Xian BVI to Hui Xian (Cayman Islands) Limited (“Hui Xian Cayman”), amounting to RMB11,707 million for consideration of RMB14,148 million satisfied by issuance of 2,700,000,000 units. This acquisition has been accounted for using the acquisition method. Hui Xian BVI is an investment holding company and indirectly owns Beijing Oriental Plaza Co., Ltd which engages in property investment and hotel and serviced suites operations in Beijing, the PRC.

**Consideration transferred**

	RMB million
Units issued	<b>14,148</b>

The fair value of 2,700,000,000 units of Hui Xian REIT, determined using the offer price of RMB5.24 per unit amounted to RMB14,148 million in total.

**24. ACQUISITION OF A BUSINESS** (continued)

(b) (continued)

**Assets acquired and liabilities recognised at the date of acquisition are as follows:**

	RMB million
Investment properties	26,500
Property, plant and equipment	2,019
Land and related costs	4,300
Hotel inventories	19
Trade and other receivables	45
Bank balances and cash	259
Trade and other payables	(274)
Tenants' deposits	(464)
Amount due to Hui Xian Cayman	(11,707)
Tax payable	(85)
Bank loans	(200)
Deferred tax liabilities	(6,264)
	<b>14,148</b>

	RMB million
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<b>259</b>

Fair value of investment properties, property, plant and equipment and land and related costs at 29 April 2011 have been arrived at on the basis of valuations carried out on that date by American Appraisal China Limited, an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuations of properties were arrived at using investment approach by capitalising: (i) net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties and (ii) income generated from operating hotel after deducting the operating and non-operating expenses, or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

## 25. UNITS IN ISSUE

On 8 April 2011, the Trustee (as trustee of Hui Xian REIT), the Manager, Hui Xian Cayman and Hui Xian Holdings entered into a reorganisation agreement, pursuant to which Hui Xian Cayman has agreed to transfer and assign to the Trustee (as trustee of Hui Xian REIT) the shares of Hui Xian BVI (“Hui Xian BVI Share”) and interests in the amount owing by Hui Xian BVI to Hui Xian Cayman immediately prior to the Completion (as defined below), amounting to RMB11,707 million (the “Indebtedness”).

Completion of the transfer of Hui Xian BVI Share and the assignment of the Indebtedness took place by the end of 28 April 2011 (the “Completion”). The consideration for the transfer and assignment of the Hui Xian BVI Share and the Indebtedness were satisfied by the issuance of 2,700,000,000 units to Hui Xian Cayman.

After Completion and prior to the completion of the Offering, Hui Xian REIT issued 2,700,000,000 units and all the units in Hui Xian REIT were owned by Hui Xian Cayman.

Upon listing on 29 April 2011, Hui Xian REIT issued 2,300,000,000 units at RMB5.24 per unit, amounting to RMB12,052 million.

As at 31 December 2012, Hui Xian REIT had 5,076,415,649 (2011: 5,009,521,491) issued units.

During the year/period, movements of units in issue are as below:

	Number of units	RMB million
Units issued for business combination ( <i>Note 24(b)</i> )	2,700,000,000	14,148
Units issued for initial offering	2,300,000,000	12,052
Units issue costs	—	(345)
Payment of Manager’s fees through issuance of new units during the period ( <i>Note (i)</i> )	9,521,491	33
<b>Balance at 31 December 2011</b>	<b>5,009,521,491</b>	<b>25,888</b>
Payment of Manager’s fees through issuance of new units during the year ( <i>Note (i)</i> )	<b>26,271,988</b>	<b>103</b>
Units issued pursuant to the distribution reinvestment arrangement in respect of 2011 final and 2012 interim distributions ( <i>Note (ii)</i> )	<b>40,622,170</b>	<b>146</b>
<b>Balance at 31 December 2012</b>	<b>5,076,415,649</b>	<b>26,137</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 25. UNITS IN ISSUE (continued)

Note:

- (i) Details of units issued during the year/period as payment of Manager's fees are as follows:

#### **For the year ended 31 December 2012**

Issue date	Payment of the Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
29 March 2012	1 October 2011 to 31 December 2011	3.90	<b>5,076,771</b>
30 April 2012	1 January 2012 to 31 March 2012	3.87	<b>6,945,741</b>
20 August 2012	1 April 2012 to 30 June 2012	3.76	<b>7,384,602</b>
31 October 2012	1 July 2012 to 30 September 2012	4.07	<b>6,864,874</b>
			<b>26,271,988</b>

#### **For the period from 29 April 2011 (date of listing) to 31 December 2011**

Issue date	Payment of the Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
8 September 2011	29 April 2011 to 30 June 2011	3.87	3,503,434
31 October 2011	1 July 2011 to 30 September 2011	3.29	6,018,057
			9,521,491

- (ii) On 4 May 2012, 2,951,406 scrip units at an issue price RMB3.97 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2011 final distribution.

On 25 September 2012, 37,670,764 scrip units at an issue price RMB3.57 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2012 interim distribution.

## 26. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders as at 31 December 2012 of RMB27,914 million (2011: RMB25,972 million) and the total number of 5,076,415,649 units in issue as at 31 December 2012 (2011: 5,009,521,491 units).

## 27. NET CURRENT LIABILITIES

At the end of the reporting period, the Group's net current liabilities, defined as total current assets less total current liabilities, amounted to RMB68 million (2011: RMB313 million).

## 28. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB37,030 million (2011: RMB32,618 million).

## 29. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of assuring its ability to continue as a going concern while providing reasonable and stable returns to unitholders and generating benefits to other stakeholders. The Group considers the cost of capital and the risk associated with the capital. The Manager regularly reviews its capital management strategy to accommodate the Group's investment opportunities and strategies.

The Group is also subject to external capital requirements imposed by the REIT Code. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value (the "gearing ratio") as required by the REIT Code. As at 31 December 2012, the Group's gearing ratio is 5.0% (2011: 0.6%), being the aggregate amount of loans from a unitholder and bank loan divided by total assets of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 30. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

	31.12.2012 RMB million	31.12.2011 RMB million
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Trade and other receivables	40	28
Bank balances and cash	2,063	883
	<b>2,103</b>	911
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	253	183
Manager's fee payable ( <i>Note</i> )	16	13
Distribution payable	634	533
Loans from a unitholder	1,005	202
Bank loan	959	—
	<b>2,867</b>	931
Unitholders' funds	<b>27,914</b>	25,972

*Note:* The balance excludes Manager's fee payable of RMB28 million (2011: RMB21 million) to be settled in units.

#### b. Financial risk management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### 30. FINANCIAL INSTRUMENTS (continued)

#### b. Financial risk management objectives and policies (continued)

##### ***Interest rate risk***

The Group is exposed to fair value interest rate risk relates to the loans from a unitholder (Note 21). Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 19) and variable-rate bank loan (Note 22). The Manager considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate and therefore excluded from the sensitivity analysis below. Except for the loans from a unitholder, it is the Group's policy to keep its other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the Manager monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowing.

##### *Sensitivity Analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2011: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease/increase by RMB5 million (For the period 29 April 2011 (date of listing) to 31 December 2011: decrease/increase by nil). This is mainly attributable to the Group's exposure to interest rate on its variable-rate bank loan.

### 30. FINANCIAL INSTRUMENTS (continued)

#### b. Financial risk management objectives and policies (continued)

##### **Foreign currency risk**

The Group collected all of its revenue in RMB and most of the expenditures including expenditure incurred in property investment as well as capital expenditure are also denominated in RMB.

The Group undertook certain transactions (including financing arrangements) in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, the Manager monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of each reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	31.12.2012 RMB million	31.12.2011 RMB million
<b>Assets</b>		
HK\$	3	6
US\$	1	7
<b>Liabilities</b>		
HK\$	961	12
US\$	6	17

The Group does not have a foreign currency hedging policy. However, the Manager monitors foreign exchange exposure and may consider hedging significant foreign currency exposure should the need arise.

For the monetary assets and monetary liabilities denominated in US\$, since the amounts are not material, the Manager considers the exposure of exchange rate fluctuation is not significant for the year/period. Accordingly, no foreign currency sensitivity analysis is disclosed in the consolidated financial statements.

The Group mainly exposes to foreign exchange fluctuation of HK\$ against RMB.

**30. FINANCIAL INSTRUMENTS** (continued)**b. Financial risk management objectives and policies** (continued)**Foreign currency risk** (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the HK\$. The sensitivity analysis includes only outstanding HK\$ denominated monetary items and adjusts their translation at the year/period end for a 5% change in HK\$. 5% is the sensitivity rate used when reporting foreign risk internally to key management personnel and represents the Manager's assessment of the reasonably possible change in HK\$. An increase in profit for the year/period where the RMB strengthens against the HK\$. For a 5% weakening of RMB against the HK\$, there would be an equal and opposite impact on the profit for the year/period.

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
<b>HK\$</b>		
Profit for the year/period	<b>48</b>	—

The Manager considers the sensitivity analysis is unrepresentative of foreign currency risk as the year end exposure does not reflect the exposure during the year.

**Credit risk**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay two to three months deposits upon entering into leases with the Group. The Group has the right to offset the deposits against the outstanding receivables should the tenants default rental payments.

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rates ranging from of 0.05% to 0.1% (For the period from 29 April 2011 (date of listing) to 31 December 2011: 0.05% to 0.1%) per day. In addition, the Manager is responsible for follow up action to recover the overdue debt. The Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

### 30. FINANCIAL INSTRUMENTS (continued)

#### b. Financial risk management objectives and policies (continued)

##### **Credit risk** (continued)

There is a maximum credit period of 30 days (For the period from 29 April 2011 (date of listing) to 31 December 2011: 30 days) granted to corporate customers and travel agents of the hotels. The Group has no significant concentration of credit risk over these debtors, with exposure spread over a number of counterparties and customers. The Manager reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for all trade debtors as at 31 December 2012 and 31 December 2011.

The credit risk on liquid funds is limited because cash and bank deposits are placed with reputable financial institutions which are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

##### **Liquidity risk**

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's operations. As at 31 December 2012, the Group had net current liabilities of RMB68 million (2011: RMB313 million). Taking into account of the internally generated funds, bank loan and the available revolving credit facilities granted by Hui Xian Holdings set out in Note 34(i), the Group will be able to meet its financial obligation when they fall due.

As at 31 December 2012, the Group had unutilised revolving credit facilities granted by Hui Xian Holdings of RMB295 million (2011: RMB1,198 million).

### 30. FINANCIAL INSTRUMENTS (continued)

#### b. Financial risk management objectives and policies (continued)

##### Liquidity risk (continued)

##### Liquidity risk analysis

The following table details the Group's remaining contractual maturity for its financial liabilities and tenants' deposits based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2012 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	253	—	—	—	253	253
Tenants' deposits	—	53	144	177	200	574	574
Manager's fee payable	—	16	—	—	—	16	16
Distribution payable	—	—	634	—	—	634	634
Loans from a unitholder	5.7	1,011	—	—	—	1,011	1,005
Bank loan	2.4	6	18	24	997	1,045	959
		1,339	796	201	1,197	3,533	3,441

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2011 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	183	—	—	—	183	183
Tenants' deposits	—	113	108	127	142	490	490
Manager's fee payable	—	13	—	—	—	13	13
Distribution payable	—	—	533	—	—	533	533
Loans from a unitholder	2.1	202	—	—	—	202	202
		511	641	127	142	1,421	1,421

#### c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their corresponding fair values.

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### 31. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to participate in a defined contribution retirement scheme administered by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group recognised the retirement benefit costs of RMB6 million for the year ended 31 December 2012 (For the period from 29 April 2011 (date of listing) to 31 December 2011: RMB5 million).

### 32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group as the lessor had contracted with tenants for the following future minimum lease payments:

	31.12.2012 RMB million	31.12.2011 RMB million
Within one year	1,569	1,348
In the second to fifth years inclusive	1,988	1,653
Over five years	17	4
Total	3,574	3,005

The Group rents out its properties in the PRC under operating leases. Operating lease income represents rentals receivable by the Group for its properties. Leases are negotiated for term ranging from 1 month to 15 years (2011: 1 month to 15 years) with monthly fixed rental, except for certain leases of the mall of which contingent rents are charged based on the percentage of sales ranged from 1.5% to 25% (2011: 1.5% to 25%).

### 33. CAPITAL COMMITMENTS

	31.12.2012 RMB million	31.12.2011 RMB million
Capital expenditure in respect of the acquisition of the entire share capital of, and shareholder's loans owing at completion by, Shenyang Investment (BVI) contracted for but not provided in the consolidated financial statements	—	980
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	29	—

### 34. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year/period, the Group entered into the following transactions with connected and related parties:

Name of Connected/Related Party	Notes	1.1.2012 to 31.12.2012 RMB'000	29.4.2011 to 31.12.2011 RMB'000
<b>Rent and rental related income</b>			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	(a)	4,313	2,523
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited)*	(a)	497	—
和記電訊信息科技(深圳)有限公司 (Hutchison Telecommunications Information Technology (Shenzhen) Limited)*	(a)	—	281
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	(a) & (l)	2,307	1,635
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	(a) & (l)	3,202	2,360
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(a) & (l)	1,076	711
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(a) & (l)	1,321	1,241
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(a) & (l)	19,330	16,799
Cheung Kong (Holdings) Limited Beijing Office	(a) & (l)	67	44
AMTD China (Holdings) Limited	(a) & (l)	—	256

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### 34. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2012 to 31.12.2012 RMB'000	29.4.2011 to 31.12.2011 RMB'000
北京尚乘財策諮詢有限公司 (AMTD Beijing Investment Advisory Co., Ltd.)*	(a) & (l)	1,293	631
TOM Group International Limited Beijing Representative Office	(b)	378	266
李嘉誠基金會(香港)北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office)*	(c)	395	387
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(d)	240	159
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.)*	(e)	21	27
HSBC Bank (China) Company Limited (Beijing Branch)	(f)	—	15
Bank of China Limited	(a)	19,820	13,002
東方海外貨櫃航運(中國)有限公司北京分公司 (Orient Overseas Container Line (China) Co., Ltd. Beijing Branch)*	(g)	462	123
東方海外物流(中國)有限公司北京分公司 (OOCL Logistics (China) Ltd. Beijing Branch)*	(g)	525	131
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited)*	(h)	—	194
<b>Bank interest income</b>			
Bank of China Limited	(a)	19,382	1,995
Bank of China (Hong Kong) Limited	(a)	247	—
<b>Property management fee</b>			
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(a) & (l)	4,993	3,139
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(a) & (l)	7,596	6,381
<b>Club facilities usage fee</b>			
麗都飯店有限公司 (Lido Hotel Co., Ltd.)*	(a)	24	26
<b>Internet services fee</b>			
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(a) & (l)	3,594	3,568

**34. CONNECTED AND RELATED PARTY TRANSACTIONS** (continued)

Name of Connected/Related Party	Notes	1.1.2012 to 31.12.2012 RMB'000	29.4.2011 to 31.12.2011 RMB'000
<b>Promotional expense</b>			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	(a)	25	—
<b>Beverages</b>			
屈臣氏酒窖(廣州)有限公司 (Watson's Wine Cellar (Guangzhou) Company Limited)*	(a)	11	—
北京屈臣氏蒸溜水有限公司 (Beijing Watson's Distilled Water Co., Ltd)*	(a)	180	—
<b>Cleaning supplies</b>			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited)*	(a)	698	—
<b>Banquet services</b>			
Hutchison Hotel Hong Kong Limited	(a)	52	—
<b>Insurance expense</b>			
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch)*	(a)	500	306
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch)*	(a)	1,749	1,073
China Life Insurance Company Limited Beijing Branch	(a)	—	100
<b>Interest expense</b>			
Bank of China Limited	(a)	—	4,987
Bank of China (Hong Kong) Limited	(a) & (k)	10,022	—
Hui Xian Holdings Limited	(i)	30,447	1,287
<b>Trustee's fee</b>			
DB Trustees (Hong Kong) Limited		3,736	2,246
<b>Manager's fees</b>			
Hui Xian Asset Management Limited		156,416	88,851
<b>Property Manager's fee</b>			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(d)	32,708	11,948
<b>Valuation fee</b>			
American Appraisal China Limited	(j)	536	694

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 34. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Balances with connected and related parties as at 31 December 2012 and 31 December 2011 are as follows:

Name of Connected/Related Party	Notes	31.12.2012 RMB'000	31.12.2011 RMB'000
<b>Loans from a unitholder</b>			
Hui Xian Holdings Limited	(l)	1,005,000	201,500
<b>Bank loan</b>			
Bank of China (Hong Kong) Limited	(a) & (k)	319,767	—
<b>Deposits placed with the Group for the lease of the Group properties</b>			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	(a)	1,963	825
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited)*	(a)	176	—
和記電訊信息科技(深圳)有限公司 (Hutchison Telecommunications Information Technology (Shenzhen) Limited)*	(a)	—	100
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	(a) & (l)	475	536
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	(a) & (l)	679	718
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(a) & (l)	262	262
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(a) & (l)	325	518
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(a) & (l)	1,096	1,097
北京尚乘財策諮詢有限公司 (AMTD Beijing Investment Advisory Co., Ltd.)*	(a) & (l)	298	298
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(d)	59	59

**34. CONNECTED AND RELATED PARTY TRANSACTIONS** (continued)*Notes:*

- (a) These companies are associated companies<sup>1</sup> of Hui Xian Holdings, a significant unitholder<sup>2</sup> of Hui Xian REIT.
- (b) This company is an associate<sup>3</sup> of Mr. Ip Tak Chuen, Edmond, being a director of each of Hui Xian Holdings and Hui Xian Cayman.
- (c) This company is an associate<sup>3</sup> of Mr. Li Tzar Kuoi, Victor, who was a director of each of Hui Xian Holdings and Hui Xian Cayman, but resigned from such office with effect from 3 September 2012.
- (d) The company is a subsidiary of the Manager.
- (e) This company is an associate<sup>3</sup> of Mr. Wong K, James, who was the Deputy Chief Operating Officer of the Manager but resigned from such office with effect from 9 July 2012.
- (f) Mr. Cheng Hoi Chuen, Vincent, an independent non-executive director of the Manager, was a director of this company. He ceased to be a director of this company at (and with effect from) the conclusion of the annual general meeting of HSBC Holdings plc held at 11:00 am on 27 May 2011 (London time).
- (g) These companies are subsidiaries of a controlling entity<sup>4</sup> of Hui Xian Cayman and Hui Xian Holdings, a significant unitholder<sup>2</sup> of Hui Xian REIT.
- (h) Mr. Chow Wai Kam, Raymond, a director of Hui Xian Holdings and Hui Xian Cayman, is also a director of this company.
- (i) On 8 April 2011, Hui Xian Holdings (as lender) and Hui Xian Investment Limited ("Hui Xian Investment"), a subsidiary of Hui Xian REIT (as borrower) entered into a facility agreement pursuant to which Hui Xian Holdings had agreed to grant to Hui Xian Investment the facility in the aggregate amount of RMB1,400 million (comprising a RMB1,300 million revolving credit facility and a RMB100 million revolving credit facility). The RMB100 million revolving credit facility will be used to finance the general working capital requirements and general corporate funding of Hui Xian REIT and its special purpose vehicles, and is available for multiple drawings on a revolving basis from the listing date of Hui Xian REIT until one month before and not including its final maturity date which falls on the expiry of 18 months of the date of the facility agreement (or such later date as Hui Xian Holdings and Hui Xian Investment may extend by mutual agreement in writing from time to time). The RMB1,300 million revolving credit facility will be used to support Hui Xian REIT's making of distributions in RMB and is available for multiple drawings on a revolving basis from the listing date of Hui Xian REIT until one month before and not including its final maturity date which falls on the expiry of 42 months of the date of the facility agreement (or such later date as Hui Xian Holdings and Hui Xian Investment may extend by mutual agreement in writing from time to time). As of 31 December 2012, there were outstanding loans in the sum of RMB1,005 million under the RMB1,300 million revolving credit facility whereas the RMB100 million revolving credit facility was lapsed.
- (j) The company is the principal valuer of Hui Xian REIT.
- (k) The bank loan represents part of the outstanding syndicated bank loan (Note 22) as at 31 December 2012. The interest expense represents the respective interest expense under part of the outstanding syndicated bank loan for the year ended 31 December 2012.
- (l) These companies are either the Beijing representative office or subsidiaries of Cheung Kong (Holdings) Limited which have significant influence over Hui Xian REIT.

1 As defined in the REIT Code, a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of another company.

2 As defined in the REIT Code, a unitholder is a significant holder if it holds 10% or more of the outstanding units.

3 As defined in the SFO, a company shall be deemed to be an associate of a person if the person is a director of that company.

4 As defined in the SFO, a company shall be deemed to be a controlling entity of another company if the company has the right to nominate any of the directors of another company.

\* The English name is shown for identification purpose only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 35. LIST OF SUBSIDIARIES

The following entities are controlled by Hui Xian REIT as at 31 December 2012.

Name of company	Date of incorporation	Ordinary share capital/ registered capital	Proportion ownership interest held by Hui Xian REIT				Principal activities	Name of property held
			Directly		Indirectly			
			2012	2011	2012	2011		
<b>Incorporated in the British Virgin Islands:</b>								
Hui Xian (B.V.I.) Limited	7 June 1994	1 share of US\$1	100%	100%	—	—	Investment holding	—
Shenyang Investment (BVI) Limited	21 July 2011	50,000 shares of no par value	100%	—	—	—	Investment holding	—
<b>Incorporated in Hong Kong:</b>								
Hui Xian Investment Limited	18 August 1992	10,000 shares of US\$1 each	—	—	100%	100%	Investment holding	—
Shenyang Investment (Hong Kong) Limited	16 August 2011	10,000 shares of HK\$1 each	—	—	100%	—	Investment holding	—
<b>Incorporated in the PRC:</b>								
Beijing Oriental Plaza Co., Ltd.	25 January 1999	Registered — US\$600,000,000	—	—	100%	100%	Property investment and hotel and serviced suites operations in Beijing, the PRC	Oriental Plaza
Shenyang Lido Business Co. Ltd.	14 September 1996	Registered — US\$59,873,990	—	—	70%	—	Hotel operation in Shenyang, the PRC	Sheraton Shenyang Lido Hotel

## SUMMARY FINANCIAL INFORMATION

The summary of the consolidated statement of comprehensive income, distributions and the consolidated statement of financial position of Hui Xian REIT is set out as below:

### SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Revenue		
Gross rental from investment properties	<b>1,744</b>	1,087
Income from hotel operation	<b>775</b>	419
Income from serviced apartments operation	<b>129</b>	82
	<b>2,648</b>	1,588
Profit before taxation and transactions with unitholders	<b>4,009</b>	1,178
Income tax expense	<b>(1,110)</b>	(359)
Profit for the year/period, before transactions with unitholders	<b>2,899</b>	819
Profit for the year/period attributable to unitholders, before transactions with unitholders	<b>2,901</b>	819
	<b>RMB</b>	RMB
Basic earnings per unit	<b>0.5762</b>	0.1637

## SUMMARY OF DISTRIBUTIONS

	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Distributions to unitholders	<b>1,208</b>	735
	<b>RMB</b>	RMB
Distribution per unit	<b>0.2392</b>	0.1467

## SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2012 RMB million	31.12.2011 RMB million
Non-current assets	<b>37,098</b>	32,931
Current assets	<b>2,290</b>	1,064
Total assets	<b>39,388</b>	33,995
Current liabilities	<b>2,358</b>	1,377
Non-current liabilities, excluding net assets attributable to unitholders	<b>8,699</b>	6,646
Total liabilities, excluding net assets attributable to unitholders	<b>11,057</b>	8,023
Non-controlling interest	<b>417</b>	—
Net assets attributable to unitholders	<b>27,914</b>	25,972
	<b>RMB</b>	RMB
Net asset value per unit attributable to unitholders	<b>5.4988</b>	5.1845

## PERFORMANCE TABLE

	Notes	31.12.2012	31.12.2011
Net assets attributable to unitholders ( <i>RMB million</i> )		<b>27,914</b>	25,972
Net asset value per unit attributable to unitholders ( <i>RMB</i> )		<b>5.4988</b>	5.1845
Market capitalisation ( <i>RMB million</i> )		<b>21,067</b>	17,834
Units issued ( <i>units</i> )		<b>5,076,415,649</b>	5,009,521,491
Debts to net asset value ratio	1	<b>7.0%</b>	0.8%
Debts to total asset value ratio	2	<b>5.0%</b>	0.6%

		1.1.2012 to 31.12.2012	29.4.2011 to 31.12.2011
Highest traded unit price ( <i>RMB</i> )		<b>4.26</b>	5.10
Highest premium of the traded unit price to net asset value per unit	3	<b>N/A</b>	N/A
Lowest traded unit price ( <i>RMB</i> )		<b>3.48</b>	2.65
Highest discount of the traded unit price to net asset value per unit		<b>36.7%</b>	48.9%
Distribution per unit ( <i>RMB</i> )		<b>0.2392</b>	0.1467
Distribution yield per unit	4	<b>5.76%</b>	N/A

*Notes:*

1. Debts to net asset value ratio is calculated based on total debts over net assets attributable to unitholders as at 31 December 2012.
2. Debts to total asset value ratio is calculated based on total debts over total assets as at 31 December 2012.
3. The highest traded unit price is lower than the net asset value per unit attributable to unitholders at the end of the Reporting period. Accordingly, premium of the traded unit price to net asset value per unit has not been recorded.
4. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price of RMB4.15 as at 31 December 2012.

# INVESTOR CALENDAR

Annual results announcement for the year ended 31 December 2012 announcing, among other information, the final distribution for the period from 1 July 2012 to 31 December 2012 (“2012 Final Distribution”) and the distribution reinvestment arrangement (“DRA”)	28 February 2013 (Thursday)
Units quoted ex-2012 Final Distribution	14 March 2013 (Thursday)
Ten consecutive trading days to determine unit price for new units to be issued from scrip distribution under the DRA (“Scrip Units”)	14 March (Thursday) to 27 March 2013 (Wednesday) (both dates inclusive)
Closure of register of unitholders (for ascertaining entitlement to the 2012 Final Distribution)	18 March (Monday) to 20 March 2013 (Wednesday) (both dates inclusive)
Record date for 2012 Final Distribution	20 March 2013 (Wednesday)
Announcement in relation to the DRA	28 March 2013 (Thursday)
Despatch of circular and election form for the DRA	5 April 2013 (Friday)
Latest time for return of election form for the DRA <sup>1</sup>	22 April 2013 (Monday) not later than 4:30pm
Closure of register of unitholders (for ascertaining entitlement to attend and vote at the 2013 annual general meeting of Unitholders (“2013 AGM”)) <sup>2</sup>	2 May (Thursday) to 7 May 2013 (Tuesday) (both dates inclusive)
2013 AGM	7 May 2013 (Tuesday)
Payment of 2012 Final Distribution for cash distribution election	On or about 9 May 2013 (Thursday)
Despatch of new unit certificates for scrip distribution election	On or about 9 May 2013 (Thursday)
Expected first day of dealings in Scrip Units (subject to the granting of listing approval by The Stock Exchange of Hong Kong Limited)	10 May 2013 (Friday)

1 A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the final distribution for the period from 1 July 2012 to 31 December 2012 wholly in cash or in the form of new units or a combination of both. An announcement containing details of the distribution reinvestment arrangement was published on 28 March 2013 (Thursday) and a circular together with the relevant election form was delivered by post to the Unitholders on 5 April 2013 (Friday). Election form for scrip distribution must be lodged with and received by the Unit Registrar (at its address at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) not later than 4:30 pm on 22 April 2013 (Monday). Please refer to the relevant circular and election form for the details of such distribution reinvestment arrangement. Unitholders should note that any election form arrived or received after the aforesaid deadline will be treated and taken as invalid.

2 The register of unitholders will be closed from 2 May 2013 (Thursday) to 7 May 2013 (Tuesday) for ascertaining Unitholders’ right to attend and vote at the 2013 AGM of Hui Xian REIT. To be eligible to attend and vote at the said AGM, Unitholders must lodge all transfer forms (accompanied by the relevant unit certificates) with the Unit Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 30 April 2013 (Tuesday).

## MANAGER

Hui Xian Asset Management Limited  
Unit 303  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong  
Tel: (852) 2121 1128  
Fax: (852) 2121 1138

## BOARD OF DIRECTORS OF THE MANAGER

KAM Hing Lam  
*(Chairman and Non-executive Director)*

CHU Stephen Henry <sup>(Note 1)</sup>  
*(Chief Executive Officer and Executive Director)*  
*(Resigned with effect from 1 July 2012)*

CHEUNG Ling Fung, Tom <sup>(Note 1)</sup>  
*(Chief Executive Officer and Executive Director)*  
*(Appointed with effect from 1 July 2012)*

PANG Shuen Wai, Nichols <sup>(Note 2)</sup>  
*(Chief Financial Officer and Executive Director)*  
*(Resigned as Chief Financial Officer and Executive Director with effect from 1 October 2012 and appointed as alternate director to Mr. Yin Ke with effect from 1 October 2012)*

LEE Chi Kin, Casey <sup>(Note 2)</sup>  
*(Executive Director)*  
*(Appointed with effect from 1 October 2012)*

IP Tak Chuen, Edmond  
*(Non-executive Director)*

LIM Hwee Chiang  
*(Non-executive Director)*

YIN Ke  
*(Non-executive Director)*

CHENG Hoi Chuen, Vincent  
*(Independent Non-executive Director)*

LEE Chack Fan  
*(Independent Non-executive Director)*

CHOI Koon Shum, Jonathan  
*(Independent Non-executive Director)*

## AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE MANAGER

CHENG Hoi Chuen, Vincent *(Chairman)*  
LEE Chack Fan  
CHOI Koon Shum, Jonathan  
IP Tak Chuen, Edmond  
YIN Ke  
PANG Shuen Wai, Nichols <sup>(Note 2)</sup>  
*(Alternate Director to YIN Ke, with effect from 1 October 2012)*

## DISCLOSURES COMMITTEE OF THE BOARD OF DIRECTORS OF THE MANAGER

CHU Stephen Henry <sup>(Note 1)</sup> *(Chairman)*  
CHEUNG Ling Fung, Tom <sup>(Note 1)</sup> *(Chairman)*  
IP Tak Chuen, Edmond  
LEE Chack Fan

## DESIGNATED (FINANCE) COMMITTEE OF THE BOARD OF DIRECTORS OF THE MANAGER

YIN Ke *(Chairman)*  
CHU Stephen Henry <sup>(Note 1)</sup>  
CHEUNG Ling Fung, Tom <sup>(Note 1)</sup>  
CHOI Koon Shum, Jonathan  
PANG Shuen Wai, Nichols <sup>(Note 2)</sup>  
*(Alternate Director to YIN Ke, with effect from 1 October 2012)*

## COMPANY SECRETARY OF THE MANAGER

Fair Wind Secretarial Services Limited

Note 1: Mr. Chu Stephen Henry resigned as an Executive Director and the Chief Executive Officer of the Manager with effect from 1 July 2012. Mr. Chu also ceased to be a member of the Disclosures Committee, a member of the Designated (Finance) Committee and a Responsible Officer of the Manager with effect from the same date. Mr. Cheung Ling Fung, Tom, formerly the Chief Operating Officer of the Manager, was appointed as an Executive Director and the Chief Executive Officer of the Manager, a member of the Disclosures Committee and a member of the Designated (Finance) Committee of the Manager with effect from 1 July 2012.

Note 2: Mr. Pang Shuen Wai, Nichols resigned as an Executive Director and the Chief Financial Officer of the Manager with effect from 1 October 2012 and ceased to be a Responsible Officer of the Manager with effect from the same date. Mr. Pang was also appointed as alternate director to Mr. Yin Ke, a Non-executive Director and a member of the Audit Committee and a member of the Designated (Finance) Committee of the Manager, with effect from 1 October 2012. Mr. Lee Chi Kin, Casey was appointed as an Executive Director of the Manager with effect from 1 October 2012. Mr. Lee is also a Responsible Officer and the Chief Investment Officer of the Manager.

**TRUSTEE**

DB Trustees (Hong Kong) Limited

**AUDITOR**

Deloitte Touche Tohmatsu

**PRINCIPAL VALUER**

American Appraisal China Limited

**LEGAL ADVISER**

Woo Kwan Lee & Lo

**UNIT REGISTRAR**

Computershare Hong Kong Investor Services Limited

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Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

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**INVESTOR RELATIONS**

TONG BARNES Wai Che, Wendy

Tel: (852) 2121 1128

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Email: [info@huixianreit.com](mailto:info@huixianreit.com)

**PROPERTY MANAGER**

北京匯賢企業管理有限公司

(Beijing Hui Xian Enterprise Services Limited\*)

**STOCK CODE**

87001

**WEBSITE**

[www.huixianreit.com](http://www.huixianreit.com)

(\* *the English name is shown for identification purpose only*)



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