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## **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)**

**Managed by Hui Xian Asset Management Limited**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013**

### **HUI XIAN REIT**

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a real estate investment trust constituted by a deed of trust 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 (“Trustee”) (as amended by a supplemental deed dated 24 May 2013) (“Trust Deed”). Units of Hui Xian REIT were first listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 April 2011.

### **REIT MANAGER**

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “Manager”), a company incorporated in Hong Kong for the sole purpose of managing Hui Xian REIT. 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.

The Manager is pleased to announce the annual results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2013 to 31 December 2013 (“Reporting Period”) as follows:

## **CHAIRMAN'S STATEMENT**

### **FINANCIAL HIGHLIGHTS**

**For the financial year from 1 January 2013 to 31 December 2013**

	<b>1 Jan – 31 Dec 2013</b>	<b>1 Jan – 31 Dec 2012</b>	<b>Percentage Change</b>
Total Revenue ( <i>RMB million</i> )	2,710	2,648	2.4%
Net Property Income ( <i>RMB million</i> )	1,764	1,671	5.6%
Amount Available for Distribution ( <i>RMB million</i> )	1,262	1,208	4.5%
Distribution per Unit ( <i>RMB</i> )	0.2455	0.2392	2.6%
Distribution Yield	6.36% <sup>(1)</sup>	5.76% <sup>(2)</sup>	N/A
Payout Ratio	100%	100%	N/A

	<b>As at 31 Dec 2013</b>	<b>As at 31 Dec 2012</b>	<b>Percentage Change</b>
Gross Asset Value ( <i>RMB million</i> )	40,727	39,388	3.4%
Net Asset Value Attributable to Unitholders ( <i>RMB million</i> )	27,963	27,914	0.2%
Net Asset Value per Unit ( <i>RMB</i> )	5.4144	5.4988	-1.5%
Debts to Gross Asset Value	7.9%	5.0%	N/A

*Notes:*

(1) Based on the closing price of the units of Hui Xian REIT ("Units") on 31 December 2013 and the actual distribution amount for the period from 1 January 2013 to 31 December 2013.

(2) Based on the closing price of the Units on 31 December 2012 and the actual distribution amount for the period from 1 January 2012 to 31 December 2012.

I am pleased to report the annual results of Hui Xian REIT for the financial year ended 31 December 2013. The amount available for distribution for the Reporting Period increased 4.5% year-on-year to RMB1,262 million. Distribution per unit (“DPU”) rose 2.6% year-on-year to RMB0.2455, representing a distribution yield of 6.36% based on the closing unit price of RMB3.86 on 31 December 2013.

### **Results and Distribution**

Total revenue for the Reporting Period was RMB2,710 million, an increase of 2.4% as compared to the same period in 2012. Net property income (“NPI”) increased 5.6 % year-on-year to RMB1,764 million. Gross asset value was up by 3.4% year-on-year to RMB40,727 million, while net asset value attributable to unitholders rose 0.2% year-on-year to RMB27,963 million.

The amount available for distribution during the Reporting Period increased by 4.5% year-on-year to RMB 1,262 million. 100% of this amount will be distributed to the unitholders of Hui Xian REIT (“Unitholders”). This translates into a 2.6% year-on-year growth in total DPU of RMB0.2455, comprising an interim DPU of RMB0.1203 and a final DPU of RMB0.1252. The total DPU represented a distribution yield of 6.36% based on the closing unit price of RMB3.86 on 31 December 2013.

### **Offshore RMB Market Development**

Denominated in RMB, Hui Xian REIT’s outlook is closely linked to the development of offshore RMB market as well as the pace of RMB internationalisation.

Hong Kong was the first offshore market to launch RMB business back in 2004 and remarkable progress has been witnessed in the decade following. The city remains the world’s biggest and most liquid offshore RMB centre, with its offshore RMB deposits surging 43% year-on-year to RMB860.5 billion as at the end of December 2013. Cities such as London, Singapore, Taipei, Tokyo and Sydney are also rapidly expanding their RMB businesses and competing to become key offshore RMB hubs.

Since the listing of Hui Xian REIT in 2011, an extensive array of RMB financial products have been launched in Hong Kong, including RMB loans; securities products such as bonds and equities; and insurance policies, all offering various investment yields, in addition to RMB currency appreciation. In 2013, the exchange rate of RMB against the Hong Kong Dollar has appreciated about 3.1%\*.

### **Business Environment in China**

China’s economy maintained its growth momentum in 2013. Gross domestic product (“GDP”) in 2013 rose 7.7% year-on-year to RMB56.9 trillion. Retail sales, a key indicator of consumer spending, increased 13.1% year-on-year to RMB23.44 trillion. Beijing’s GDP recorded 7.7% year-on-year growth to RMB1.95 trillion.

### **Business Review**

Hui Xian REIT’s portfolio comprises two properties: (1) Oriental Plaza, a 800,000 square metre mixed-use development in Beijing (which consists of The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing); and (2) Sofitel Shenyang Lido, a five-star hotel in Shenyang. The appraised value of Hui Xian REIT’s properties was RMB37,040 million as at 31 December 2013.

Hui Xian REIT’s retail, office and serviced apartment sectors delivered solid organic growth during the Reporting Period. The hotel sector, however, continued to face challenges and keen competitions.

Total revenue of Hui Xian REIT’s portfolio increased 2.4% year-on-year to RMB2,710 million. NPI grew 5.6% year-on-year to RMB1,764 million.

*\*Based on the RMB/HK Dollar exchange rate of 1:1.2313 on 31 December 2012 and 1:1.2689 on 31 December 2013 (Source: “Exchange Rates for Stamp Duty Calculation” on [hkex.com.hk](http://hkex.com.hk)).*

<b>Net Property Income</b>	<b>Jan - Dec 2013 (RMB million)</b>	<b>Jan - Dec 2012 (RMB million)</b>	<b>Percentage Change (%)</b>
<b>Retail</b>	858	746	14.9%
<b>Office</b>	681	568	20.0%
<b>Serviced apartment</b>	63	60	4.8%
<b>Hotels</b>	162	297	-45.3%
<b>TOTAL</b>	<b>1,764</b>	<b>1,671</b>	<b>5.6%</b>

#### *Retail Portfolio*

In 2013, disposable income per capita of Beijing's urban residents grew by 10.6% year-on-year to RMB40,321. The capital city's retail sales increased 8.7% year-on-year to RMB838 billion. Demand for retail space at prime locations and well-managed shopping centres remained firm in Beijing.

The Malls at Oriental Plaza, situated in the prime Wangfujing area, has maintained its position as a sought-after location for both domestic and international retailers. Its well-balanced tenant mix, which spans from mass market products to luxury brands, continues to be a draw for shoppers.

The retail portfolio's NPI increased 14.9% year-on-year to RMB858 million. The average monthly passing rent rose 10.1% year-on-year to RMB1,035 per square metre. Rental reversion was 15.8%. The average occupancy rate was 99.2%.

#### *Office Portfolio*

After seeing accelerated rental increases during 2010 and 2012, the Grade A office leasing market in Beijing has softened slightly in 2013. Nonetheless, supply remained limited.

Leasing demand for The Tower Offices at Oriental Plaza has continued unabated and a high occupancy level was maintained. Strong growth in passing rent and positive rental reversion were also recorded, reflecting the rent escalation of Beijing office market over the past three years.

The office portfolio's NPI was RMB681 million, an increase of 20.0% over 2012. The average monthly passing rent increased 20.7% year-on-year to RMB234 per square metre. The average monthly spot rent was down by 18.9% year-on-year to RMB255 per square metre. Rental reversion was 24.2%. The average occupancy rate was 93.5%.

Given the high occupancy rate which leaves limited space to be offered for recruitment of new tenants, the majority of the leasing activities in 2013 were renewals. As rentals of renewal leases tend to be lower than those of new leases, a year-on-year decrease in spot rent was recorded. However, lease renewals offer Hui Xian REIT a steady income stream and occupancy rate; avoiding the loss of revenue which arises from vacancy gaps.

#### *Serviced Apartment Portfolio*

During 2013, leasing demand for well-located luxury serviced apartments in Beijing was stable while supply was limited.

Featuring over 600 fully-furnished units over two blocks, The Tower Apartments at Oriental Plaza's average occupancy rate was 82.3% in 2013. NPI continued to grow, with a year-on-year increase of 4.8% to RMB63 million.

### *Hotel Portfolio*

The operating environment remained challenging for China's hotel industry throughout the Reporting Period. At the beginning of 2013, the extreme cold weather and the outbreak of human avian flu in several provinces caused the contraction of business and tourist arrivals, as well as cancellation of conferences and corporate events.

Moreover, the Central Government's new policy of restrictions on entertainment and hospitality also led to the cancellation or scaling down of corporate entertainment and banquets, business meetings and government-driven events.

As a result of these market headwinds, the NPI of Hui Xian REIT's hotel portfolio (comprising Grand Hyatt Beijing at Oriental Plaza and Sofitel Shenyang Lido) declined by 45.3% year-on-year to RMB162 million.

Grand Hyatt Beijing's average room rate per night for 2013 was down by 5.1% year-on-year to RMB1,746. Revenue per available room ("RevPAR") decreased 17.4% year-on-year to RMB948 and the average occupancy rate for the year was 54.3%.

On 1 January 2013, Hui Xian REIT's hotel in Shenyang was rebranded as Sofitel Shenyang Lido and has since been managed by Sofitel Luxury Hotels. The boom in hotel openings prior to the commencement of the 12th National Games of the People's Republic of China in August 2013 has mounted increasing challenges on existing hotels, applying further pressure on both room rates and occupancy levels.

Sofitel Shenyang Lido's average occupancy rate for the year was 41.5%. The average room rate per night decreased 17.2% year-on-year to RMB680; and RevPAR was down by 46.0% year-on-year to RMB282.

### **Asset Enhancement**

Asset enhancement is a key part of Hui Xian REIT's continuous efforts to stay competitive. The asset enhancement programme for Grand Hyatt Beijing has made good progress to date and half of the hotel rooms have undergone renovation, offering a fresh new look and upgraded amenities. The renovation programme for Sofitel Shenyang Lido is also underway.

### **Strong Financial Position**

Hui Xian REIT has maintained a strong financial position over the Reporting Period. As at 31 December 2013, bank balances and cash on hand amounted to RMB3,740 million and debts amounted to RMB3,217 million. Debts to gross asset value ratio was 7.9%. We believe that Hui Xian REIT will have the financial flexibility and capacity to seize market opportunities when they arise.

### **Outlook**

Looking ahead in 2014, we will continue to capitalise on our existing competitive advantages to fuel organic growth from our current portfolio. Our goals are to achieve rental growth and improve operational performances by implementing active asset management and enhancement strategies.

Concurrently, we will continue to actively pursue yield-accretive acquisition opportunities in China. Our focus is on acquiring quality assets which have the potential to enhance Hui Xian REIT's portfolio as well as deliver long-term benefits for Unitholders.

As the offshore RMB market continues to grow and sentiment towards RMB remains positive, we believe that there is significant potential for the further expansion of the RMB investment market. Any such growth would be positive for the prospects of Hui Xian REIT.

After three decades of rapid economic growth that has been heavily reliant on exports and investments, China is now in the process of reshaping its economy with a focus on expanding domestic consumption. We believe that such a shift would help the world's second largest economy to maintain sustainable and healthy growth in the long-term.

On behalf of the Manager, I would like to thank all Unitholders and the Trustee for their continued support and commitment for Hui Xian REIT.

KAM Hing Lam  
Chairman  
Hui Xian Asset Management Limited  
(as manager of Hui Xian Real Estate Investment Trust)  
Hong Kong, 24 February 2014

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PORTFOLIO HIGHLIGHTS**

Hui Xian REIT's portfolio spans across retail, office, serviced apartment and hotel businesses, including:

(1) its investment in Hui Xian (B.V.I.) Limited, which in turn holds Hui Xian Investment Limited ("Hui Xian Investment"), the foreign joint venture partner of 北京東方廣場有限公司(Beijing Oriental Plaza Company Limited<sup>#</sup>) ("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) Limited ("Shenyang Investment BVI"), which in turns 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<sup>#</sup>) ("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 **Sofitel Shenyang Lido**.

Hui Xian REIT's portfolio by sectors:

Sector	Property	City	Gross Floor Area (sq m)
(1) Retail	● <b>The Malls at Oriental Plaza:</b> <i>A shopping mall</i>	Beijing	130,195
(2) Office	● <b>The Tower Offices at Oriental Plaza:</b> <i>8 Grade A office towers</i>	Beijing	309,552
(3) Serviced apartment	● <b>The Tower Apartments at Oriental Plaza:</b> <i>2 serviced apartment towers (over 600 units)</i>	Beijing	81,603
(4) Hotels	● <b>2 hotels:</b>		
	➢ <b>Grand Hyatt Beijing at Oriental Plaza:</b> <i>5-star hotel (825 rooms)</i>	Beijing	204,166 125,420
	➢ <b>Sofitel Shenyang Lido:</b> <i>5-star hotel (590 rooms)</i>	Shenyang	78,746
(5) Car parking spaces & other ancillary facilities	● <b>1,901 car parking spaces at Oriental Plaza</b>	Beijing	140,289
<b>Total</b>			<b>865,805</b>

<sup>#</sup> The English name is shown for identification purpose only.

### **OPERATIONS REVIEW**

#### **(1) Retail Portfolio**

In 2013, Beijing's GDP expanded 7.7% year-on-year to RMB1.95 trillion. Retail sales increased 8.7% year-on-year to RMB838 billion. Disposable income per capita of Beijing's urban residents grew 10.6% year-on-year to RMB40,321 in 2013.

It was widely reported that the Central Government's new policy of restrictions on entertainment and hospitality implemented in 2013 had a noticeable effect on China's overall retail sales of luxury brands and high-end restaurants. The uncertain economic environment also prompted some first-tier luxury retailers to take a more conservative approach to expansion and became more careful in selecting store locations. Nonetheless, second-tier luxury and mass market brands continued to tap into China's vast consumer market, which was supported by the prospering middle class. As a result, demand for quality retail space in prime locations remained strong.

Hui Xian REIT's retail portfolio consists of The Malls at Oriental Plaza, a 130,000 square metre shopping centre in Beijing. NPI of the retail portfolio increased 14.9% year-on-year to RMB858 million, accounting for 48.6% of the total NPI of Hui Xian REIT during the Reporting Period.

Located in the Wangfujing area, one of Beijing's busiest shopping districts, leasing demand for The Malls continued to be strong in 2013. Rental income recorded healthy growth and the occupancy rate also remained at high, benefitting from The Malls' balanced and well diversified tenant mix. It boasts a broad spectrum of goods and services, including fast and high fashion, fast food chains, casual and fine dining restaurants, watches and jewellery, showrooms, banks, personal care stores and a cinema. The average monthly passing rent increased 10.1% year-on-year to RMB1,035 per square metre. Rental reversion was 15.8%. The average occupancy rate for 2013 was 99.2%.

The tenant mix of The Malls is constantly refined to keep pace with the fast-changing retail environment. During 2013, a number of new shops were opened at The Malls, such as Brooks Brothers, Gant, Patrizia Pepe, TAG Heuer, IWC, Evisu, Fossil, ALDO, Lenovo Flagship and Pacific Coffee. A few existing tenants also expanded and upgraded their shops, including Piaget, Dunhill, Hublot, Stuart Weitzman, Calvin Klein Jeans and Gabor. Moreover, Audi added over 1,000 square metres and launched its first digital car showroom, Audi City Beijing, in Asia.

Asset enhancement works at The Malls' Zone 1 was completed in the second half of 2013, bringing a whole new shopping experience to the shoppers. A new free Wi-Fi service was also launched inside The Malls.

Gross Revenue	RMB1,075 million, +12.1% YoY
Net Property Income	RMB858 million, +14.9% YoY
Average Occupancy Rate	99.2%
Average Monthly Passing Rent	RMB1,035 per square metre, +10.1% YoY
Average Monthly Spot Rent	RMB1,503 per square metre, +49.2% YoY

## (2) Office Portfolio

Beijing's Grade A office market has experienced rapid growth from 2010 to 2012. During 2013, the leasing market has slightly softened. Supply of new office space in the capital city remained limited.

Hui Xian REIT's office portfolio is comprised of eight Grade A office blocks totaling over 309,000 square metres, known as The Tower Offices at Oriental Plaza. NPI of the office portfolio increased 20.0% year-on-year to RMB681 million, accounting for 38.6% of the total NPI of Hui Xian REIT.

Leasing demand for The Tower Offices in 2013 was largely driven by lease renewal. Given the high occupancy level with only limited spaces available for recruiting new tenants, Hui Xian REIT's strategy was to retain loyal tenants, so as to save leasing and administrative costs, as well as to maintain current occupancy without interruption. More importantly, this stable tenant base generates a secure source of income for Hui Xian REIT.

The average monthly passing rent recorded a strong growth of 20.7% year-on-year to RMB234 per square metre. Since renewals accounted for the majority of leasing activity of The Tower Offices in 2013, and renewal rentals tend to be lower than the new leases rentals, the average monthly spot rent dropped 18.9% year-on-year to RMB255 per square metre. Nevertheless, rental reversion was 24.2%. The average occupancy rate for 2013 was 93.5%.



Over 490 multinational and domestic corporations have established their offices at The Tower Offices. The tenant base comprises a wide range of industries, including finance and banking, accounting, high technology, law, media and advertising, consumer products, education and government-related organisations. This large and diversified tenant base has contributed to the stability and sustainability of The Tower Offices' rental income.

The lobby of one of the office towers, public areas and washrooms have undergone renovation works in the second half of 2013. The asset enhancement programme will continue to be carried out in 2014.

Gross Revenue	RMB922 million, +17.4% YoY
Net Property Income	RMB681 million, +20.0% YoY
Average Occupancy Rate	93.5%
Average Monthly Passing Rent	RMB234 per square metre, +20.7% YoY
Average Monthly Spot Rent	RMB255 per square metre, -18.9% YoY

### **(3) Serviced Apartment Portfolio**

There was a stable leasing demand for high-end serviced apartments in the prime areas of Beijing during 2013 and supply remained limited.

Hui Xian REIT's serviced apartment portfolio consists of The Tower Apartments at Oriental Plaza, featuring over 600 fully-furnished serviced apartments in two blocks. The average occupancy rate for 2013 was 82.3%. NPI of the serviced apartment portfolio was up by 4.8% year-on-year to RMB63 million, contributing to 3.6% of the total NPI of Hui Xian REIT during the Reporting Period.

Gross Revenue	RMB129 million, +0.4% YoY
Net Property Income	RMB63 million, +4.8% YoY
Average Occupancy Rate	82.3%

### **(4) Hotel Portfolio**

China's hotel and tourism industry was hit by a series of developments in 2013, including the unfavourable macroeconomic environment, air pollution, a strong RMB and the outbreak of human avian flu in various provinces. Moreover, the new policy of restrictions on entertainment and hospitality introduced by the Central Government had a significant impact. Consequently, there was a considerable reduction in business and individual travel, corporate conferences and entertainment, banquets as well as government-driven events. All these caused a plummet in the hotels' room rates, occupancy rates as well as food and beverage revenues. The competition amongst hotels, particularly in the five-star segment, was further intensified.

Hui Xian REIT's hotel portfolio includes Grand Hyatt Beijing at Oriental Plaza and Sofitel Shenyang Lido. These two five-star hotels provide a total of 1,415 guest rooms and suites. NPI of the two hotels combined was RMB162 million, a 45.3% decrease year-on-year. The hotel sector contributed 9.2% of the total NPI of Hui Xian REIT in 2013.

#### *Grand Hyatt Beijing, Beijing*

The number of foreign tourists visiting Beijing fell 10.1% year-on-year to 4.5 million in 2013, mainly attributable to the events mentioned above.

Due to an uncertain economic environment, large corporations tightened their business travelling spending and promotional expenses. The scale and guest room bookings of many conferences and corporate events held at Grand Hyatt Beijing were downsized as compared with previous years. The average room rate per night decreased 5.1% year-on-year to RMB1,746. RevPAR was down by 17.4% year-on-year to RMB948. The average occupancy rate was down to 54.3% in 2013 from 62.4% in 2012.

Grand Hyatt Beijing responded quickly to the new market environment by implementing a range of marketing programmes and competitive pricing strategies, as well as developing new channels to attract new customers to the hotel and its restaurants.

The asset enhancement programme for the Club Lounge and half of the guest rooms have been completed. The refurbished rooms feature new design and upgraded amenities, and they have been well received by the market.

#### *Sofitel Shenyang Lido, Shenyang*

Shenyang experienced an extremely cold winter in 2012/13 with heavy snowfall and icy rain, which affected business activities and tourism. A number of upscale hotels opened before the 12th National Games of the People's Republic of China in August 2013, adding over 1,400 new rooms in Shenyang. In line with the Central Government's frugality campaign, the Games' budget was cut by 78% and the expected surge in tourists failed to materialise. As a result, deep price cuts were offered by the hotels in Shenyang to compete for customers.

Hui Xian REIT's hotel in Shenyang was rebranded as Sofitel Shenyang Lido on 1 January 2013 and has since been managed by Sofitel Luxury Hotels. The average room rate per night decreased 17.2% year-on-year to RMB680. RevPAR was down by 46.0% year-on-year to RMB282, and the average occupancy rate for 2013 was 41.5% compared to 63.6% a year earlier.

In response to the challenging operating environment, the hotel has been implementing prudent cost-containment and competitive pricing strategies with the aim of improving occupancy rate and revenues. An asset enhancement programme is also underway.

Gross Revenue	RMB584 million, -24.5 %YoY
Net Property Income	RMB162 million, -45.3% YoY
<i>Grand Hyatt Beijing</i> <ul style="list-style-type: none"> <li>• Average occupancy rate</li> <li>• Average room rate per night</li> <li>• RevPAR</li> </ul>	<ul style="list-style-type: none"> <li>• 54.3%</li> <li>• RMB1,746, -5.1% YoY</li> <li>• RMB948, -17.4% YoY</li> </ul>
<i>Sofitel Shenyang Lido</i> <ul style="list-style-type: none"> <li>• Average occupancy rate</li> <li>• Average room rate per night</li> <li>• RevPAR</li> </ul>	<ul style="list-style-type: none"> <li>• 41.5%</li> <li>• RMB680, -17.2% YoY</li> <li>• RMB282, -46.0% YoY</li> </ul>

## **FINANCIAL REVIEW**

### **Net Property Income**

The net property income was RMB1,764 million for the year ended 31 December 2013.

### **Distributions**

#### *Distribution Amount*

Hui Xian REIT will distribute a total of RMB646 million (“2013 Final Distribution”) to Unitholders for the period from 1 July 2013 to 31 December 2013. The 2013 Final Distribution represents 100% of Hui Xian REIT’s total amount available for distribution during the period from 1 July 2013 to 31 December 2013 and will be paid in RMB. A total of RMB616 million (“2013 Interim Distribution”) has been distributed to Unitholders of Hui Xian REIT on 26 September 2013 for the period from 1 January 2013 to 30 June 2013. In total, Hui Xian REIT will distribute a total of RMB1,262 million to Unitholders for the year ended 31 December 2013.

#### *Distribution per Unit*

The final DPU for the period from 1 July 2013 to 31 December 2013 is RMB0.1252 based on the number of outstanding Units on 31 December 2013. Together with the interim DPU of RMB0.1203, Hui Xian REIT provides a total DPU for the year ended 31 December 2013 of RMB0.2455. This represents a distribution yield of 6.36% based on the closing unit price of RMB3.86 on 31 December 2013.

### **Closure of Register of Unitholders**

The record date for the 2013 Final Distribution will be 12 March 2014, Wednesday (“Record Date”). The Register of Unitholders will be closed from 10 March 2014, Monday to 12 March 2014, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 30 April 2014, Wednesday 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 2013 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 7 March 2014, Friday.

### **Debt Positions**

In January 2012, 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. (the “2011 Credit Facility”). The purpose of the 2011 Credit Facility was to finance the general corporate funding needs of the Hui Xian REIT group.

In April 2013, Hui Xian Investment drew down a new unsecured 3-year term loan of HK\$1,200 million offered by Bank of China (Hong Kong) Limited, DBS Bank Ltd., Hang Seng Bank Limited and The Bank of East Asia Limited (the “April 2013 Credit Facility”). The purpose of the April 2013 Credit Facility was to finance the repayment of outstanding loans from Hui Xian Holdings Limited (“Hui Xian Holdings”) and the general corporate funding needs of the Hui Xian REIT group.

In November 2013, Hui Xian Investment drew down a new unsecured 3-year term loan of HK\$1,525 million offered by Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Sumitomo Mitsui Banking Corporation, United Overseas Bank Limited and Chong Hing Bank Limited (the “November 2013 Credit Facility”). The purpose of the November 2013 Credit Facility was to finance the repayment of outstanding loans from Hui Xian Holdings and the general corporate funding needs of the Hui Xian REIT group.

In December 2013, Hui Xian Investment drew down a new unsecured term loan of HK\$200 million offered by Bank of East Asia Limited (the “December 2013 Credit Facility”). The purpose of the December 2013 Credit Facility was to finance the general working capital requirement of the Hui Xian REIT group.

As at 31 December 2013, the outstanding loans drew down by Hui Xian Investment under a revolving credit facility arrangement with Hui Xian Holdings was fully repaid (31 December 2012: RMB1,005 million).

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 RMB27,963 million as at 31 December 2013 (31 December 2012: RMB27,914 million), Hui Xian REIT’s debts to net asset value ratio stood at 11.5% (31 December 2012: 7.0%). Meanwhile, the debts to gross asset value ratio was 7.9% as at 31 December 2013 (31 December 2012: 5.0%).

#### **Bank Balances and Asset Positions**

As at 31 December 2013, Hui Xian REIT’s bank balances and cash amounted to RMB3,740 million (31 December 2012: RMB2,063 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 Grade A office towers, two blocks of serviced apartments towers and an 825-room 5-star hotel in a 787,059 square metre building complex at 1 East 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 RMB30,080 million as at 31 December 2013 (31 December 2012: RMB29,660 million), translating into an increase of 1.4% over the valuation as of 31 December 2012. Together with the hotel and serviced apartment premises, gross property value of BOP was RMB35,865 million as at 31 December 2013, as compared to RMB35,577 million as at 31 December 2012.

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 RMB970 million as at 31 December 2013 (31 December 2012: RMB1,620 million). Subjected to the general unfavourable economic condition in China’s hotel industry, an impairment loss of RMB520 million was recognised in respect of the hotel premises of Shenyang Lido. Gross property value of hotel premises as at 31 December 2013 was RMB970 million (31 December 2012: RMB 1,580 million).

**Net Assets Attributable to Unitholders**

As at 31 December 2013, net assets attributable to Unitholders amounted to RMB27,963 million (31 December 2012: RMB27,914 million) or RMB5.4144 per Unit, representing a 40.3% premium to the closing unit price of RMB3.86 on 31 December 2013 (31 December 2012: RMB5.4988 per Unit, representing a 32.5% premium to the closing unit price of RMB4.15 on 31 December 2012) .

**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 2011 Credit Facility, the April 2013 Credit Facility, the November 2013 Credit Facility and the December 2013 Credit Facility.

**Commitments**

As at 31 December 2013, 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 2013, BOP, by itself and through its branch, employed a total of approximately 350 employees in the PRC, of which approximately 310 employees performed hotel operation functions and services, and approximately 40 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 2013, Shenyang Lido by itself and through its branch employed a total of approximately 390 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 2013.

**CORPORATE GOVERNANCE**

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures with built-in checks and balances have been put in place to promote the operation of Hui Xian REIT in a transparent manner. In particular, the Manager has adopted a compliance manual which sets out the key processes, systems and measures the Manager will apply in order to comply with the Trust Deed, the Code on Real Estate Investment Trusts ("REIT Code") and other applicable legislation, rules and regulations. The compliance manual also contains a corporate governance policy which regulates the activities of the board of directors of the Manager.

Throughout the year ended 31 December 2013, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual, the corporate governance policy, the Trust Deed, the REIT Code and applicable provisions of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") and the Rules Governing the Listing of Securities on the Stock Exchange.

**Authorisation Structure**

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this announcement, Mr. CHEUNG Ling Fung, Tom (executive director and chief executive officer of the Manager), Mr. LEE Chi Kin, Casey (executive director of the Manager), Mr. HUI Tung Keung, Tommy (chief operating officer of the Manager) and Ms. LAI Wai Yin, Agnes (chief financial officer of the Manager) are the responsible officers of the Manager as required by section 125 of the SFO and 5.4 of the REIT Code.

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

### **Review of the Annual Results**

The annual results of Hui Xian REIT for the year ended 31 December 2013 have been reviewed by the Audit Committee and Disclosures Committee of the Manager in accordance with their respective terms of reference.

### **New Units Issued**

In the year ended 31 December 2013, (i) an aggregate of 21,534,029 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) an aggregate of 66,575,818 new Units were issued to Unitholders who elected scrip distribution pursuant to the distribution reinvestment arrangement in respect of the final distribution for the period from 1 July 2012 to 31 December 2012 and the interim distribution for the period from 1 January 2013 to 30 June 2013.

The total number of Units in issue as at 31 December 2013 was 5,164,525,496 Units.

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

There were 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 were owned and controlled by Hui Xian REIT in the year ended 31 December 2013.

### **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 2013.

### **Issuance of the Annual Report 2013**

The Annual Report of Hui Xian REIT for the year ended 31 December 2013 will be published on the respective websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and Hui Xian REIT at [www.huixianreit.com](http://www.huixianreit.com), and will be sent to Unitholders on or before 30 April 2014.

### **Annual General Meeting of Unitholders**

The 2014 annual general meeting of Hui Xian REIT will be held on or around 5 May 2014, Monday, notice of which will be published and given to Unitholders in due course.

By order of the Board  
**Hui Xian Asset Management Limited**  
*(as manager of Hui Xian Real Estate Investment Trust)*  
**MAK Sum Wun, Simmy**  
*Company Secretary*

Hong Kong, 24 February 2014

*As at the date of this announcement, the Directors of the Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Cheung Ling Fung, Tom and Mr. Lee Chi Kin, Casey (executive Directors); Mr. Ip Tak Chuen, Edmond, Mr. Lim Hwee Chiang and Mr. Yin Ke (with Mr. Pang Shuen Wai, Nichols being his alternate director) (non-executive Directors); and Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan (independent non-executive Directors).*

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>NOTES</u>	<u>2013</u> RMB million	<u>2012</u> RMB million
Revenue	5	<b>2,710</b>	2,648
Rental related income	6	<b>55</b>	54
Other income	7	<b>126</b>	28
Increase in fair value of investment properties	14	<b>412</b>	2,800
Hotel inventories consumed		<b>(54)</b>	(75)
Staff costs		<b>(84)</b>	(82)
Depreciation and amortisation		<b>(302)</b>	(304)
Impairment loss on a hotel property	15,16	<b>(520)</b>	-
Other operating expenses	8	<b>(831)</b>	(833)
Finance costs	9	<b>(88)</b>	(61)
Manager's fees	10	<b>(147)</b>	(156)
Real estate investment trust expenses	11	<b>(10)</b>	(10)
Profit before taxation and transactions with unitholders		<b>1,267</b>	4,009
Income tax expense	12	<b>(427)</b>	(1,110)
Profit for the year, before transactions with unitholders		<b>840</b>	2,899
Distributions to unitholders		<b>(1,262)</b>	(1,208)
(Loss) profit and total comprehensive (expense) income for the year, after transactions with unitholders		<b>(422)</b>	1,691
Attributable to:			
Non-controlling interest		<b>(132)</b>	(2)
Unitholders		<b>(290)</b>	1,693
		<b>(422)</b>	1,691
Basic earnings per unit (RMB)	13	<b>0.1898</b>	0.5762

## FINANCIAL INFORMATION

### DISTRIBUTION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>2013</u> RMB million	<u>2012</u> RMB million
Profit for the year, before transactions with unitholders	840	2,899
Non-controlling interest	<u>132</u>	<u>2</u>
Profit for the year attributable to unitholders, before transactions with unitholders	<u>972</u>	<u>2,901</u>
Adjustments (Note (i)):		
Manager's fees	119	110
Deferred tax	112	711
Distributable depreciation and amortisation	151	208
Increase in fair value of investment properties	<u>(412)</u>	<u>(2,800)</u>
	<u>(30)</u>	<u>(1,771)</u>
Distributable income	<u>942</u>	<u>1,130</u>
Discretionary distributions (Note (ii)):		
Impairment loss on a hotel property	273	-
Depreciation and amortisation arising from fair value adjustment	37	37
Other cash distributions	<u>10</u>	<u>41</u>
	<u>320</u>	<u>78</u>
Amount available for distribution	<u><u>1,262</u></u>	<u><u>1,208</u></u>
Distributions to unitholders (Note (iii))		
- Interim distribution paid	616	592
- Final distribution payable	<u>646</u>	<u>616</u>
	<u><u>1,262</u></u>	<u><u>1,208</u></u>
Distribution per unit (RMB) (Note (iii))		
Interim distribution per unit	0.1203	0.1178
Final distribution per unit	<u>0.1252</u>	<u>0.1214</u>
	<u><u>0.2455</u></u>	<u><u>0.2392</u></u>



## FINANCIAL INFORMATION

Notes:

(i) *Adjustments for the year include:*

- (a) *For the year ended 31 December 2013, Manager's fees paid and payable in units of RMB119 million (14,819,668 units issued and 15,656,637 units estimated to be issued) out of the total Manager's fees of RMB147 million. The difference of RMB28 million are paid or payable in cash.*

*For the year ended 31 December 2012, Manager's fees paid and payable in units of RMB110 million out of the total Manager's fees of RMB156 million. The difference of RMB46 million are paid or payable in cash.*

- (b) *Deferred tax charge of RMB9 million (2012: RMB11 million) in relation to accelerated tax depreciation and deferred tax charge of RMB103 million (2012: RMB700 million) in relation to increase in fair value of investment properties.*
- (c) *Distributable depreciation and amortisation of Beijing Oriental Plaza attributable to unitholders of RMB151 million (2012: RMB208 million) represented by depreciation and amortisation of RMB207 million (2012: RMB208 million) less capital expenditure of RMB56 million (2012: nil).*
- (d) *Increase in fair value of investment properties of RMB412 million (2012: RMB2,800 million).*

*In accordance with the Trust Deed, Hui Xian REIT (as defined Note 1) 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. For the year ended 31 December 2013, the Manager had determined to distribute 100% of Hui Xian REIT's distributable income. 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, 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.*

(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 year include:*

- (1) *The net amount of impairment loss on Sofitel Shenyang Lido (after deducting respective deferred tax) attributable to unitholders of RMB273 million (2012: nil).*
- (2) *Depreciation and amortisation attributable to unitholders arising from fair value adjustment upon acquisition of Shenyang Lido Business Co. Limited by the Group of RMB37 million (2012: RMB37 million).*
- (3) *Other cash distributions of RMB10 million (2012: RMB41 million).*

(iii) *The interim distribution per unit of RMB0.1203 for the six months ended 30 June 2013 is calculated based on Hui Xian REIT's amount available for distribution of RMB616,186,083 over 5,120,210,562 units, representing issued units as at 30 June 2013. The final distribution per unit of RMB0.1252 for the six months ended 31 December 2013 is calculated based on Hui Xian REIT's amount available for distribution of RMB646,643,943 over 5,164,525,496 units, representing issued units as at 31 December 2013.*

*The interim distribution per unit of RMB 0.1178 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 RMB 0.1214 for the six months ended 31 December 2012 is calculated based on Hui Xian REIT's amount available for distribution of RMB 616,347,645 over 5,076,415,649 units, representing issued units as at 31 December 2012.*

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTES	2013 RMB million	2012 RMB million
<b>Non-current assets</b>			
Investment properties	14	30,080	29,660
Property, plant and equipment	15	2,417	2,640
Land and related costs	16	4,278	4,798
Total non-current assets		36,775	37,098
<b>Current assets</b>			
Hotel inventories		24	22
Land and related costs	16	128	141
Trade and other receivables	17	60	64
Bank balances and cash		3,740	2,063
Total current assets		3,952	2,290
<b>Total assets</b>		40,727	39,388
<b>Current liabilities</b>			
Trade and other payables	18	463	441
Tenants' deposits		220	197
Tax payable		64	37
Manager's fee payable		73	44
Distribution payable		646	634
Loans from a unitholder	19	-	1,005
Bank loans	20	157	-
Total current liabilities		1,623	2,358
<b>Total assets less current liabilities</b>	23	39,104	37,030
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loans	20	3,060	959
Tenants' deposits		424	377
Deferred tax liabilities		7,372	7,363
Total non-current liabilities, excluding net assets attributable to unitholders		10,856	8,699
<b>Total liabilities, excluding net assets attributable to unitholders</b>		12,479	11,057
Non-controlling interest		285	417
<b>Net assets attributable to unitholders</b>		27,963	27,914
Units in issue ('000)		5,164,525	5,076,416
Net asset value per unit (RMB) attributable to unitholders	21	5.4144	5.4988

## FINANCIAL INFORMATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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#### 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 (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 units 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 constituting Hui Xian REIT dated 1 April 2011 as amended by a Supplemental Deed dated 24 May 2013 (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 "SFC").

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.

#### 2. BASIS OF PREPARATION

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except as described below.

In the current year, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

## FINANCIAL INFORMATION

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

#### **Amendments to HKAS 1 "Presentation of Items of Other Comprehensive income"**

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and an income statement is renamed as a "statement of profit or loss".

The Manager has decided to retain the use of old term in the Group's consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

## FINANCIAL INFORMATION

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### **HKFRS 12 "Disclosure of Interests in Other Entities"**

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

#### **HKFRS 13 "Fair Value Measurements"**

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 established a single source of guidance for fair value measurements and disclosures about fair value measurements, and replaces those requirements previously included in various HKFRSs. The scope of HKFRS 13 is broad and applies to both financial instruments items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in uses for impairment assessment purposes).

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. Other than the additional disclosure requirements, the application of the HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Except as described above, the application of the other new and revised HKFRSs in the current year had had no material effect on the amounts and disclosures set out in these consolidated financial statements.

## FINANCIAL INFORMATION

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>2</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
HK(IFRIC) - Int 21	Levies <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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.

### 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.

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 Sofitel Shenyang Lido, Shenyang, the PRC.

## FINANCIAL INFORMATION

### 4. SEGMENT REPORTING - continued

#### (a) Segment revenue and results

##### For the year ended 31 December 2013

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Consolidated RMB million
Segment revenue	<u>1,075</u>	<u>922</u>	<u>129</u>	<u>584</u>	<u>2,710</u>
Segment profit	<u>858</u>	<u>681</u>	<u>63</u>	<u>162</u>	<u>1,764</u>
Increase in fair value of investment properties					412
Finance costs					(88)
Impairment loss on a hotel property					(520)
Depreciation and amortisation					(292)
Unallocated income					113
Unallocated expense					(122)
Profit before taxation and transactions with unitholders					<u>1,267</u>

##### 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	<u>959</u>	<u>785</u>	<u>129</u>	<u>775</u>	<u>2,648</u>
Segment profit	<u>746</u>	<u>568</u>	<u>60</u>	<u>297</u>	<u>1,671</u>
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					<u>4,009</u>

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.

## FINANCIAL INFORMATION

### 4. SEGMENT REPORTING - continued

#### (b) Segment assets

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

	<u>2013</u> RMB million	<u>2012</u> RMB million
The Malls	15,550	14,867
The Tower Offices	14,566	14,829
The Tower Apartments	2,138	2,206
The Hotels	4,871	5,581
Total segment assets	37,125	37,483
Bank balances and cash	3,558	1,861
Other assets	44	44
Consolidated total assets	<u>40,727</u>	<u>39,388</u>

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), trade and certain other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and certain 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 year.

#### (d) Other segment information

##### For the year ended 31 December 2013

	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	<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>	<u>10</u>

##### 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	<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>	<u>10</u>



## FINANCIAL INFORMATION

### 5. REVENUE

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> RMB million
Gross rental from investment properties	<b>1,997</b>	1,744
Income from hotel operation	<b>584</b>	775
Income from serviced apartments operation	<b>129</b>	129
Total	<b><u>2,710</u></b>	<u>2,648</u>

The gross rental from investment properties includes contingent rents of RMB14 million (2012: RMB26 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB513 million (2012: RMB484 million).

### 6. RENTAL RELATED INCOME

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> RMB million
Service income	<b>38</b>	39
Forfeited tenant deposits	<b>7</b>	7
Others	<b>10</b>	8
Total	<b><u>55</u></b>	<u>54</u>

### 7. OTHER INCOME

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> RMB million
Interest income from banks	<b>78</b>	26
Exchange gain	<b>34</b>	-
Government subsidies	<b>12</b>	1
Others	<b>2</b>	1
Total	<b><u>126</u></b>	<u>28</u>

## FINANCIAL INFORMATION

### 8. OTHER OPERATING EXPENSES

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Advertising and promotion	<b>20</b>	19
Audit fee	<b>1</b>	1
Business tax	<b>155</b>	151
Insurance	<b>6</b>	6
Lease agency fee	<b>30</b>	32
Property manager's fee	<b>30</b>	33
Property management fees	<b>34</b>	42
Repairs and maintenance	<b>119</b>	90
Other miscellaneous expenses (Note)	<b>193</b>	215
Stamp duty	<b>2</b>	3
Urban land use tax	<b>3</b>	3
Urban real estate tax	<b>112</b>	112
Utilities	<b>126</b>	126
	<b><u>831</u></b>	<u>833</u>

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

### 9. FINANCE COSTS

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Interest expense on unsecured bank loans wholly repayable within five years	<b>52</b>	30
Interest expense on loans from a unitholder	<b>36</b>	31
	<b><u>88</u></b>	<u>61</u>

### 10. MANAGER'S FEES

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Base fee	<b>110</b>	112
Variable fee	<b>37</b>	34
Acquisition fee	<b>-</b>	10
	<b><u>147</u></b>	<u>156</u>

## FINANCIAL INFORMATION

### 11. REAL ESTATE INVESTMENT TRUST EXPENSES

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Trustee's fee	<b>4</b>	4
Legal and professional fees	<b>4</b>	3
Public relations - related expenses	<b>1</b>	1
Trust administrative expenses	<b>1</b>	2
	<b><u>10</u></b>	<u>10</u>

### 12. INCOME TAX EXPENSE

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
The income tax expense comprises:		
Current tax		
- PRC Enterprise Income Tax	<b>393</b>	353
- withholding tax	<b>25</b>	62
Deferred taxation	<b>9</b>	695
	<b><u>427</u></b>	<u>1,110</u>

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.

### 13. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2013 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB972 million by 5,122,313,782 units, being the weighted average number of units in issue during the year of 5,118,346,004 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2013 to 31 December 2013 of 3,967,778 units.

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.

## FINANCIAL INFORMATION

### 14. INVESTMENT PROPERTIES

	<b>2013</b> <b>RMB million</b>	<b>2012</b> <b>RMB million</b>
FAIR VALUE		
At the beginning of the year	<b>29,660</b>	26,860
Additions	<b>8</b>	-
Increase in fair value recognised in profit or loss	<b>412</b>	2,800
At the end of the year	<b>30,080</b>	29,660

- (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 2013 and 31 December 2012 by American Appraisal China Limited, an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations.

### 15. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>				
	<u>Hotels</u>	<u>Serviced</u>	<u>Plant and</u>	<u>Others</u>	<u>Total</u>
	RMB million	apartments	machinery	RMB million	RMB million
COST		RMB million	RMB million		
At 1 January 2012	1,207	578	145	94	2,024
Addition arising from acquisition of a business	808	-	6	12	826
Additions for the year	3	-	-	14	17
Disposals for the year	-	-	-	(9)	(9)
At 31 December 2012	2,018	578	151	111	2,858
Additions for the year	<b>58</b>	-	<b>2</b>	<b>8</b>	<b>68</b>
Disposals for the year	-	-	-	(21)	(21)
At 31 December 2013	<b>2,076</b>	<b>578</b>	<b>153</b>	<b>98</b>	<b>2,905</b>
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2012	27	13	9	14	63
Provided for the year	108	18	14	23	163
Eliminated on disposals	-	-	-	(8)	(8)
At 31 December 2012	135	31	23	29	218
Provided for the year	<b>110</b>	<b>17</b>	<b>14</b>	<b>20</b>	<b>161</b>
Impairment loss recognised in consolidated statement of comprehensive income	<b>128</b>	-	-	-	<b>128</b>
Eliminated on disposals	-	-	-	(19)	(19)
At 31 December 2013	<b>373</b>	<b>48</b>	<b>37</b>	<b>30</b>	<b>488</b>
CARRYING AMOUNTS					
At 31 December 2013	<b>1,703</b>	<b>530</b>	<b>116</b>	<b>68</b>	<b>2,417</b>
At 31 December 2012	1,883	547	128	82	2,640

## FINANCIAL INFORMATION

### 15. PROPERTY, PLANT AND EQUIPMENT - continued

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, using the straight-line method.

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

At the end of the reporting period, the hotels were revalued 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 Manager determined that a hotel property located in Shenyang was impaired as its recoverable amount was valued at less than its carrying amount. The valuation, which also represented the recoverable amount of the hotel property located in Shenyang (comprising land, hotel building and plant and machinery), had been arrived by using discounted cash flow approach by the projection of a series of periodic cash flows to the hotel and a discount rate of 8.5%. At 31 December 2013, the recoverable amount of that hotel property was estimated to be RMB970 million and the carrying amount of the hotel building before impairment losses was RMB1,490 million, resulting in an impairment loss of RMB520 million (2012: nil) recognised in the consolidated statement of comprehensive income, of which RMB128 million (2012: nil) was attributable to the building portion and RMB392 million (2012: nil) (Note 16) was attributable to the land portion of the hotel property.

### 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><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Non-current asset	<b>4,278</b>	4,798
Current asset	<b><u>128</u></b>	<u>141</u>
	<b><u><u>4,406</u></u></b>	<u><u>4,939</u></u>

During the year, an impairment loss of RMB392 million (2012: nil) in respect of land portion of the hotel property in Shenyang was recognised in the consolidated statement of comprehensive income, details of which have been set out in Note 15.

## FINANCIAL INFORMATION

### 17. TRADE AND OTHER RECEIVABLES

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Trade receivables	<b>29</b>	27
Deposits and prepayments	<b>19</b>	16
Advance to suppliers	<b>2</b>	8
Interest receivables	<b>8</b>	10
Other receivables	<b>2</b>	3
	<b><u>60</u></b>	<b><u>64</u></b>

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

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Less than or equal to 1 month	<b>28</b>	25
1 - 3 months	<b>1</b>	1
Over 3 months	<b>-</b>	1
	<b><u>29</u></b>	<b><u>27</u></b>

### 18. TRADE AND OTHER PAYABLES

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Trade payables	<b>84</b>	81
Rental received in advance	<b>197</b>	188
Others (Note)	<b>182</b>	172
	<b><u>463</u></b>	<b><u>441</u></b>

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><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Less than or equal to 3 months	<b>76</b>	59
Over 3 months	<b>8</b>	22
	<b><u>84</u></b>	<b><u>81</u></b>

## FINANCIAL INFORMATION

### 19. LOANS FROM A UNITHOLDER

As at 31 December 2012, the amounts represented loans of RMB545 million and RMB460 million drawn under a revolving credit facility granted from a unitholder, Hui Xian Holdings Limited ("Hui Xian Holdings"). The loans were unsecured, bore interest at a range of 5.5% to 5.9% per annum and were fully repaid on 3 January 2013 and 24 March 2013 respectively. During the year ended 31 December 2013, the additional drawdown of RMB1,035 million under this revolving credit facility, which were unsecured, bore interest rate at a range of 4.75% to 5.7% per annum, were also fully repaid.

### 20. BANK LOANS

	<b><u>2013</u></b> <b>RMB million</b>	<b><u>2012</u></b> <b>RMB million</b>
Unsecured term loans	<b>3,243</b>	973
Loan front-end fee	<b>(26)</b>	(14)
	<b><u>3,217</u></b>	<u>959</u>
The maturities of the above bank loans are as follows:		
Within one year	<b>157</b>	-
More than one year but not exceeding two years	<b>937</b>	-
More than two years but not exceeding five years	<b>2,123</b>	959
	<b>3,217</b>	959
Less: Amounts shown under current liabilities	<b>(157)</b>	-
Amount due after one year	<b><u>3,060</u></b>	<u>959</u>

In relation to the credit facility of HK\$200 million (equivalent to RMB157 million) granted to the Group on 19 December 2013 to finance the general working capital requirement of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2013 was HK\$200 million (equivalent to RMB157 million) (2012: nil). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 2% and is repayable in full in December 2014.

In relation to the credit facility of HK\$1,525 million (equivalent to RMB1,200 million) granted to Group on 6 November 2013 to finance the repayment of any outstanding amounts under the revolving credit facility granted from Hui Xian Holdings and to finance the general corporate funding needs of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2013 was HK\$1,525 million (equivalent to RMB1,200 million) (2012: nil). It bears interest at floating interest rate of HIBOR plus 1.85% and is repayable in full in November 2016.

## FINANCIAL INFORMATION

### 20. BANK LOANS - continued

In relation to the credit facility of HK\$1,200 million (equivalent to RMB943 million) granted to the Group on 22 April 2013 to finance the repayment of any outstanding amounts under the revolving credit facility granted from Hui Xian Holdings and to finance the general corporate funding needs of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2013 was HK\$1,200 million (equivalent to RMB943 million) (2012: nil). It bears interest at floating interest rate of HIBOR plus 1.95% and is repayable in full in April 2016.

In relation to the credit facility of HK\$1,200 million (equivalent to RMB943 million) granted to the Group on 29 December 2011 to finance the general corporate funding needs of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2013 was HK\$1,200 million (equivalent to RMB943 million) (2012: HK\$1,200 million (equivalent to RMB973 million)). It bears interest at floating interest rate of HIBOR plus 2% and is repayable in full in January 2015.

Bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of the Group.

### 21. 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 2013 of RMB27,963 million (2012: RMB27,914 million) and the total number of 5,164,525,496 units in issue as at 31 December 2013 (2012: 5,076,415,649 units).

### 22. NET CURRENT ASSETS/LIABILITIES

At the end of the reporting period, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB2,329 million (2012: net current liabilities of RMB68 million).

### 23. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB39,104 million (2012: RMB37,030 million).